



INDUTRADE AB (publ)

(a public company incorporated with limited liability in the Kingdom of Sweden)

Global offering of 22,000,000 shares of nominal value SEK 1 each Offering price SEK • per share

A total of 22,000,000 existing shares (the “Offering Shares”) in Indutrade AB (publ) (the “Company”) will be offered for sale by AB Industrivärden (publ) (the “Selling Shareholder”) through Enskilda Securities AB (“Enskilda”) and Handelsbanken Capital Markets, Svenska Handelsbanken AB (publ) (“Handelsbanken” and together with Enskilda, the “Managers”) pursuant to the offering to institutional investors (the “Offering to institutional investors”) and the offering to the general public (the “Offering to the general public”) described in this document (together, the “Offering”). The Offering to the general public will be directed at members of the general public in Sweden. The Offering to institutional investors will be directed at institutional investors by way of a private placement in various jurisdictions, including a private placement in the United States to “qualified institutional buyers” as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”). All offers and sales of the Sale Shares (as defined below) outside the United States will be made in reliance on Regulation S under the U.S. Securities Act.

The Selling Shareholder has granted to the Managers an option (the “Over-Allotment Option”) exercisable during the period ending 30 days after listing of the shares, to require the sale by the Selling Shareholder of an aggregate of up to 3,000,000 additional Shares (the “Additional Shares” and together with the Offering Shares, the “Sale Shares”), solely to cover over-allotments, if any.

Prior to the Offering, there has been no public market for any shares in the Company. The offering price per share is expected to be between SEK 55 and SEK 65. The Stockholm Stock Exchange has agreed to admit the shares to its O-list, subject to satisfaction of its initial distribution criteria. It is expected that trading in the shares on the O-list will commence on or about 5 October 2005.

In connection with the Offering in accordance with this prospectus, Enskilda Securities AB (“Enskilda Securities”) and Svenska Handelsbanken AB (“Handelsbanken”) may conduct transactions that stabilize or uphold the price of the shares at levels that would otherwise not pertain in the market (stabilization). The purpose of such stabilization measures will be to support the market price of the shares and the measures may be taken during a period that starts on the first day of trading in the shares on the Stockholm Stock Exchange and ends 30 calendar days thereafter. However, no guarantee is provided that stabilization measures will be undertaken, and any commenced stabilization may be discontinued at any time. Under no circumstances will stabilization measures be conducted at a price that exceeds the established offering price.

The shares offered hereby have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A or to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. See sections “Selling restrictions” and “Transfer restrictions.”

JOINT LEAD MANAGERS AND BOOKRUNNERS

ENSKILDA SECURITIES

Handelsbanken Capital Markets

IMPORTANT NOTICE

The Board of Directors of the Company accepts responsibility for the information contained in this document. So far as the Directors are aware, the information contained in this document is in accordance with the facts and no material information has been omitted from this document which could affect the presentation of the Company or of the Company and its subsidiaries (together the "Group") in this document.

No representation or warranty, express or implied, is made by the Managers or any of their respective affiliates as to the accuracy or completeness of the information set out herein, and nothing contained in this document is, or shall be relied upon as, a promise or representation by the Managers or their respective affiliates or any of them as to the past or the future.

This Offering Circular is confidential and is being furnished by the Company and the Selling Shareholder in connection with an offering exempt from, or not subject to, the registration requirements of the U.S. Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Sale Shares. The information contained in this Offering Circular has been provided by the Company, the Selling Shareholder and other sources identified herein. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Sale Shares offered hereby is prohibited. Each offeree of the Sale Shares, by accepting delivery of this Offering Circular, agrees to the foregoing.

No person has been authorized to give any information or to make any representation in connection with the Offering other than as contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorized by the Company, the Selling Shareholder or any of the Managers. Neither the delivery of this Offering Circular nor any sale made in connection with the Offering shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof. This document does not constitute an offer of, or an invitation by or on behalf of, the Company, the Selling Shareholder or any of the Managers to purchase any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful. No representation or warranty, express or implied, is made by the Managers or any of their affiliates as to the accuracy or completeness of the information set out herein, and nothing contained in this document is, or shall be relied upon as, a promise or representation by the Managers or their affiliates as to the past or the future.

Other than in Sweden, neither the Company, the Selling Shareholder nor any of the Managers will take any action that would permit a public offering of the Sale Shares or the circulation or distribution of this Offering Circular or any other offering materials in relation to the Company or its subsidiaries or the Sale Shares in any country or jurisdiction where action for such purpose would be required. This Offering Circular may not be used for or in connection with any offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such use, offer or solicitation by, any person in any jurisdiction or in any circumstances in which such use, offer or solicitation is unauthorized or unlawful or would require any offering document, registration or other measures to be taken in addition to those required under Swedish law or otherwise contemplated hereby, and no such offer or solicitation is being made to or by any person whose participation would require any such measures to be taken. The distribution of this Offering Circular and the Offering or sale of the Sale Shares in certain jurisdictions are restricted by law. In particular, the shares described in this Offering Circular have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering of the Sale Shares or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States. Persons into whose possession this Offering Circular may come are required by the Company, the Selling Shareholder and the Managers to inform themselves about and to observe such restrictions. Further information with regard to restrictions on offers and sales of the Sale Shares and the distribution of this Offering Circular is set forth under "Selling Arrangements."

Disputes in connection with the Offering shall be decided exclusively pursuant to Swedish law and exclusively by Swedish courts. In the event of any differences between the text contained in this document and the original text contained in the Swedish prospectus, the latter shall prevail.

Each of the Managers is acting as placing agent to the Selling Shareholder for the purposes of arranging the Offering. Each of Enskilda and Handelsbanken is supervised by the Swedish Financial Supervisory Authority, *Finansinspektionen*. Neither of the Managers nor any of its subsidiaries is advising any person, and neither of the Managers nor any of its affiliates will be responsible for providing to any person (whether or not a recipient of this document or any other information) in relation to the Offering the protections afforded to its customers.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING INCLUDING, WITHOUT LIMITATION, THE MERITS AND RISKS INVOLVED. THE OFFERING IS BEING MADE SOLELY ON THE BASIS OF THIS OFFERING CIRCULAR. ANY DECISION TO BUY SALE SHARES SHOULD BE BASED SOLELY ON THE FINAL OFFERING CIRCULAR.

Notice to prospective investors in the United States

The Sale Shares offered hereby have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense in the United States.

The Sale Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Accordingly, the Sale Shares are being offered and sold (a) in the United States, only to "qualified institutional buyers," commonly referred to as "QIBs" (as defined in Rule 144A under the U.S. Securities Act), in transactions exempt from the registration requirements of the U.S. Securities Act, and (b) outside the United States. Prospective investors are hereby notified that the Managers may be relying on the exemption from the registration requirements of the U.S. Securities Act provided by Regulation S or Rule 144A or another applicable exemption from registration. For certain restrictions on resale or transfer of the shares, see the sections "Selling restrictions" and "Transfer restrictions".

In the United States, this Offering Circular is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider subscribing for the Sale Shares described herein. The information contained in this Offering Circular has been provided by the Company and other sources identified herein. Distribution of this Offering Circular to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without prior written consent of the Company, is prohibited. Any reproduction or distribution of this Offering Circular in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Sale Shares.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Notice to prospective investors in the United Kingdom

The Sale Shares may not be offered or sold prior to the date six months after the date of delivery of the Sale Shares to persons in the United Kingdom except to persons who are qualified investors within the meaning of Section 86 of the Financial Services and Markets Act 2000 (the "FSMA") or otherwise in circumstances which do not require the publication by the company of an approved prospectus in the United Kingdom pursuant to Section 85 of the FSMA. All sales of Sale Shares will comply with all applicable provisions of the FSMA with respect to anything done in relation to the Offering and the Sale Shares in, from or otherwise involving the United Kingdom. No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the sale of any Sale Shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company.

For a description of further selling restrictions, see "Selling restrictions".

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The discussion in this Offering Circular contains various forward-looking statements and includes assumptions about future market conditions, operations and financial performance. These statements appear in a number of places, including the sections "Indutrade in brief", "Background and reasons", "Market overview", "Description of operations", "Comments on the financial development", "Share capital and owners", "Supplementary information", "Placing agreement", and include statements regarding the Company's current intentions, beliefs or expectations. The words "believe", "expect", "intend", "aim", "endeavour" and "strive" and similar expressions identify forward-looking statements. Others can be identified from the context in which statements are made. However, a number of factors could cause actual results to differ materially from those projected or implied in such forward-looking statements. These factors include, among others: economic downturns in general and in Indutrade's specific market segments, the competitive environment in the Group's business in general and in the Group's specific market segments, increased competition from low-cost countries, customers of Indutrade relocating production or resources to low-cost countries, consolidation among Indutrade's suppliers, the Company's ability to achieve or manage growth, Indutrade's dependence on key employees, failure to comply with current or future government regulations governing the Group, changes in strategy, marketing of the products of the Group, and other factors referenced herein including under the heading "Risk factors and special considerations". Further, certain forward-looking statements are based upon assumptions of future events, which may not prove to be accurate. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements. Indutrade undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

AVAILABLE INFORMATION

The Company will make available to holders of shares in the Company annual reports which include the Company's audited consolidated financial statements prepared in conformity with International Financial Reporting Standards ("IFRS") and expressing all amounts in Swedish kronor. The financial statements included in the annual reports will be examined and reported upon, with an opinion expressed, by the Company's independent auditors. The Company will also make available to holders of shares in the Company quarterly reports for the first three quarters of each year, which will include unaudited consolidated financial information prepared in conformity with IFRS. IFRS differ in certain respects from accounting principles generally accepted in certain other countries including the accounting principles generally accepted in the United States.

For so long as any of the shares remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, if at any time the Company is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the "U.S. Exchange Act") nor exempt from reporting pursuant to Rule 12g3-2(b) of the U.S. Exchange Act, it will, upon request, furnish to any holder or beneficial owner of the shares, or to any prospective purchaser of the shares designated by such holder or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act. Such requests should be directed to Indutrade, Raseborgsgatan 9, SE-164 06 Kista, Sweden (Att: Investor Relations), phone +46 8 703 03 00.

ENFORCEMENT OF LIABILITIES AND SERVICE OF PROCESS

The Company is a public limited liability company (Sw. *publikt aktiebolag*) incorporated under the laws of the Kingdom of Sweden with its registered office in Stockholm. All of the Company's directors and officers reside in Sweden or other jurisdictions outside the United States. All or a substantial portion of the assets of the Company, the Selling Shareholder, and all or substantially all of the assets of the directors and officers of the Company, are located outside of the United States. As a result, it may not be possible for investors to effect service of process in the United States upon the Company, the Selling Shareholder or the directors and officers of the Company, or to enforce against them judgments obtained in the U.S. courts predicated upon civil liability provisions of the federal securities laws or other laws of the United States.

The Company has been advised that the United States and Sweden do not currently have a treaty providing for reciprocal recognition and enforcement of judgments rendered in connection with civil and commercial disputes. As a result, a final judgment for the payment of damages rendered by a court in the United States based on civil liability, whether or not predicated solely upon the federal securities laws of the United States, may not be enforceable in Sweden. If the party in whose favor the final judgment is rendered brings a new suit in a competent court in Sweden, however, the party may submit to the Swedish court the final judgment that has been rendered in the United States. A judgment by a court in the United States will be regarded by a Swedish court only as evidence of the outcome of the dispute to which the judgment relates, and a Swedish court may choose to rehear the dispute *ab initio*.

EXCHANGE RATES

The following table sets out, for the periods and dates indicated, certain exchange rates as reported by the Swedish central bank (*Riksbanken*) expressed in SEK per USD.

Year ended 31 December	Period-end	Average ¹⁾	High	Low
2000	9.5350	9.1718	10.3325	8.3425
2001	10.6675	10.3260	10.9950	9.2650
2002	8.8250	9.7243	10.7275	8.8050
2003	7.2750	8.0894	8.8000	7.2750
2004	6.6125	7.3496	7.7500	6.5825

The following table sets out, for the periods and dates indicated, certain exchange rates as reported by the Swedish central bank (*Riksbanken*) expressed in SEK per GBP.

Year ended 31 December	Period-end	Average ¹⁾	High	Low
2000	14.2200	13.8640	14.7050	12.8400
2001	15.4750	14.8691	15.9175	13.7900
2002	14.1475	14.5797	15.1375	13.9650
2003	12.9125	13.1946	14.1875	12.6475
2004	12.7100	13.4560	13.9875	12.7000

The following table sets out, for the periods and dates indicated, certain exchange rates as reported by the Swedish central bank (*Riksbanken*) expressed in SEK per EUR.

Year ended 31 December	Period-end	Average ¹⁾	High	Low
2000	8.8570	8.4465	8.8740	8.0850
2001	9.4190	9.2516	9.9410	8.8400
2002	9.1925	9.1627	9.5150	8.9765
2003	9.0940	9.1250	9.2965	8.8990
2004	9.0070	9.1268	9.2730	8.8920

No representation is made that SEK amounts have been or could be converted into USD, GBP or EUR at any of the exchange rates herein indicated.

¹⁾ Daily average, middle rate.

SELLING ARRANGEMENTS

According to the terms and conditions of a special agreement pertaining to the sale of shares, which is expected to be signed on or around October 4, 2005 (the "Placing agreement") by Industrivärden, Indutrade and the Managers, the Managers intend, on certain conditions, to undertake to procure purchasers for the shares covered by the Offering or, failing which, to acquire the shares themselves at the price determined in the Offering.

Industrivärden intends to undertake to sell the shares covered by the Offering. The shares will be offered for the sale price (within the range of SEK 55–65) that, following a form of tendering procedure, is determined by Industrivärden after consultation with the Managers.

The Placing agreement stipulates, among other conditions, that the above undertakings are subject to the fulfillment of certain conditions, including Indutrade's operations not becoming subject to material adverse change and the Stockholm Stock Exchange deciding to approve the Company for listing on its O-List. The undertakings are also contingent upon the Managers obtaining certain special statements from, among others, the Company.

The Offering can be cancelled at any time before the date of settlement if changes occur in national or international political or financial environmental factors, market conditions or currency regulations that, according to the Managers' assessment after consultation with Industrivärden, have such a strongly negative effect on Indutrade or its shares that implementation of the Offering or trading in the shares are made significantly difficult or obstructed or is otherwise assessed as inappropriate.

Industrivärden and the Company have agreed to indemnify the Managers in certain situations, in connection with the sale of the Company's shares.

Under the Placing agreement, Industrivärden, by applying the Over-Allotment Option, intends to undertake, at the request of the Managers, to sell up to 3,000,000 additional shares no later than 30 days from the initial listing date. The Managers may only utilize the Over-Allotment Option in order to cover over-allotments within the Offering.

Following the listing, Industrivärden intends to continue to be a principal owner of Indutrade and to retain Indutrade as an active holding in its equity portfolio (see page 8, section "Background and reasons"). In relation to the Managers, Industrivärden has undertaken that for a period of six months from the initial listing date it will not without written consent from the Managers (i) vote in favor of, or propose to a General Meeting, the issue or the approval of the issue of shares, convertible debenture or debentures with warrants for subscription of new shares, or to propose to, or urge, another party to do so (this undertaking does not constitute any limitation for the company to utilize the authorization to issue shares described on page 53, section "Authorization"), or (ii) to divest or in some other manner dispose of shares issued by the Company. The restrictions do not apply to shares affected by the incentive program for certain senior executives (the "Incentive Program") that is described on page 53, section "Shareholdings and incentive programs".

Notwithstanding these restrictions, Industrivärden may also acquire additional shares and divest such shares as long as Industrivärden's shareholding does not fall below the number of shares that Industrivärden holds following completion of the Offering and the Incentive Program.

The Sale Shares are being offered pursuant to this Offering Circular in an international offering to institutional investors under Regulation S and a private placement in the United States with qualified institutional buyers ("QIBs") pursuant to Rule 144A or another exemption from registration under the U.S. Securities Act, and pursuant to a Swedish prospectus in a public offering to retail and institutional investors in Sweden. See sections "Selling restrictions" and "Transfer restrictions".

Until 40 days after the commencement of the Offering, an offer or sale of Sale Shares within the United States by a dealer (whether or not it is participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A or another exemption from registration under the U.S. Securities Act.

Purchasers of Sale Shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the price to investors set forth on the cover page of this Offering Circular.

No action has been taken or will be taken any jurisdiction, other than in Sweden with respect to the Offering to the general public, by the Company, the Selling Shareholder or the Managers that would permit a public offering of the Sale Shares in any jurisdiction where action for such purpose is required. Persons into whose possession this Offering Circular comes are required by the Company, the Selling Shareholder and the Managers to inform themselves about and observe any restrictions (other than in Sweden) as to the Offering and the distribution of this Offering Circular.

Expenses of the Offering

The Company is expected to incur total expenses relating to the Offering of approximately SEK 6 million.

This document is, in all material respects, a translation of the Swedish prospectus prepared in accordance with Swedish regulations. In the event of any differences between this translation and the Swedish original, the Swedish prospectus shall govern.



Offering to acquire shares in Indutrade AB



ENSKILDA SECURITIES

Handelsbanken Capital Markets

CONTENTS

Offering to acquire shares in Indutrade	1
Indutrade in brief	2
Terms and conditions	5
Background and reasons	8
History	9
Market overview	10
Description of operations	14
Financial information in summary	34
Comments on the financial development	40
Risk factors and special considerations	50
Share capital and owners	53
Board, senior executives and auditors	54
Supplementary information	59
Placing agreement	62
Data from Indutrade's Articles of Association, etc.	63
Tax issues in Sweden	64
Interim report, January 1 – June 30, 2005	66
Financial statements	75
Auditors' statement	101
Addresses	102
Certain definitions	104

TERMS IN BRIEF

OFFERING PRICE

The price per share, which will be determined on the basis of a book-building procedure, is expected to be in the range of SEK 55– 65. The price in the Offering to the general public will however, not exceed SEK 65 per share.

PRELIMINARY TIME SCHEDULE

Application period for the general public	September 21 – October 3, 2005
Application period for institutional investors	until and including October 4, 2005
Announcement of Offering price	On or about October 5, 2005
Expected date of initial trading on the Stockholm Stock Exchange's O-List	On or about October 5, 2005

DATES FOR THE PUBLICATION OF FINANCIAL INFORMATION

Interim report for the period January 1 – September 30, 2005	November 8, 2005
Year-end report 2005	February 13, 2006
Annual Report for 2005	March/April, 2006
Annual General Meeting 2006	April 27, 2006

OTHER INFORMATION

ISIN code	SE 0001515552
Short name on Stockholm Stock Exchange's O-List	INDT
Trading lot	200 shares



When used in this prospectus, the terms "Indutrade" or the "Company" refer, depending on the context, to either Indutrade Aktiebolag (publ) or the Group in which Indutrade Aktiebolag (publ) is the Parent Company. The "Group" refers to the group in which Indutrade Aktiebolag (publ) is the Parent Company.

Since, in certain cases, the figures reported in this prospectus have been rounded off, figures in tables do not always tally.

When used in this prospectus, statements about the future outlook have been made by the Board of Directors of Indutrade and are based on current market conditions and other circumstances pertaining at the present time. Although the said statements are well conceived, readers should be aware that all such statements are future assessments that are subject to uncertainty. Unless otherwise stated, the assessments and estimates presented in the prospectus are those made by the company.

The Offering according to this prospectus is intended for the general public in Sweden alone, and not in any other country. Nor is the Offering intended for people whose participation requires an additional prospectus, additional registration or measures other than those pursuant to Swedish law. The prospectus may not be distributed in any country where such distribution or the Offering as such requires a measure of the type described above or contravenes the rules applicable in such a country. An acquisition notification that contravenes the above may be regarded as null and void. The shares covered by the Offering presented in this prospectus have not been and will not be registered in accordance with the United States Securities Act from 1933 ("Securities Act") or a provincial act

of Canada and may not be offered or sold, directly or indirectly, in the United States of America or in Canada to people who are domiciled in these two countries, apart from those exceptions that do not require registration in accordance with the Securities Act or a provincial act of Canada.

In connection with the Offering in accordance with this prospectus, Enskilda Securities AB ("Enskilda Securities") and Svenska Handelsbanken AB ("Handelsbanken") may conduct transactions that stabilize or uphold the price of the shares at levels that would otherwise not pertain in the market (stabilization). The purpose of such stabilization measures will be to support the market price of the shares and the measures may be taken during a period that starts on the first day of trading in the shares on the Stockholm Stock Exchange and ends 30 calendar days thereafter. However, no guarantee is provided that stabilization measures will be undertaken, and any commenced stabilization may be discontinued at any time. Under no circumstances will stabilization measures be conducted at a price that exceeds the established offering price.

Disputes pertaining to the Offering presented in this prospectus will be settled exclusively in accordance with Swedish law and by a Swedish court of law.

The Swedish version of this prospectus has been registered with the Swedish Financial Supervisory Authority in accordance with Chapter 2, Section 4 of the Financial Instruments Trading Act (1991:980). Such registration does not mean that the Financial Supervisory Authority guarantees that the factual information contained in the prospectus is true or complete.

OFFERING TO ACQUIRE SHARES IN INDUTRADE

In order to facilitate Indutrade's future development and growth the shareholder, AB Industrivärden (publ) ("Industrivärden") has decided to implement a diversification of ownership of shares¹⁾ in the company, through the sale of 55.0 percent of the existing shares in Indutrade. In addition, the Board of Directors of Indutrade has applied for a listing of the Company's shares on the O-list of the Stockholm Stock Exchange.

The price per share, which will be determined on the basis of a book-building procedure, is expected to be in the range of SEK 55– 65. The offering price to the general public will however, not exceed SEK 65 per share. The final offering price will be announced on or around October 5, 2005.

Industrivärden has decided to offer the general public in Sweden and institutional investors the opportunity to acquire up to 22,000,000 current shares in Indutrade. In addition, at the request of Enskilda Securities and Handelsbanken, Industrivärden has undertaken to sell not more than 3,000,000 additional shares in order to cover possible over-allotments in connection with the Offering (the "Over-Allotment Option").

Accordingly, a total of 22,000,000 Indutrade shares are offered for acquisition in accordance with the terms and conditions of this prospectus (the "Offering"), corresponding to 55.0 percent of the share capital and voting rights in the Company, following full acceptance of the Offering. If the Over-Allotment Option is exercised in full, the Offering will comprise of 25,000,000 shares, corresponding to 62.5 percent of the share capital and voting rights in Indutrade.

Assuming full acceptance of the Offering and full exercise of the Over-Allotment Option, the value of the Offering will be between SEK 1,375 million and SEK 1,625 million (depending on the offering price that is determined).

Stockholm, September 16, 2005

AB Industrivärden (publ)

¹⁾ All of the shares in Indutrade are of the same series and carry equal entitlement to a portion of the company's assets and profit.

INDUTRADE IN BRIEF

OPERATIONS

Indutrade markets and sells components, systems and services with a high technology content to industrial customers 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 technical expertise and developed customer relations.

In 2004, Indutrade's net sales amounted to SEK 3,486 million and the company reported operating profit before amortization of intangible fixed assets ("EBITA") of SEK 264 million, corresponding to an EBITA margin of 7.6 percent. Net sales during the first half of 2005 amounted to SEK 1,823 million and EBITA to SEK 148 million, corresponding to an EBITA margin of 8.1 percent.

Indutrade was formed in 1978, when entrepreneur Gunnar Tindberg and his family sold the company called Bengtssons Maskin to Skåne-based listed company Wilhelm Sonesson AB. Since 1978, the Group has completed about 40 acquisitions, including about 20 during the past ten years. Indutrade's acquisition history is shown in the form of net sales growth and EBITA margin in the illustration opposite.

The Group's operations are concentrated in markets in Northern Europe. The main markets are Sweden and Finland, which jointly accounted for approximately 74 percent of net sales in 2004. In addition, the Group operates in Norway,

Denmark, Germany, the Benelux countries, the Baltic States and Russia. The Group intends to increase sales in these markets and evaluate possibilities for establishing operations in other European markets.

Most of the Group's subsidiaries specialize in a specific niche, possess technical expertise and are highly familiar with their customers' production processes. A few subsidiaries have their own facilities for manufacturing and refining products, thereby providing even greater value for customers. Indutrade primarily sells products that satisfy recurring needs. The Group's main product areas include flow products, valves, filters and process technology, industrial equipment, transmissions, cutting tools and fasteners.

Coordination and control of the Group is conducted through the four business areas¹⁾ Engineering & Equipment, Flow Technology, Industrial Components and Special Products. Governance is goal-oriented, focusing on growth, margin and capital turnover. The subsidiaries have been divided into business areas on the basis of their main operations²⁾.

The future sales growth is expected to be largely achieved via company acquisitions. The aim is to acquire one or more companies each year with net sales of SEK 20 million to SEK 200 million per company. In addition, Indutrade continuously evaluates opportunities to implement larger acquisitions. The most recent acquisitions, in the form of the Dutch group Hanwel and the Swedish company Satron, occurred in June and September 2005 respectively. The Hanwel Group

HALLMARKS OF INDUTRADE

- Leading positions in selected niches
- Technically advanced products for recurring needs
- Growth through a structured and well established acquisition strategy
- Historically strong margins and cash flows
- Diversification through many suppliers and customers in different industries
- Decentralized organization with a strong entrepreneurial spirit



Business area	Engineering & Equipment	Flow Technology	Industrial Components	Special Products
Main business	Greater share of industrial equipment than the other business areas. Products mainly comprise flow products, hydraulics, equipment for car repair shops and transmissions.	Components and systems for flow control and monitoring. Products mainly comprise valves, pumps, and measuring and analysis equipment.	Consumables for recurring needs. Products include for instance fasteners, filters, adhesives and cutting tools.	Large share of in-house production and product refinement. Products include temperature sensors, for example special plastics, toolholders and electrical components.

¹⁾ This organization has applied since May 2005 (Indutrade has had a similar structure for the past five years).

²⁾ A subsidiary and its divisions are included in only one of Indutrade's four business areas, even if portions of their product range could have been integrated into another business area.

strengthens the Special Products business area within the valves and process technology product area. For the first six months during 2005, the Hanwel Groups' net sales amounted to around SEK 80 million and EBITA to around SEK 13 million, corresponding to an EBITA margin of 16.3 percent¹⁾.

Satron will be part of the business area Flow Technology. In the past 12-month period, Satron's net sales amounted to SEK 41 million.

The acquisitions are expected to have a positive effect on Indutrade's earnings per share as early as the end of the third quarter (September 30) of 2005.

MARKET

Indutrade is a technology sales company that operates in the Northern European market for industrial components, systems and services. In this market, sales take place either directly through the manufacturers' own sales organizations or via technology sales companies or wholesalers. Technology sales companies differ from wholesalers in that they offer technical advice, customized solutions and generally more technologically advanced products. In addition, technology sales companies often offer high-quality support, training and other after-market services. From the manufacturer's perspective, technology sales companies are on a par with their own sales organization.

As a result of the large number of industries represented among Indutrade's customers, combined with the fact that industrial goods of investment character make up a relatively

small portion of the company's total sales, the company's profitability is normally less sensitive to fluctuations in the economy, compared with other companies with similar operations. This also results in demand for Indutrade's products and services tending to grow in pace with GDP in the geographic markets in which Indutrade has operations.

COMPETITIVE BENEFITS

Good position to lead continued consolidation

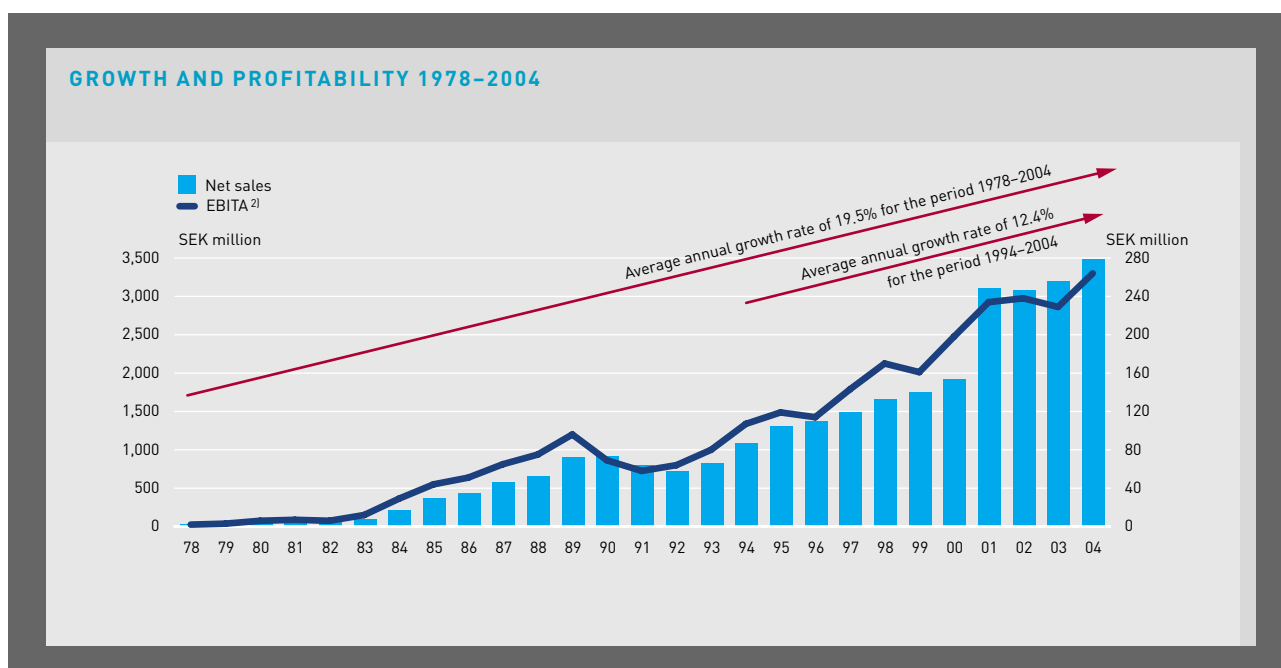
The fragmented market structure entails access to a good number of acquisition candidates. Due to its strong acquisition history, size and good reputation, Indutrade has the experience and prerequisites necessary to continue to implement value-adding acquisitions.

Leading positions within selected niches

As a result of leading market positions in many of the niches in which the Group is active, Indutrade is an attractive business partner to both customers and suppliers.

Diversified customer base provides stability

Indutrade's dependence on individual customers is very limited. Sales to the Group's largest customer represented less than 1.5 percent of total net sales in 2004. The Group's sales are also distributed among industries on which economic trends have varying effects. In addition, Indutrade focuses on customers with recurring needs, within industries that are



¹⁾ Since the Hanwel Group reports in EUR, an exchange rate of EUR/SEK = 9.20 has been used for translation to figures expressed in SEK. The accounts for the first half 2005 have not been audited.

²⁾ After eliminations of non-recurring items.

regarded as having healthy potential for maintaining competitive production in Indutrade's domestic markets.

Technical expertise, long experience and established customer relationships

Many of Indutrade's subsidiaries have built up long-term and robust relationships with customers. This has provided them with an in-depth understanding of customers' processes, which is essential in order to be able to offer qualified advice regarding selection of components and systems.

Cooperation with leading suppliers

Many of the Group's suppliers occupy leading positions in their respective niches, providing Indutrade with an opportunity to offer customers technically advanced products of high quality. The company's dependence on individual suppliers is limited and the largest supplier represented approximately 6 percent of the Group's total net sales in 2004.

BUSINESS CONCEPT, GOALS AND STRATEGIES

Business concept

Indutrade markets and sells components, systems and services with a high technology content in selected niches. Through familiarity with customers' systems and processes, combined with technical expertise, Indutrade aims to be the most efficient partner for customers and suppliers.

Overall goals

Indutrade's overall goal is to be the leading technology sales company in the Nordic region in terms of sales, profitability and technical expertise. The company strives to grow continually, with limited commercial risk, in selected product areas and niches.

Financial goals

- Average annual sales growth should reach 10 percent over a business cycle, whereof:
 - organic growth should exceed GDP growth in geographical markets in which Indutrade operates and
 - the remaining growth is to be accomplished through acquisitions
- The average EBITA margin should exceed 8 percent annually over a business cycle
- Average return on operating capital should exceed 25 percent annually over a business cycle
- The net debt/equity ratio should normally not exceed 100 percent.

Indutrade's dividend policy

The Board's objective is to give shareholders a dividend that yields a good return and that exhibits high dividend growth. The goal is that the dividend over time shall amount to at least 50 percent of net income.

Strategies

In order to achieve the above goals, Indutrade has defined the following strategic guidelines:

- Clear growth strategy with limited operating risk
- Strong market positions
- Long-term partnerships with leading suppliers
- High share of recurring sales and focus on selected customer segments
- Sales organization with technical expertise
- Decentralized organization with a strong local presence.

FINANCIAL DATA

(SEK million unless stated otherwise)	In accordance with IFRS							
	Jan–June 2005	Jan–June 2004	Full-year 2004	Full-year 2004	Full-year 2003	Full-year 2002	Full-year 2001 ¹⁾	Full-year 2000 ²⁾
Net sales	1,823	1,744	3,486	3,486	3,197	3,078	3,109	1,919
Sales growth, %	4.5	11.7	9.0	9.0	3.9	–1.0	62.0	9.6
EBITA	148	130	264	264	229	238	234	198
EBITA margin, %	8.1	7.5	7.6	7.6	7.2	7.7	7.5	10.3
Net income for the period	102	86	168	141	115	114	112	117
Shareholders' equity	594	710	708	694	688	643	611	375
Total assets	1,917	1,675	1,636	1,573	1,665	1,601	1,722	1,014
Equity/assets ratio, %	31	42	43	44	41	40	35	37
Net debt	614	316	282	233	303	319	414	200
Net debt/equity ratio, %	103	45	40	34	44	50	68	53
Return on operating capital, %	25.3 ³⁾	24.4	26.0	27.5	23.5	24.0	29.3	36.7
Operating cash flow	70	72	243	243	149	177	89	130
Earnings per share ⁴⁾ , SEK	2.55	2.15	4.20	3.53	2.88	2.85	2.80	2.93
Average number of employees	1,510 ⁵⁾	1,409 ⁵⁾	1,415	1,415	1,377	1,351	1,375	846

¹⁾ On January 1, 2001, the Fagerberg (incl. GEFA), EIE and Tecalemit groups among others were acquired, with net sales of SEK 1,029 million for fiscal year 2001.

²⁾ Including SEK 26 million in funds from Alecta.

³⁾ The Hanwel Group was acquired on June 27, 2005. The balance sheet was consolidated from the acquisition date while the income statement was consolidated from July 1, 2005. Pro forma prior to the Hanwel acquisition, return on operating capital amounted to 27.0 percent.

⁴⁾ Based on the current number of shares after the completed bonus issue and split.

⁵⁾ These figures are based on the number of employees at the end of the period.

TERMS AND CONDITIONS

THE OFFERING

The Offering comprises a total of 22,000,000 shares and is divided into two parts: the Offering to the general public and the Offering to institutional investors.

THE OFFERING TO THE GENERAL PUBLIC

The Offering to the general public is being made pursuant to the terms and conditions presented in this prospectus.

THE OFFERING TO INSTITUTIONAL INVESTORS

The Offering to institutional investors is being made to institutional investors in Sweden and abroad (however under the restrictions set out in this prospectus).

ALLOCATION

Allocation of shares to the respective part of the Offering will be made on the basis of demand. The allocation will be made by Industrivärden in consultation with Enskilda Securities and Handelsbanken.

OVER-ALLOTMENT

The Offering may comprise an additional 3,000,000 shares if the Over-Allotment Option is exercised (see page 62, under the section “Placing agreement”).

BOOK-BUILDING PROCEDURE

In order to achieve a fair market pricing of the shares being offered for sale, institutional investors will be invited to participate in a book-building procedure by submitting applications. The book-building procedure proceeds until October 4, 2005. The offering price will be determined within the framework of this procedure. However, the book-building procedure for institutional investors may be terminated earlier, whereby notice of such a termination will be made through press releases via one or more news agencies.

OFFERING PRICE

The offering price is estimated to be set within the range SEK 55–65 per share. The offering price to the general public will however, not exceed SEK 65 per share. No commission will be charged. The final offering price per share is expected to be announced on or about October 5, 2005.

APPLICATION

The Offering to the general public

Applications from the general public to acquire shares shall pertain to not less than 200 shares. Applications shall pertain to 200 shares or more, in equal multiples of 200 shares.

The application period runs from September 21 up to October 3, 2005, 5 p.m.

Applications shall be made on a specific application form which can be obtained from Handelsbanken or Skandinaviska Enskilda Banken AB (publ) (“SEB”).

The person that applies to acquire shares must either have a bank account in Handelsbanken or SEB as well as a securities account (VP-account) or a custody account in an optional securities institution or have a custody account in Handelsbanken or SEB. Persons who lack a VP-account or a custody account must open a VP-account or a custody before the application form is submitted.

Note that opening a VP-account or a custody account may be time consuming. Further note that information regarding a bank account in Handelsbanken or SEB is mandatory in the case when there is no indicated information regarding a custody account in Handelsbanken or SEB and that the account-holder and the person who applies to acquire shares must be the same person. The application shall be handed in to the same bank in which the bank account has been opened. The list below presents which types of accounts that can be specified in the application to the respective bank.

Bank	Type of account that can be specified
Handelsbanken	Allkonto (current account), check account or savings account
SEB	Kombikonto, Privatkonto, Sparkonto, Kapitalkonto, Aktieägarkonto, Checkkonto, Specialkonto or Sesamkonto

Submission of application

Applications to Handelsbanken or SEB must be submitted to the bank in which the bank account or custody account has been specified in the application form through one of the bank's branches in Sweden.

Submission of application via Internet or by telephone

Customers to participating banks with access to services via the Internet may register to acquire shares via Internet in accordance with the instructions on the respective bank's websites.

www.handelsbanken.se
www.seb.se

Customers with access to services via telephone may submit their application in accordance with the instructions from the respective bank.

The application must be received by Handelsbanken or SEB no later than October 3, 2005, 5:00 pm. Applications submitted too late will be disregarded. Only one application per person will be considered. Applications via fax will not be accepted. No changes or additions may be made to the pre-printed text. Incomplete or incorrect completed forms may be disregarded. Applications are binding.

Only one bank account or one custody account in Handelsbanken or SEB can be stated for payment.

The balance on the bank account or the custody account specified in the application form must be available during the period from 00:00 am the night between October 3 and 4 up to and including October 6, 2005, and the balance must amount to a balance equal to SEK 65 multiplied by the number of shares that the application refers to. Due to this, funds must be transferred to the specified bank account or custody account not later than October 3, 2005 to ascertain that the necessary amount exists on the specified bank account or custody account up to and including 00:00 am the night between October 3 and 4, 2005. VP-accounts with limited right of disposal (due to lien or such like) and so called VKI accounts cannot be used.

The Offering to institutional investors

Applications from institutional investors in Sweden and abroad shall be submitted to Enskilda Securities or Handelsbanken at the latest on October 4, 2005. Special routines and terms for applications may be applied by the respective bank or securities firm.

ALLOTMENT

The allotment of shares will be made by the Board of Directors of Industrivärden in consultation with Enskilda Securities and Handelsbanken, in which connection the objective will be to achieve a good institutional ownership base and a broad distribution of shares among the general public in order to render possible a regular and liquid trade in Industrivärden's shares on the Stockholm Stock Exchange.

The Offering to the general public

In the event of over-subscription, allotment may not be forthcoming or may be made with a smaller number of shares than specified on the application form. Furthermore, the allocation to the general public may wholly or partially be determined by random choice. Allotment to those who receive shares will be made at first so that a specified number of shares are allocated per application. Allocation in addition to this will be carried out with a, for all subscribers equal, percentage of the surplus number of shares indicated in the application. Certain customers of Handelsbanken and SEB may be given special consideration at allotment. The allotment of shares will only take place in multiples of 200 shares. The allotment is not dependent upon when the application was submitted during the application period. Allotment can also be made to employees of the participating banks and securities firms, but without these persons being prioritized. In such a case, allocation will be carried out in accordance with the rules and regulations of the Swedish Securities Dealers Association and the Swedish Financial Supervisory Authority.

The Offering to institutional investors

Decision on allotment of shares within the Offering to institutional investors in Sweden and abroad will as mentioned above aim at providing Indutrade with a good institutional ownership base. Allotment of shares among those institutions that have submitted applications will be carried out completely discretionary.

PAYMENT AND NOTICE OF ALLOTMENT**The Offering to the general public**

Allotment is expected to occur on or about October 5, 2005. As soon as possible thereafter a settlement note will be forwarded to those who received allotment in the Offering. Those not receiving any shares will not be notified. Cash payment is expected to be withdrawn from the bank account or the custody account specified on the application form on or about October 6, 2005

The Offering to institutional investors

In accordance with a separate procedure, institutional investors are expected to receive notification of allotment on or about October 5, 2005 after which a settlement note will be sent out. Full payment for shares so allotted must be made in cash not later than October 10, 2005. Special routines and terms for notification of allotment, payment and delivery may be applied by Enskilda Securities and Handelsbanken.

Note that if payment is not made in full when due, allotted shares may be sold to a third party. If the sale price in such a transaction falls below the Offering price, the party being allotted shares in the Offering will be liable for the difference.

REGISTRATION AND REPORTING OF THE ALLOTTED SHARES

Registration of the allotted shares with the VPC is expected to commence October 10, 2005, for institutional investors and around October 10, 2005, for the general public. Thereafter VPC will send out a VP-statement indicating the num-

ber of shares in Indutrade that have been registered in the recipient's VP-account. Notification to shareholders whose shares are registered in the name of a nominee will be given in accordance with the practice of the nominee.

STOCK EXCHANGE LISTING

The Board of Directors of Indutrade has applied for a listing of the Company's shares on the O-List of the Stockholm Stock Exchange. The proposed trading lot is 200 shares. Listing on the O-List of the Stockholm Stock Exchange is expected to commence on or about October 5, 2005. This means that trading may commence before notice of allotment has been received and before the conditions for the implementation of the Offering has been fulfilled. Trading under such circumstances will be conditional thereof, and given that the Offering is not completed, any shares delivered must be returned and any payments will be refunded. Trading that takes place on October 5, 2005, is expected to be made with delivery and payment on October 10, 2005.

RIGHTS TO DIVIDENDS

The shares entitle the holder to participation in the Company's profits with effect from the 2005 fiscal year. Any dividends will be paid after the annual general meeting, for the first time during 2006 and will be administered by VPC, or in the case of shares that are registered in the name of a nominee, in accordance with the practice of the nominee.

CONDITIONS FOR THE IMPLEMENTATION OF THE OFFERING

The Offering is conditional upon that Industrivärden, Indutrade, Enskilda Securities and Handelsbanken enter into an agreement on the sale of shares in Indutrade on or about October 4, 2005, that certain terms in the agreement are fulfilled and that the agreement has not been terminated (see page 62, under the section "Placing agreement").

BACKGROUND AND REASONS

In 2001, Industrivärden initiated a process of change aimed at defining the company's role in an increasingly globalized financial market. On the basis of its relative strengths, Industrivärden chose to adapt its strategy to focus on active ownership in a transparent and concentrated equity portfolio of holdings in listed Nordic large and midcap companies. As a result, Industrivärden announced in its 2001 Annual Report that it intended to sell off its entire holdings in wholly owned subsidiaries, or parts thereof. After evaluating possible alternatives, Industrivärden's Board of Directors decided in April 2005 to apply for a public listing of Indutrade's shares.

After the initial listing of Indutrade and sale of shares and call options to senior executives in the Indutrade Group (see page 53, section "Shareholdings and incentives programs"), Industrivärden intends to remain as an active owner, retain-

ing approximately 35 percent of the shares. Industrivärden considers that a listing of Indutrade's shares is suitable in view of the company's size and character.

Industrivärden also assesses that Indutrade has potential for future growth and improved earnings and that the timing for a public listing of Indutrade is appropriate. The company has shown strong financial development, has implemented a generation change in its management and has continued to implement value-generating acquisitions.

A market listing is expected to have a positive impact on Indutrade's future development. A listing entails increased attention from customers, suppliers, the media and the capital market, which in turn imposes more challenging demands on the organization. A diversification of ownership and a public listing will also create liquidity in the shares.

Stockholm, September 16, 2005

AB Industrivärden (publ)

For all other matters, reference is made to the information contained in this prospectus prepared by the Board of Indutrade on account of the impending sale of shares and application for an initial public listing of the company's shares on the O-list of the Stockholm Stock Exchange. The Board of Directors of Indutrade is responsible for the information contained in this prospectus. It is hereby assured that, to the best of the Board's knowledge, the information contained in this prospectus accurately reflects actual conditions and that no information of material importance has been omitted, which could affect the impression of Indutrade created by this prospectus.

Stockholm, September 16, 2005

Indutrade AB (publ)

Board of Directors

HISTORY

A brief history of Indutrade is provided below:

- 1978** – The entrepreneur Gunnar Tindberg with family sell the Bengtssons Maskin company to the Skåne-based listed company Wilhelm Sonesson AB. Gunnar Tindberg stays on as President of Bengtssons Maskin.
- 1982** – AB Nils Dacke is formed from Wilhelm Sonesson AB and the company's shares are listed on the stock exchange. AB Nils Dacke initially had net sales of approximately SEK 200 million and consisted primarily of the following companies: Karner, Rapid, Järn & Stålprodukter, Bengtssons Maskin, Carlsson & Möller and Sonesson Trading. The latter three constitutes the foundation of today's Indutrade.
- 1984** – The business is expanded outside Sweden through AB Nils Dacke's acquisition of the Colly Group¹¹, with companies in Sweden, Finland and Denmark. Gunnar Tindberg is appointed head of the Dacke Komponent business unit, which includes Bengtssons Maskin, Carlsson & Möller, G.A. Lindberg and the Colly Group.
- 1986** – Dacke Komponent acquires a majority of the votes in Bloch & Andresen, a listed Danish Group.
- 1987** – Dacke Komponent establishes a presence in the Benelux countries through the acquisition of a majority of the votes in the Dutch Group, HITMA.
- 1989** – AB Nils Dacke is acquired by Industrivärden, which divests the light engineering operations and retains the technology sales operations.
- 1991** – Comprehensive cost-reducing measures are taken to offset the steep downturn in the economy, and the profit is improved already the following year (1992). Dacke Komponent is renamed to Indutrade.
- 1994** – The acquisition of Alnab marks the start of Indutrade's growth within flow technology, which today comprises one of the Group's business areas.
- 1995** – Indutrade sets up its own companies in the Baltic States, with the aim of marketing selected parts of the Group's product range in these growth markets.
- 1997** – Complementary acquisitions are made in the areas of flow technology and cutting tools.
- 2001** – In the largest acquisition in its history, Indutrade acquires the Hexagon-owned group of companies, comprising Fagerberg (incl. GEFA), EIE, Tecalemit and Pentronic. The companies mostly operate in flow technology.
- 2003** – Growth continues through acquisitions in the Finnish market. These acquisitions include Kontram, a company with a strong market position within equipment for measuring and analysis of flows.
- 2004** – Johnny Alvarsson, with a background as President of two listed companies – Elektronikgruppen and Zeteco – becomes the new President. Gunnar Tindberg retires but remains on the board of Indutrade.
- 2005** – Indutrade acquires (among others) the Dutch group Hanwel and the Swedish company Satron (for a more detailed review of the acquisitions of the Hanwel Group and Satron, see page 40, section "Acquisitions"). Industrivärden announces plans for a market listing of Indutrade.

¹¹ The Colly Group, which was acquired in 1984, included the following companies: Colly Components, Colly Filtreringsteknik, Colly Verkstadsteknik, Colly Teknik, Colly Finland and Colly Denmark.

MARKET OVERVIEW

INTRODUCTION

Indutrade is a technology sales company that operates in the Northern European market for industrial components, systems and services. In this market, sales take place either directly through manufacturers' own sales organizations or via technology sales companies or wholesalers. Technology sales companies differ from wholesalers in that they offer technical advice, customized solutions and generally more technologically advanced products. In addition, technology sales companies often offer high-quality support, training and other after-market services. From the manufacturer's perspective, technology sales companies are on a par with their own sales organization. The picture below illustrates manufacturers' distribution alternatives.

In terms of products, the market can be divided into products for recurring needs and products of an investment nature. Sales of products for recurring needs normally generate a more stable revenue flow and are less sensitive cyclically than sales of products of an investment nature.

As a technology sales company, Indutrade has chosen to focus on products for recurring needs with a high technology content within a number of selected niches in the market for industrial components and systems. Niche refers to a narrow area of application (within a product or market area), where the products have specific properties that are important for the customer's production processes.

The market in which Indutrade operates is fragmented and mainly comprises a large number of small, family-owned technology sales companies, which often cooperate closely

with one or a few manufacturers. The market also includes a few larger players similar to Indutrade, and manufacturers who sell their products through their own sales organizations. For many manufacturers of technologically advanced industrial components and systems, however, it is not profitable to have their own sales organizations in smaller markets such as the Nordic market. The most profitable alternative for these manufacturers is normally to collaborate with a technology sales company.

THE ROLE OF TECHNOLOGY SALES COMPANIES IN THE VALUE CHAIN

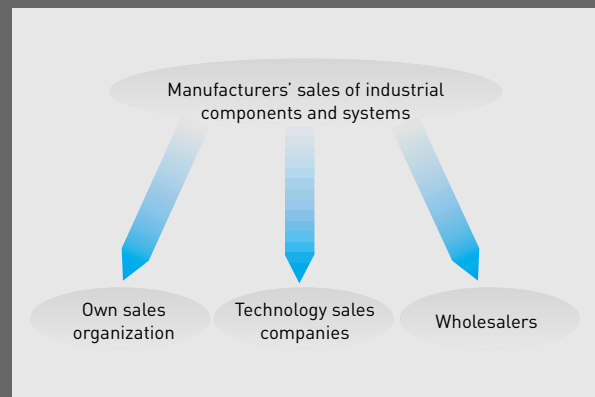
Technology sales companies create value both for customers and manufacturers by structuring the value chain and making it more efficient.

Value is created for customers through:

- Professional advice concerning the choice of components and systems
- Tailored total solutions
- Support, training and other after-market services and access to a local partner
- Fewer supplier contacts.

Value is created for manufacturers through:

- Access to a technically qualified sales organization with established customer relations and local market knowledge
- Access to information about customers' production processes through technology sales companies' long-established relationships with customers



- Broadened areas of application for a manufacturer's products since technology sales companies are able to combine products and systems from different manufacturers to offer customized solutions
- Opportunity to sell products on markets where establishing an own sales organization is not considered to be financially profitable
- Local support and training.

The role of technology sales companies in the value chain is illustrated in the diagram at the bottom of the page.

MARKET SIZE

Indutrade conducts business in 11 countries. In 2004, the Group's two main geographical markets, Sweden and Finland, jointly accounted for about three-quarters of the Group's total net sales. For a more detailed description of the Group's geographical markets, see page 15, section "Geographical markets". The Group markets and sells products in 18 product areas: flow products, valves, valves and process technology, industrial equipment, transmission, filters and process technology, cutting tools, fasteners, hydraulics and pneumatics, adhesives and industrial chemicals, measuring and analysis instruments, pipe systems, hydraulic couplings, electrical components, compressors and service, pumps, thermometry and construction plastics.

Since Indutrade operates in a number of selected niches, no reliable, externally compiled statistics are available regard-

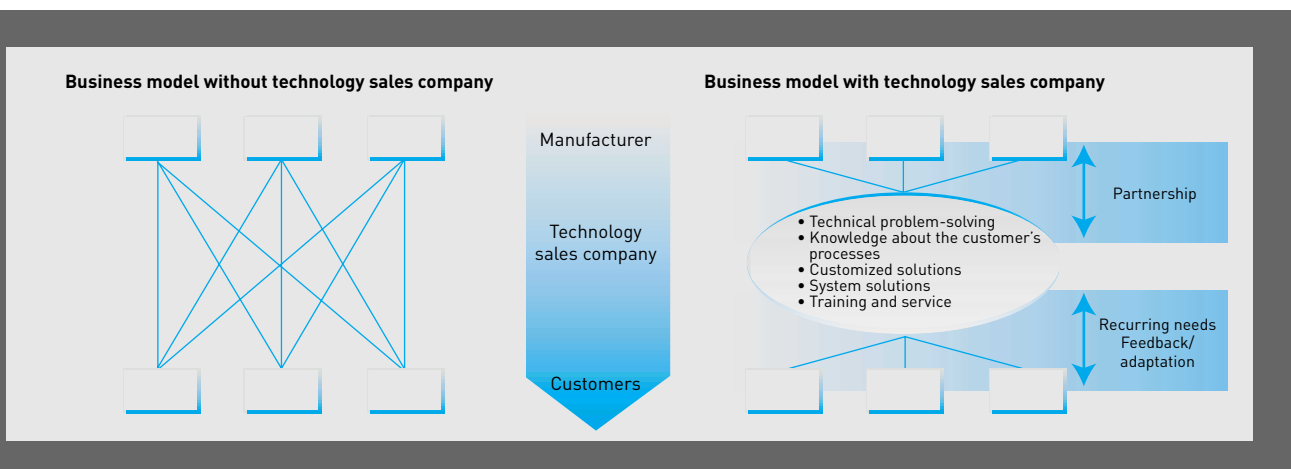
ing the size of Indutrade's total market. Indutrade assesses that the total market for the niches in which the Group operates amounts to approximately SEK 9 billion in Sweden and about SEK 5 billion in Finland. This would imply that Indutrade has an estimated market share of about 20 percent within its niches in Sweden and Finland, respectively¹⁾. In other geographical markets, Indutrade is currently a relatively small player.

MARKET GROWTH AND CYCLICALITY

Underlying growth in Indutrade's markets is primarily dependent on growth in the sectors in which Indutrade's customers operate. The table below shows average growth in these sectors in Sweden and Finland during the period 1995–2004.

Customer segment/industry	Average annual sales growth in different segments 1995–2004 ²⁾		Estimated percentage of Indutrade's net sales 2004 ¹⁾
	Sweden	Finland	
Pulp and paper	3%	4%	16%
Engineering	4%	5%	13%
Automotive	8%	2%	13%
Pharmaceuticals	10%	-2%	11%
Food	2%	3%	9%
Petrochemicals, refineries	8%	4%	9%
Other			29%

Underlying growth in the customer segments depends on several factors, including the general economic climate. However, Indutrade sells products and services to many different sectors, each of which is affected differently at any particular



Technology sales companies provide technical expertise, customized solutions, service and training. In addition, they help structure the value chain, thereby reducing the number of capacity-demanding business connections.

¹⁾ These estimates are based on the strategic plans prepared annually by each subsidiary and are linked with considerable uncertainty. Each strategic plan includes an estimate of the subsidiary's market, market share and primary competitors.

²⁾ Source: Statistics Sweden 2005, Statistics Finland and ETLA (Research Institute of the Finnish Economy) 2005.

stage of the business cycle. The pharmaceuticals and food industries are relatively non-cyclical, the automotive industry normally experiences strong growth in the beginning of a business cycle, while the pulp and paper industry is normally late-cyclical.

As a result of the large number of industries represented among Indutrade's customers, combined with the fact that industrial goods of investment character make up a relatively small portion of the company's total sales, the company's profitability is normally less sensitive to fluctuations in the economy, compared with other companies with similar operations. This also results in demand for Indutrade's products and services tending to grow in pace with GDP in the geographic markets in which Indutrade has operations.

DRIVING FORCES AND TRENDS

As explained above, growth in Indutrade's markets is mainly dependent on growth in the respective customer segments. The main trends and other central driving forces in Indutrade's markets are described below.

Focus on core operations leads to a closer relationship between supplier and customer

Many industrial companies in Northern Europe have increased their focus on core operations in recent years. Activities not defined as core operations have often received lower priority, with the effect that the level of knowledge within these areas has declined. As a result, industrial companies today have a greater need for close collaboration with suppliers who possess a high level of technical expertise and knowledge about the customer's processes and requirements. This is in line with Indutrade's strategy and business orientation.

Increased demand for services

Many customers strive to shrink their internal service and maintenance departments, which is in line with the general trend of focusing on core operations. This has led to an increase in demand for service and support in recent years, thus opening up opportunities for Indutrade to offer extended service.

Fewer suppliers

In order to reduce administrative expenses, industrial companies are generally striving to use fewer suppliers. At the same time, close collaboration with a limited number of suppliers enables shorter lead times and thereby reduced capital requirements. This will have the consequence that each supplier will be expected to offer a broader product range – a fact that normally favors large technology sales companies.

One way in which customers can reduce the number of suppliers is by using the same supplier for several geographical markets. Many larger customers regard the Nordic region as being one market, and Indutrade believes it will become increasingly important for the company to be able to offer delivery throughout the Nordic region. Indutrade's goal is to have a broad product range with pan-Nordic operations in all of the company's niche areas, which creates potential to become a comprehensive supplier.

Certain large customers strive to secure central purchasing agreements with global suppliers. However, it is normally difficult to implement such centralized structures for product areas in which the customer requires short delivery times and technical expertise close to the production plant. A natural alternative for both the customer and the supplier is therefore to use a technology sales company such as Indutrade, with a strong local presence and technical expertise.

Relocation of production to low-cost countries

In recent years, the trend has been to relocate industrial production from the Nordic countries and the rest of Western Europe to so called low-cost countries, predominantly in Eastern Europe and Asia. This trend has had only a limited effect on Indutrade, primarily because the Group has chosen to focus on customers with recurring needs in sectors deemed as having significant reasons for maintaining competitive production in Indutrade's domestic markets. These industries are often characterized by a high degree of automation, high distribution costs and a high initial investment. Relocating production to low-cost countries is less profitable for these sectors than it is for more personnel-intensive operations. Sales to such sectors accounted for about three quarters of the Group's net sales in 2004. Historically, relocation to low-cost

countries has mainly affected the electronics and telecom industries and subcontractors to these industries. It is estimated that the equivalent of about 50,000 full-time positions in Sweden were relocated to such countries during the period 1994–2003¹¹).

Consolidation among manufacturers

The manufacturers in Indutrade's markets have continually grown in size, mainly through acquisitions. This consolidation trend entails both opportunities and threats for Indutrade. A merger between two manufacturers, whereby one of the two is a supplier to Indutrade, entails an opportunity to take over the other manufacturer's product sales in Indutrade's markets. However, there is also a risk that the acquiring company already has an established sales organization in Indutrade's markets and chooses to manage its entire sales through this channel.

The consolidation trend among manufacturers also bolsters suppliers' potential to supply leading products since more capital is allocated for research and development. This normally increases the competitiveness and attractiveness of Indutrade's product offering to customers.

Increased imports from low-cost countries

A general trend observed in Indutrade's markets involves increased imports of products and intermediate goods from countries outside Europe, primarily China. In the longer term, this is likely to result in lower prices, both for Indutrade and the end-users. For products with a high technology content and stringent quality requirements, however, this type of import is still limited. Several of Indutrade's suppliers have relocated parts of their production to low-cost countries. This trend is expected to continue and lead to lower prices, thereby allowing Indutrade to maintain its competitiveness. The suppliers retain their quality and product liability even when the products are manufactured in low-cost countries.

COMPETITORS

Indutrade's main competitors can be divided into two categories, the first comprising large international manufacturers with their own Nordic sales organizations and the second

consisting of other technology sales companies. For many global manufacturers, the Nordic region is a small market where it is not normally profitable for the company to set up its own sales organization. Consequently, such competitors are relatively few. Examples of large-scale manufacturers that compete with Indutrade include the companies Hydac and Millipore within filters, Loctite within chemical engineering and Sandvik and Seco Tools within cutting tools.

Technology sales companies can be categorized into two types: small, often family-managed companies and larger companies such as Indutrade. The family businesses often have a structure similar to that of Indutrade's subsidiaries and normally represent one or a few manufacturers in a limited number of niches. Examples of such competitors include Armatec/Armaturljonnsson within valves and Christian Berner within pumps and instruments. In certain markets, Indutrade competes with specific subsidiaries of other larger market players such as Addtech, Bergman & Beving, GL Beijer and OEM International. However, the above-mentioned players have only limited operations in Indutrade's niche areas, and Indutrade estimates that competition from these companies corresponds to less than 10 percent of the Group's total net sales. This competition is more noticeable, however, when seeking opportunities to acquire new subsidiaries.

In the Nordic market, there are also a number of wholesalers, who primarily distribute high-volume products. Such players include Ahlsell, Bulten Stainless and the Bufab Group. These companies have in common that they market broad product ranges that generally require only a low degree of technical advice and customization. Wholesalers' main competitive weapons are broad product ranges, good logistics and low price. Since Indutrade operates mainly in product niches with a high technology content and that require in-depth knowledge of the customer's processes, competition from wholesalers is limited to only a minor share of Indutrade's sales. Indutrade assesses that less than 10 percent of the Group's net sales are exposed to competition from pure wholesale companies. For a more detailed review of competitors to the respective business area, see pages 27, 29, 31 and 33, section "Competitors".

¹¹ Fölster, Stefan; "Den stora omfördelningen av arbete – Utflytningens hot och möjligheter", Svenskt Näringsliv, April 2004 (The major redistribution of work – the threats and opportunities of relocation).

DESCRIPTION OF OPERATIONS

INTRODUCTION

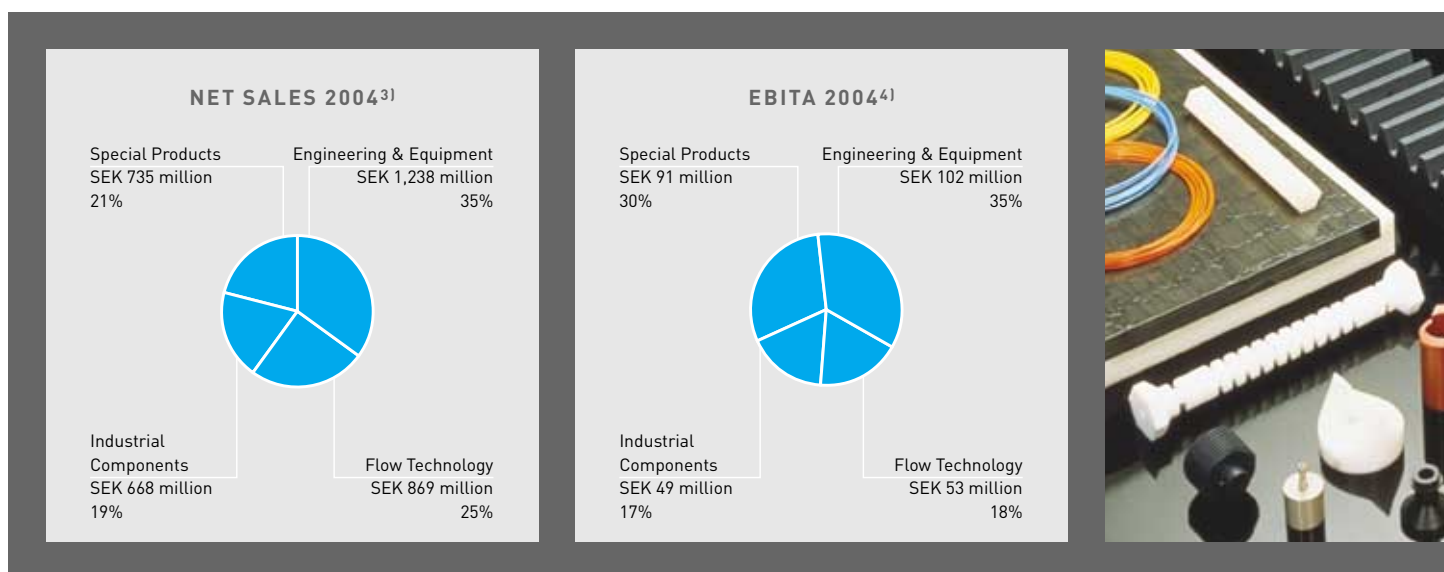
Indutrade markets and sells components, systems and services with a high technology content to industrial customers in selected niches. The Group creates value for its customers by structuring the value chain and helping them to make more efficient use of technical components and systems. The Group creates value for its suppliers by offering an efficient sales organization with a high level of technical expertise and mature relationships with customers.

Most of the Group's subsidiaries specialize in a specific niche, possess a high level of technical expertise and are familiar with customers' production processes. A number of sub-

sidaries have their own facilities for manufacturing and refining products, thereby providing even greater value for customers. The Group's main products include flow products, valves, filters and process technology, industrial equipment, transmissions, cutting tools and fasteners.

The various product areas in the Group are coordinated and managed through four business areas:¹⁾ Engineering & Equipment, Flow Technology, Industrial Components and Special Products. The subsidiaries are organized in business areas based on their main operations²⁾. Governance is goal-oriented, with a focus on growth, margin and capital turnover.

Business area	Engineering & Equipment	Flow Technology	Industrial Components	Special Products
Main business	Greater share of industrial equipment than the other business areas. Products mainly comprise flow products, hydraulics, equipment for auto repair shops and transmissions.	Components and systems for flow control and monitoring. Products mainly comprise valves, pumps, and measuring and analysis equipment.	Consumables for recurring needs. Products include for instance fasteners, filters, adhesives and cutting tools.	Large share of in-house production and product improvement. Products include for example temperature sensors, special plastics, toolholders and electrical components.
Net sales ³⁾ 2004 per business area, SEK million	1,238	869	668	735
EBITA ⁴⁾ 2004 per business area, SEK million	102	53	49	91
EBITA margin, %	8.2	6.1	7.3	12.4
No. of employees at December 31, 2004	510	304	242	356



¹⁾ The organization has applied since May 2005 (Indutrade has had a similar structure for the past five years).

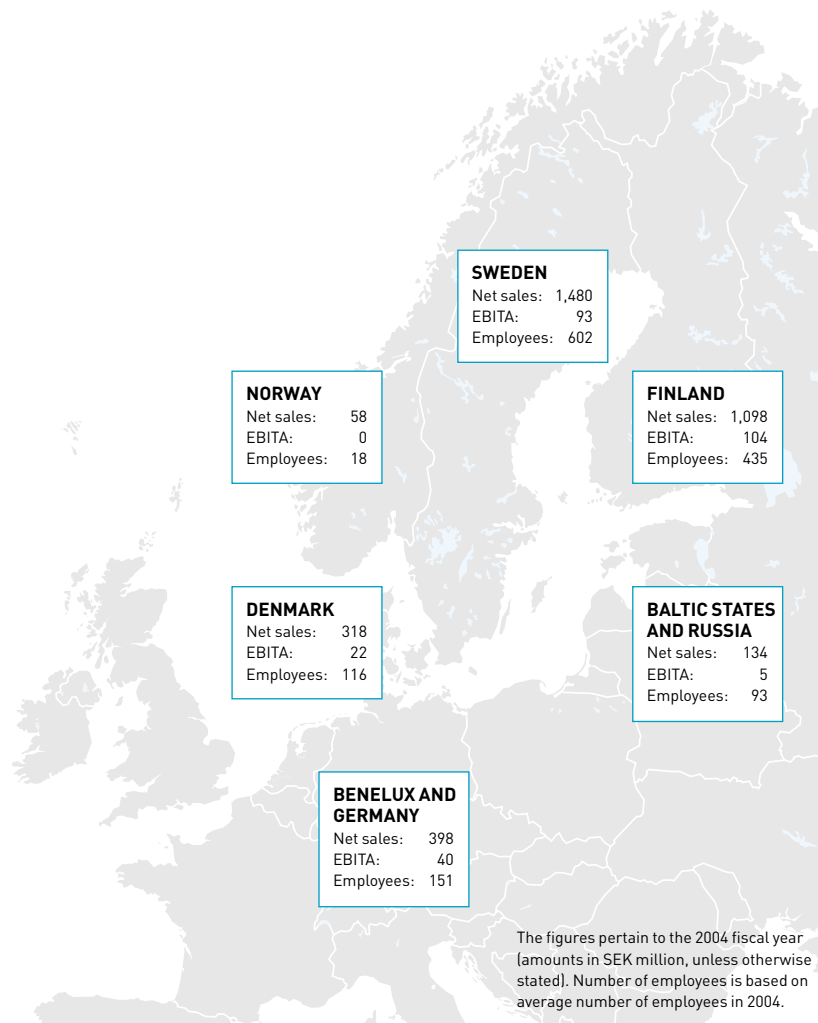
²⁾ One subsidiary and its divisions are included in only one of Indutrade's four business areas, although some of its range of products could have been part of a different business area.

³⁾ Excluding group adjustments (Parent Company/eliminations, see note 3 page 88) totaling SEK 24 million.

⁴⁾ Excluding central costs (which have not been divided per business area) and group adjustments (Parent Company/eliminations, see note 3 page 88) totaling SEK 31 million.

GEOGRAPHICAL MARKETS

The Group's operations are concentrated in markets in Northern Europe. The main markets are Sweden and Finland, which jointly accounted for about 74 percent of net sales in 2004. In addition, the Group operates in Norway, Denmark, Germany, the Benelux countries, the Baltic States and Russia. The Group intends to increase sales in these markets and evaluate possibilities for establishing operations in other European markets.



BUSINESS CONCEPT

Indutrade markets and sells components, systems and services with a high technology content in selected niches. Through familiarity with customers' systems and processes, combined with technical expertise, Indutrade aims to be the most efficient partner for customers and suppliers.

GOALS

Overall goals

Indutrade's overall goal is to be the leading technology sales company in the Nordic region in terms of sales, profitability and technical expertise. The company strives to grow continually, with limited commercial risk, in selected product areas and niches.

Financial goals

- Average annual sales growth should reach 10 percent over a business cycle, whereof:
 - organic growth should exceed GDP growth in geographical markets in which Indutrade operates and
 - the remaining growth is to be accomplished through acquisitions
- The average EBITA margin should exceed 8 percent annually over a business cycle
- Average return on operating capital should exceed 25 percent annually over a business cycle
- The net debt/equity ratio should normally not exceed 100 percent.

Indutrade's dividend policy

The Board's objective is to give shareholders a dividend that yields a good return and that exhibits high dividend growth. The goal is that the dividend over time shall amount to at least 50 percent of net income.

STRATEGIES

In order to achieve the above goals, Indutrade has defined the following strategic guidelines:

Clear growth strategy within limited operating risk

Indutrade's growth is intended to be three-dimensional:

- Growth within new and existing product areas
- Broadened offering, for example through extended support, training and other after-market services
- Geographical growth in selected markets

Growth is to be accomplished both organically and through acquisitions. As Indutrade grows, the entry barriers to potential competitors are expected to increase and at the same time reduce the risk of Indutrade's suppliers establishing their own sales organizations in the company's markets. Business development and growth are thus strategic tools to reduce operating risk.

Strong market positions

Indutrade aims to focus on product sales in selected niches where a leading market position can be achieved. Strong market positions are often a necessary condition for achieving satisfactory profitability.

By offering broad contacts with attractive customer categories, conditions are made to attract the best suppliers. This further reinforces Indutrade's leading market positions in many of the niches in which the company operates.

Long-term partnerships with leading suppliers

Indutrade aims to prioritize suppliers that, through their own product development, supply market-leading, high-quality products with a high technology content. For the suppliers, a partnership with Indutrade should be the most profitable manner for them to sell their products in the geographical markets covered by Indutrade.

A product range containing market-leading products from the best suppliers makes Indutrade more attractive as a partner to existing and potential customers.

High share of repeat sales and focus on selected customer segments

Indutrade aims to offer components, systems and services for recurring needs. This ensures a greater level of stability and more predictable revenue flows.

The Group prioritizes customers with recurring needs in sectors deemed as having significant reasons for maintaining competitive production in Indutrade's domestic markets. These industries are often characterized by a high degree of automation, high distribution costs and/or a high initial investments.

Sales organization with technical expertise

Indutrade's range of products and services targeting end users and OEM customers¹⁾ is intended to have a high technology content and to encompass a high level of service and techni-

¹⁾ Customers that integrate Indutrade's products into their own products.

cal advice. Indutrade's sales personnel should possess advanced technical skills in their respective niches and in-depth knowledge of customers' production processes. This makes Indutrade an attractive partner that creates value for customers as well as suppliers.

Decentralized organization with a strong local presence

Indutrade's management model is intended to be characterized by decentralization, since the company believes that the best business decisions are made close to the customer by people who are the most familiar with the customer's needs and processes. Indutrade's subsidiaries are to have their own profit responsibility, encouraging flexibility and a strong entrepreneurial spirit.

COMPETITIVE ADVANTAGES

Indutrade believes that it has several competitive advantages that facilitate the company's strategic efforts to achieve its goals:

Good position to lead continued consolidation

Since 1978, Indutrade has completed about 40 acquisitions including about 20 during the last ten years. The Group works in accordance with a tried-and-tested method for researching, planning and implementing corporate acquisitions, and has over time built up an extensive network of customers, suppliers and other market players. As a result, the Group has a clear picture of the range of potential acquisition candidates. The fragmented market structure entails access to a good number of acquisition candidates. Due to its strong acquisition history, size and good reputation, Indutrade has the experience and prerequisites necessary to continue to implement value-adding acquisitions.

Leading positions in selected niches

Indutrade's organization is decentralized with 45 operating units¹⁾, many of which are regarded as occupying a leading position in their respective niches. The decentralized structure entails a favorable spread of risk, since the units are accustomed to continually adapting their organization in accordance with the prevailing market situation. Indutrade estimates that the company holds market shares of about 20²⁾ percent in Sweden and Finland, respectively. The leading positions in many of the niches in which the Group operates make Indutrade an attractive partner both for customers and suppliers.

Diversified customer base provides stability

Indutrade's dependence on individual customers is very minor. Sales to the Group's largest customer corresponded to less than 1.5 percent of total net sales in 2004. The Group's sales are also distributed among different industries, which are affected differently by the general economy. Furthermore, the Group has since long chosen to focus on customers with recurring needs in sectors deemed as having significant reasons for maintaining competitive production in Indutrade's domestic markets. These industries are often characterized as having a high degree of automation, high distribution costs and/or a high initial investments. Sales to such sectors accounted for about three quarters of the Group's net sales in 2004.

Technical expertise, long experience and established customer relationships

Many of Indutrade's subsidiaries have built up long-term and robust relationships with customers. As a result, the companies have acquired an in-depth understanding of their customers' processes, which is essential in order to be able to offer qualified advice regarding selection of components and systems. According to Indutrade, key qualities that apply throughout the Group are a holistic approach, technical competence, quality, flexibility and short delivery times. Indutrade believes that these qualities have played an important role in achieving the Group's leading positions and mature customer relations within many of the Group's niche areas.

Cooperation with leading suppliers

Indutrade's technical expertise and extensive customer contact networks make the Group an attractive partner for suppliers. Many of the Group's suppliers occupy leading positions in their respective niche markets, providing Indutrade with an opportunity to offer customers technically advanced products of a high quality. The company enjoys stable and long-term relations with suppliers, in some subsidiaries dating back to the 1950s. Indutrade's ability to attract, maintain and develop relations with leading suppliers is an important contributory factor to the Group's leading market positions in several niches. The company's dependence on individual suppliers is limited, with the largest supplier accounting for about 6 percent of the Group's total net sales in 2004.

¹⁾ An operating unit comprises one or more subsidiaries.

²⁾ These estimates are based on the strategy plans that each subsidiary in the Indutrade Group prepares annually and are associated with considerable uncertainty. Each strategy plan includes an estimate of the subsidiary's market, market share and main competitors.

GROWTH THROUGH ACQUISITIONS

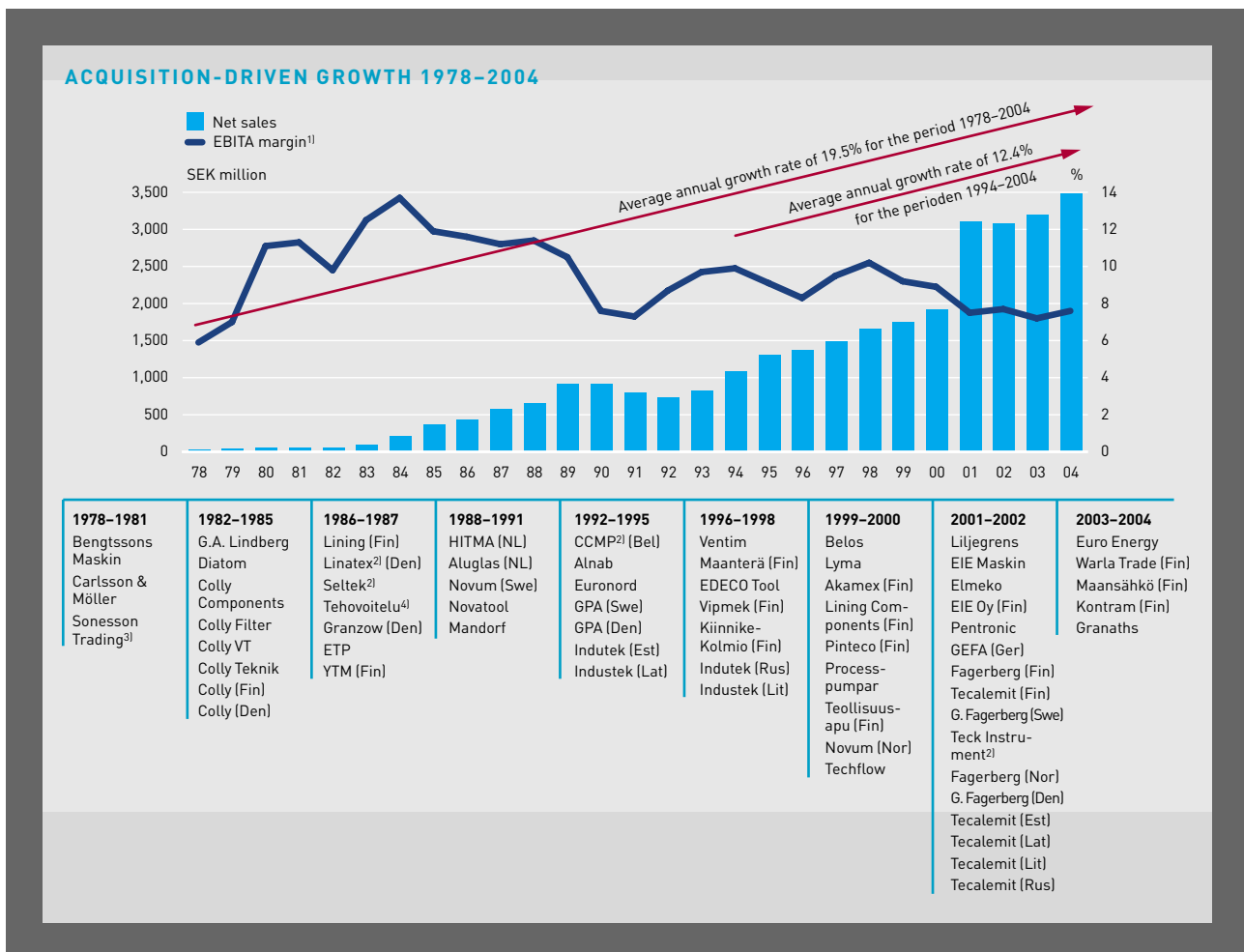
A large share of Indutrade's sales growth has been achieved through acquisitions. Over the past ten-year period (1995–2004), consolidated net sales have increased from SEK 1,087 million to SEK 3,486 million and EBITA has risen from SEK 107¹⁾ million to SEK 264 million. The average annual sales growth during the same period was 12.4 percent, with slightly more than 8 percent per year deriving from acquisitions and about 4 percent per year from organic growth. Indutrade commenced operations in 1978, when entrepreneur Gunnar Tindberg and family sold their company, Bengtssons Maskin, to Skåne-based listed company Wilhelm Sonesson AB. The Group has completed about 40 acquisitions since 1978, 20 of which were implemented during the past ten years.

Acquisitions are expected to account for the predominant share of sales growth also in the future. The aim is to annually acquire one or more companies with net sales in the range of

SEK 20–200 million each. In addition, Indutrade continually evaluates possibilities to implement larger acquisitions. The most recent acquisitions in the form of the Dutch group Hanwel and the Swedish company Satron took place in June and September 2005 respectively. For a more detailed review of the acquisitions of the Hanwel Group and Satron, see page 40, section "Acquisitions".

The acquisitions are expected to predominantly be paid in cash. However, the Board of Indutrade has also been authorized to decide to issue up to four million new shares in Indutrade (corresponding to 10 percent of the votes and capital) to be used as payment in conjunction with acquisitions. This authorization is valid until the 2006 Annual General Meeting of Indutrade's shareholders. For a description of this authorization, see page 53, section "Authorization".

The chart below illustrates Indutrade's acquisition history in the form of net sales growth and EBITA margin.



¹⁾ After elimination of nonrecurring items.

²⁾ Since the acquisition, the company has been divested by Indutrade.

³⁾ Sonesson Trading is now a department within the subsidiary Bengtssons Maskin.

⁴⁾ Tehovoitelu is now a department within the subsidiary YTM.

Indutrade's acquisition strategy is based on the following six guidelines:

- Companies with product areas in niches in which Indutrade has expertise
- Leading companies with a high technology content in their respective niches
- Primarily companies which have been proven to be profitable
- Companies whose suppliers' long-term strategy is well in line with Indutrade's strategy
- Companies whose customers have recurring needs and capital-intensive production
- Companies whose key personnel are motivated to continue to manage the company even after the acquisition.

THE ACQUISITION PROCESS

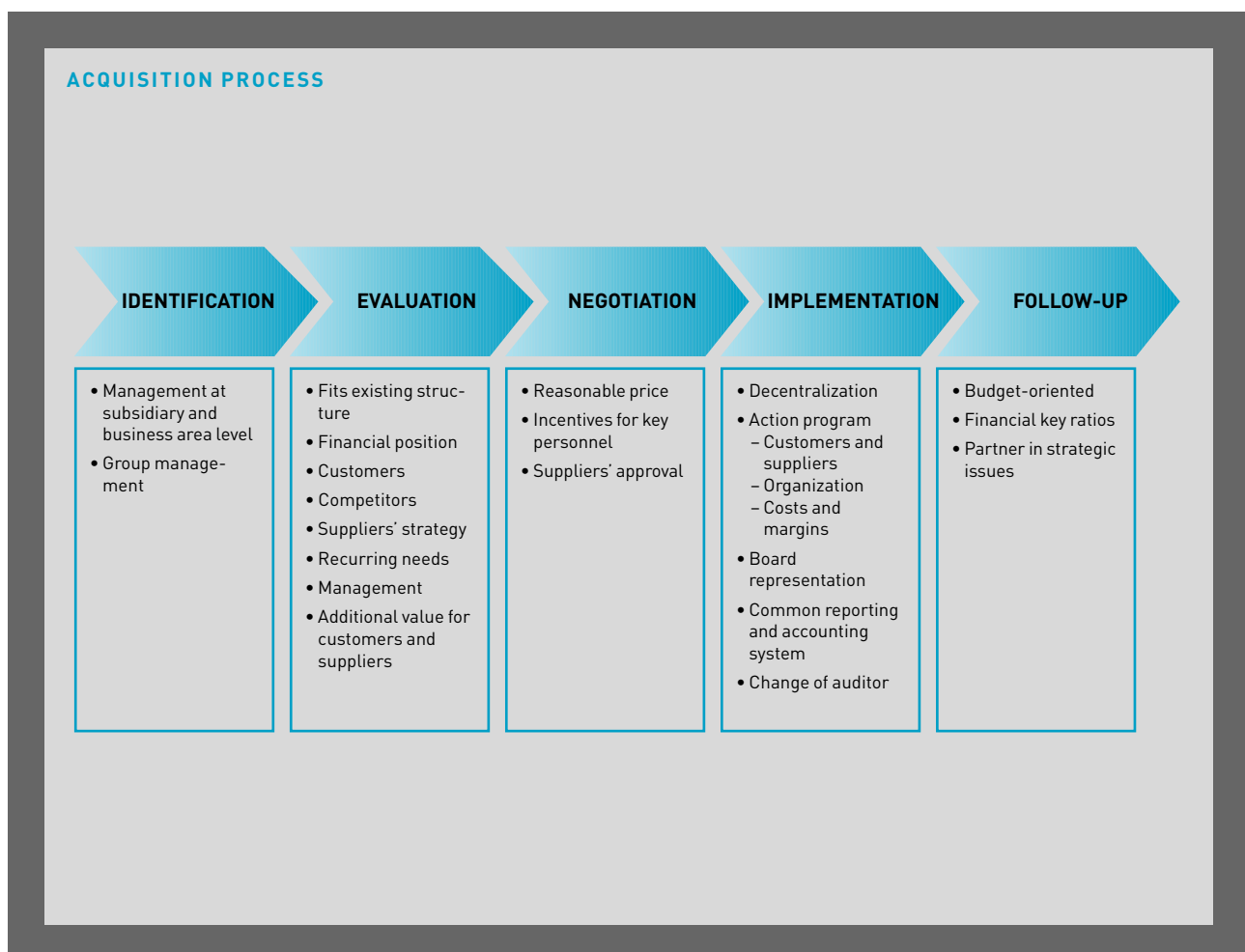
Indutrade has developed a tried-and-tested method for researching, planning and implementing corporate acquisi-

tions. Over time, the Group has built up an extensive network of customers, suppliers and other players. As a result, Indutrade has a clear picture of the range of potential acquisition candidates.

Indutrade's acquisition process aims to structure the acquisition procedure and ensure that the acquisitions implemented maintain a high standard. The acquisition process is presented step-by-step below.

Identification

The fragmented market structure means that access to a large number of acquisition candidates is good. The Group conducts its acquisition process in a structured manner with the help of a list containing potential acquisition candidates. This list is continually updated and normally contains slightly more than 100 companies. Indutrade's strong market position has given the Group an extensive network of contacts, which means the company can identify potential acquisitions



in selected markets. Smaller acquisitions, with net sales of less than SEK 50 million, are often identified by Indutrade's subsidiaries or at the business area level, while Group management focuses on identifying larger strategic acquisition candidates.

Indutrade strives to conduct a dialog with the owners of potentially interesting technology sales companies at an early stage. This means that the owners often regard Indutrade as a natural discussion partner when considering a possible divestment of operations. Indutrade has ongoing discussions with 5–10 potential acquisition candidates.

Evaluation

After identification, potential acquisitions are evaluated on the basis of pre-defined parameters. Such parameters include market position, customers, competitors, the strategic and technical orientation of the main suppliers, repetitive elements in the product range, financial position, history, the continued commitment of key personnel and the additional value that the company can create for customers and suppliers. The purpose of this analysis is to minimize the operating and financial risk associated with an acquisition. Indutrade attaches high importance to the evaluation phase since a correct analysis of risks and opportunities is essential for assessing an acquisition candidate's future development.

Negotiation

The primary aims of the negotiation phase can be summarized in three points:

- To ensure that the acquisition can be implemented at a price at which the transaction can generate value. Historically, Indutrade has acquired operations at a price 4–8 times the after-tax earnings
- Ensure the continued commitment of key individuals after the acquisition. Since key persons are often part-owners in the company being acquired, an acquisition structure involving an supplementary purchase consideration is normally used, thereby providing key individuals with incentives to continue their employment in the Group and contribute to further growth in net sales and earnings
- Ensure that the acquisition candidate's main suppliers approve of the acquisition. This is done in order to ensure that important product agents are not lost in conjunction with the change of ownership.

Implementation

In conjunction with an acquisition, a structured analysis of the acquired company is performed. The analysis focuses primarily on three main areas:

- Customers and suppliers – analysis of the acquired company's opportunities to broaden its circle of customers and product range
- Organization – review and possible streamlining of the company's organization in order to increase focus on customers and sales
- Costs, margins and inventory turnover – review to increase profitability and ensure a strong financial position.

In conjunction with the detailed analysis, new financial goals are determined for the acquired company. The goals are adjusted in accordance with the acquired company's prerequisites. Necessary measures are taken to achieve the new goals.

Indutrade's philosophy is to decentralize decision-making. This gives the acquired companies a high degree of autonomy. After an acquisition is completed, Indutrade normally takes the following control measures:

- Appoints a Board and introduces regular meetings with Group management
- Implements a procedure for strategic planning, financial planning and growth
- Implements Group financial reporting procedures
- Evaluates the company's development on a monthly basis
- Ensures that all Group companies are audited by the same firm of auditors.

Follow-up

Control of acquired companies is primarily exercised through operative meetings at which strategies and financial goals are discussed and adapted to the acquired companies' individual prerequisites. Group management and the relevant business area managements also function as a discussion partner to acquired companies and conduct an ongoing dialog with each company's management team.

The day-to-day management is goal-oriented, focusing on growth, margins and capital turnover. The goals are followed up continually and measures are taken at an early stage if goals are not met.

Most key personnel in acquired companies continue to work for Indutrade even after payment of any additional purchase sums. One of the main explanations for this is Indutrade's corporate culture with a strongly decentralized organization, which gives entrepreneurs considerable freedom to continue to develop their businesses.

PRODUCTS AND SERVICES

Broad product offering in selected niches

Indutrade offers a broad range of technically advanced products in selected niches. The products are often important for

the customers' production processes and designed to fulfill well-defined requirements, such as quality, durability and temperature resistance.

A large proportion of Indutrade's products meet customers' recurring needs and often have high technology content. Indutrade is working to further increase its share of sales of recurring products, since this generates a consistent and, to some extent, predictable revenue flow. Net sales by product area are presented in the illustration on the right.

Proprietary manufacturing and refinement

A number of Indutrade's subsidiaries conduct proprietary manufacturing, refinement and product development. Through proprietary manufacturing and refinement, Indutrade can offer customized products with higher added value and create customized systems solutions. For 2004, Indutrade assesses that sales of proprietary products and refined products accounted for approximately SEK 500 million, corresponding to about 14 percent of the Group's total net sales.

Services

Some 20 of Indutrade's subsidiaries offer after-market service, such as laboratory service, validation, monitoring, technical service, product adaptation, assembly, resharpening of tools and repairs. All services have a natural connection with the Group's products and customer relations. Sales related to after-market service are assessed by Indutrade to have amounted to about SEK 100 million in 2004, corresponding to about 3 percent of the Group's total net sales.

In addition, Indutrade offers its customers training in how the Group's products are to be used and integrated in larger systems. The training courses are popular and are considered to provide the customer with a large amount of added value and contribute to creating long-term customer relations. Indutrade estimates that its revenues from training operations amounted to about SEK 30 million in 2004, corresponding to approximately 1 percent of total net sales.

SUPPLIERS

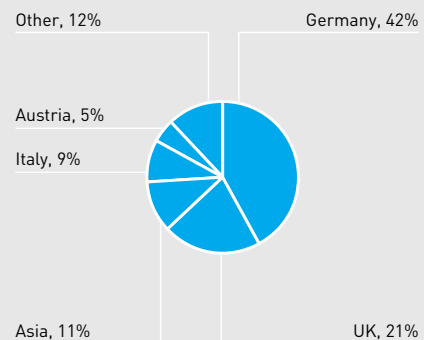
Indutrade has cooperation with an estimated 700 suppliers, many with a leading position in their respective niches. Most of the suppliers are based in Europe, but purchases of raw materials and production occur in low-cost countries and the rest of the world. Indutrade also has suppliers who have located parts of their production in low-cost countries. Indutrade places major importance on following up and evaluating each supplier's capacity to be competitive in the long term regarding price and quality.

NET SALES BY PRODUCT AREA, 2004¹⁾

Flow products	13%
Valves	13%
Valves & process technology	12%
Industrial equipment	11%
Transmission	6%
Filter & process technology	5%
Cutting tools	5%
Fasteners	5%
Hydraulics & pneumatics	5%
Adhesives & industrial chemicals	4%
Measuring and analysis instruments	3%
Pipe systems	3%
Hydraulic couplings	3%
Electrical components	3%
Compressors & service	3%
Pumps	3%
Thermometry	2%
Construction plastics	1%

Indutrade organizes its products into 18 product areas, which, in turn, are organized in the Group's four business areas. Dependence on individual product areas is limited as a result of extensive diversification. The product areas are described in greater detail in the sections on the individual business areas.

PURCHASES PER GEOGRAPHIC AREA BASED ON THE DOMICILE OF THE SUPPLIERS IN 2004¹⁾



¹⁾ These estimates are based on the strategy plans which the subsidiaries in the Indutrade Group make every year, and they are highly uncertain. Each strategy plan includes estimates of the subsidiary's market, market share and main competitors.

In 2004, the largest supplier accounted for approximately 6 percent of Indutrade's net sales, while the corresponding combined figure for the ten largest suppliers was 18 percent. Accordingly, dependence on individual suppliers is assessed as low. Indutrade's 10 largest suppliers in 2004 were Böllhoff, Dow Corning, Hawle, Krohne, Mapal, Nederman, PALL, Saunders, St. Gobain and Worcester.

The illustration to the right on page 21 shows Indutrade's purchasing in 2004 by geographic area based on the suppliers' location.

Indutrade has close cooperation with its suppliers and relations are deemed to be stable and long-term. For some subsidiaries, cooperation dates back to the 1950s. However, certain flexibility in the supplier structure is desirable in order to adapt the product offering to market demand. Indutrade's management estimates that the Group normally has a turnover of suppliers of three to five per year.

MARKETING

Indutrade's marketing strategy is to market the suppliers' own brands in the Indutrade Group's markets. Indutrade applies decentralized responsibility for all marketing activities. Indutrade's principal marketing channel is the personal sales model described in the sections below. Personal sales provide the opportunity for continuous dialog with customers regarding the benefits of specific products and Indutrade considers these to be more effective than other marketing channels in regard to the company's complex products.

In conjunction with product launches and campaigns, advertising is conducted in the trade press. In addition, targeted information and advertising brochures are sent directly to selected customers. Technical product information is usually designed by the producer but is distributed to customers through Indutrade.

Indutrade's subsidiaries also participate regularly in exhibitions and trade fairs. Representation at industry fairs is a form of marketing that is aimed at potential customers and future suppliers. Trade fairs are natural meeting places where

important relations can be established and generate future opportunities for cooperation or acquisitions. Networking is core to Indutrade's business.

SALES

Indutrade's sales are secured mainly through personal customer visits to the Group's industrial customers. The sales organization mainly comprises the subsidiaries' sales engineers and, to a certain extent, sales support. The Group has a total of approximately 700 sales persons, most of whom have technical training.

Indutrade mainly uses each supplier's brand in marketing to customers.

Indutrade's primary competitive tools are technical expertise, knowledge of the customer's production processes, ability to customize products and systems, and product quality. From the customer's perspective, a key feature is that the total production cost can be maintained at a low level. This is most often achieved by using purpose-designed products of high quality that lead to minimal disruption to the production process.

The Group endeavors to be the customer's natural discussion partner in the development of the production process. By participating in the customer's development process, Indutrade can offer and sell products that fulfill the customer's recurring needs, which increases the stability of the Group's business. Indutrade also markets and sells after-market service and training, which contributes to close cooperation with the customers.

The sales process for recurring needs is illustrated to the right on page 23.

In the case of a few major customers, primarily in the automotive, pharmaceuticals and electronics industries, ordering is conducted using Electronic Data Interchange (EDI). Some trading is also conducted over the Internet. However, the volumes sold using electronic trading over the Internet is limited and represents approximately 1 percent of Indutrade's total net sales.

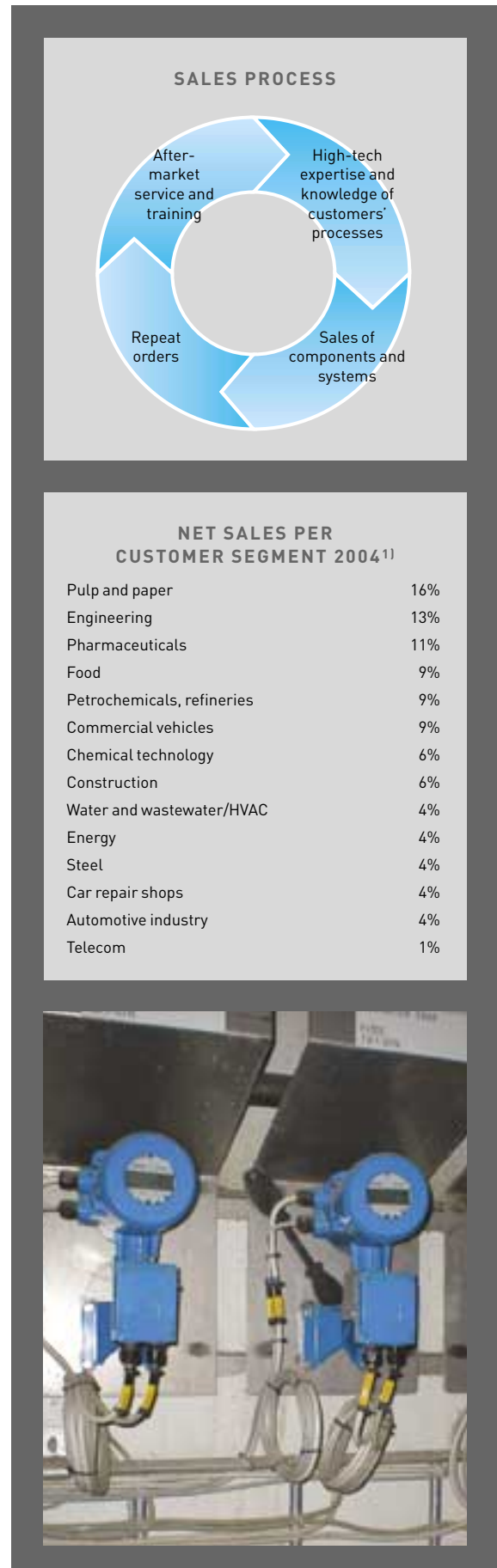
CUSTOMERS

Indutrade's customers operate in a large number of industries. The Group assigns priority to customers with recurring needs that are active in industries considered to have favorable prospects for maintaining competitive production in Indutrade's home markets. These industries are often characterized by a high degree of automation, high distribution costs and/or large initial investments. Examples of such industries are pulp and paper, pharmaceuticals, chemicals, construction, energy, steel and other processing industries. In 2004, these industries accounted for about three fourths of Indutrade's net sales. The remaining sales were generated by customers in such industries as automotive and other engineering industries.

The table to the right shows each customer segment's share of Indutrade's total net sales for the 2004 fiscal year.

Indutrade estimates that approximately half of sales are to OEM customers, meaning customers who integrate Indutrade's products with their own products. Most of the remaining sales are directly to end-users, that is, customers who use Indutrade's products in their own production processes. A small number of Indutrade's customers, particularly municipal companies and certain companies that are active in the construction industry, have been offered the possibility, on request, to purchase some of Indutrade's products through wholesalers. In 2004, sales through wholesalers to these customers represented a very small share (about 2 percent) of Indutrade's total net sales. This is a result of the complexity of Indutrade's products and the fact that they place high demands on technical skill.

Indutrade's dependence on individual customers is small. In 2004, sales to the largest single customer amounted to less than 1.5 percent of net sales and the ten largest customers combined accounted for less than 8 percent of net sales. In 2004, Indutrade's ten largest customers were ABB, Ahlsell, Alstom, Dahl, EKA, Metso, Stora Enso, Tetra Pak, Volvo and Wärtsilä.



¹⁾ These estimates are based on the strategy plans which the subsidiaries in the Indutrade Group make every year, and they are highly uncertain. Each strategy plan includes estimates of the subsidiary's market, market share and main competitors.

ORGANIZATION AND GOVERNANCE

The basic principle of Indutrade's organization and decision-making process is decentralization. Indutrade is convinced that the best business decisions are made in close proximity to the customers and suppliers by the persons who are most familiar with the customer's needs and processes. This leads to enhanced customization and flexibility, which are distinct competitive advantages. This approach also leads to the creation of positive conditions for retaining the organization's innovative entrepreneurial spirit in the best possible manner.

Group management

The Board continuously approves and evaluates the Group's goals and goal-fulfillment. (For a detailed description of the Group's business concept, goals and strategies, see pages 16–17, sections "Business Concept", "Goals" and "Strategies"). The Group management prepares and implements goals and strategies. In addition, the management works continuously on business development for the Group as a whole and identifies and evaluates major potential acquisitions. Group management is also a key forum for control of the business areas. Group management consists of six persons, including the President, the Chief Financial Officer and the business area managers. Formal management meetings are held once a month.

Business areas

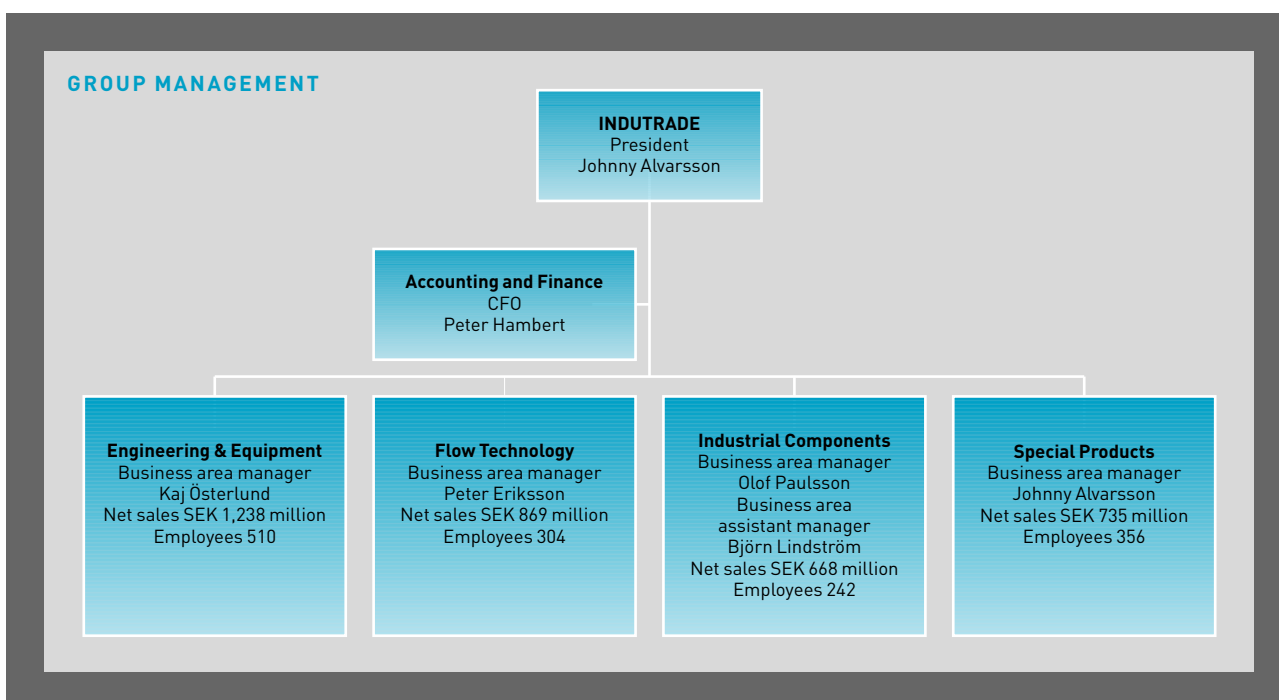
Indutrade is organized in four business areas: Engineering & Equipment, Flow Technology, Industrial Components and

Special Products. Each business area is responsible for governance of a number of operating subsidiaries with decentralized profit responsibility. This governance, which is goal-oriented with a focus on growth, margin and capital turnover, is applied through Board meetings and regular reviews of each company's goal-fulfillment and strategy plan.

Within the business areas, the managements of the companies included meet regularly to discuss opportunities for cooperation and potential acquisitions. The goal is to combine the advantages of far-reaching decentralization with the opportunities offered by belonging to a corporate group. Examples of such synergies are cross-sales and joint procurement of IT, telephony, freight, financing and certain insurance, where the Group's total bargaining power in relation to suppliers can be utilized.

Governance of subsidiaries

The Group comprises some sixty operative subsidiaries that are organized in 45 operative units, which are headed by 45 presidents. The operative units are managed independently and have individual responsibility for sales, purchasing, logistics, operating capital turnover, development of customer and supplier relations and personnel issues. The subsidiary presidents are responsible for earnings and profitability and report to each business area president. The subsidiaries' employees are largely salespersons with technical training. Operations are often structured around products from a number of strong and well-established suppliers that are supplemented by products from a number of smaller ones.



In addition to continuous contact between Group management, business area presidents and subsidiaries, as well as monthly reporting from each subsidiary, the following meetings are conducted annually with each subsidiary:

- Strategy meeting (once a year) for review of the strategic plan
- Budget meeting (once per year)
- “Prospect meeting” (two to four times per year) for review of potential business opportunities.

Accounting and treasury

The Group’s central accounting and treasury function is responsible for preparing the Group’s financial statements, its financial structure, financial control system, capital efficiency, control and efficiency and rationalization of accounting and treasury work in the Group. The function also has a coordinating role in connection with corporate acquisitions, insurance matters and IT.

Information

The President and CFO are responsible for providing external information. These persons also serve as advisers in information matters for the business areas and subsidiaries.

Employees

The employees’ business skills and high level of technical ability are decisive for Indutrade’s development. Consequently, the Group places great importance on continuous competence development. Business skills are strengthened

through such measures as internal management development and sales training, while technical training is mainly conducted by suppliers.

Part of Indutrade’s success is attributable to the Group’s ability to retain key persons in acquired companies. This is primarily achieved through the decentralization and entrepreneurial spirit that characterizes Indutrade and gives subsidiary presidents a large amount of independence.

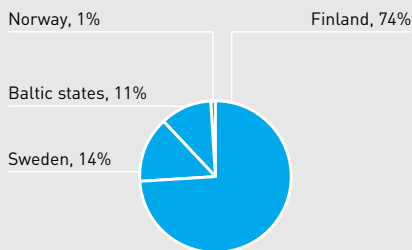
On June 30, 2005, the number of employees amounted to 1,510¹⁾. The average number of employees during the 2004 fiscal year was 1,415, of which 22 percent were women and 78 percent were men.

There has been no significant disruption of the Group’s operations due to industrial action within the Group in the past ten years. Indutrade’s corporate management does not consider there to be any reason to assume that Indutrade’s employees, in terms of age and training, or the rate of personnel turnover in the Group, do not correspond to the conditions in comparable Nordic sales companies.

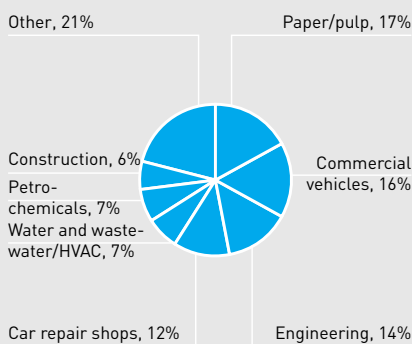
Indutrade assesses that it will be possible to meet the company’s future recruitment requirements, since the availability of personnel with relevant experience is assessed as favorable.

¹⁾ Including 69 employees, who were employed at the end of the period by the Hanwel Group, which was acquired by Indutrade on June 27, 2005.

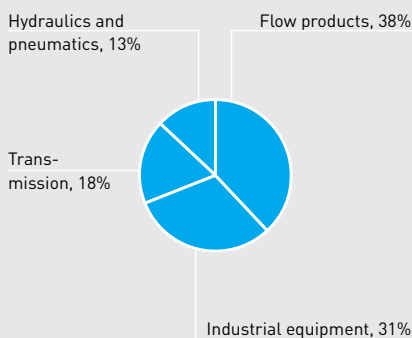
NET SALES BY GEOGRAPHIC AREA, 2004



NET SALES BY CUSTOMER SEGMENT, 2004³⁾



NET SALES BY PRODUCT AREA, 2004



ENGINEERING & EQUIPMENT BUSINESS AREA

Engineering & Equipment offers customized niche products, design solutions, after-market service and special processing, and has a larger share of industrial equipment than the other business areas. The products mainly comprise flow products, hydraulics, equipment for automotive workshops and transmissions. Sales show a relatively high proportion of special adaptation, assembly and installation of products from various suppliers.

The five largest subsidiaries in the business area are Bengtssons Maskin, Kontram, Lining, Tecalemit and YTM, which jointly accounted for about 70 percent of the business area's total net sales in the 2004 fiscal year.

Key data ¹⁾	2004	2003	2002	2001	2000
Net sales, SEK million	1,238	1,081	939	963	344
EBITA, SEK million	102	80	73	67	25
EBITA margin, %	8.2	7.4	7.8	7.0	7.3
Operating capital, SEK million	312	338	270		
Return on operating capital, %	31.4	26.3	27.7		
Investments ²⁾ , SEK million	5	14	11		
Number of employees at year-end	510	491	419	444	195

¹⁾ Historical figures for five years are provided for net sales, EBITA, EBITA margin and number of employees at year-end. For other key data, historical figures for three years are provided.

²⁾ Gross investments in tangible fixed assets, excluding company acquisitions.

Market

In geographic terms, Engineering & Equipment is focused on the Finnish market, but several subsidiaries are also located in Sweden and the Baltic States. The chart on the left illustrates net sales by geographic area for the 2004 fiscal year.

Customers

The Engineering & Equipment business area's customers are mainly found in the pulp and paper industry, as well as the commercial vehicle and engineering industries. The business area's five largest customers are Kemira, Kvaerner, Metso, Stora-Enso and Tetra Pak. The chart on the left illustrates net sales by customer segment for the 2004 fiscal year.

Product areas

The Engineering & Equipment business area's products are organized in four product areas: flow products, industrial equipment, transmission and hydraulics and pneumatics. The chart on the left illustrates net sales by product area for the 2004 fiscal year.

³⁾ These estimates are based on the strategy plans which the subsidiaries in the Indutrade Group make every year, and they are highly uncertain. Each strategy plan includes estimates of the subsidiary's market, market share and main competitors.

Flow products

The product range comprises mainly valves, pumps, measuring instruments and couplings for HVAC and water supply, as well as solutions for handling waste water.

Industrial equipment

This product area includes a complete offering of products in garage equipment, with the accompanying project design for new construction and remodeling of automotive workshops. In this niche, Indutrade believes that the company has a leading position in the Finnish market. Other products are equipment for fire protection and central lubrication systems. In addition, equipment is sold for industrial painting and surface treatment. The product area also develops and designs special equipment for car repair shops.

Transmission

The product offering comprises such transmission products as quality chains and shaft couplings, with accompanying adaptation and processing. Other products are gearboxes for the processing industry and compact precision gears for robot manufacturers. Customized conveyor belts and power transmission belts are also offered to the engineering, food and paper industries, areas in which Indutrade considers the companies to have a leading position in Finland.

Hydraulics and pneumatics

This product area comprises hydraulic and compressed-air components, and equipment for air-conditioning, primarily for hotels and construction companies. The product offering includes high-quality pipes, quick-disconnect and Kamlok couplings, including accessories. Pneumatic components and magnetic valves are also included. The product area enables efficient and environmentally friendly construction of pipelines for manufacturers of, in particular, paper machines, conveyor and other apparatus.

Competitors

Engineering & Equipment has a strong position in several product areas, particularly in the Finnish market. Competitors are mainly small, family-owned companies in each niche, such as Fluorotech, Hytar, Jens S, Masino-Hydrosto, Mõlndals Industriprodukter and Suomen Työkalu. The business area also competes to a certain extent with large, international players that have their own sales organizations in some of the markets in which Indutrade is active, of which ABS, HiFlex, Hydac, KSB, Kluber, Onninen (in the Nordic region) and Wacker are the most significant.



Indexing table and examples of engine, gear and shaft couplings from Bengtssons Maskin.

High quality roller chains in demanding environments within the customer segment commercial vehicles.

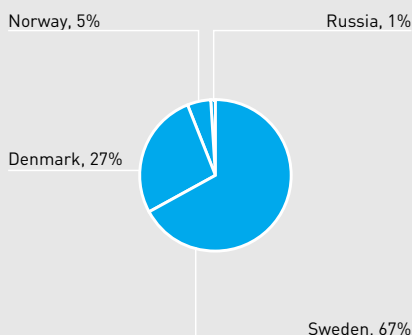


EXPERTS AT MEASURING EMISSION LEVELS

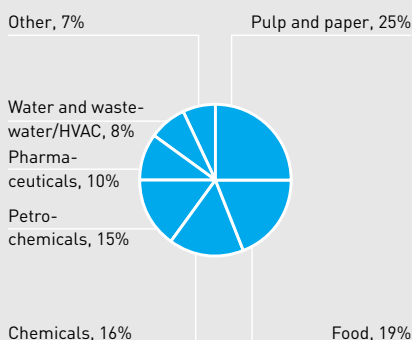
It is relatively easy to make analysis instruments work in a laboratory environment. In the demanding environment of a power-plant stack, it is considerably more difficult. In 2004, Indutrade's subsidiary Kontram supplied four systems for measuring and analyzing emission levels from Narva Power Plants in Estonia. Narva Power Plants comprises the world's two largest oilshale-fired power plants, and accounts for 95 percent of electricity production in Estonia. The plants have undergone comprehensive renovation that includes systems for the stricter control of emissions. Behind this development lie stricter demands from the EU for continuous measurement and control of emissions, including sulfur dioxides and nitrogen oxides.

Kontram supplied four analysis systems that were each mounted on one of four stacks. Each system includes a number of measuring instruments and data-management and reporting systems. The most skills-intensive portion is the construction of a system that can operate with a high level of precision and operational reliability in an extremely difficult environment. Kontram has extensive experience in this area and has delivered more than 200 similar systems throughout the world to such facilities as pulp and paper plants. Demand for Kontram's systems is believed to be increasing as a result of stricter legislation and rules and the industry's increasing awareness of the commercial importance of environmental issues.

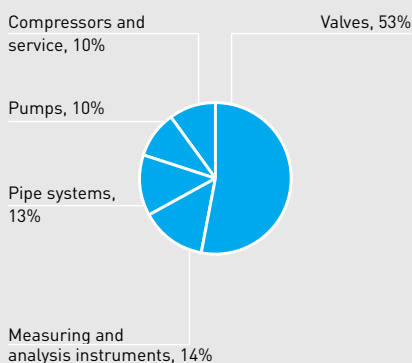
NET SALES BY GEOGRAPHIC AREA, 2004



NET SALES BY CUSTOMER SEGMENT, 2004³⁾



NET SALES BY PRODUCT AREA, 2004



FLOW TECHNOLOGY BUSINESS AREA

Flow Technology offers components and systems for control and monitoring of fluid flows. The products mainly comprise valves and pumps, as well as measuring and analysis instruments.

The five largest subsidiaries in the business area are Alnab, Gustaf Fagerberg AB, Gustaf Fagerberg A/S, GPA and Granzow, which jointly accounted for about 66 percent of the business area's total net sales during the 2004 fiscal year.

Key data ¹⁾	2004	2003	2002	2001	2000
Net sales SEK million	869	780	808	817	505
EBITA, SEK million	53	39	63	48	42
EBITA margin, %	6.1	5.0	7.8	5.9	8.3
Operating capital, SEK million	260	267	297		
Return on operating capital, %	20.1	13.8	20.5		
Investments ²⁾ , SEK million	8	8	22		
Number of employees at year-end	304	304	307	308	213

¹⁾ Historical figures for five years are provided for net sales, EBITA, EBITA margin and number of employees at year-end. For other key data, historical figures for three years are provided.

²⁾ Gross investments in tangible fixed assets, excluding company acquisitions.

Market

Flow Technology has a major share of its operations in Sweden and Denmark, but is also represented in Norway and Russia. The chart on the left illustrates net sales by geographic area for the 2004 fiscal year.

Customers

Flow Technology's customers operate in a large number of market segments, but mainly within the pulp and paper, food and chemicals industries. The business area's five largest customers are Akzo Nobel, Kvaerner, Metso, Stora Enso and Tetra Pak. The large breadth of different customer categories is perceived as a strength in contact with suppliers, whose products are often appropriate for several different market segments. The chart on the left illustrates net sales by customer segment for the 2004 fiscal year.

Product areas

The Flow Technology business area's products are organized in five product areas: valves, measuring and analysis instruments, pipe systems, pumps and compressors and service. The chart on the left illustrates net sales by product area for the 2004 fiscal year.

³⁾ These estimates are based on the strategy plans which the subsidiaries in the Indutrade Group make every year, and they are highly uncertain. Each strategy plan includes estimates of the subsidiary's market, market share and main competitors.

Valves

Indutrade believes that the product area offers the Swedish market's broadest range of valves and fittings for industrial customers and municipalities. With its technical expertise, Indutrade can meet customers' demands for close cooperation and partnership. Major customer groups are food, pharmaceuticals, pulp and paper and the chemical engineering industries.

Measuring and analysis instruments

Within this product area, a fully comprehensive range of processing instruments for measuring and analyzing flows, pressure, temperature and level is available. The products are often included as important components for ensuring the operation of the customers' processes. Major customer groups are the pharmaceuticals, pulp and paper and chemical engineering industries.

Pipe systems

The product offering includes valves, pipes, pipe parts, hoses and couplings in plastic and teflon-coated materials for systems with aggressive fluids. System solutions for pipes, pumps and tanks in customized materials are increasing as a share of net sales. Expertise exists, for example, in material selection for corrosive fluids and gases. Customers are within the chemicals industry, pharmaceuticals industry and municipal plants.

Pumps

The product area supplies pumps and customized system solutions in which pumps, regulating systems, valves and pipes are assembled together to form a complete unit. Ready-to-use systems are frequently supplied to customers. In addition, special products are included to handle aggressive, corrosive and environmentally hazardous fluids. Customers are within the fields of district heating, district cooling, the processing industry and water and waste water.

Compressors and service

This product area markets compressed-air compressors and vacuum-technology equipment. In addition, customers are offered repair, maintenance and other services for pumps, valves and regulating equipment. Service activities directly related to the products sold are included in several of the subsidiaries in Flow Technology.

Competitors

Indutrade is the leading player in industrial flow technology in the Nordic region. There is no corresponding major player and competition instead comprises smaller companies in each of the subsidiaries' markets. One important competitor in the area of valves is Armatec/Armaturljonnsson.



High capacity pumps for aggressive, corrosive media with particles and toxic fluids.



Maintenance and repair work of valves at a turbine site.

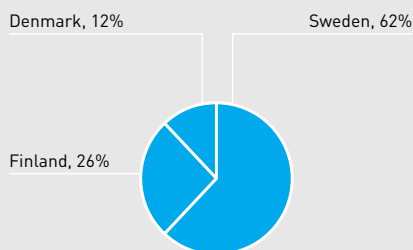
DOUBLED PRODUCTION

DSM is a listed Dutch company with more than 20,000 employees. Through its Anti-Infectives division, DSM is active in Strängnäs. In 2002, this operation made a decision to double its production of clavulan acid, a substance used in combination with penicillin to combat resistant bacteria, over a number of years. This decision involves an extensive restructuring of parts of the production facility.

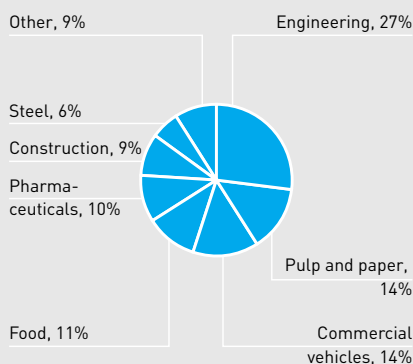
Already in 1978, cooperation was initiated between Indutrade's current subsidiary, Fagerberg, and DSM in Strängnäs. A positive and long-term business relationship has resulted in both companies regarding each other as partners in many situations. Through these established relations, DSM was well aware of Fagerberg's high level of service and the reliability of its supplies, as well as the broad offering of high-quality products in fittings and processing instruments that Fagerberg offers. Access to spare parts and components, continuous support, and rapid and punctual deliveries are critical factors for DSM, whose production of clavulan acid is process-based and continues round-the-clock without interruption.

These assessment criteria were decisive when Fagerberg secured the assignment to supply comprehensive volumes of ball valves, safety valves, single-leaf damper valves, membrane valves, flow meters and liquid level sensors. The project had a total order value of slightly more than SEK 5 million.

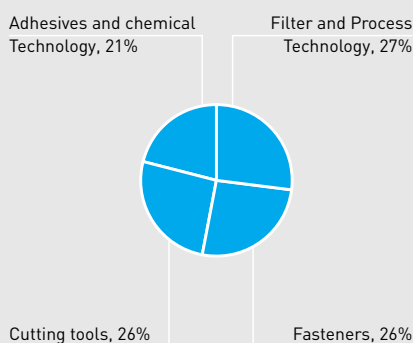
NET SALES BY GEOGRAPHIC AREA, 2004



NET SALES BY CUSTOMER SEGMENT, 2004³⁾



NET SALES BY PRODUCT AREA, 2004



INDUSTRIAL COMPONENTS BUSINESS AREA

Industrial Components offers a broad range of advanced technical components and systems for production and maintenance. The products (mainly consumables for recurring needs) include fasteners, filters, adhesives and cutting tools.

The business area's subsidiaries often work in close cooperation with the customers' development, design and production departments. A large proportion of the salespersons' working time is used to thoroughly chart the customers' production processes. This is done in order to enhance understanding of the customers' needs and to better understand any possibilities for improvement.

The five largest subsidiaries in the business area are Colly Components, Colly Filtreringsteknik, EDECO Tool, Oy Colly Company Ab and G.A. Lindberg, which accounted for a combined total of approximately 62 percent of the business area's total net sales in the 2004 fiscal year.

Key data ¹⁾	2004	2003	2002	2001	2000
Net sales SEK million	668	653	685	674	655
EBITA, SEK million	49	50	48	41	63
EBITA margin, %	7.3	7.7	7.0	6.1	9.6
Operating capital, SEK million	131	150	165		
Return on operating capital, %	34.9	31.7	27.6		
Investments ²⁾ , SEK million	4	2	5		
Number of employees at year-end	242	239	247	240	246

¹⁾ Historical figures for five years are provided for net sales, EBITA, EBITA margin and number of employees at year-end. For other key data, historical figures for three years are provided.

²⁾ Gross investments in tangible fixed assets, excluding company acquisitions.

Market

Most of Industrial Components' sales are made in Sweden, but the business area also has a considerable presence in Finland and Denmark. The chart on the left illustrates net sales by geographic area for the 2004 fiscal year.

Customers

Industrial Components' customers are mainly within the engineering, pulp and paper, commercial vehicle, food and pharmaceuticals industries. The business area's five largest customers are ABB, Kvaerner, Stora Enso, Tetra Pak and Volvo. The chart on the left illustrates net sales by customer segment for the 2004 fiscal year.

Product areas

The Industrial Components business area's products are organized in four product areas: filter and process technology, fasteners, cutting tools and adhesive and chemical technology. The chart on the left illustrates net sales organized by product area for the 2004 fiscal year.

³⁾ These estimates are based on the strategy plans which the subsidiaries in the Indutrade Group make every year, and they are highly uncertain. Each strategy plan includes estimates of the subsidiary's market, market share and main competitors.

Filter and process technology

In the area of filter and process technology, some of Indutrade's subsidiaries have been working with the American PALL Corporation since 1962. PALL Corporation is one of the world's largest filter manufacturers and has the market's broadest product offering in filtration and separation, with accompanying measuring and monitoring. In cooperation with PALL, Industrial Components has a strong market position in the Nordic region.

Customers are in the engineering, pulp and paper, food, pharmaceuticals, chemical engineering and nuclear power industries.

Fasteners

The product offering comprises a broad range of fasteners, bearings and quick-disconnect couplings with accompanying assembly and automation equipment. The operational focus includes the niches of joining thin sheet, threaded-joint technology and fastening technology. The products are often included as sub-components in the customer's own products (OEM). Customers are in the construction, commercial vehicles, electronics and engineering industries.

Cutting tools

In this product area, a broad range of high-quality tools are marketed for various types of cutting work, such as drilling, turning, cutting and thread cutting. The product area is a major importer of cutting tools in Sweden. Customers are mainly within the automotive and commercial vehicles industries and their subcontractors, and in the engineering and steel industries.

Adhesives and chemical technology

The product area works with leading suppliers of adhesives, silicone and lubricants. Oils and fluids for metal processing, rust protection, hydraulics, spray-painting and tissue production are also offered. In addition, box and flat packaging and a number of specialist seals for demanding fluid and gas sealings are marketed.

Customers are in such areas as the electronics, pulp and paper, chemicals, commercial vehicles and engineering industries.

Competitors

Industrial Components encounters various types of competition in its product areas. In fasteners, competition mainly comprises small, niche, family-owned companies. For filters, there are international companies with their own sales organization in Sweden, of which Hydac and Millipore are the largest. Competition in adhesives and industrial chemicals is mainly from small companies. In addition, the manufacturer Loctite is represented in Sverige. The business area competes with such companies as Sandvik och Seco Tools in the cutting tools product area.



Service of filter systems in the pulp and paper industry.



Rational and ergonomic assembly of blind rivets in the automotive industry.

INDUSTRIAL COMPONENTS SELLS IMPROVED PRODUCTIVITY

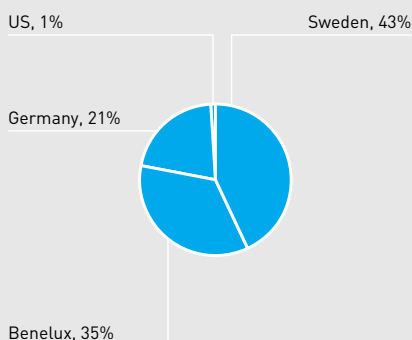
Volvo Construction Equipment in Eskilstuna produces parts for Volvo's wheel loaders. The company processes components for gearboxes, which, after assembly in Eskilstuna, are transported to the Arvika plant for final assembly in the vehicle.

Volvo Construction Equipment manufactures such products as axles and gears for gearboxes. The gears are turned both before and after hardening, leading to a high level of wear and tear for the lathe. Like many other engineering companies, Volvo Construction Equipment continuously reviews new production equipment that can enhance efficiency and productivity, thereby strengthening competitiveness. The lifetime of the cutter is decisive for the development of the turning process in production.

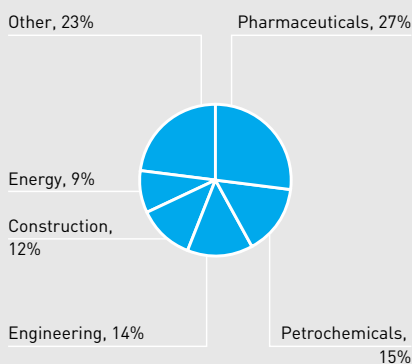
In cooperation with Colly Verkadsteknik, Volvo Construction Equipment has now transferred to turning gears using a CBN¹⁾ cutter with double edges from Mitsubishi. A quadrupled lifetime for the cutter, combined with reduced sharpening requirements, have contributed to a strong decrease in cost per processed unit.

¹⁾ CBN – cubic boron nitride, which is the second-hardest known material after diamond.

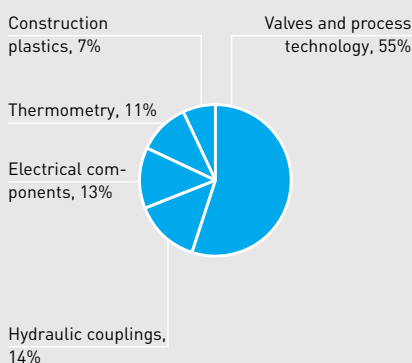
NET SALES BY GEOGRAPHIC AREA, 2004



NET SALES BY CUSTOMER SEGMENT, 2004³⁾



NET SALES BY PRODUCT AREA, 2004



SPECIAL PRODUCTS BUSINESS AREA

Special Products offers specially manufactured niche products, design solutions, service for the after-market, assembly and special processing. The products include thermometry, special plastics, tool holders and electrical components etc. A large portion of Special Product’s net sales originates from proprietary production, design and refinement of products.

The five largest subsidiaries in the business area are Aluglas, ETP, GEFA, HITMA and Pentronic, which jointly accounted for about 81 percent of the business area’s total net sales during the 2004 fiscal year.

Key data ¹⁾	2004	2003	2002	2001	2000
Net sales SEK million	735	701	666	682	422
EBITA, SEK million	91	88	85	88	56
EBITA margin, %	12.4	12.6	12.8	12.9	13.3
Operating capital, SEK million	250	269	251		
Return on operating capital, %	35.1	33.8	31.7		
Investments ²⁾ , SEK million	13	36	44		
Number of employees at year-end	356	364	384	381	204

¹⁾ Historical figures for five years are provided for net sales, EBITA, EBITA margin and number of employees at year-end. For other key data, historical figures for three years are provided.

²⁾ Gross investments in tangible fixed assets, excluding company acquisitions.

Market

Special Products’ largest geographic market is Sweden. However, the two single largest subsidiaries in the business area are HITMA and GEFA, which is why geographic exposure is extensive, including the markets in the Benelux countries and Germany. The chart on the left illustrates net sales by geographic area for the 2004 fiscal year.

Customers

Special Products’ customers are mainly within the pharmaceuticals, petrochemical and engineering industries. The business area’s five largest companies are Getinge, Metso Paper, Sandvik, Tetra Pak and Wärtsilä. The chart on the left illustrates net sales by customer segment for the 2004 fiscal year.

Product areas

The Special Products business area’s products are organized in five product areas: valves and process technology, hydraulic couplings, electrical components, thermometry and construction plastics. The chart on the left illustrates net sales by product area for the 2004 fiscal year.

³⁾ These estimates are based on the strategy plans which the subsidiaries in the Indutrade Group make every year, and they are highly uncertain. Each strategy plan includes estimates of the subsidiary’s market, market share and main competitors.

Valves and process technology

This product area refines single-leaf dampers and ball valves and a number of other types of valve, which area generally specially designed to meet each customer's requirements. The remaining product range comprises components and complete systems in valve and regulation technology, as well as filtration and separation technology. Customers are mainly in the processing industry, for example in niches in the brewing industry in Germany.

Hydraulic couplings

The product range comprises proprietary and refined hydraulic connections, couplings and tool holders that are used in the assembly and dismantling of drills and similar machinery with a high level of precision and quality. The product area develops, manufactures and markets mounting and centering products based on hydraulic and hydromechanic principles. The product area also conducts refinement in the form of product development and design, as well as product production. Indutrade believes that the product area is a leading supplier in its field in technical terms, with an export share of 85 percent. Exports are mainly to Western Europe and the US. Customers are primarily within the engineering industry.

Electrical components

The offering includes electrical components and surge protection that are marketed under the suppliers' own brands. About 70 percent of the products in the area of electrical components are sold through electrical wholesalers mainly to customers in the construction industry.

Thermometry

This product area refines and markets advanced equipment for industrial thermometry in demanding environments and also offers calibration of measuring instruments and customer training. The most important customers are in the pharmaceuticals, food and automotive industries.

Construction plastics

The range offered by construction plastics includes proprietary refined products and finished plastic components. Product development, design and choice of materials are conducted in close cooperation with the customers. Plastic material with various properties is used in a large number of industries. The heavy engineering industry has high demands on wearability and durability, while temperature and chemical resistance are priority areas for the food and pharmaceuticals industries. There are also customers in the medical technology and electronics industries.

Competitors

Special Products competes with such companies as Gycom, Inor AB, Milltronics, Söderberggruppen and Tyco.



Hydro-mechanic chuck from ETP for wood processing.



ENHANCED KNOWLEDGE IMPROVES THE RESULT

Training in how best to use products enhances the value for customers and contributes to the creation of long-term relations. An Indutrade customer not only purchases a product, but is also able to share the knowledge that exists among Indutrade employees. This often leads to a considerable increase in value for the customer.

A good example is the subsidiary Pentronic, which is one of the Nordic region's leading manufacturers of advanced industrial measuring points for thermometry. In industrial processes, it is often extremely important to have exactly the right temperature to achieve optimal product quality. To be certain that the temperature really is correct, advanced equipment is required, but also that the user has extensive knowledge of how the equipment is to be used. There are always a number of wrong sources that users must be aware of and must check. At the same time, there is a shortage of training in this area.

Consequently, Pentronic offers courses in thermometry. These are in high demand among those who work with thermometry in practice, mainly in the pharmaceuticals, food and automotive industries. Courses have been arranged since the beginning of the 1990s and have more than 100 participants per year. A number of customized training courses are also organized on-site at specific companies. Training is an important part of Pentronic's development of long-term, close customer relations. Customers who perceive that they have received a high level of added value will come back again.

In addition to training, Pentronic offers services that contribute to improving the customer's results. Through its own accredited laboratory for calibration and measurement of temperature, Pentronic can check that equipment for thermometry actually measures correctly and, where necessary, calibrate it to the correct level. The laboratory has resources of the same class as many international laboratories. Pentronic believes that the only equivalent in Sweden is at the Swedish National Testing and Research Institute.

FINANCIAL INFORMATION IN SUMMARY

INCOME STATEMENTS IN SUMMARY¹⁾

(SEK million)	In accordance with IFRS							
	Jan–June 2005	Jan–June 2004	Full-year 2004	Full-year 2004	Full-year 2003	Full-year 2002	Full-year 2001 ²⁾	Full-year 2000 ³⁾
Net sales	1,823	1,744	3,486	3,486	3,197	3,078	3,109	1,919
Cost of goods sold	-1,224	-1,179	-2,367	-2,385	-2,166	-2,083	-2,123	-1,276
Gross income	599	565	1,119	1,101	1,031	995	986	643
Development costs	-6	-6	-11	-11	-10	-9	-9	-6
Selling costs	-359	-344	-677	-686	-663	-642	-623	-393
Administrative expenses	-86	-87	-175	-175	-167	-149	-157	-94
Other operating income and expenses	-2	0	0	0	4	7	0	28
Operating income	146	128	256	229	195	202	197	178
Net financial items	-5	-6	-13	-13	-13	-21	-21	-1
Income after financial items	141	122	243	216	182	181	176	177
Tax	-39	-36	-75	-75	-67	-67	-64	-60
Net income for the period	102	86	168	141	115	114	112	117

BRIDGE FOR CALCULATION OF EBITA⁴⁾

(SEK million)	In accordance with IFRS							
	Jan–June 2005	Jan–June 2004	Full-year 2004	Full-year 2004	Full-year 2003	Full-year 2002	Full-year 2001 ²⁾	Full-year 2000 ³⁾
Operating income ("EBIT")	146	128	256	229	195	202	197	178
Goodwill impairment (in accordance with IFRS)	-	-	2	-	-	-	-	-
- <i>Of which, included in cost of goods sold</i>	-	-	2	-	-	-	-	-
Goodwill amortization	-	-	-	29	32	33	34	18
- <i>Of which, included in cost of goods sold</i>	-	-	-	20	22	23	24	13
- <i>Of which, included in selling costs</i>	-	-	-	9	10	10	10	5
Amortization of other intangible fixed assets	2	2	6	6	2	3	3	2
- <i>Of which, included in selling costs</i>	2	2	6	6	2	3	3	2
EBITA	148	130	264	264	229	238	234	198

¹⁾ In accordance with reported income statements, goodwill amortization affected the cost of goods sold and selling costs during the years 2000–2004. In income statements revised in accordance with IFRS, goodwill impairments impacted the cost of goods sold for fiscal year 2004. In accordance with reported income statements, amortization of other intangible fixed assets affected selling costs for the years 2000–2004 and for the period January 1–June 30, 2005.

²⁾ On January 1, 2001, the Fagerberg (incl. GEFA), EIE and Tecalemit groups among others were acquired, with net sales of SEK 1,029 million for the fiscal year 2001.

³⁾ Including SEK 26 million in funds from Alecta.

⁴⁾ EBITA = Operating income for the period including reversed amortization/impairments of intangible fixed assets during the period.

BALANCE SHEETS IN SUMMARY

(SEK million)	In accordance with IFRS							
	June 30, 2005	June 30, 2004	Dec. 31, 2004	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001 ¹⁾	Dec. 31, 2000 ²⁾
Assets								
Goodwill	240	170	156	129	167	133	166	60
Other intangible fixed assets	47	4	15	15	4	4	5	7
Tangible fixed assets	283	257	277	247	266	255	225	132
Financial fixed assets	30	20	18	12	13	19	20	21
Inventories	619	573	556	556	567	571	625	382
Accounts receivable	566	496	461	461	422	399	414	254
Other current assets	68	68	56	56	58	48	54	39
Cash and cash equivalents	64	87	97	97	168	172	213	119
Total assets	1,917	1,675	1,636	1,573	1,665	1,601	1,722	1,014
Shareholders' equity	594	710	708	694	688	643	611	375
Long-term interest bearing liabilities	309	233	175	126	283	449	545	174
Long-term non-interest bearing liabilities	30	28	24	24	39	25	19	19
Current interest bearing liabilities	369	170	204	204	188	42	82	145
Accounts payable	305	273	263	263	228	225	227	154
Other current non-interest bearing liabilities	310	261	262	262	239	217	238	147
Total shareholders' equity and liabilities	1,917	1,675	1,636	1,573	1,665	1,601	1,722	1,014

¹⁾ On January 1, 2001, the Fagerberg (incl. GEFA), EIE and Tecalemit groups among others were acquired, with net sales of SEK 1,029 million for fiscal year 2001.

²⁾ Including SEK 26 million in funds from Alecta.

CASH FLOW STATEMENTS IN SUMMARY

[SEK million]	In accordance with IFRS							
	Jan-June 2005	Jan-June 2004	Full-year 2004	Full-year 2004	Full-year 2003	Full-year 2002	Full-year 2001 ¹⁾	Full-year 2000 ²⁾
Cash flow from operating activities before change in working capital	139	121	251	251	210	210	201	193
Change in working capital	-53	-33	16	16	-8	44	-66	-37
Cash flow from operating activities	86	88	267	267	202	254	135	156
Net investment in fixed assets ³⁾	-16	-16	-24	-24	-53	-77	-46	-26
Company acquisitions and divestments	-142	-7	-14	-14	-57	6	-343	-33
Change in other financial fixed assets	-7	-3	2	2	-	13	2	-13
Cash flow from investing activities	-165	-26	-36	-36	-110	-58	-387	-72
Net borrowing	343	-	-157	-157	-83	-91	340	-51
Paid-out dividend, Group contribution and shareholder contribution	-301	-144	-144	-144	-11	-144	-1	-105
Cash flow from financing activities	42	-144	-301	-301	-94	-235	339	-156
Cash flow during the period	-37	-82	-70	-70	-2	-39	87	-72
Cash and cash equivalents at beginning of period	97	168	168	168	172	213	119	189
Exchange-rate differences	4	1	-1	-1	-2	-2	7	2
Cash and cash equivalents at end of period	64	87	97	97	168	172	213	119

¹⁾ On January 1, 2001, the Fagerberg (incl. GEFA), EIE and Tecalemit groups among others were acquired, with net sales of SEK 1,029 million for fiscal year 2001.

²⁾ Including SEK 26 million in funds from Alecta.

³⁾ Net investment in fixed assets is defined as the total investment/divestment of tangible fixed assets and intangible fixed assets during the year (not including company acquisitions and divestments).

DEFINITIONS OF KEY RATIOS

The following definitions of key ratios apply:

Return on operating capital ("ROOC") EBITA divided by average operating capital.

Return on shareholders' equity Net income for the period divided by average shareholders' equity.

Gross margin Gross income divided by net sales.

EBITA Operating income before amortization of intangible fixed assets.

Shareholders' equity per share Shareholders' equity divided by the number of shares outstanding.

Investments Gross investment in tangible fixed assets, excluding company acquisitions.

Net debt Interest bearing liabilities including pension liability minus cash and cash equivalents.

Net debt/equity ratio Net debt divided by shareholders' equity.

Operating capital Shareholders' equity plus net debt.

Operating cash flow Cash flow from operating activities and net investments in tangible assets (not including company acquisitions and divestments).

Earnings per share Net income for the period divided by the number of shares outstanding.

Interest coverage ratio EBITA plus financial income divided by financial expenses.

Operating margin ("EBIT margin") Operating income ("EBIT") divided by net sales.

Equity/assets ratio Shareholders' equity divided by total assets.

KEY RATIOS

(SEK million unless otherwise stated)	In accordance with IFRS							
	Jan-Jun 2005	Jan-Jun 2004	Full-year 2004	Full-year 2004	Full-year 2003	Full-year 2002	Full-year 2001 ¹⁾	Full-year 2000 ²⁾
Return on operating capital, %	25.3 ³⁾	24.4	26.0	27.5	23.5	24.0	29.3	36.7
Operating capital	1,208 ³⁾	1,026	990	927	991	962	1,025	575
Return on shareholders' equity, %	28.2	23.5	24.3	20.4	17.3	18.2	22.7	32.0
EBITA margin, %	8.1	7.5	7.6	7.6	7.2	7.7	7.5	10.3
Operating margin, %	8.0	7.3	7.3	6.6	6.1	6.6	6.3	9.3
Interest coverage ratio, multiple	24.8	16.5	14.9	14.9	10.8	8.2	7.9	22.9
Equity/assets ratio, %	31	42	43	44	41	40	35	37
Net debt/equity ratio, %	103	45	40	34	44	50	68	53
Average number of employees	1,510 ⁴⁾	1,409 ⁴⁾	1,415	1,415	1,377	1,351	1,375	846

DATA PER SHARE⁵⁾

	In accordance with IFRS							
	Jan-Jun 2005	Jan-Jun 2004	Full-year 2004	Full-year 2004	Full-year 2003	Full-year 2002	Full-year 2001 ¹⁾	Full-year 2000 ²⁾
Earnings per share, SEK	2.55	2.15	4.20	3.53	2.88	2.85	2.80	2.93
Shareholders' equity per share, SEK	14.85	17.75	17.70	17.35	17.20	16.08	15.28	9.38
P/E ratio ⁶⁾	13.0	14.5	14.3	17.0	20.9	21.1	21.4	20.5
Price/equity ratio ⁶⁾	4.0	3.4	3.4	3.5	3.5	3.7	3.9	6.4

¹⁾ On January 1, 2001, the Fagerberg (incl. GEFA), EIE and Tecalemit groups among others were acquired, with net sales of SEK 1,029 million for fiscal year 2001.

²⁾ Including SEK 26 million in funds from Alecta.

³⁾ The Hanwel Group was acquired on June 27, 2005. The balance sheet was consolidated from the acquisition date while the income statement was consolidated from July 1, 2005. Proforma prior to the Hanwel acquisition, the operating capital amounted to SEK 1,064 million and return on operating capital amounted to 27.0 percent.

⁴⁾ These figures are based on the number of employees at the end of the period.

⁵⁾ Based on the current number of shares (40 million) after the bonus issue and split.

⁶⁾ Based on a share price of SEK 60, corresponding to the mid point in the Offering price range.

KEY FIGURES PER BUSINESS AREA 2004 (IN ACCORDANCE WITH IFRS)

(SEK million unless otherwise stated)	Engineering & Equipment	Flow Technology	Industrial Components	Special Products	Total	Parent Company/ Eliminations	Total Group
Net sales	1,238	869	668	735	3,510	-24	3,486
Sales growth, %	14.5	11.4	2.3	4.9			9.0
EBITA	102	53	49	91	295	-31	264
EBITA margin, %	8.2	6.1	7.3	12.4			7.6
Operating capital	324	280	147	265	1,016	-26	990
Return on operating capital ¹⁾ , %	31.5	18.9	33.3	34.3			26.0
Investments	6	12	10	14	42	0	42
– Of which, investments in buildings and land	0	0	0	0	0	0	0
Depreciation of tangible fixed assets	10	9	5	16	40	0	40
Items not affecting cash flow	0	1	1	1	3	0	3
Total assets	582	426	293	385	1,686	-50	1,636
Non-interest bearing liabilities	205	126	101	105	537	12	549
Interest bearing liabilities	160	150	93	126	529	-150	379

ENGINEERING & EQUIPMENT BUSINESS AREA

In accordance with IFRS

(SEK million unless otherwise stated)	Jan–June 2005	Jan–June 2004	Full-year 2004	Full-year 2004	Full-year 2003	Full-year 2002	Full-year 2001 ¹⁾	Full-year 2000
Net sales	678	611	1,238	1,238	1,081	939	963	344
Sales growth, %	11.0		14.5	14.5	15.1	-2.5	179.9	
EBITA	62	48	102	102	80	73	67	25
EBITA margin, %	9.1	7.9	8.2	8.2	7.4	7.8	7.0	7.3
Operating capital			324	312	338	270		
Return on operating capital, %			31.5 ²⁾	31.4	26.3	27.7		
Investments			6	5	14	11		
– Of which, investments in buildings and land			0	0	0	0		
Depreciation of tangible fixed assets			10	10	12	11		
Items not affecting cash flow			0	0	1	0		
Total assets			582	570	589	481		
Non-interest bearing liabilities			205	205	178	138		
Interest bearing liabilities			160	158	199	157		

FLOW TECHNOLOGY BUSINESS AREA

In accordance with IFRS

(SEK million unless otherwise stated)	Jan–June 2005	Jan–June 2004	Full-year 2004	Full-year 2004	Full-year 2003	Full-year 2002	Full-year 2001 ¹⁾	Full-year 2000
Net sales	466	441	869	869	780	808	817	505
Sales growth, %	5.7		11.4	11.4	-3.5	-1.1	61.8	
EBITA	31	30	53	53	39	63	48	42
EBITA margin, %	6.7	6.8	6.1	6.1	5.0	7.8	5.9	8.3
Operating capital			280	260	267	297		
Return on operating capital, %			18.9 ²⁾	20.1	13.8	20.5		
Investments			12	8	8	22		
– Of which, investments in buildings and land			0	0	1	10 ³⁾		
Depreciation of tangible fixed assets			9	9	10	10		
Items not affecting cash flow			1	1	1	1		
Total assets			426	406	399	463		
Non-interest bearing liabilities			126	126	121	134		
Interest bearing liabilities			150	138	124	144		

¹⁾ On January 1, 2001, the Fagerberg (incl. GEFA), EIE and Tecalemit groups among others were acquired, with net sales of SEK 1,029 million for fiscal year 2001.

²⁾ In this context, the return on operating capital has been calculated as each business area's EBITA for the 2004 fiscal year divided by each business area's closing balance for operating capital for the 2004 fiscal year in accordance with IFRS.

³⁾ Includes investment in construction in progress of SEK 5 million.

INDUSTRIAL COMPONENTS BUSINESS AREA

(SEK million unless otherwise stated)	In accordance with IFRS							
	Jan–June 2005	Jan–June 2004	Full-year 2004	Full-year 2004	Full-year 2003	Full-year 2002	Full-year 2001 ¹⁾	Full-year 2000
Net sales	339	336	668	668	653	685	674	655
Sales growth, %	0.9		2.3	2.3	-4.7	1.6	2.9	
EBITA	24	24	49	49	50	48	41	63
EBITA margin, %	7.1	7.1	7.3	7.3	7.7	7.0	6.1	9.6
Operating capital			147	131	150	165		
Return on operating capital, %			33.3 ²⁾	34.9	31.7	27.6		
Investments			10	4	2	5		
– Of which, investments in buildings and land			0	0	0	0		
Depreciation of tangible fixed assets			5	5	7	8		
Items not affecting cash flow			1	1	2	2		
Total assets			293	277	299	266		
Non-interest bearing liabilities			101	101	81	91		
Interest bearing liabilities			93	78	103	83		

SPECIAL PRODUCTS BUSINESS AREA

(SEK million unless otherwise stated)	In accordance with IFRS							
	Jan–June 2005	Jan–June 2004	Full-year 2004	Full-year 2004	Full-year 2003	Full-year 2002	Full-year 2001 ¹⁾	Full-year 2000
Net sales	350	367	735	735	701	666	682	422
Sales growth, %	-4.6		4.9	4.9	5.3	-2.3	61.6	
EBITA	43	41	91	91	88	85	88	56
EBITA margin, %	12.3	11.2	12.4	12.4	12.6	12.8	12.9	13.3
Operating capital			265	250	269	251		
Return on operating capital, %			34.3 ²⁾	35.1	33.8	31.7		
Investments			14	13	36	44		
– Of which, investments in buildings and land			0	0	18 ³⁾	27 ⁴⁾		
Depreciation of tangible fixed assets			16	16	15	13		
Items not affecting cash flow			1	1	1	1		
Total assets			385	370	393	368		
Non-interest bearing liabilities			105	105	108	102		
Interest bearing liabilities			126	106	113	100		

GEOGRAPHICAL MARKETS

Net sales (SEK million)	Full-year 2004	Full-year 2003	Full-year 2002
Sweden	1,480	1,355	1,355
Finland	1,098	954	842
Denmark and Norway	376	378	419
Europe excl. Nordic countries	532	510	462
Total	3,486	3,197	3,078

EBITA (SEK million)	Full-year 2004	Full-year 2003	Full-year 2002
Sweden	93	99	105
Finland	104	85	74
Denmark and Norway	22	7	26
Europe excl. Nordic countries	45	38	33
Total	264	229	238

¹⁾ On January 1, 2001, the Fagerberg (incl. GEFA), EIE and Tecalemit groups among others were acquired, with net sales of SEK 1,029 million for fiscal year 2001.

²⁾ In this context, the return on operating capital has been calculated as each business area's EBITA for the 2004 fiscal year divided by each business area's closing balance for operating capital for the 2004 fiscal year in accordance with IFRS.

³⁾ Includes investment in construction in progress of SEK 16 million.

⁴⁾ Includes investment in construction in progress of SEK 27 million.

COMMENTS ON THE FINANCIAL DEVELOPMENT

OVERVIEW

The current business-area organization was implemented in May 2005, and Indutrade has chosen to report historical values in accordance with the current organization to achieve comparability between the years.

ACQUISITIONS

On June 27, 2005, one of Indutrade's subsidiaries acquired all of the shares in the Dutch engineering company Hanwel Europe B.V.

The Hanwel Group comprises a parent company and four subsidiaries, and its customers are mainly in the processing and refining industry. In recent years, the Hanwel Group has demonstrated favorable growth and profitability.

In the first six months of 2005, the Hanwel Group's net sales amounted to about SEK 80 million, while EBITA was approximately SEK 13 million, corresponding to an EBITA margin of 16.3 percent. The table below illustrates the Hanwel Group's net sales and EBITA during the period 2002/03–2004/05¹⁾ translated into Swedish kronor. The purchase price for all outstanding shares in Hanwel Europe B.V. amounted to EUR 14.2 million.

[SEK million, unless otherwise stated ²⁾]	2004/2005	2003/2004	2002/2003
Net sales	171	164	177
Sales growth, %	4.3	-7.3	
EBITA	27	21	28
EBITA margin, %	15.8	12.8	15.8

The Hanwel acquisition will strengthen the Special Products business area in the process technology product area. The Hanwel acquisition is included in Indutrade's balance sheet at June 30, 2005, while the income statement is consolidated from July 1, 2005.

On September 15, 2005, one of Indutrade's subsidiaries acquired the Swedish technology sales company Satron Instruments Process & Project AB. The purchase consideration comprised a fixed payment and a small supplemental payment related to future earnings.

Satron's operations comprise sales in the area of electronic measurement and regulating equipment for process engineering, with special focus on pulp and paper. Operation covers everything from delivery of individual components to complete systems solutions, including start-up and training.

During the most recent 12-month period, Satron's net sales amounted to SEK 41 million.

The acquisitions are expected to have a positive impact on Indutrade's earnings per share as early as the end of the third quarter (September) of 2005.

In total, Indutrade completed ten acquisitions during the period January 1, 2000 through September 15, 2005. The largest acquisitions during the period are shown in the table at the bottom of this page.

COSTS IN CONNECTION WITH STOCK EXCHANGE-LISTING

Industrivärden intends to pay most of the transaction costs in connection with the Offering. Indutrade's share will amount to about SEK 6 million, pertaining mainly to costs for auditors examination, lawyers, printing of the prospectus, etc.

Acquisition	Date	Country	Net sales ³⁾ [SEK million]
Hanwel Group	2005	NE/BE	171 ⁴⁾
Kontram	2003	FI	162
Fagerberg Group ⁵⁾	2001	SE/FI/DE/NO/GE and others	945

¹⁾ The figures in the table pertain to the split fiscal years of 2005/2004, 2004/2003 and 2003/2002, with the closing date on June 30 each year. Since the Hanwel Group reports in EUR, the exchange rate of EUR/SEK = 9.20 was applied to create comparability between the various years.

²⁾ The legal Hanwel Group included companies not acquired by Indutrade, which is why the reported income statement information is pro forma and the numbers have not been audited.

³⁾ Based on each company's net sales the most recently completed fiscal year before the company was acquired by Indutrade.

⁴⁾ Based on the Hanwel Group's net sales during the split fiscal year July 2004 – June 2005.

⁵⁾ On January 1, 2001, the Fagerberg (incl. GEFA), EIE and Tecalemit groups among others were acquired, with net sales of SEK 945 million for the fiscal year 2000.

FACTORS AFFECTING INDUTRADE'S EBITA

Sales and costs

The sale of products or services is normally reported when delivery of a product or service is completed. Indutrade's net sales, expressed in SEK, have increased by an average of 12.4 percent per year over the most recent decade. Organic growth amounted to approximately 4 percent per year on average over the ten-year period. In total, companies with annual net sales of slightly more than SEK 1.9 billion¹⁾ were acquired during the same period.

During the period 2000–2004, the cost of goods sold adjusted for reversed amortization of intangible fixed assets and expressed as a percentage of Indutrade's total net sales, remained at a level of approximately 67 percent. The cost of goods sold includes the purchase of products and components, about 88 percent, manufacturing costs, about 5 percent, stockkeeping costs, about 4 percent, and other costs²⁾, about 3 percent. About 90 percent of the cost volume in the cost of goods sold comprises variable costs that correlate strongly with net sales. The result of this is that Indutrade's gross margin is relatively insensitive to fluctuations in the Group's sales volume.

During the period 2000–2004, operating expenses, adjusted for reversed amortization of intangible fixed assets and expressed as a percentage of Indutrade's total net sales, remained at a level of about 25 percent of the Group's total net sales. Operating expenses mainly comprise of selling costs adjusted for reversed amortization of intangible fixed assets³⁾, about 80 percent, and administrative expenses, about 20 percent. Selling costs mainly comprise salaries and salary-related costs for Indutrade's sales personnel. Administrative expenses mainly comprise salaries and salary-related costs for administrative personnel. Indutrade's sales and administrative expenses are continuously adapted to fluctuations in the Group's net sales and gross margin. Accordingly, the proportion of fixed costs is generally low at Indutrade.

Economic sensitivity

Organic growth in Indutrade's markets is mainly affected by growth in the industries in which Indutrade's customers are active. However, Indutrade sells to many industries that are each affected differently by the prevailing economic situation and this contributes to reducing the impact of the economy on Indutrade's total sales volume. The operating risk in Indutrade is further limited because a relatively large proportion of Indutrade's sales are of a recurring nature, which contributes to stabilizing underlying sales and creating better predictability in revenue flows.

Indutrade's customers in the pharmaceuticals and food industries are relatively insensitive to economic trends. The automotive industry normally has strong growth at the beginning of an economic cycle, while the pulp and paper industry normally has a strong market at the end of an economic cycle.

As a result of the large number of industries represented among Indutrade's customers, combined with the fact that industrial goods of an investment character make up a relatively small portion of the company's total sales, the company's profitability is normally less sensitive to fluctuations in the economy, compared with other companies with similar operations. This also results in demand for Indutrade's products and services tending to grow in pace with GDP in the geographic markets in which Indutrade is active.

Exchange-rate effects

The Indutrade Group as a whole has a low rate of exchange-rate exposure, despite having considerable foreign-currency flows. This is largely attributable to Indutrade's foreign-exchange policy which involves the company using exchange-rate clauses in contracts with major customers, forward contracts to hedge prices for the Group's major projects and the renegotiation of price lists for customers and purchasing prices for suppliers in the event of considerable exchange-rate fluctuations.

For a more detailed description of Indutrade's handling of currency risks, see page 49, section "Currency risk and foreign exchange policy".

¹⁾ Based on the acquired companies' share of Indutrade's net sales in the 2004 fiscal year.

²⁾ Other costs included in the cost of goods sold mainly comprise freight costs, customer bonuses and obsolescence of inventory.

³⁾ Selling costs adjusted for reversed amortization of intangible fixed assets comprise the period's booked selling costs plus amortization of intangible fixed assets that were booked as selling costs during the period.

FIRST SIX MONTHS OF 2005 COMPARED WITH THE FIRST SIX MONTHS OF 2004 (IN ACCORDANCE WITH IFRS)

Sales

During the first six months of 2005, Indutrade's net sales increased to SEK 1,823 million compared with SEK 1,744 million in the first six months of 2004, corresponding to a rise of 4.5 percent. Organic sales growth was approximately 3.2 percent. Acquisitions accounted for a sales increase of about 1.0 percent, while exchange-rate effects had a positive impact of about 0.3 percent on net sales. Valves, pumps and instruments were the product areas that performed best during the first half of the year 2005, as did those companies that deliver components to the commercial vehicles industry. A slightly weaker trend in relation to the year-earlier period was noted for those subsidiaries that deliver components to pharmaceutical and packaging machinery industries and to the German and Dutch markets.

- **Engineering & Equipment's** net sales rose in the first half of 2005 to SEK 678 million, from SEK 611 million in the first six months of 2004, corresponding to an increase of 11.0 percent, mainly attributable to organic growth in Finnish operations.
- **Flow Technology's** net sales rose during the first half of 2005 to SEK 466 million from SEK 441 million in the first six months of 2004, corresponding to an increase of 5.7 percent, fully related to organic growth.
- **Industrial Components'** net sales increased during the first half of 2005 to SEK 339 million from SEK 336 million in the first six months of 2004, corresponding to a rise of 0.9 percent, attributable to acquisitions.
- **Special Products'** net sales declined during the first half of 2005 to SEK 350 million from SEK 367 million in the first half of 2004, corresponding to a decrease of 4.6 percent, mainly attributable to a nonrecurring transaction of SEK 15 million in the first quarter of 2004.

Gross income

Gross income increased in the first half of 2005 to SEK 599 million, compared with SEK 565 million in the first six months of 2004, corresponding to an increase of 6.0 percent. The gross margin improved to 32.9 percent from 32.4 percent in the first half of 2004. The increase was mainly attributable to a smaller proportion of large orders which carry lower contribution margins.

EBITA

EBITA increased in the first half of 2005 to SEK 148 million, compared with SEK 130 million in the first six months of 2004, an increase of 13.8 percent. The EBITA margin improved to 8.1 percent from 7.5 percent in the first half of 2004. This improvement was mainly attributable to higher margins as a result of Indutrade implementing a smaller number of major transactions with a lower contribution to profit in the first half of 2005 compared with the first half of 2004.

- **Engineering & Equipment's** EBITA increased during the first half of 2005 to SEK 62 million, compared with SEK 48 million in the first six months of 2004, corresponding to an increase of 29.2 percent. The EBITA margin improved to 9.1 percent from 7.9 percent in the first half of 2004. This improvement is largely attributable to larger sales volumes in the Tecalemit company.
- **Flow Technology's** EBITA increased during the first half of 2005 to SEK 31 million, compared with SEK 30 million in the first six months of 2004, corresponding to a rise of about 3.3 percent. The EBITA margin declined to 6.7 percent from 6.8 percent in the first half of 2004.
- **Industrial Components'** EBITA remained unchanged in the first half of 2005, compared with the first half of 2004, amounting to SEK 24 million. The EBITA margin also remained unchanged at 7.1 percent.

- **Special Products'** EBITA increased to SEK 43 million in the first half of 2005, compared with SEK 41 million in the first half of 2004, corresponding to an increase of 4.9 percent. The EBITA margin improved to 12.3 percent from 11.2 percent in the first half of 2004. This improvement was mainly attributable to higher margins as a result of the business area implementing a smaller number of major transactions with lower contribution to profit in the first half of 2005 compared with the first half of 2004.

Intangible fixed assets

At June 30, 2005, Indutrade's book value regarding goodwill amounted to SEK 240 million, compared with SEK 170 million at June 30, 2004. The increase¹⁾ in the book value of goodwill was a result of the acquisition of the Hanwel Group, which was acquired by Indutrade on June 27, 2005.

In the first half of 2005, Indutrade made no goodwill impairments.

Other intangible fixed assets mainly comprise licenses²⁾, etc., which were included in a book value of SEK 47 million at June 30, 2005, compared with SEK 4 million at June 30, 2004. The increase in the book value of other intangible fixed assets was mainly attributable to the acquisition of the Hanwel Group.

During the first half of 2005, Indutrade's amortization of other intangible fixed assets amounted to SEK 2 million. This amortization was booked as selling costs.

Financial position

The Group's cash and cash equivalents amounted to SEK 64 million on June 30, 2005, compared with SEK 87 million on June 30, 2004. The interest bearing net debt amounted to SEK 614 million on June 30, 2005, compared with SEK 316 million on June 30, 2004. The equity/assets ratio on June 30, 2005, was 31 percent, compared with 42 percent on June 30, 2004. The net debt/equity ratio amounted to 103 percent on

June 30, 2005, compared with 45 percent on June 30, 2004. During the first half of 2005, Indutrade paid dividends and Group contributions and repaid shareholders' contributions totaling SEK 301 million.

Interest and other financial income and expenses

Net financial items improved marginally in the first half of 2005 to an expense of SEK 5 million from an expense of SEK 6 million in the first half of 2004.

Tax expense

In the first half of 2005, tax expense amounted to SEK 39 million, compared with SEK 36 million in the first half of 2004. The effective tax rate adjusted for reversed goodwill impairments amounted to approximately 28 percent³⁾ in the first half of 2005, compared with about 30 percent for the first half of 2004.

Investments

Indutrade's gross investments in tangible fixed assets, excluding company acquisitions, amounted to SEK 23 million in the first half of 2005, compared with as well SEK 23 million for the first half of 2004. Investments amounted to approximately 1.3 percent of net sales in the first six months of 2005, compared with about 1.3 percent of net sales in the first half of 2004. Investments in the first half of 2005 mainly comprised replacement investments in office inventory. Indutrade's company management estimates that investments in tangible fixed assets for the year 2005 will amount to about SEK 45 million.

Cash flow

The operating cash flow amounted to SEK 70 million for the first six months of 2005, compared with SEK 72 million for the first half of 2004.

¹⁾ Of which, SEK 80 million in connection with the acquisition of Hanwel and a negative amount of about SEK 10 million in connection with reclassifications.

²⁾ Acquisition of assets and liabilities of agencies reported earlier as goodwill have been reclassified as licenses, patents and brands, etc., since the 2004 year-end report.

³⁾ During the first half of 2005, Indutrade made no goodwill impairments, which resulted in the effective tax rate, adjusted for reversed goodwill impairments, being the same as the reported tax rate (the tax for the period divided by the period's income before tax).

2004 COMPARED WITH 2003 (NOT IN ACCORDANCE WITH IFRS)

Sales

In 2004, Indutrade's net sales increased to SEK 3,486 million from SEK 3,197 million in 2003, an increase of 9.0 percent. Organic sales growth was approximately 6.4 percent. Acquisitions accounted for a sales increase of about 2.8 percent, while exchange-rate effects had a negative impact of about 0.2 percent on net sales. The acquired growth was primarily attributable to the Finnish company Kontram, which was acquired during the first half of 2003 and was consolidated as of June 1, 2003. The strong organic growth in 2004 was attributable, for example, to a favorable sales trend in Sweden, largely as a result of a sales increase in the Flow Technology business area.

- **Engineering & Equipment's** net sales increased to SEK 1,238 million in 2004 from SEK 1,081 million in 2003, corresponding to an increase of 14.5 percent. The sales growth was primarily attributable to the acquisition of the Finnish company Kontram, whose sales were consolidated for the full fiscal year 2004, but only for seven months in fiscal 2003.
- **Flow Technology's** net sales increased in 2004 to SEK 869 million from SEK 780 million in 2003, corresponding to an increase of 11.4 percent. In 2003, Flow Technology replaced the presidents of several subsidiaries, resulting in the focus shifting partly away from business-generating operations. In 2004, all organizational changes were completed, resulting in operational improvements and increased sales.
- **Industrial Components'** net sales increased in 2004 to SEK 668 million from SEK 653 million in 2003, corresponding to an increase of 2.3 percent.
- **Special Products'** net sales increased in 2004 to SEK 735 million from SEK 701 million in 2003, corresponding to an increase of about 4.9 percent, mainly due to acquisitions.

Net sales in Sweden increased in 2004 to SEK 1,480 million from SEK 1,355 million in 2003, corresponding to a 9.2 percent increase that was mainly attributable to stronger order bookings in the Flow Technology business area.

Net sales in Finland increased in 2004 to SEK 1,098 million from SEK 954 million in 2003, corresponding to an increase of 15.1 percent that was largely attributable to company acquisitions.

Net sales in Denmark and Norway declined marginally in 2004 to SEK 376 million from SEK 378 million in 2003, corresponding to a decline of 0.5 percent, mainly due to a minor subsidiary being divested in the autumn 2003.

Net sales in Europe, excluding the Nordic region, increased to SEK 532 million in 2004 from SEK 510 million in 2003, corresponding to an increase of 4.3 percent, mainly attributable to organic growth.

Gross income

Gross income adjusted for reversed amortization of intangible fixed assets increased to SEK 1,121 million¹⁾ in 2004, compared with SEK 1,053 million²⁾ in 2003, corresponding to an increase of 6.5 percent. The gross margin adjusted for reversed amortization of intangible fixed assets declined to 32.2 percent from 32.9 percent in 2003.

EBITA

EBITA increased in 2004 to SEK 264 million from SEK 229 million in 2003, corresponding to an increase of about 15.3 percent. The EBITA margin improved to 7.6 percent from 7.2 percent in 2003. This improvement was mainly attributable to improved margins in the Flow Technology and Engineering & Equipment business areas.

Selling costs adjusted for reversed amortization of intangible fixed assets increased to SEK 671 million³⁾ in 2004 from SEK 651 million⁴⁾ in 2003, corresponding to an increase of 3.1 percent, mainly as a result of the integration of Kontram. The selling costs, adjusted for reversed amortization of intangible fixed assets in proportion to net sales, declined to 19.2 percent, compared with 20.4 percent in 2003. Administrative expenses increased in 2004 to SEK 175 million from SEK 167 million in 2003, corresponding to an increase of 4.8 percent, mainly as a result of a number of companies in the Indutrade Group upgrading their business systems and the Finnish company Kontram's administrative expenses being consolidated for the full fiscal year 2004, but only for seven months during fiscal 2003. Administrative expenses as a percentage of net sales amounted to 5.0 percent, compared with 5.2 percent in 2003. In 2004, development costs increased to SEK 11 million from SEK 10 million in 2003. Development costs as a percentage of net sales remained constant at 0.3 percent in 2004 and 2003. The net of other operating income and expenses amounted to about SEK 0 million in 2004, compared with SEK 4 million in 2003.

¹⁾ Calculated as reported gross income for fiscal year 2004 of SEK 1,101 million and reversed amortization of intangible fixed assets of SEK 20 million, which was booked as part of the cost of goods sold in 2004.

²⁾ Calculated as reported gross income for fiscal year 2003 of SEK 1,031 million and reversed amortization of intangible fixed assets of SEK 22 million, which was booked as part of the cost of goods sold in 2003.

³⁾ Calculated as part of reported selling costs for fiscal year 2004 of SEK 686 million and reversed amortization of intangible fixed assets of SEK 15 million, which was booked as part of selling costs in 2004.

⁴⁾ Calculated as part of reported selling costs for fiscal year 2003 of SEK 663 million and reversed amortization of intangible fixed assets of SEK 12 million, which was booked as a part of selling costs in 2003.

- **Engineering & Equipment's** EBITA increased to SEK 102 million in 2004 from SEK 80 million in 2003, corresponding to an increase of about 27.5 percent. The EBITA margin improved to 8.2 percent from 7.4 percent in 2003. The strong improvement in the margin was a result of a well-conducted cost-savings programs in the autumn 2003 that had an effect in 2004.
- **Flow Technology's** EBITA increased to SEK 53 million in 2004 from SEK 39 million in 2003, corresponding to an increase of 35.9 percent. The EBITA margin improved to 6.1 percent from 5.0 percent in 2003. The improvement in the EBITA level was mainly attributable to the negative effect of the replacement of presidents of several subsidiaries on the figures for 2003.
- **Industrial Components'** EBITA declined in 2004 to SEK 49 million from SEK 50 million in 2003, corresponding to a decrease of 2.0 percent. The EBITA margin declined to 7.3 percent from 7.7 percent in 2003.
- **Special Products'** EBITA increased to SEK 91 million in 2004 from SEK 88 million in 2003, corresponding to an increase of about 3.4 percent. The EBITA margin declined to 12.4 percent from 12.6 percent in 2003.

Intangible fixed assets

At December 31, 2004, Indutrade's book value for goodwill amounted to SEK 129 million, compared with SEK 167 million in 2003.

During the 2004 fiscal year, Indutrade's goodwill amortization totaled SEK 29 million. Of the goodwill amortization, SEK 20 million was booked as a cost of goods sold and SEK 9 million as selling costs.

Other intangible fixed assets were booked on December 31, 2004 at a book value of SEK 15 million, compared with SEK 4 million on December 31, 2003. In fiscal year 2004, Indutrade's amortization of other intangible fixed assets amounted to SEK 6 million, which was booked as selling costs.

The total amortization of intangible fixed assets charged to Indutrade's income in fiscal year 2004 amounted to SEK 35 million.

Financial position

The Group's cash and cash equivalents amounted to SEK 97 million on December 31, 2004, compared with SEK 168 million on December 31, 2003. On December 31, 2004, interest bearing net debt totaled SEK 233 million, compared with SEK 303 million on December 31, 2003. The equity/assets ratio amounted to 44 percent on December 31, 2004, compared with 41 percent on December 31, 2003. The net debt/equity ratio amounted to 34 percent on December 31, 2004, compared with 44 percent on December 31, 2003.

Interest and other financial income and expenses

The net of interest and other financial income and expenses remained unchanged in 2004 compared with 2003 and amounted to an expense of SEK 13 million.

Tax expense

In 2004, tax expense totaled SEK 75 million, compared with SEK 67 million in 2003. The effective tax rate, adjusted for reversed goodwill amortization, remained unchanged in 2004 compared with 2003 and amounted to 31 percent.

Investments

Indutrade's gross investments in tangible fixed assets, excluding company acquisitions, amounted to SEK 30 million in 2004, compared with SEK 63 million in 2003. Investments amounted to approximately 0.9 percent of net sales in 2004, compared with about 2.0 percent of net sales in 2003. The relatively low level of investments compared with 2000–2003 is attributable to construction investments in Sweden and the Netherlands in 2002 and 2003, as well as investments related to the relocation to new premises in Finland in 2003. In 2004, mainly replacement and rationalization investments were carried out.

Cash flow

The operating cash flow amounted to SEK 243 million in 2004, compared with SEK 149 million in 2003. The improvement in the operating cash flow was mainly a result of the improved EBITA level in 2004 and the fact that the investment level fell in 2004 compared with 2003.

2003 COMPARED WITH 2002 (NOT IN ACCORDANCE WITH IFRS)

Sales

In 2003, Indutrade's net sales increased to SEK 3,197 million from SEK 3,078 million in 2002, corresponding to an increase of about 3.9 percent. Organic sales growth was approximately 0.1 percent. Acquisitions accounted for a sales increase of about 4.1 percent, while exchange-rate effects had a negative impact of about 0.3 percent on net sales. The acquired growth was primarily attributable to Kontram, which was acquired during the first half of 2003 and was consolidated as of June 1, 2003.

- **Engineering & Equipment's** net sales increased to SEK 1,081 million in 2003 from SEK 939 million in 2002, corresponding to an increase of 15.1 percent. The strong growth in Engineering and Equipment's sales was primarily attributable to the acquisition of the Finnish company Kontram.
- **Flow Technology's** net sales declined in 2003 to SEK 780 million from SEK 808 million in 2002, corresponding to a decline of 3.5 percent. The decline in sales in 2003 compared with 2002 was mainly the result of the business area replacing the presidents of several subsidiaries in 2003.
- **Industrial Components'** net sales declined to SEK 653 million in 2003 from SEK 685 million in 2002, corresponding to a decline of 4.7 percent, mainly as a result of the effects of the economic downturn in the telecom industry and price competition in the filter technology product area.
- **Special Products'** net sales rose to SEK 701 million in 2003 from SEK 666 million in 2002, corresponding to an increase of 5.3 percent. The improvement in sales was attributable to such factors as the business area's success in securing a number of significant major orders in 2003.

Net sales in Sweden were unchanged in 2003 compared with 2002 and amounted to SEK 1,355 million.

Net sales in Finland increased to SEK 954 million in 2003 from SEK 842 million in 2002, corresponding to an increase of 13.3 percent, mainly due to organic growth and the acquisition of Kontram.

Net sales in Denmark and Norway declined to SEK 378 million in 2003 from SEK 419 million in 2002, corresponding to a decline of 9.8 percent that was mainly the result of the divestment of a minor subsidiary in Norway.

Net sales in Europe, excluding the Nordic region, increased in 2003 to SEK 510 million from SEK 462 million in 2002, corresponding to an increase of 10.4 percent. This was mainly attributable to Indutrade securing a number of major orders from customers, primarily in the process industry.

Gross income

Gross income adjusted for reversed amortization of intangible fixed assets increased to SEK 1,053 million¹⁾ in 2003, compared with SEK 1,018 million²⁾ in 2002, corresponding to an increase of 3.4 percent. The gross margin adjusted for reversed amortization of intangible fixed assets declined to 32.9 percent from 33.1 percent in 2002.

EBITA

EBITA decreased in 2003 to SEK 229 million from SEK 238 million in 2002, corresponding to a decline of 3.8 percent. The EBITA margin declined to 7.2 percent from 7.7 percent in 2002. This decrease in the margin was mainly attributable to the Flow Technology business area's replacement of the presidents of several of its subsidiaries during the year.

Selling costs adjusted for reversed amortization of intangible fixed assets increased to SEK 651 million³⁾ in 2003 from SEK 629 million⁴⁾ in 2002, corresponding to an increase of 3.5 percent that was mainly the result of stronger order bookings for the Group as a whole. The selling costs adjusted for reversed amortization of intangible fixed assets as a proportion of net sales were kept at a constant level of 20.4 percent in 2003 and 2002. Administrative expenses increased to SEK 167 million in 2003 from SEK 149 million in 2002, corresponding to an increase of 12.1 percent that was largely attributable to acquired costs pertaining to Kontram. Administrative expenses as percentage of net sales were 5.2 percent, compared with 4.8 percent in 2002. Development costs increased during 2003 to SEK 10 million from SEK 9 million in 2002. Development costs as a percentage of net sales remained unchanged in 2003 compared with 2002 and amounted to 0.3 percent. The net of other operating income and expenses amounted to SEK 4 million in 2003, compared with SEK 7 million in 2002. The change was mainly attributable to the positive effect on operating income in 2002 of the reversal of a provision for a prior divestment of a subsidiary in Belgium in 1998.

¹⁾ Calculated as reported gross income for fiscal year 2003 of SEK 1,031 million and reversed amortization of intangible fixed assets of SEK 22 million, which was booked as part of the cost of goods sold in 2003.

²⁾ Calculated as reported gross income for fiscal year 2002 of SEK 995 million and reversed amortization of intangible fixed assets of SEK 23 million, which was booked as part of the cost of goods sold in 2002.

³⁾ Calculated as part of reported selling costs for fiscal year 2003 of SEK 663 million and reversed amortization of intangible fixed assets of SEK 12 million, which was booked as part of selling costs in 2003.

⁴⁾ Calculated as part of reported selling costs for fiscal year 2002 of SEK 642 million and reversed amortization of intangible fixed assets of SEK 13 million, which was booked as a part of selling costs in 2002.

- **Engineering & Equipment's** EBITA increased to SEK 80 million in 2003 from SEK 73 million in 2002, corresponding to an increase of about 9.6 percent. The EBITA margin decreased to 7.4 percent from 7.8 percent in 2002. The margin decline was attributable to such factors as costs relating to the integration of the acquired company Kontram.
- **Flow Technology's** EBITA declined to SEK 39 million in 2003 from SEK 63 million in 2002, corresponding to a decrease of about 38.1 percent. The EBITA margin decreased to 5.0 percent from 7.8 percent in 2002. The margin decline in 2003 was mainly attributable to the replacement of presidents in several subsidiaries, resulting in a shift in focus away from business-generating operations.
- **Industrial Components'** EBITA increased to SEK 50 million in 2003 from SEK 48 million in 2002, corresponding to an increase of 4.2 percent. The EBITA margin improved to 7.7 percent from 7.0 percent in 2002.
- **Special Products'** EBITA increased in 2003 to SEK 88 million from SEK 85 million in 2002, corresponding to an increase of about 3.5 percent. The EBITA margin fell to 12.6 percent from 12.8 percent in 2002.

Intangible fixed assets

At December 31, 2003, Indutrade's book value for goodwill amounted to SEK 167 million, compared with SEK 133 million in 2002. The increase in the book value of goodwill resulted from the acquisition of the company Kontram, which was consolidated at June 1, 2003.

During the 2003 fiscal year, Indutrade's goodwill amortization totaled SEK 32 million. Of this goodwill amortization, SEK 22 million was booked as cost of goods sold and SEK 10 million as selling costs.

Other intangible fixed assets at December 31, 2003 were unchanged and were reported at a book value of SEK 4 million, compared with SEK 4 million on December 31, 2002. In the 2003 fiscal year, Indutrade's amortization of other intangible fixed assets amounted to SEK 2 million, which was booked as selling costs.

Total amortization of intangible fixed assets charged to Indutrade's income in the 2003 fiscal year amounted to SEK 34 million.

Financial position

The Group's cash and cash equivalents amounted to SEK 168 million on December 31, 2003, compared with SEK 172 on December 31, 2002. The interest bearing net debt on December 31, 2003, was SEK 303 million, compared with SEK 319 on December 31, 2002. The equity/assets ratio was 41 percent on December 31, 2003, compared with 40 percent on December 31, 2002. On December 31, 2003, the debt/equity ratio amounted to 44 percent, compared with 50 percent on December 31, 2002.

Interest and other financial income and expenses

The net of interest and other financial income and expenses improved in 2003 to an expense of SEK 13 million from an expense of SEK 21 million in 2002, which was primarily attributable to the low level of the Group contributions paid in 2002 in relation to the profit for 2002, combined with the freeing up of operating capital.

Tax expense

Tax expense for 2003 was unchanged compared with 2002 and amounted to SEK 67 million. The effective tax rate, adjusted for reversed goodwill amortization, remained unchanged and amounted to 31 percent.

Investments

Indutrade's gross investments in tangible fixed assets, excluding company acquisitions, amounted to SEK 63 million in 2003, compared with SEK 82 million in 2002. Investments amounted to approximately 2.0 percent of net sales in 2003, compared with about 2.7 percent of net sales in 2002. In 2003, gross investments in tangible fixed assets mainly comprised the construction of a warehouse facility in the Netherlands and replacement and rationalization investments. During the year, Engineering & Equipment invested SEK 14 million, mainly in equipment relating to the relocation to new premises in Finland.

Cash flow

The operating cash flow amounted to SEK 149 million for 2003, compared with SEK 177 million for 2002. The decline in the operating cash flow was mainly attributable to the capital-rationalization project initiated in 2001, which generated a relatively substantial initial effect in 2002, that was not repeated in 2003.

SEASONAL VARIATION

Indutrade's earnings have over time shown a certain seasonal variation. In a normal business year, Indutrade generates lower earnings in the first and fourth quarters than in the sec-

ond and third quarters. The second and third quarters each contribute about 30 percent of the total earnings in a typical business year. With regard to sales, however, no clear seasonal fluctuations can be observed.

Quarterly development (SEK million)	2005 (IFRS)		2004				2003			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	Net sales	995	828	907	835	903	841	844	791	817
EBITA	95	53	59	75	77	53	51	72	63	43
EBITA margin, %	9.5	6.4	6.5	9.0	8.5	6.3	6.0	9.1	7.7	5.8

INVESTMENTS

The table below show investments by investment category, business area and geographical market.

INVESTMENTS ¹⁾						
(SEK million)	2004 (IFRS)	2004	2003	2002	2001	2000
By investment category						
Buildings and land	0	0	3	5	2	4
Machinery	7	7	6	13	18	3
Equipment	35	23	38	32	33	19
Construction in progress ²⁾	0	0	16	32	3	0
Total	42	30	63	82	56	26
By business area						
Engineering & Equipment	6	5	14	11	15	4
Flow Technology	12	8	8	22	9	9
Industrial Components	10	4	2	5	10	8
Special Products	14	13	36	44	22	5
Parent Company	0	0	3	0	0	0
Total	42	30	63	82	56	26
By geographical market						
Sweden	26	14	26	58	34	15
Finland	3	3	14	9	14	6
Denmark and Norway	7	7	4	10	6	4
Europe excl. Nordic region	6	6	19	5	2	1
Total	42	30	63	82	56	26

¹⁾ Investment here refers to gross investment in tangible fixed assets, excluding company acquisitions.

²⁾ Construction in progress pertains to investment in buildings.

FINANCIAL RISK MANAGEMENT

By nature of its operations, Indutrade is exposed to various financial risks, such as financing and liquidity risk, interest rate risk, currency risk, and customer and counterparty risk (credit risk). The Group's financial operations are centralized in order to benefit from economies of scale and minimize handling risks. Treasury operations are coordinated by the Parent Company, which executes all major external financial transactions and acts as an internal bank for the Group's transactions in the foreign exchange and bond markets. Indutrade's Board of Directors annually adopts a financial policy containing guidelines for managing financial risks and financial activities. The policy also regulates the applicable limits for counterparties.

Financing and liquidity risk

Financing and liquidity risk refers to the risk of not being able to meet payment obligations due to insufficient liquidity or difficulties in obtaining credit from external financing institutions. This is prevented as far as possible by securing a maturity structure that creates opportunities to take alternative measures to raise capital if necessary. At Indutrade, management of the Group's financing is centralized. In principle, all external financing is arranged by the Parent Company, which, in turn, finances the Group's subsidiaries in local currency. Centralized treasury functions exist in Sweden and Finland.

Indutrade's financing policy aims to secure access to necessary funding while maintaining financial flexibility. This requires the following:

- operating capital shall be limited
- the equity/assets ratio shall be maintained at a suitable level
- external financing must be spread among two or more financial institutions and have a diversified maturity structure.

In order to limit refinancing risk, the company aims to spread its debt maturity structure over many years.

Interest rate risk

Interest rate risk is the risk of unfavorable changes in interest rates having an extremely negative impact on the Group's financial net and earnings. In order to limit the negative effect on the Group's earnings due to interest rate movements in the market, the fixed interest term of the loan portfolio shall be diversified.

Currency risk and foreign exchange policy

Currency risk is the risk of unfavorable movements in exchange rates affecting the Group's earnings and shareholders' equity measured in SEK. Transaction exposure arises when the cost of a product is generated in one currency and revenue for the product is received in another currency. Transaction exposure arises in Indutrade when the subsidiaries import products for sale in the domestic market. The

Group's net flows in foreign currency (the gross amount is reduced by the counter flow in the corresponding currency, thereby reducing the net exposure) amounted to some SEK 790 million in 2004. This included SEK 523 million in euro (EUR 57.2 million) and SEK 153 million in British pounds (GBP 11.4 million). At December 31, 2004, Indutrade's net exposure to foreign currency amounted to some SEK 88 million, of which SEK 65 million was in euro (EUR 7.2 million) and SEK 15 million was in British pounds (GBP 1.2 million). Currency risk (net exposure) translated to Swedish kronor is further generally reduced through the inclusion of currency clauses in customer contracts. Currency hedging through forward agreements is only applied in special cases.

Translation exposure arises when the income statements and balance sheets of foreign subsidiaries are translated to Swedish kronor. The Group's policy is to finance subsidiaries in local currency and not to hedge the remaining exposure of net assets in foreign subsidiaries.

Customer and counterparty risk

Credit risk in treasury management arises in connection with investing liquid funds and as counterparty risk in conjunction with the use of forward agreements and other derivative instruments. These risks are limited by using counterparties that have been approved in accordance with the guidelines contained in the financial policy.

Each subsidiary is responsible for assessing the credit risk in its commercial transactions. Indutrade's dependence on individual customers is limited. In 2004, sales to the largest single customer amounted to less than 1.5 percent of net sales and the ten largest customers combined accounted for less than 8 percent of net sales. The risk spread is assessed as being favorable.

SENSITIVITY ANALYSIS

Based on the debt structure at June 30, 2005, a one (1) percentage point rise in interest rates on an annualized basis would cause a SEK 5.5 million increase in interest expense, without taking the loans' fixed interest terms into account. Taking the current interest terms into account, the corresponding effect would be about SEK 2.8 million over the next 12-month period.

Indutrade estimates that a one (1) percentage point depreciation in the value of the Swedish krona relative to other currencies would affect annual net sales by about minus SEK 20 million and profit before tax by about minus SEK 1.5 million.

TAX SITUATION

Indutrade regularly applies tax depreciation. Income adjustment between the Swedish subsidiaries takes place through Group contributions. Income adjustment for tax purposes is also undertaken in a corresponding manner in the other countries in which Indutrade operates. There are no significant loss carryforwards in the Indutrade Group.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Certain risk factors and significant circumstances deemed to be of material importance to the future development of Indutrade are described below without any rank of significance. The risks described below are not the only risks to which the company and its shareholders are exposed. Additional risks not known to the company at this time or which the company currently deems as being minor may still have a material impact on Indutrade's operations, financial position or earnings. Such risks may also lead to a significant drop in Indutrade's share price, and investors may lose their entire investment or a part thereof.

This prospectus contains forward-looking information. Forecasts are associated with uncertainty. Indutrade's actual earnings may deviate considerably from the earnings level expressed or implied in these forward-looking statements due to many different factors both within and beyond the company's control. Some of these factors are described in this section and in Note 2 to the financial statements (see pages 86–87).

CHANGES IN THE GENERAL ECONOMY

Indutrade's operations are dependent on investments and purchases by the company's customers. Although demand for products serving customers' recurring needs is believed to be less cyclically sensitive than demand for industrial equipment, a downturn in the markets in which Indutrade's customers operate can have an adverse effect on Indutrade's operations, earnings and financial position.

RELOCATION TO LOW-COST COUNTRIES

The current trend of relocating production to low-cost countries is described on pages 12–13, section "Relocation of production to low-cost countries". So far, Indutrade has been relatively unaffected by this trend. However, if companies continue to relocate production to low-cost countries, there is no guarantee that Indutrade's earnings and financial position will not be adversely affected. For example, Indutrade's customers may choose to invest in markets outside Indutrade's geographical markets, or may be exposed to greater competition from low-cost countries.

MORE INTENSE COMPETITION FROM LOW-COST COUNTRIES

An increase in products from low-cost countries can be observed in Indutrade's product markets. For products with a high technology content and stringent quality requirements, these types of imports have been fairly limited to date. However, there is a risk that production in low-cost countries will become increasingly sophisticated and eventually able to manufacture products with a higher technology content that compete with Indutrade's products. Some of Indutrade's suppliers buy components from low-cost countries or have production there. However, if some of Indutrade's main suppliers are unable to remain competitive in the growing competition from low-cost countries or if Indutrade fails to secure distribution agreements with suppliers of such competing products, then competition from low-cost countries may impact negatively on Indutrade's net sales, earnings and financial position.

SUPPLIERS

Indutrade's business model is largely based on offering suppliers and product manufacturers an efficient sales channel in the markets in which Indutrade operates. Indutrade's role is threatened if one or more of the company's major suppliers decide to set up their own sales organizations in Indutrade's markets, in which case Indutrade is likely to lose its distribu-

torship. This may also be the outcome if one of Indutrade's main suppliers is acquired by another player that has its own distribution channels in Indutrade's markets. It is also possible that such consolidation would make it more difficult for Indutrade to buy and sell products from important manufacturers, which could have negative implications for Indutrade's competitiveness, earnings and financial position.

LIABILITY FOR DEFECTIVE PRODUCTS AND SERVICES

Since Indutrade's subsidiaries act as independent product resellers, they have separate agreements with their suppliers and customers. If an Indutrade subsidiary delivers a defective product, Indutrade often has recourse to its suppliers for the same fault, thereby limiting the costs. In cases where Indutrade's suppliers cannot be held responsible for faults, such as when Indutrade's fault liability vis-à-vis the customer does not match the company's terms of agreement with the supplier, Indutrade is still liable to compensate the customer for faults. If such claims are extensive, this can lead to negative consequences for Indutrade's operations, earnings and financial position.

In a corresponding manner, Indutrade is liable for any damage incurred by customers as a result of services performed incorrectly by Indutrade, such as installation and assembly, or as a result of improper advice on behalf of Indutrade in relation to product choices. Indutrade believes that the Group's operations have adequate insurance cover for this purpose. If claims arise that are not sufficiently covered by Indutrade's insurance policies, this can have negative implications for Indutrade's earnings and financial position.

COMPANY ACQUISITIONS

Indutrade's growth strategy is partly based on company acquisitions. The company's acquisition history and strategy are described on pages 18–20, sections "Growth through acquisitions" and "The acquisition process". The risks associated with company acquisitions are different from the operating risks which Indutrade deals with in its day-to-day operations. In addition to company-specific risks, which may be more or less known, material risks associated with acquisitions include the risk of customers, suppliers or key persons deciding to terminate their relations with the acquired company or with some other company in the Indutrade Group. It is also important that Indutrade manages to integrate acquired companies in the Group in an efficient manner. Should these risks materialize, this can have negative consequences for Indutrade.

In addition, it is important for Indutrade to succeed in identifying potential acquisition candidates. Increased competition from venture capital companies and other financial players, who are often prepared to take greater financial risks when acquiring companies than industrial players such as Indutrade, can make it more difficult or expensive for Indutrade to make major acquisitions which it deems suitable or important for the company's growth.

DEPENDENCE ON KEY PERSONS

Indutrade's operations depend on the motivation and know-how of the company's employees, both at the sales level and in management. If Indutrade were to fail to attract and retain key personnel, this could have negative consequences on Indutrade's business and earnings. This risk is accentuated in company acquisitions if the previous owner of the acquired company is also a key member of staff in that company, as is often the case. This is particularly true, for example, if the President of an important subsidiary decides to resign, as this can lead to changes in the operations, which in turn can have a negative effect on Indutrade's net sales and earnings.

AGREEMENTS

A large share of Indutrade's relations and undertakings are not formalized in written agreements. In many cases, Indutrade relies on customer and supplier relations and established practices between parties, which are often long-term. This means that it can sometimes be difficult to secure legally binding contracts with long terms. Furthermore, it can be difficult to establish the contents of such agreements if the parties have differing opinions. In a worst-case scenario, this can cause relations to deteriorate and can lead to costly disputes.

DECENTRALIZED ORGANIZATION

Indutrade applies a decentralized organizational model, which implies a high degree of autonomy for the subsidiaries and only a limited number of Groupwide functions. Business control in such an organization imposes strict requirements on reporting and supervision, which can be cumbersome for certain parts of the organization and can make it more difficult for Group management to implement measures quickly at the subsidiary level. The business areas were reorganized earlier this year and, consequently, it is too early to evaluate the effects of this reorganization. The possibility cannot be ruled out that the new organization, combined with new reporting procedures in conjunction with the company's listing, will lead to higher costs for Indutrade.

ENVIRONMENTAL ISSUES

Some companies in the Indutrade Group conduct operations that require permits or notification pursuant to the Swedish Environmental Code and are under the supervision of authorities. A tightening of environmental legislation can lead to increased costs or additional investment for those companies in the Group that are affected. Furthermore, such operations are associated with the risk of accidents or similar incidents causing damage to the environment. Liability for environmental damage can amount to substantial sums. Under Swedish law, not all environmental liability is subject to a period of limitation. It cannot be ruled out that certain operations conducted by companies within the Group may cause damage to the environment that will not become apparent or be detected until many years later, and that such damage will result in material costs for Indutrade. See also page 61, section “Environmental issues”.

FINANCIAL RISKS

Indutrade is subject to certain financial risks. For a detailed review of the Group’s financial risks, see page 49, section “Financial risk management” and Note 2 to the financial accounts on pages 86-87.

RISKS ASSOCIATED WITH THE OFFERING**No active trading in Indutrade’s shares**

No public trading in Indutrade’s shares has taken place before the Offering. Indutrade has applied for a listing of the company’s shares on the O-List of the Stockholm Stock Exchange. However, Indutrade is unable to forecast the extent to which investors’ interest in Indutrade will result in substantial trading in Indutrade’s shares after the Offering. The price of the shares in the Offering is determined through negotiations with representatives of the Managers and is based on several factors. The negotiations are based on factors that may not be reliable indicators of the future market price of the shares. The market price of the shares after the Offering may deviate considerably from the price in the Offering.

Shares for future sale

The market price of Indutrade shares may drop if unexpectedly large numbers of shares are sold in the market after the Offering or due to speculation of such a development. Such disposals could also make it difficult for Indutrade to raise capital in the future through issuing shares or other securities at times and prices that Indutrade deems suitable. See also page 62, section “Placing agreement”.

SHARE CAPITAL AND OWNERS

The share capital in Indutrade amounts to SEK 40 million, divided among 40 million shares, each with a nominal value of SEK 1 (one). Each share carries an equal entitlement to a portion of the company's assets and profit. Each share carries one vote, and shareholders entitled to vote at the General Meeting can vote for the full number of shares they hold or represent, without any limitation in the number of votes.

SHARE CAPITAL DEVELOPMENT

The table below shows the development of Indutrade's share capital since 1995. At an extraordinary general meeting held in August 2005, Indutrade implemented a bonus issue by increasing the nominal amount of each share to SEK 1,600 by transferring SEK 15 million from non-restricted equity to the share capital, thereby raising the share capital to SEK 40 million. A split was then immediately approved by setting the nominal value of each share to SEK 1 (one). The share capital subsequently comprises 40 million shares, each having a nominal value of SEK 1 (one).

OWNERSHIP STRUCTURE

Since 1989, Indutrade has been 100 percent owned by Industrivärden, a listed investment company. Industrivärden has announced that it intends to remain as principal owner after the listing and will keep Indutrade as an active holding in its equity portfolio. See page 8, section "Background and reasons".

SHAREHOLDER AGREEMENTS

As far as the Indutrade Board of Directors is aware, no shareholder agreements or similar agreements between future shareholders in the company exist with the aim of creating joint influence over the company.

AUTHORIZATION

At an extraordinary general meeting held in August 2005, the Indutrade Board of Directors was authorized to decide, on

one or more occasions prior to the next Annual General Meeting, an increase in the share capital by a total of not more than SEK 4,000,000 by issuing not more than 4,000,000 shares through issues in kind or by set-off. The Board's reason for deciding on such issues is to enable the acquisition of all or parts of companies or operations against payment in the form of shares issued in the company. If exercised in full, this corresponds to 10 percent dilution of the total number of shares and votes. The Board is not authorized to approve new share issues in the company other than this.

SHAREHOLDINGS AND INCENTIVE PROGRAMS

It is Industrivärden's ambition to, after the listing of Indutrade, participate in an incentive program directed to about 50 senior executives in the Indutrade Group. Industrivärden intends to offer the persons concerned the opportunity to purchase a total number of about 350,000 shares and a total number of about 350,000 call options in Indutrade on market terms, corresponding to about 2 percent of the shares and votes after the options are fully exercised. If such an offering is implemented, Indutrade intends to partly subsidize the participants' investment. The cost of such subsidies is anticipated to amount to around SEK 3 million per year, at the most, over a four-year period. No Board member or senior executive in the Indutrade Group owns shares in Indutrade prior to the listing of Indutrade.

SWEDISH CODE OF CORPORATE GOVERNANCE

In conjunction with the 2006 Annual General Meeting, Indutrade intends to apply relevant parts of the Swedish code of corporate governance regarding notification and information prior to general meetings. The company intends to apply the code in full not later than the end of 2006, unless there are special reasons that justify diversions. For a report on the Board's work and its committees, see page 55, section "Work of the Board". Further information on Indutrade's corporate governance will be provided at www.indutrade.se.

DEVELOPMENT OF SHARE CAPITAL

Year	Transaction	Change in number of shares	Change in share capital, SEK	Total number of shares	Total share capital, SEK	Nominal value per share, SEK
Before 1995		–	–	1,000	1,000,000	1,000
1995	Bonus issue	24,000	24,000,000	25,000	25,000,000	1,000
2005	Bonus issue	–	15,000,000	25,000	40,000,000	1,600
2005	Split	39,975,000	–	40,000,000	40,000,000	1

BOARD, SENIOR EXECUTIVES AND AUDITORS

BOARD

Bengt Kjell

Born 1954.

Chairman since June 2005.

Board member since 2002.

Executive Vice President of Industrivärden.

Other board assignments: Chairman of Kungsleden AB and Isaberg Rapid AB. Board member of Ossur hf, Munters AB, Pandox AB, Helsingborgs Dagblad AB, and others.

Johnny Alvarsson

Born 1950.

Board member since 2004.

President and CEO of Indutrade.

Other board assignments: Board member of VBG AB, and others.

Owe Andersson

Born 1942.

Board member since 2005.

President and CEO of Mekonomen AB.

Other board assignments: Chairman of Mekonomen Grossist AB, Mekonomen Detaljist AB, Bileko konsult AB, Mekonomen Bilverkstad AB, Mekonomen Norge A/S and Mekonomen Danmark A/S. Board member of HK Investment AB, and others.

Michael Bertorp

Born 1949.

Board member since 2003.

Senior Vice President of SCA AB and President of SCA Americas Inc.

Other board assignments: Board member of Handelsbanken Fonder AB, SCA Forest Products AB, SCA Kraftfastigheter AB, SPP Fonder AB, and others.

Eva Färnstrand

Born 1951.

Board member since 1998.

Site Manager Södra Cell Mönsterås.

Other board assignments: Vice Chairman of the Royal Swedish Academy of Engineering Sciences' Forest Technology Division.

Curt Källströmer

Born 1941.

Board member since 2002.

Head of the Chairman's Office at Handelsbanken.

Other board assignments: Chairman of Stadshypotek AB and Handelsbanken Bofondförvaltning AB. Vice Chairman of Handelsbankens Pensionsstiftelse, Pensionskassan i Handelsbanken and Personalstiftelsen i Handelsbanken. Board member of Mässfastigheter i Stockholm AB, Stockholmsmässan AB, Thomas Concrete Group AB, SBC Sveriges Bostadsrättscentrum AB, SBC Mark AB, Umeå School of Business and Economics, and others.

Anders Nyrén

Born 1954.

Chairman from 2001 – June 2005.

Board member since 2001.

President and CEO of Industrivärden.

Other board assignments: Vice Chairman of Svenska Handelsbanken AB. Chairman of the Swedish Association of Exchange-listed Companies. Board member of Sandvik AB, SCA AB, Skanska AB, SSAB AB, Isaberg Rapid AB, Ernströmgruppen AB, SNS Center for Business and Policy Studies, and others.

Gunnar Tindberg

Born 1938.

President of Indutrade 1978–2004.

Board member since 1980.

NOMINATING COMMITTEE

At an extraordinary General Meeting in June 2005, it was decided that a Nominating Committee shall be appointed to nominate candidates for election to the Board at the 2006 Annual General Meeting. The Nominating Committee shall include representatives of the largest shareholders. The chairman of the Nominating Committee shall be a representative of the largest shareholder. The Chairman of the Board shall be a member of the Nominating Committee. According to the decision of the General Meeting, it is the Board Chairman's responsibility to contact the largest shareholders to appoint a Nominating Committee. The names of the members of the Nominating Committee shall be announced no later than six months prior to the Annual General Meeting.

WORK OF THE BOARD

In accordance with the Swedish Companies Act, the Board is responsible for the company's organization and for the administration of the company's affairs. Among other matters, this means that the Board decides on strategic issues and other matters of material importance to the company's business, adopts budgets, inspects and approves annual and interim reports, appoints the Company President and monitors that the President fulfills his/her duties.

The Board has established a formal work plan for its work that includes instructions for the President. In accordance with the work plan, the Chairman of the Board is responsible, by maintaining contact with the President, for monitoring the development of the Parent Company and the Group and for ensuring that the Board members are regularly provided with the necessary information to be able to evaluate the position and development of the Parent Company and Group. The Board shall assess the performance of the Company President on an annual basis. The work plan and related instructions are subject to an annual review as to relevance and topicality of the rules. As part of the instructions issued to the Company President, the Board has also established rules that include constraints in regard to the amounts that may be approved by the Company President in certain specific matters. The inter-

nal regulations established by the Board also include rules for treasury management, payment authorization, insider matters and information policy.

In accordance with the formal work plan, the Board shall convene for four ordinary meetings each year, of which one is the statutory meeting. In the case of matters that cannot be addressed at an ordinary Board meeting, a special meeting of the Board may be convened.

During 2004, the Board met on five occasions, including the statutory meeting. To date during 2005, eight Board meetings have been held, of which one was by circular (per capsulam).

Audit Committee

The Board has established an Audit Committee, which currently consists of all of the Board members, with the exception of the Company President. The duties of the Audit Committee are to examine the company's routines for risk management, administration/control and financial reporting. The Committee shall maintain continuous contact with the company's auditor to ensure that internal and external accounting meets the requirements placed on a stock-exchange-listed company and to discuss the scope and direction of the auditing work. This means that the Audit Committee is to review important accounting and reporting matters and focus its review on assessment issues, such as the valuation of assets and liabilities.

Remuneration Committee

The Board has also established a Remuneration Committee, which currently comprises Chairman of the Board Bengt Kjell and Michael Bertorp. The Remuneration Committee prepares matters related to the employment conditions and remuneration of the Company President for approval by the Board. The Committee shall also handle matters related to the employment conditions and remuneration of other senior executives and shall inform the Board about the outcome of such matters.

MANAGEMENT GROUP

Johnny Alvarsson

Born 1950.

President and Chief Executive Officer.

President of Special Products business area.

Previous positions: President of listed companies Zeteco AB (1978–2000) and Elektronikgruppen AB (2001–2004).

Employed since 2004.

Held current position since 2004.

Peter Eriksson

Born 1953.

President of Indutrade Flow Technology business area.

President of Indutrade Flödesteknik Grupp AB.

Previous position: President of Alnab AB (1987–2004).

Employed since 1995.

Held current position since 1998.

Peter Hambert

Born 1957.

Chief Financial Officer.

Previous positions: Chief Financial Officer of Thule Group (1997–2004).

Employed since 2005.

Held current position since 2005.

Björn Lindström

Born 1948.

Vice President of Industrial Components business area.

President of Oy Colly Company Ab, Finland.

Employed since 1976.

Held current position since 1995.

Olof Paulsson

Born 1949.

President of Industrial Components business area.

President of Colly Company AB.

Employed since 1979.

Held current position since 2002.

Kaj Österlund

Born 1954.

Executive Vice President of Indutrade.

President of Engineering & Equipment business area.

President of Indutrade Oy, Finland.

Employed since 1990.

Held current position since 1995.

AUDITORS

Öhrlings PricewaterhouseCoopers AB.

Chief Auditor:

Ulf Pernvi, born 1949, Authorized Public Accountant.

Öhrlings PricewaterhouseCoopers AB has been Indutrade's auditing firm since 1990.

SALARIES AND REMUNERATION TO THE BOARD MEMBERS AND SENIOR EXECUTIVES

Fees are paid to the Chairman and members of the Board in accordance with the decision taken by the General Meeting. In accordance with the currently applicable decision, the Chairman receives a fee of SEK 300,000. The other members of the Board receive fees of SEK 150,000 each. However, no fees are paid to members of the Board who are also employees of companies within the Indutrade Group. Moreover, no special fees are paid for committee work.

Remuneration to the Company President and other senior executives consists of fixed salaries, variable remuneration (with the exception of one of the senior executives, who is not entitled to receive variable remuneration), plus other benefits and pensions. Senior executives are defined as the five persons in positions such as Executive Vice President, Chief Financial Officer and the Presidents of the Indutrade business areas. Those senior executives who are employed in subsidiaries receive their remuneration from the individual subsidiaries.

The variable remuneration paid to the Company President is limited to a maximum of six months salary, or 50 percent of the fixed salary. For other senior executives, the maximum variable remuneration is between 25 and 35 percent of fixed salary. The variable remuneration is related to the development of the earnings in the Group, or to the earnings of the individual business area.

The retirement age for the Company President is 65 years. In addition to pension benefits under Swedish law, Indutrade pays pension premiums corresponding to 30 percent of the fixed salary, however not more than the amount that is tax deductible for the company. Within this cost framework and subject to approval by the Chairman, the Company President is entitled to choose the pension arrangements.

Other senior executives have the right to pension benefits averaging 21 percent of fixed salary. Retirement age is 65 years.

Earned pension benefits are not conditional upon future employment within Indutrade.

Remuneration and other benefits, 2004

(SEK)	Fixed salary/Board fees	Variable remuneration	Other benefits	Pension premiums	Other remuneration	Total
Chairman ¹⁾	–	–	–	–	–	–
Other Board members ¹⁾	200,000	–	–	–	50,000	250,000
President ²⁾	400,000	153,000	14,612	120,000	–	687,612
Former president ³⁾	918,043	545,800	109,908	7,220	–	1,580,971
Other senior executives	6,592,526	799,750	314,370	4,789,604 ⁴⁾	1,512,279 ⁴⁾	14,008,529
Total	8,110,569	1,498,550	438,890	4,916,824	1,562,279	16,527,112

¹⁾ Pertains to Director fee of SEK 50,000 per Board member. Other remuneration pertains to a consultancy fee to Board member Michael Bertorp. In accordance with a decision by the General Meeting, no Director fee will be paid to members who were employed by companies in the Industrivärden Group.

²⁾ The current president assumed his position on November 1, 2004 when the former president retired. The current president's variable remuneration is based on the development of the Group's earnings. The variable remuneration for 2004 corresponded to 38 percent of fixed salary.

³⁾ The Company's cost for fixed salary to the former President was reduced in 2004 due to the fact that parts of the pension provisions could be dissolved (former President retired at the age of 67 years). Out of the paid fixed salary in 2004 of in total SEK 2,531,005, SEK 1,612,962 was already expensed in previous years.

⁴⁾ Pension premiums and other remuneration paid to other senior executives includes severance pay for persons who left their positions (total SEK 4,604,279 of which pension premiums amounted to SEK 3,092,000 and other remuneration to SEK 1,512,279).

Estimated remuneration and other benefits 2005 (excluding variable remuneration)⁵⁾

(SEK)	Fixed salary/Director fee	Other benefits	Pension premiums	Other remuneration	Total
Chairman	300,000	–	–	–	300,000
Other Board members ⁶⁾	900,000	–	–	–	900,000
President	2,464,000	88,000	739,000	–	3,291,000
Other senior executives	7,008,000	264,000	1,483,000	–	8,755,000
Total	10,672,000	352,000	2,222,000	–	13,246,000

⁵⁾ Variable remuneration is determined on the basis of the year's earnings for the Group or respective business area and, accordingly, this remuneration for 2005 has not yet been established.

⁶⁾ In addition to a board fee, the former president, who retired on October 31, 2004, received salary of SEK 771,436, which was already expensed in the preceding year.

The Company President has the right to 24 months notice with retained employment benefits, if termination notice is served by the company. If termination notice is served by the President, the notice period is six months. For other senior executives, the termination notice period from the individual companies is between 12 and 24 months, depending on the age of the individual executive when notice is served. The remuneration paid during the termination notice period is not deducted against other remuneration.

AUDIT FEES

Remuneration to Öhrlings PricewaterhouseCoopers AB for auditing assignments in the Group was SEK 5,913,000 for the 2004 financial year. Auditing assignments mean auditing the annual report and accounts and the administration of the board and the President, other tasks which are the duties of the company's auditors, and advice or other assistance resulting from observations made at such audits or the performance of such other tasks. Everything else constitutes other assignments. SEK 612,000 of this amount referred to auditing assignments in the parent company. In 2004, Öhrlings PricewaterhouseCoopers AB also received remuneration amounting to SEK 599,000 for other assignments in the Group, of which SEK 116,000 referred to assignments for the parent company. In 2004, fees paid to other auditors for assignments on behalf of Group companies totaled SEK 227,000 for audit assignments and SEK 46,000 for other assignments. In the Group, remuneration paid to auditors during 2004 totaled SEK 6,785,000.

SUPPLEMENTARY INFORMATION

COMPANY ACQUISITIONS

During the past ten years, Indutrade has acquired approximately 20 companies of varying sizes. The procedures for the Group's company acquisitions are described on pages 18–20, sections "Growth through acquisitions" and "The acquisition process".

In June 2005, Indutrade's Dutch subsidiary Hitma B.V. acquired all of the shares in Hanwel Europe B.V. from Platicon Holding B.V. No additional purchase price will be paid. The acquisition was made on the basis of customary terms and conditions for acquisitions of this nature. In conjunction with the acquisition, the seller has undertaken to indemnify HITMA for certain matters such as litigation to which the target companies are subject. The following subsidiaries of Hanwel Europe accompanied the acquisition: HP Valves Oldenzaal B.V., Hanwel B.V., Gimex Technische Keramiek B.V. and N.V. Hanwel Belgium. As part of the acquisition, it was agreed that the seller would retain a Polish subsidiary of Hanwel Europe. The transfer of this subsidiary has not yet been completed, although this is expected to be done shortly.

Indutrade's company acquisitions are undertaken in accordance with sales agreements that are formulated on the basis of customary terms and conditions for acquisitions of this nature; additional purchase price mechanisms are often used. Except for one smaller additional purchase price obligation, regarding the acquisition of Satron (see page 40, section "Acquisitions"), no additional purchase price obligations are outstanding.

MATERIAL AGREEMENTS

Indutrade is not aware of any agreement of material importance to the Group that is subject to cancellation or renegotiation.

Purchasing

The Indutrade Group has business relations with a large number of suppliers of products. Although the formats for these relations vary, they are largely undocumented or are governed by brief agreements. This is the result of a conscious decision on the part of Indutrade, because the Group or the individual subsidiaries consider that in many cases close cooperation can replace written agreements. In certain cases, however, detailed framework agreements are entered into for deliveries, which usually refer to the supplier's general terms and conditions or other standard agreements, and are normally governed by the laws in force in the supplier's country of origin. Differences in the relationships with various suppliers are due mainly to the suppliers' size and contract culture. Certain agreed restrictions on the parties' freedom of action may give rise to various competition law considerations depending on a variety of different factors (such as market share in the particular market). Following the case involving breach of anti-trust rules in Finland, see page 61, section "Litigation", Indutrade has taken action in the company concerned to ensure that similar agreements do not violate the applicable anti-trust regulations. Indutrade intends to take similar action in other parts of the Group.

Agreement with PALL Europe Limited

PALL Europe Limited is a subsidiary of US-based PALL Corporation and is Indutrade's largest supplier in terms of sales. Deliveries from PALL Europe account for approximately 6 percent of Indutrade's total sales. The contractual relationships between PALL Europe and Indutrade are divided among a limited number of subsidiaries within the Indutrade Group, partly depending on geographic location and product area. These are framework agreements, most of which are currently in force until further notice, with a mutual period of cancellation of six months.

Sales

Indutrade's salespeople work closely with customers and considerable resources are spent on assisting customers in the development of their operations, and thereby in selling Indutrade's products. No remuneration is received for the development services provided in connection with sales. As a rule, sales are made thereafter, through orders and order confirmations, occasionally resulting from tenders issued by Indutrade, which are administrated by the subsidiaries' internal salespeople.

Indutrade companies enter into written framework agreements for deliveries to certain customers. These are usually one-year agreements that mainly govern the prices that will apply during the contractual period. However, customers within certain industries – often involving regulated operations – require comprehensive delivery agreements, partly in order to clarify product specifications and liability for products and deliveries. Not uncommonly, such agreements are based on the customers' general terms and conditions for purchase, or a similar document.

Agreements with related companies

Colly Company AB, a wholly owned subsidiary of Indutrade, leases premises in Kista, outside Stockholm, from Fastighets AB Raseborg, a wholly owned subsidiary of Industrivärden. The lease pertains to approximately 5,000 square meters of office space and approximately 1,675 square meters of warehouse space, plus associated space for parking, and applies until December 31, 2012. Unless notice of termination is served at least two years before the end of the contractual period, the lease will be extended for five years at a time. Colly Company is responsible for operation and maintenance costs and for property tax pertaining to the property. The annual rent amounts to SEK 7 million, which is adjusted on the basis of changes in the Consumer Price Index and is deemed by Indutrade to be on commercial terms. The parent company rents offices in the property from Colly Company for a rent of SEK 2.8 million per annum with the same contractual period.

In addition, a president of a subsidiary, through a company, owns the property that the subsidiary in question leases. In the opinion of Indutrade's Board of Directors, the

terms and conditions and rent level are on commercial terms in the relationship between the companies.

Apart from these, there are no other transactions between the Group and related parties. During the current or prior fiscal years, none of the Members of Indutrade's Board or of the company's senior executives has, directly or indirectly, participated in any business transaction that is or was subject to terms and conditions unusual in nature. Moreover, the Group has not provided any loans, guarantees or security for the benefit of Indutrade's Board members, senior executives or auditors.

FINANCING

According to a framework agreement with Handelsbanken, Indutrade is permitted to raise loans in a total amount of SEK 460 million and for a duration of up to five years. The loans may be arranged in certain specified currencies. On June 30, 2005, Indutrade had four separate loans outstanding in a total amount of EUR 30.5 million (corresponding to approximately SEK 287 million) under this framework agreement. The remaining maturities of the loans vary between 17 months and five years.

In addition, Indutrade has a group account with Handelsbanken, to which an overdraft facility of approximately SEK 50 million in various currencies is connected. Although the Parent Company is the borrower in relation to Handelsbanken, Indutrade also uses the group account for internal financing of the subsidiaries' operations and to facilitate the Group's liquidity management. Moreover, Indutrade Oy has a group account system with another bank in Finland.

Furthermore, SEB has granted Indutrade an overdraft facility of SEK 200 million.

In connection with this financing, which is subject to customary terms and conditions for agreements of this type, Indutrade has made certain covenants, such as ensuring that the Group will uphold a certain equity/assets ratio and that no Group company will grant, or undertake to grant, security for its own commitments or for those of others.

INTELLECTUAL PROPERTY RIGHTS

When marketing products, Indutrade mainly uses the supplier trademarks attributable to the products being sold. Those subsidiaries that engage in proprietary manufacture or

assembly operations, market their products under their own trademarks. Indutrade regards the registered names of its subsidiaries as important, because they are generally well known within their particular niches. Accordingly, when acquiring new companies, the registered names of such companies are often retained. In the opinion of Indutrade, however, the Group does not possess proprietary trademarks or other intellectual property rights that are of material importance to the Group's operations as a whole.

INSURANCE

The Group's insurance cover is divided so that property and disruption insurance, as well as other business-related policies, such as transport and vehicle insurance, are arranged by each subsidiary. Group-wide insurance covers, for example, product liability and liability of the President and Members of the Board.

The Indutrade Board of Directors believes that the Group's operations have and have had adequate insurance cover in terms of the operations conducted.

LITIGATION

Companies within the Indutrade Group are occasionally subject to litigation. In the opinion of Indutrade's Board of Directors, however, no company within the Indutrade Group is subject to any litigation that in the event of a negative outcome – either individually or on the whole – would be of material financial importance to the Group's operations.

One of Indutrade's Finnish subsidiaries, Oy Tecalemit Ab, has been reported to the Finnish Competition Authority for having included a non-permissible clause in a service agreement. Tecalemit has conceded to the alleged violations of the law and has cooperated with the authorities during the inquiry. The Competition Authority has not yet announced the sanctions that it intends to demand in this matter, but is expected to do so shortly. Since the Finnish Competition Authority is not empowered to make autonomous decisions about sanctions, the matter must be settled in a Finnish court and is expected to be heard during autumn 2005. The company has taken actions to prevent that similar agreements violates competition law. In the company concerned, the

provision in question was only applied in the agreement which was examined by the public authorities.

REAL PROPERTY AND PRODUCTION PLANTS

Subsidiaries of the Indutrade Group own a total of 23 real properties, comprising 14 real properties (including one leasehold) located in Sweden, six in Finland and one each in Germany, the Netherlands and Denmark. On June 30, 2005, the combined tax-assessment value of the Swedish properties was approximately SEK 63 million. The book value of the Swedish properties on June 30, 2005 was about SEK 95 million. The book value of all of the Group's properties on June 30, 2005 was SEK 151 million.

In most cases, the properties are used for offices and warehouses. Production or processing operations are conducted primarily in properties located in Helsingborg, Linköping, Västervik, Huddinge and Flurstuck, Germany, all of which, apart from the Huddinge property, are owned by Group companies. In the opinion of Indutrade, the Group's production plants are generally well maintained and, despite their varying age, no major investments are required at present.

The value of the properties in a going concern perspective corresponds to the book value. In the opinion of Indutrade, the market value of the properties does not significantly exceed book value.

ENVIRONMENTAL ISSUES

Certain companies within the Indutrade Group conduct operations that require permits or notifications in accordance with the Swedish Environmental Code. Accordingly, these operations are under the supervision of the authorities concerned. In addition, a number of foreign subsidiaries also conduct operations subject to equivalent permit or notification obligations. Indutrade has been granted the necessary permits or has fulfilled the applicable notification obligations. Indutrade is not aware of any circumstance that could subject the Group to specific environmental risks.

PLACING AGREEMENT

According to the terms and conditions of a special agreement pertaining to the sale of shares, which is expected to be signed on or around October 4, 2005 (the “Placing agreement”) by Industrivärden, Indutrade and Enskilda Securities and Handelsbanken Capital Markets (the “Managers”), the Managers intend, on certain conditions, to undertake to procure purchasers for the shares covered by the Offering or, failing which, to acquire the shares themselves at the price determined in the Offering.

Industrivärden intends to undertake to sell the shares covered by the Offering. The shares will be offered for the sale price (within the range of SEK 55–65) that, following a form of tendering procedure, is determined by Industrivärden after consultation with the Managers.

The Placing agreement stipulates, among other conditions, that the above undertakings are subject to the fulfillment of certain conditions, including Indutrade’s operations not becoming subject to material adverse change and the Stockholm Stock Exchange deciding to approve the company for listing on its O-List. The undertakings are also contingent upon the Managers obtaining certain special statements from, among others, the Company.

The Offering can be cancelled at any time before the date of settlement if changes occur in national or international political or financial environmental factors, market conditions or currency regulations that, according to the Managers’ assessment after consultation with Industrivärden, have such a strongly negative effect on Indutrade or its shares that implementation of the Offering or trading in the shares are made significantly difficult or obstructed or is otherwise assessed as inappropriate.

Industrivärden and the Company have agreed to indemnify the Managers in certain situations, in connection with the sale of the Company’s shares.

Under the Placing agreement, Industrivärden, by applying the Over-Allotment Option, intends to undertake, at the request of the Managers, to sell up to 3,000,000 additional shares no later than 30 days from the initial listing date. The Managers may only utilize the Over-Allotment Option in order to cover over-allotments within the Offering.

Following the listing, Industrivärden intends to continue to be a principal owner of Indutrade and to retain Indutrade as an active holding in its equity portfolio (see page 8, section “Background and reasons”). In relation to the Managers, Industrivärden has undertaken that for a period of six months from the initial listing date it will not without written consent from the Managers (i) vote in favor of, or propose to a General Meeting, the issue or the approval of the issue of shares, convertible debenture or debentures with warrants for subscription of new shares, or to propose to, or urge, another party to do so¹⁾, or (ii) to divest or in some other manner dispose of shares issued by the Company. The restrictions do not apply to shares affected by the incentive program for certain senior executives (the “Incentive Program”) that is described on page 53, section “Shareholdings and incentive programs”.

Notwithstanding these restrictions, Industrivärden may also acquire additional shares and divest such shares as long as Industrivärden’s shareholding does not fall below the number of shares that Industrivärden holds following completion of the Offering and the Incentive Program.

¹⁾ This undertaking does not constitute any limitation for the company to utilize the authorization to issue shares described on page 53, section “Authorization”.

DATA FROM INDUTRADE'S ARTICLES OF ASSOCIATION, ETC.

COMPANY NAME

The name of the company is Indutrade Aktiebolag. The company is a public company (publ).

REGISTERED OFFICE

The registered office of the Board of Directors is in the Municipality of Stockholm, Sweden.

COMPANY'S OPERATIONS

The object of the company's operations is to, independently or through subsidiaries, engage in trading in connection with the import and export of machinery, commodities, semi-finished and finished products and industrial supplies, as well as to engage in manufacturing, primarily within the plastics, mechanical and chemical industries, and to engage in related activities.

SHARE CAPITAL

The company's share capital shall not be lower than SEK 40 million and shall not exceed SEK 160 million.

PAR VALUE OF SHARE

Each share shall have a par value of SEK 1 (one).

FINANCIAL YEAR

The Company's financial year shall be the calendar year.

BOARD OF DIRECTORS

The Board of Directors, as elected by the General Meeting, shall consist of at least three members and not more than eight members. The Board Members will be elected each year at the Annual General Meeting for the period extending until the close of the next Annual General Meeting.

AUDITORS

The Annual General Meeting shall elect at least one and not more than two auditors, and not more than two deputy auditors, when applicable, for the period extending until the close of the Annual General Meeting that is held during the fourth calendar year following the election of the auditors. An Authorized Public Accountant or a registered auditing firm shall be elected as the Company's auditor, and where applicable, deputy auditor.

For the period extending until the close of the next Annual General Meeting, the Board of Directors is entitled to appoint one or several special auditors to examine, firstly, the

Board's reporting in connection with new issues of shares in kind or with provisions that shares will be subscribed with right to set-off or with other conditions, and secondly, a merger plan. An Authorized Public Accountant or a registered firm of auditors shall be elected as such an auditor.

NOTICE OF A GENERAL MEETING OF SHAREHOLDERS

Notice of the Annual General Meeting and of Extraordinary General Meetings convened to address amendments to the Articles of Association shall be issued not earlier than six weeks and not later than four weeks prior to the Meeting. Notice of other General Meetings shall be issued not earlier than six weeks and not later than two weeks prior to the Meeting.

Notice of a General Meeting shall be made in the form of an advertisement in the Official Gazette (Post and Inrikes Tidningar) and in Dagens Nyheter.

RIGHT TO PARTICIPATE IN A GENERAL MEETING

General Meetings may be held in the municipalities of Stockholm, Gothenburg or Malmö.

To be entitled to participate in the business of a General Meeting, shareholders must notify the Company of their intention to attend the Meeting not later than 4 p.m. on the date stipulated in the Notice of a General Meeting. This date must not be a Sunday, a public holiday, a Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and must not be earlier than five weekdays before the Meeting.

At a General Meeting, shareholders may be accompanied by a maximum of two assistants, but only if the shareholder has notified such an intention in accordance with the preceding paragraph.

VPC REGISTRATION

The Company has included a record date proviso in the Articles of Association and is affiliated with VPC AB.

OTHER INFORMATION

The Company's corporate registration number is 556017-9367. The Company's form of association is governed by the Swedish Companies Act (1975:1385). The Company was registered at the Swedish Companies Registration Office (formerly, the Swedish Patent and Registration Office) on October 31, 1919. The Company has conducted operations in its current format since 1978.

TAX ISSUES IN SWEDEN

The following presentation is a summary of certain Swedish tax implications that may arise for Indutrade shareholders due to the Offering. The summary is based on current Swedish legislation and is intended only as general information. The summary is based on the assumption that the Indutrade shares have been listed on the Stockholm Stock Exchange's O-List. The information does not address securities held as inventory assets in a business or securities held by partnerships. Each shareholder is advised to obtain advice from tax experts regarding the tax implications that may arise in each individual case. Shareholders who are not resident in Sweden should particularly study the tax consequences that could arise in their particular country of domicile in connection with a potential divestment of the shares.

TAXATION WHEN DISPOSING OF THE INDUTRADE SHARES

Disposal of Indutrade shares gives rise to capital gains taxation (assuming that the shares are not held as inventory assets in a business, in which case any capital gain is tax exempt – see below regarding legal entities). The capital gain/loss is calculated on the basis of the selling price less the acquisition value and any selling costs. The acquisition value is calculated using the so-called average method, which means that the average acquisition value of all of the holdings of shares of the same type and series shall be used. The acquisition cost of the Indutrade shares may instead be determined with the help of

the standard rule, which means that the cost amount may be estimated as 20 percent of the sales price, after deductions for selling expenses.

Individuals

Individuals domiciled in Sweden and the estates of Swedish deceased persons are taxed at a rate of 30 percent of the capital gain as income from capital.

A capital loss resulting from the sale of shares is deductible from income from capital. A loss that arises from the sale of shares may be offset in full against capital gains on other listed securities taxed as shares (so-called participation rights), except for units of Swedish interest funds, and against capital gains from unlisted shares in both Swedish and foreign legal entities. Participation rights are defined as, for example, shares, warrants, fund units or other similar assets with a similar construction or effect that are taxed as shares.

A capital loss is deductible at a rate of 70 percent from other income from capital (such as interest). If a loss arises in the income from capital category, tax will be reduced by 30 percent of that portion of the loss that is less than SEK 100,000 and by 21 percent for losses in excess of this figure. Losses in the income from capital category may not be carried forward to later tax years.

Legal entities

For legal entities that are subject to tax in Sweden, capital gains are taxed as income from business operations at a rate of 28 percent. Deductions for capital losses on sales of participation rights held as a capital asset may only be made against capital gains from similar participation rights. Such capital losses may also be offset against capital gains on participation rights in companies in the same corporate group, provided that the right to make group contributions between such companies applies (group netting rule).

However, in the case of limited liability companies and co-operatives, capital gains on shares related to business operations are generally tax-exempt. In return, capital losses on business-related securities are not tax deductible. Listed shares are viewed as being related to business operations provided that the shareholding amounts to at least 10 percent of the voting rights or if the shareholding is necessary for operations. Also, tax-exempt capital gains on listed shares require that the shares are not sold within one year from the date on which the shares became related to the business operations of the holder. If shares of the same type and class are acquired at different dates, the shares acquired at the later date are deemed to have been sold before a previously acquired share of the same type and class. If the shareholding encompasses shares that do not fulfill the requirements in terms of holding time and shares that fulfill this requirement, they are not deemed to be of the same type and class for calculations according to the average method.

Certain legal entities and associations, such as investment companies, life insurance companies, investment funds and pension foundations, are subject to special tax rules.

TAXATION OF DIVIDENDS FROM INDUTRADE SHARES

Individuals

Dividends from Indutrade shares that accrue to individuals domiciled in Sweden and the estates of Swedish deceased persons are taxed at a rate of 30 percent as income from capital.

Legal entities

Dividends from Indutrade shares to legal entities domiciled in Sweden for tax purposes are taxed at a rate of 28 percent as income from business operations. If the holding is business related (meaning that the holding amounts to 10 percent of the voting rights or is connected to the company's operations), the dividend is normally tax-exempt, assuming that the shares have not been sold within one year from the time they became business-related.

WEALTH TAXATION

It is intended that the shares in Indutrade will be listed on the Stockholm Stock Exchange's O-list. Accordingly, according to current legislation, they will not form the basis for wealth tax.

FOREIGN SHAREHOLDERS

Foreign legal entities are normally not subject to tax on capital gains from Swedish shares, unless the gain is attributable to a specific operating location in Sweden. They may, however, become liable to taxation in their country of domicile. The rules governing the tax exemption of business-related shares also apply to the foreign equivalent of Swedish limited liability companies and co-operatives that are domiciled within the EEA.

Individuals who are not domiciled in Sweden for tax purposes may be subject to capital gains taxation in Sweden on the sale of shares in Swedish limited liability companies if such individuals were domiciled in Sweden or were permanent residents of Sweden at any time during the ten years immediately preceding the sale. In most cases, applicable double taxation agreements reduce this ten-year period, normally to five years.

For shareholders who are not domiciled in Sweden for tax purposes and who do not conduct operations from a permanent place of business in Sweden, dividends from Swedish limited liability companies are normally subject to Swedish withholding tax. The tax rate is 30 percent but is normally reduced through the application of double taxation treaties in effect between Sweden and the country of domicile. For foreign companies who hold business-related shares, however, the dividend could be tax-exempt if tax exemption would have applied had the foreign company been a Swedish company.

INTERIM REPORT JANUARY 1 – JUNE 30, 2005

Earnings and return trends remain favorable

- Net sales rose by 5 percent to SEK 1,823 million (1,744). Adjusted for currency effects and acquisitions, net sales increased by 3 percent compared with the same period previous year.
- Operating income before amortization of intangible fixed assets (EBITA) rose by 14 percent to SEK 148 million (130). Income after financial items increased by 16 percent to SEK 141 million (122).
- Income after tax amounted to SEK 102 million (86), up 19 percent.
- The return on operating capital for the most recent 12-month period increased to 25 percent (24).
- On June 27, Indutrade acquired the Dutch technology group Hanwel, which reported sales of SEK 171 million 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.

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.

SALES AND EARNINGS

Net sales during the first half of 2005 amounted to SEK 1,823 million (1,744), including acquisitions of SEK 17 million and positive currency effects of SEK 6 million. The gross margin rose by 0.5 percentage points to 32.9 percent 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 same period previous year 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 million (1,856).

Performance SEK million	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	1,744	3,486	5%
EBITA	95	77	148	130	264	14%
Income after financial items	91	72	141	122	243	16%
Net 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

Operating income before amortization of intangible fixed assets (EBITA) amounted to SEK 148 million (130), corresponding to an operating margin before amortization of intangible fixed assets (EBITA margin) of 8.1 percent (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 million (expense: 6), while tax on net income for the period totaled SEK 39 million (36).

The return on operating capital for the most recent 12-month period was 25 percent (24).

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.

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

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.

Net sales rose by 6 percent to SEK 466 million (441), entirely as a result of organic growth. EBITA increased by SEK 1 million to SEK 31 million (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.

Net sales totaled SEK 339 million (336), an increase of SEK 3 million that was attributable to acquisitions. EBITA amounted to SEK 24 million, in line with the same period previous year.

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.

Net sales totaled SEK 350 million (367), down 5 percent compared with the same period previous year. The deviation was due to a one-off transaction of SEK 15 million 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 million. EBITA amounted to SEK 43 million, an increase of SEK 2 million, which derived from an improvement in gross margins.

FINANCIAL POSITION

Shareholders' equity amounted to SEK 594 million (710) and the equity/assets ratio was 31 percent (42).

Cash and cash equivalents amounted to SEK 64 million (87), compared with SEK 97 million at the beginning of the year. In addition, there were unutilized credit facilities amounting to SEK 103 million (100). Interest bearing net debt, following a deduction for cash and cash equivalents, amounted to SEK 614 million (316). The net debt/equity ratio was 103 percent (45).

The decrease in shareholders' equity and the equity/assets ratio, as well as the increase in net debt, was due in part to the payment of dividends and group contributions and the repayment of shareholder contributions, in a total amount of SEK 301 million, and to the acquisition of Hanwel B.V. During the spring, the Parent company established an overdraft facility of SEK 200 million (with Skandinaviska Enskilda Banken) and raised a loan of SEK 132 million (with Svenska Handelsbanken).

CASH FLOW

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

INVESTMENTS AND DEPRECIATION

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

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 million (4) and its income after financial items totaled SEK 82 million (110). The earnings included dividends from subsidiaries amounting to SEK 96 million (113).

The Parent Company's cash and cash equivalents, excluding unutilized credit facilities, amounted to SEK 0 million (25). Unutilized credit facilities amounted to SEK 40 million (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 million (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 regulation states that all 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 RR¹⁾ 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 tran-

sitional 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 had a positive impact of SEK 27 million, 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

¹⁾ RR is a Swedish abbreviation of the Swedish Financial Accounting Standards Council.

taking deferred tax into account) of SEK 15 million, 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 SEK 13 million). 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.

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 million, 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 million in order to reduce the future currency risk in GBP and of SEK 1 million 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 million.

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 (SEK). The Group stopped hedging this risk during the third quarter of 2004.

The effect of the above new accounting 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 70–74 of this interim report.

OTHER – INITIAL PUBLIC 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 diversify 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 percent of the shares.

Stockholm, August 15, 2005

Indutrade AB

Johnny Alvarsson

President and Chief Executive Officer

AUDITORS' REVIEW 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

INDUTRADE GROUP'S INCOME STATEMENT

SEK million	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 expenses	-45	-42	-86	-87	-175
Other operating income and expenses	-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

SEK million	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	1,823	1,744	95	77	148	130

KEY RATIOS

	2005 Jan–June	2004 Jan–June	2004 Full year
EBITA margin, %	8.1	7.5	7.6
Return on operating capital, %	25.3	24.4	26.0
Interest bearing net debt, SEK million	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 million	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 non-interest bearing liabilities	30	28	24
Current interest bearing liabilities	369	170	112
Interest bearing liabilities to Group companies	–	–	92
Accounts payable	305	273	263
Other current non-interest bearing liabilities	310	261	262
Total shareholders' equity and liabilities	1,917	1,675	1,636

CHANGE IN GROUP EQUITY

SEK million	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	–	–
Provided Group contribution	–	–	–92
Tax effect on provided Group contribution	–	–	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 ¹⁾ 29)		–15	–15

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

SEK million	2004 Jan 1	2004 June 30	2004 Dec 30
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 ¹⁾ 29)	–15	–	–
Actuarial pension effects (IAS 19)	–	–	–13
Adjusted shareholders' equity according to IFRS	673	710	708

¹⁾ RR is a Swedish abbreviation of the Swedish Financial Accounting Standards Council.

INDUTRADE GROUP'S CASH FLOW STATEMENT

SEK million	2005	2004	2004
	Jan–June	Jan–June	Jan–Dec
Cash flow from operating activities before change in working capital	139	121	251
Change in working capital	-53	-33	16
Cash flow from operating activities	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 activities	-165	-26	-36
Net borrowing	343	-	-157
Paid-out dividend, Group contribution and shareholder contribution	-301	-144	-144
Cash flow from financing activities	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.

ANNUAL ACCOUNTS FOR 2004 RECALCULATED IN ACCORDANCE WITH IFRS

SEK million	Note	According to 2004 Annual Report	Adjustment according to IFRS	According to IFRS 2004
Consolidated balance sheet				
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		1,573	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 non-interest bearing liabilities	5	–	24	24
Current interest bearing liabilities		112	–	112
Interest bearing liabilities to Group companies		92	–	92
Current non-interest bearing liabilities		525	–	525
Total shareholders' equity and liabilities		1,573	63	1,636
Note 1				
Effect of goodwill no longer being amortized continuously (IFRS 3)			29	
Effect of goodwill impairment (IAS 36)			–2	
			27	
Note 2				
Effect of financial leasing being booked as fixed assets and interest bearing liabilities (RR ¹⁾ 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	
Note 5				
Pension liability reclassified as long-term interest bearing liabilities			76	
Provisions for taxes and other provisions reclassified as long-term non-interest bearing liabilities			24	
			100	

¹⁾ RR is a Swedish abbreviation of the Swedish Financial Accounting Standards Council.

OPENING BALANCE, JAN 1, 2004 RECALCULATED ACCORDING TO IFRS

SEK million	Note	According to 2003 Annual Report	Adjustment according to IFRS	According to IFRS Jan 1, 2004
Consolidated balance sheet				
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		1,665	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 non-interest bearing liabilities	4	–	39	39
Current interest bearing liabilities		94	–	94
Interest bearing liabilities to Group companies		94	–	94
Current non-interest bearing liabilities		467	–	467
Total shareholders' equity and liabilities		1,665	34	1,699
Note 1				
Effect of financial leasing being booked as fixed assets and interest bearing liabilities (RR ¹⁾ 6:99)				27
Note 2				
Effect of introduction of pension reporting (RR ¹⁾ 29)			22	
Deferred income tax asset attributable to introduction of pension reporting			7	
Note 3				
Effect of introduction of pension reporting (RR ¹⁾ 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 non-interest bearing 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.

Net debt/equity ratio Interest bearing net debt divided by shareholders' equity.

Operating capital Interest bearing net debt and shareholders' equity.

Interest bearing net debt Interest bearing liabilities including pension liability minus cash and cash equivalents.

Equity/assets ratio Shareholders' equity as a percentage of total assets.

¹⁾ RR is a Swedish abbreviation of the Swedish Financial Accounting Standards Council.

FINANCIAL STATEMENTS

Indutrade's accounting and valuation principles for 2002–2004 comply with the Annual Accounts Act and the Financial Accounting Standards Council's recommendations, apart from RR¹¹ 18 and RR¹¹ 25. The financial statements contained in this document have been supplemented with segment reporting, in accordance with IFRS for 2004 and with additional information in the note references.

Income Statement

Group

SEK million	Note	According to IFRS			
		2004	2004	2003	2002
Net sales	3	3,486	3,486	3,197	3,078
Cost of goods sold		-2,367	-2,385	-2,166	-2,083
Gross income		1,119	1,101	1,031	995
Development costs		-11	-11	-10	-9
Selling costs		-677	-686	-663	-642
Administrative expenses		-175	-175	-167	-149
Other operating income	4	4	4	8	15
Other operating expenses	4	-4	-4	-4	-8
Operating income	3,4,5,6,7,8,14	256	229	195	202
<i>Result from financial investments</i>					
Interest income and similar profit/loss items	9	4	4	9	9
Interest expenses and similar profit/loss items	10	-17	-17	-22	-30
Income after financial items		243	216	182	181
Tax	13	-75	-75	-67	-67
Net income for the year		168	141	115	114

¹¹ RR is a Swedish abbreviation of the Swedish Financial Accounting Standards Council.

Balance Sheet

Group

SEK million	Note	According to IFRS			
		Dec 31, 2004	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
ASSETS					
Fixed assets					
Intangible fixed assets					
	15				
Goodwill		156	129	167	133
Intangible rights		15	15	4	4
Total intangible fixed assets		171	144	171	137
Tangible fixed assets					
	16				
Buildings and land		152	152	146	124
Machinery		34	34	33	36
Equipment, tools, fixtures and fittings		91	61	74	66
Construction in progress		–	–	13	29
Total tangible fixed assets		277	247	266	255
Financial fixed assets					
Shares and participations in other companies	17	2	2	2	2
Other long-term receivables	18	5	5	6	8
Deferred tax assets	13	11	5	5	9
Total financial fixed assets		18	12	13	19
Total fixed assets		466	403	450	411
Current assets					
Inventories	19	556	556	567	571
Current receivables					
Accounts receivable		461	461	422	399
Tax claim		22	22	19	17
Other current receivables		13	13	20	15
Prepaid expenses and accrued income	20	21	21	19	16
Total current receivables		517	517	480	447
Short-term investments		1	1	51	1
Cash and cash equivalents		96	96	117	171
Total cash and cash equivalents		97	97	168	172
Total current assets		1,170	1,170	1,215	1,190
TOTAL ASSETS		1,636	1,573	1,665	1,601

SEK million	Note	According to IFRS Dec 31, 2004	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
<i>Restricted shareholders' equity</i>					
Share capital (25,000 shares with a par value of SEK 1,000 each)		25	25	25	25
Restricted reserves		15	15	27	18
		40	40	52	43
<i>Unrestricted shareholders' equity</i>					
Unrestricted reserves		500	513	521	486
Net income for the year		168	141	115	114
		668	654	636	600
Total shareholders' equity		708	694	688	643
Provisions					
Provisions for pensions	22	–	76	58	58
Provisions for taxes	13	–	15	23	24
Other provisions	23	–	9	16	1
Total provisions		–	100	97	83
Long-term liabilities					
Liabilities to credit institutions	24	80	50	225	2
Liabilities to Group companies		–	–	–	389
Pension liability	22	95	–	–	–
Deferred tax liability	13	15	–	–	–
Other long-term non-interest bearing liabilities	23	9	–	–	–
Total long-term liabilities		199	50	225	391
Current liabilities					
Liabilities to credit institutions	24	112	112	94	14
Advance payments from customers		11	11	14	5
Accounts payable		263	263	228	225
Tax liability		30	30	13	19
Liabilities to Group companies		92	92	94	28
Other liabilities		85	85	77	75
Accrued expenses and prepaid income	25	136	136	135	118
Total current liabilities		729	729	655	484
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,636	1,573	1,665	1,601
Assets pledged					
	27	32	2	23	16
Contingent liabilities					
	28	2	2	1	2

Change in shareholders' equity

Group

SEK million	Share Capital	Restricted reserves	Unrestricted equity	Total equity
Shareholders' equity, December 31, 2001	25	10	576	611
Transfer between unrestricted and restricted equity		8	-8	-
Translation differences				
- change during the year			-4	-4
- less: effect of hedging measures during the year			2	2
- less: tax			0	0
Group contribution granted			-111	-111
Tax effect on Group contribution granted			31	31
Net income for the year			114	114
Shareholders' equity, December 31, 2002	25	18	600	643
Transfer between unrestricted and restricted equity		9	-9	-
Translation differences				
- change during the year			-6	-6
- less: effect of hedging measures during the year			5	5
- less: tax			-1	-1
- less: reversal of translation difference pertaining to sold company			0	0
Group contribution granted			-94	-94
Tax effect on Group contribution granted			26	26
Net income for the year			115	115
Shareholders' equity, December 31, 2003	25	27	636	688
Transfer between unrestricted and restricted equity		-12	12	-
Translation differences				
- change during the year			-4	-4
Valuation of opening pension liability according to RR ¹⁾ 29			-22	-22
- less: tax			7	7
Repayment of shareholder contribution			-50	-50
Group contribution granted			-92	-92
Tax effect on Group contribution granted			26	26
Net income for the year			141	141
Shareholders' equity, December 31, 2004	25	15	654	694
Effect of goodwill no longer being amortized			29	29
Effect of goodwill impairment			-2	-2
Actuarial pension effects			-19	-19
- less: tax			6	6
Shareholders' equity, December 31, 2004 according to IFRS	25	15	668	708

As of January 1, 1999, translation differences in shareholders' equity are accumulated in accordance with the Financial Accounting Standards Council's recommendation RR¹⁾ 8. When applying IFRS 1 as of January 1, 2004, Indutrade has chosen to set translation differences at zero as of the transitional date, in accordance with IAS 21.

The accumulated translation difference as of January 1, 1999 amounted to a negative SEK 5 million on December 31, 2004. The translation difference amounted to a negative SEK 1 million on December 31, 2003 and to a positive SEK 2 million on December 31, 2002.

Conditional shareholder contributions are included in unrestricted shareholders' equity for 2004 in an amount of SEK 159 million (2003 and 2002: 209).

¹⁾ RR is a Swedish abbreviation of the Swedish Financial Accounting Standards Council.

Cash flow statement

Group

SEK million	Note	According to IFRS			
		2004	2004	2003	2002
OPERATING ACTIVITIES					
Income after financial items		243	216	182	181
Depreciation/impairments		48	75	78	78
Reversal of previously impaired receivable		–	–	–	–5
Result from sales of tangible fixed assets		–	–	1	–
Other items that do not affect cash flow		–3	–3	–5	–4
		288	288	256	250
Income tax paid		–37	–37	–46	–40
Cash flow from operating activities before change in working capital		251	251	210	210
Cash flow from change in working capital					
Change in inventories		11	11	12	48
Change in receivables		–35	–35	–50	10
Change in current liabilities		40	40	30	–14
Cash flow from operating activities¹⁾		267	267	202	254
INVESTING ACTIVITIES					
Acquisition of subsidiaries	26	–14	–14	–68	1
Sale of subsidiaries	26	–	–	11	5
Change in other financial fixed assets		2	2	–	13
Acquisition of fixed assets		–33 ²⁾	–33	–64	–83
Sale of fixed assets		9	9	11	6
Cash flow from investing activities		–36	–36	–110	–58
FINANCING ACTIVITIES					
Repayment of debt		–157	–157	–	–17
Borrowings		–	–	303	–
Decrease in financial liabilities, Group companies		–	–	–386	–74
Group contribution paid and repayment of shareholder contribution		–144	–144	–11	–144
Cash flow from financing activities		–301	–301	–94	–235
CASH FLOW DURING THE YEAR		–70	–70	–2	–39
Cash and cash equivalents at beginning of year		168	168	172	213
Exchange-rate differences in cash and cash equivalents		–1	–1	–2	–2
Cash and cash equivalents at end of year		97	97	168	172
¹⁾ Cash flow from operating activities comprises:					
Interest received		5	5	9	9
Interest paid		–16	–16	–19	–27

²⁾ Of the Group's investments, SEK 12 million has been financed by means of financial leasing agreements and thus has not affected the cash flow. As a result of this, the same amount has been reported net against loans raised in the cash flow statement.

Income Statement

Parent Company

SEK million	Note	2004	2003	2002
Net sales		8	9	1
Gross income		8	9	1
Development costs		-	-	-
Selling costs		-	-	-
Administrative expenses		-40	-33	-16
Other operating income	4	0	-	5
Other operating expenses	4	-	-	-
Operating income	4,5,6,7,8,14	-32	-24	-10
<i>Result from financial investments</i>				
Interest income and similar profit/loss items	9	12	23	30
Interest expenses and similar profit/loss items	10	-12	-15	-27
Result from shares in Group companies	11	99	36	17
		99	44	20
Income after financial items		67	20	10
Appropriations	12	0	0	0
Income before tax		67	20	10
Tax	13	0	0	-1
Net income for the year		67	20	9

Cash flow statement

Parent Company

SEK million	2004	2003	2002
OPERATING ACTIVITIES			
Income after financial items	67	20	10
Change in provisions	-	-2	-
Dividend from subsidiaries in the form of shares in subsidiaries	-	-58	-65
Reversal of previously impaired receivable	-	-	-5
Impairment of shares in subsidiaries	43	78	71
	110	38	11
Income tax paid	-	1	-2
Cash flow from operating activities before change in working capital	110	39	9
Cash flow from change in working capital:			
Change in current assets	3	-3	-
Change (net) in receivables/liabilities to/from Group companies	-17	67	-81
Change in current liabilities	1	3	-4
Cash flow from operating activities	97	106	-76
INVESTING ACTIVITIES			
Acquisitions of subsidiaries – external	-	-1	-
Acquisitions of subsidiaries – internal	-	-7	-30
Sale of subsidiaries – external	-	-	1
Sale of subsidiaries – internal	-	-	6
Change in other financial fixed assets	37	-	42
Acquisition of fixed assets	0	-2	-
Cash flow from investing activities	37	-10	19
FINANCING ACTIVITIES			
Decrease in financial liabilities, Group companies	-	-389	-78
Repayment of debt	-147	-	-
Borrowings	-	299	-
Repayment of shareholder contribution	-50	-	-
Cash flow from financing activities	-197	-90	-78
CASH FLOW DURING THE YEAR	-63	6	-135
Cash and cash equivalents at beginning of year	63	57	192
Cash and cash equivalents at end of year	-	63	57

Balance Sheet

Parent Company

SEK million	Note	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
ASSETS				
Fixed assets				
Tangible fixed assets				
Equipment, tools, fixtures and fittings	16	2	2	0
Financial fixed assets				
Shares in Group companies	17	425	468	481
Receivables from Group companies		144	181	165
Deferred tax assets	13	0	0	0
Total financial fixed assets		569	649	646
Total fixed assets		571	651	646
Current assets				
Current receivables				
Receivables from subsidiaries		216	193	240
Tax claim		0	–	1
Other receivables		1	4	1
Prepaid expenses and accrued income	20	2	2	0
Total current receivables		219	199	242
Short-term investments		–	50	–
Cash and cash equivalents		–	13	57
Total cash and cash equivalents		–	63	57
Total current assets		219	262	299
TOTAL ASSETS		790	913	945

SEK million	Note	Dec 31, 2004	Dec 31, 2003	Dec 31, 2002
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
<i>Restricted shareholders' equity</i>				
Share capital (25,000 shares each with a par value of SEK 1,000)		25	25	25
Statutory reserve		5	5	5
		30	30	30
<i>Unrestricted shareholders' equity</i>				
Retained earnings		415	445	436
Net income for the year		67	20	9
		482	465	445
Total shareholders' equity		512	495	475
Untaxed reserves	21	0	0	0
Provisions				
Provisions for pensions	22	–	–	2
Provisions for taxes	13	0	0	1
Total provisions		0	0	3
Long-term liabilities				
Liabilities to credit institutions	24	50	224	0
Liabilities to Group companies		24	16	389
Total long-term liabilities		74	240	389
Current liabilities				
Liabilities to credit institutions	24	102	74	–
Accounts payable		1	1	1
Liabilities to Group companies		92	94	72
Other liabilities		1	1	2
Accrued expenses and deferred income	25	8	8	3
Total current liabilities		204	178	78
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		790	913	945
Assets pledged		–	–	–
Contingent liabilities	28	31	34	29

Change in shareholders' equity

Parent Company

SEK million	Share capital	Statutory reserve	Unrestricted equity	Total equity
Shareholders' equity, December 31, 2001	25	5	436	466
Net income for the year	-	-	9	9
Shareholders' equity, December 31, 2002	25	5	445	475
Net income for the year	-	-	20	20
Shareholders' equity, December 31, 2003	25	5	465	495
Repayment of shareholder contribution	-	-	-50	-50
Net income for the year	-	-	67	67
Shareholders' equity, December 31, 2004	25	5	482	512

Conditional shareholder contributions are included in unrestricted shareholders' equity for 2004 in an amount of SEK 159 million (2003 and 2002: 209).

Notes

[SEK million, unless otherwise stated]

NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

Indutrade's accounting and valuation principles for the years 2004–2002 comply with the Annual Accounts Act and the Financial Accounting Standards Council's recommendations, apart from RR¹⁾ 18 and RR¹⁾ 25. As of January 1, 2005, the Indutrade Group compiles its financial reports in accordance with International Financial Reporting Standards (IFRS/IAS) in the form adopted by the European Union, with the exception of the IAS 19 amendment. The transition to IFRS is reported in accordance with IFRS 1, which means that the transitional date is January 1, 2004. In this report figures for 2004 are presented both in accordance with IFRS and with the principles that were used when the annual report was compiled.

Consolidated accounts

The consolidated accounts include subsidiaries in which the Parent Company directly or indirectly has a controlling influence.

The consolidated accounts have been prepared in accordance with the purchase method. Accordingly, the subsidiaries' equity at the date of acquisition, set as the difference between the fair value of assets and liabilities, is eliminated in its entirety, which means that only that portion of the shareholders' equity of subsidiaries that arose after the acquisition is included in Group equity.

If the consolidated acquisition value of the shares exceeds the value of the company's net assets entered in the acquisition analysis, this is reported as consolidated goodwill.

Companies acquired during the year are included in the consolidated accounts in the amounts pertaining to the period post the acquisition.

Indutrade's foreign subsidiaries are classified as independent companies, which means that the current method is used for translating the financial statements of subsidiaries. Accordingly, assets and liabilities are translated at the year-end rate, while all income-statement items are translated at average exchange rates for the year. Translation differences are reported directly in consolidated equity.

When applying IFRS, an assessment is made of the subsidiaries' functional currencies. However, this had no effect on the translation of the foreign subsidiaries' annual accounts.

Group contribution

Group contributions provided – which have the character of dividends – are reported directly via shareholders' equity, following an adjustment for the additional tax effect, which is reported in the income statement. In the Parent Company, Group contributions received are reported as dividend income in the income statement.

Currency hedging of shareholders' equity in foreign subsidiaries

During 2004, the Parent Company decided to no longer hedge the shareholders' equity of foreign subsidiaries and, in this connection, it exited from all positions, without this having a material impact on earnings.

Receivables

Receivables are entered in the amount that is expected to be received after individual assessment.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at the closing exchange rate. In those cases where currency-hedging measures were applied, such as forward-contract hedging, the forward rate is used.

Inventories

Applying the "first-in/first-out" principle, inventories are valued at the lower of the acquisition value and the fair value on the closing date. For homogeneous groups of products, collective valuation is applied.

Fixed assets

Fixed assets are valued at acquisition value less accumulated depreciation according to plan. Tangible and intangible fixed assets are depreciated over their estimated economic lives, using the following depreciation periods:

Goodwill	5–10 years ²⁾
Other intangible assets	5 years
Buildings	25–40 years
Machinery	5–10 years
Equipment	3–10 years

²⁾ Goodwill attributable to the acquisition of major subsidiaries that are regarded as having a long-term strategic value is amortized over ten years. Other goodwill is amortized over five years. In accordance with IFRS 3, the Group stopped amortizing goodwill on January 1, 2004, when it started to apply IFRS. As of the fiscal year that ended on December 31, 2004, goodwill is subject to annual impairment testing. See page 86, section "Impairment testing of goodwill" below.

Leasing

Significant financial leasing contracts are reported as fixed assets and liabilities, respectively, in the balance sheet and are divided among the cost of the operating expenses and interest in the income statement. At present, the company has no significant financial leasing contracts. Other leasing commitments, mainly rent for premises and vehicles, are reported in accordance with the regulations for operational leasing, meaning off the balance sheet, whereby the entire cost is reported as an operating expense. As of January 1, 2004, most of the Group's vehicles are reported in accordance with the regulations for financial leasing, as specified in RR¹⁾ 6:99.

Revenue recognition

The Group's sales consist mainly of the sale of goods. Income, excluding value added tax, is recognized when ownership is transferred to the purchaser. Income from the sale of services is recognized on delivery. Interest income and interest expense are reported after taking accrued interest on the closing date into account.

Development costs

Since the Group only conducts product-specific development operations in exceptional cases, development costs are normally expensed as incurred.

Taxes

Deferred tax attributable to temporary differences between the book value and the taxable value of assets and liabilities is reported in full in the consolidated accounts, while the Parent Company still reports the difference pertaining to machinery and equipment as an untaxed reserve. Deferred tax assets pertaining to unutilized tax loss carryforwards are reported to the extent that the likelihood of them being utilized in the foreseeable future is regarded as high. Tax is calculated on the basis of the tax rate currently applying in the particular country. Current tax and deferred tax are reported directly against shareholders' equity, if the tax is attributable to items reported directly against shareholders' equity.

¹⁾ RR is a Swedish abbreviation of the Swedish Financial Accounting Standards Council.

Cash flow statement

The cash flow statement has been compiled in accordance with the indirect method. Reported cash flow consists only of transactions that result in receipts or disbursements.

In addition to cash and bank balances, the items classified as cash and cash equivalents are short-term financial investments with a maturity of less than three months.

Segment reporting

Detailed segment reporting for 2004 and 2003 pertaining to the Engineering & Equipment, Flow Technology, Industrial Components and Special Products business areas is presented on page 88 below.

The scope of Indutrade's internal sales is limited and for most of Indutrade's companies, internal transactions have the character of temporary "support purchases." Companies using the same agencies occasionally conduct transactions with each other in order to satisfy customer requirements that arise suddenly. The price normally consists of the purchasing cost plus an administrative surcharge (approx. 10–15 percent).

Two of Indutrade's companies (GEFA and ETP) use other Indutrade companies as sales channels (Fagerberg-companies and Bengtssons Maskin). Normal commercial prices are applied among these companies. The estimated value of such internal sales is slightly more than SEK 10 million per year.

As a result of the scope and character of the transactions, problems pertaining to inter-company profits are negligible.

Financial reporting in accordance with International Financial Reporting Standards (IFRS)

As of January 1, 2005, Indutrade compiles its financial reports in accordance with International Financial Reporting Standards (IFRS/IAS in the form adopted by the European Union, with the exception of the IAS 19 amendment). This ordinance stipulates that all exchange-listed companies within the EU must apply IFRS in their consolidated accounts. Up to the end of 2004, Indutrade applied the Financial Accounting Standards Council's recommendations and statements. The transition to IFRS is reported in accordance with IFRS 1, which means that 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 below, 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 million, 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 million, 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 SEK 13 million). 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.

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 million, and also requires a reclassification of leasing charges as depreciation and financial expenses.

In accordance with IAS 39, the market value of financial derivatives must be assessed continuously from January 1, 2005. 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. The other new standards have either no impact or only a marginal impact on the Indutrade Group's earnings and financial position. Indutrade is subject to a translation risk in connection with the translation of the foreign subsidiaries' net assets into the Group currency, SEK. The Group stopped hedging this risk during the third quarter of 2004.

Impairment testing of goodwill

In connection with the annual impairment testing of goodwill, Indutrade applies a model in which assumptions are made about such items as revenue growth, gross margins, investments and capital costs. The impairment test at January 1, 2004 was conducted at company level, applying a 10 percent discount rate and a general assumption of 2 percent annual growth.

The criterion for assuming that an impairment is not required is that the discounted present value of estimated cash flow exceeds the value of the net assets, including goodwill. The impairment test conducted at January 1, 2004 resulted in goodwill being impaired by SEK 2 million.

NOTE 2 RISKS AND RISK MANAGEMENT**Market risks**

The Indutrade Group's operations are conducted in Sweden, Finland, Denmark, Norway, the Netherlands, Belgium, Germany, Russia and the Baltic countries. The geographical diversification, combined with a large number of customers and products, results in relatively limited risk exposure and cyclicity.

A trading group such as Indutrade is subject to the risk that an agency relationship may be terminated, which could occur, for example, in connection with a structural change at the supplier level. This is a natural feature of an agency company's operations and the organization has the experience to

handle it. Indutrade's approximately 60 companies have an average of 2–3 main agencies per company, supplemented by a number of smaller agencies. As a result of the large number of agencies, no individual agency accounts for a decisive financial risk from the Group's perspective.

The risk associated with major customers deciding to bypass the agency level and to trade directly with the producers is regarded as marginal because the customers value the technical knowledge, availability and delivery reliability provided by a local company that maintains inventories, such as Indutrade. Indutrade companies also provide after-market services such as servicing, installation and project support.

Financial risks

As a result of its international operations, the Indutrade Group is exposed to financial risks of varying natures:

Financing risk
Interest-rate risk
Currency risk
Customer and counterparty risks

Finance policy

Indutrade's Board of Directors approves the company's finance policy each year. The policy establishes the company's financial strategy and the internal division of responsibility. The policy also governs such matters as how financing, liquidity management and currency-risk management should be handled within the Group and the restrictions that should be considered in terms of counterparties.

Indutrade's finance function is independent of Industrivärden. Group contributions and any dividends/repayment of shareholder contributions have been paid each year on April 30.

Financing risk

The financing risk is the risk that financing of the Group's capital requirements is impeded or becomes more expensive. To the extent possible, this is countered by ensuring that the company has a maturity structure that facilitates the taking of the alternative actions required to secure the raising of capital, where necessary.

Indutrade adopts a central approach to the Group's financing. In principle, all external financing is raised by the Parent Company, which then finances the Group's subsidiaries both in and outside Sweden in local currency. Group account systems are established in Sweden and Finland.

At the end of 2004, the Parent Company had external interest bearing loans in an amount corresponding to SEK 152 million. After taking interest bearing provisions and cash and cash equivalents into account, the Group's interest bearing net indebtedness (not IFRS-adjusted), excluding Group contribution liabilities, amounted to SEK 141 million at the end of 2004, compared with SEK 209 million a year earlier.

At the end of 2004, the Group had cash and cash equivalents of SEK 97 million and had unutilized overdraft facilities of SEK 111 million.

Of the Group's interest bearing loans, 30 percent of the total becomes due for payment later than December 31, 2005. The average remaining maturity of the loans is 19 months.

Interest-rate risk

The interest-rate risk is the risk that unfavorable changes in interest rates have an excessive impact on the Group's net financial items and earnings.

At the end of 2004, the average remaining fixed interest term for the Group's loans was 16 months.

Based on the loan structure at the end of 2004, a 1 percent increase in interest rates would result in annual interest expense rising by approximately SEK 1.6 million, without taking the period of fixed interest for the loans into account. Taking into account the current period of fixed interest, the effect on 2005 would be approximately SEK 0.5 million.

Currency risk

The currency risk is the risk that unfavorable changes in exchange rates would affect the Group's net earnings and shareholders' equity, measured in SEK.

- Transaction exposure arises as a result of the Group having revenues and costs in foreign currencies.
- Translation exposure arises as a result of the Group, via its foreign subsidiaries, having net investments in foreign currencies.

The Indutrade Group's transaction exposure arises when the subsidiaries import products for sale in the domestic market. To the extent possible, exchange-rate effects are eliminated by including currency clauses in customer contracts and through sales in the same currency as purchases. In special cases, forward contracts are used.

At the end of 2004, Indutrade had net exposure of SEK 88 million in foreign currency, including SEK 65 million in EUR (EUR 7.2 million) and SEK 15 million in GBP (GBP 1.2 million).

At the end of 2004, the Group had outstanding forward contracts in an amount of SEK 26 million, in order to reduce the currency risk associated with future flows, including SEK 13 million pertaining to EUR and SEK 13 million pertaining to GBP.

The EUR-based contracts expire within six months of year-end and the GBP-based contracts expire at regular dates during 2005, up to the end of August.

A fair valuation of the outstanding forward contracts at December 31, 2004 would result in an unrealized loss of SEK 0.2 million. During 2004, realized forward contracts had a marginal impact on earnings.

The Group is exposed to a translation risk on the translation of the accounts of foreign subsidiary into the Group currency, SEK. This type of currency risk is not hedged.

Customer and counterparty risks

Credit risks within financial-management activities arise as a result of investments of cash and cash equivalents and in the form of counterparty risks associated with the utilization of forward contracts and other derivative instruments. These risks are limited by the use of counterparties who are approved in accordance with the guidelines established in the finance policy.

Credit-risk assessments associated with commercial transactions are managed by each particular subsidiary. Indutrade's dependence on individual customers is limited. During 2004, sales to the largest individual customer amounted to less than 1.5 percent of net sales and the ten largest customers jointly accounted for less than 8 percent of net sales. The spread of risk is regarded as favorable.

Fair value

The fair value of financial assets and liabilities is not considered to deviate significantly from the book value.

NOTE 3 SEGMENT REPORTING ¹⁾**Primary segment**

2004	EE	FT	IC	SP	Total	Parent Company/ Eliminations	Total, Group
Net sales	1,238	869	668	735	3,510	-24	3,486
Sales growth, %	14.5	11.4	2.3	4.9			9.0
EBITA	102	53	49	91	295	-31	264
EBITA margin, %	8.2	6.1	7.3	12.4			7.6
Operating capital	312	260	131	250	953	-26	927
Return on operating capital, %	31.4	20.1	34.9	35.1			27.5
Investments	5	8	4	13	30	0	30
– Of which, investments in buildings and land	0	0	0	0	0	0	0
Depreciation of tangible fixed assets	10	9	5	16	40	0	40
Items not affecting cash flow	0	1	1	1	3	0	3
Total assets	570	406	277	370	1,623	-50	1,573
Non-interest bearing liabilities	205	126	101	105	537	12	549
Interest bearing liabilities	158	138	78	106	480	-150	330

2003	EE	FT	IC	SP	Total	Parent Company/ Eliminations	Total, Group
Net sales	1,081	780	653	701	3,215	-18	3,197
Sales growth, %	15.1	-3.5	-4.7	5.3			3.9
EBITA	80	39	50	88	257	-28	229
EBITA margin, %	7.4	5.0	7.7	12.6			7.2
Operating capital	338	267	150	269	1,024	-33	991
Return on operating capital, %	26.3	13.8	31.7	33.8			23.5
Investments	14	8	2	36	60	3	63
– Of which, investments in buildings and land	0	1	0	18	19	0	19
Depreciation of tangible fixed assets	12	10	7	15	44	0	44
Items not affecting cash flow	1	1	2	1	5	0	5
Total assets	589	399	299	393	1,680	-15	1,665
Non-interest bearing liabilities	178	121	81	108	488	18	506
Interest bearing liabilities	199	124	103	113	539	-68	471

¹⁾ The segment-based accounts included in this prospectus were compiled during 2005, which means they were not included in the annual reports for 2004 and 2003. The segment-based accounts pertain to the business areas Engineering & Equipment (EE), Flow Technology (FT), Industrial Components (IC) and Special Products (SP). See also pages 38–39, section "Financial information in summary".

Net sales	Group			EBITA	Group		
	2004	2003	2002		2004	2003	2002
Sweden	1,480	1,355	1,355	Sweden	93	99	105
Finland	1,098	954	842	Finland	104	85	74
Denmark and Norway	376	378	419	Denmark and Norway	22	7	26
Europe excl. Nordic region	532	510	462	Europe excl. Nordic region	45	38	33
Total	3,486	3,197	3,078	Total	264	229	238

Investments by geographical market	2004 (IFRS)	2004	2003	2002	2001	2000
Sweden	26	14	26	58	34	15
Finland	3	3	14	9	14	6
Denmark and Norway	7	7	4	10	6	4
Europe excl. Nordic region	6	6	19	5	2	1
Total	42	30	63	82	56	26

NOTE 4 OTHER OPERATING INCOME / OPERATING EXPENSES

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Other operating income						
– exchange-rate gains	3	5	6	0	–	–
– capital gains on sale of property	–	1	–	–	–	–
– reversal of written down receivable	–	–	5	–	–	5
– other	1	2	4	–	–	–
	4	8	15	0	–	5
Other operating income						
– exchange-rate losses	–4	–4	–6	–	–	–
– write-down of property	–	–	–2	–	–	–
	–4	–4	–8	–	–	–

NOTE 5 AVERAGE NUMBER OF EMPLOYEES

	2004		2003		2002	
	No. of employees	Of whom, women	No. of employees	Of whom, women	No. of employees	Of whom, women
Parent Company	9	3	7	3	7	3
Subsidiaries in Sweden	593	135	593	131	585	142
Subsidiaries outside Sweden						
Denmark	116	14	121	17	129	20
Finland	435	90	412	82	342	73
Netherlands	76	22	76	23	73	28
Norway	18	1	19	3	42	12
Germany	75	26	73	27	74	27
Other	93	22	76	18	99	21
Total outside Sweden	813	175	777	170	759	181
Total, Group	1,415	313	1,377	304	1,351	326

The Parent Company's Board of Directors consists of one woman and seven men. Otherwise, there are no female members of the boards of directors of subsidiaries, or of the management teams of the Parent Company or subsidiaries.

NOTE 6 WAGES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

	2004			2003			2002		
	Wages, salaries and other remuneration	Social security costs (of which, pension costs)		Wages, salaries and other remuneration	Social security costs (of which, pension costs)		Wages, salaries and other remuneration	Social security costs (of which, pension costs)	
Parent Company	10	9	(5)	11	4	(0)	7	3	(1)
Subsidiaries in Sweden	216	106	(28)	202	98	(23)	197	93	(21)
Total in Sweden	226	115	(33)	213	102	(23)	204	96	(22)
	2004			2003			2002		
	Wages, salaries and other remuneration	Social security costs (of which, pension costs)		Wages, salaries and other remuneration	Social security costs (of which, pension costs)		Wages, salaries and other remuneration	Social security costs (of which, pension costs)	
Subsidiaries, outside Sweden									
Denmark	60	4		70	4		64	3	
Finland	157	38		142	36		120	28	
Netherlands	31	15		31	12		29	9	
Norway	8	2		9	2		19	2	
Germany	32	6		30	5		28	5	
Others	11	3		9	3		10	3	
Total outside Sweden	299	68	(45)	291	62	(40)	270	50	(30)
Total, Group	525	183	(78)	504	164	(63)	474	146	(52)

Of the Parent Company's total pension costs, the Board and the President accounted for SEK 3 million (SEK -1 million in 2003 and SEK 0 million in 2002). The corresponding amounts for the Group were SEK 14 million (SEK 9 in 2003 and SEK 8 million in 2002).

Agreements have been concluded with the Chief Executive Officer and the presidents of subsidiaries concerning severance pay, which could amount to 12 to 24 monthly salaries, according to the individual executive's age, in the event that employment is terminated by the company.

Wages, salaries and other remuneration distributed by country and among Board members, etc., and other employees:

	2004			2003			2002		
	Board members, presidents and vice presidents (including bonuses, etc.)	Other employees		Board members, presidents and vice presidents (including bonuses, etc.)	Other employees		Board members, presidents and vice presidents (including bonuses, etc.)	Other employees	
Parent Company	4	(0)	6	8	(1)	3	3	(1)	4
Subsidiaries in Sweden	18	(1)	198	18	(0)	184	17	(2)	180
Subsidiaries outside Sweden									
Denmark	4	(0)	56	4	(0)	66	5	(2)	59
Finland	13	(1)	144	11	(1)	131	9	(1)	111
Netherlands	2	(0)	29	2	(0)	29	2	(0)	27
Norway	1	(0)	7	1	(-)	8	2	(-)	17
Germany	2	(0)	30	2	(0)	28	2	(0)	26
Others	2	(0)	9	1	(0)	8	2	(0)	8
Total in subsidiaries	42	(3)	473	39	(2)	454	39	(5)	428
Total, Group	46	(3)	479	47	(3)	457	42	(6)	432

Total sickness absence in the Parent Company during 2004 amounted to 1.87 percent (3.34) of the total number of hours worked. Sickness absence exceeding 60 days amounted to 0.49 percent (3.16).

NOTE 7 DEPRECIATION/AMORTIZATION

Depreciation/amortization is included in the following functions:	Group			Parent Company			
	2004 (IFRS)	2004	2003	2002	2004	2003	2002
Cost of goods sold	13	33	34	33	-	-	-
Development costs	-	-	1	-	-	-	-
Selling costs	24	33	34	36	-	-	-
Administrative expenses	9	9	9	9	0	0	0
	46	75	78	78	0	0	0
Cost of goods sold (pertaining to goodwill impairments)	2						
	48						
Difference between IFRS and former accounting principles:							
Effect of goodwill no longer being amortized					-29		
					46		

According to IFRS, goodwill may no longer be amortized according to plan. Instead, an impairment is to be posted if the carrying value exceeds the net realizable value and a present-value calculation of the future cash flows and the estimated residual value.

NOTE 8 OPERATIONAL RENTAL/LEASING AGREEMENTS

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Leasing charges paid during the period:	57	44	39	5	4	0
Future contractual leasing charges						
Due date Year 1	55	44	36	7	6	0
Due date Year 2	36	29	26	9	7	0
Due date Year 3	24	24	17	8	9	0
Due date Year 4	14	17	14	8	9	-
Due date Year 5	13	13	14	9	8	-
Due date Year 6-	34	40	13	34	34	-
Total future leasing charges	176	167	120	75	73	0

As of 2003, the Parent Company rents the Malax 3 property in Akalla from Fastighets AB Raseborg, a subsidiary of AB Industrivärden. The premises that are not used by the Parent Company are leased to five subsidiaries. Previously, these subsidiaries rented the premises directly from Fastighets AB Raseborg¹⁾.

As of January 1, 2005, most of the Group's vehicles are reported as financial leasing. Financial leasing agreements pertaining to vehicles are reported as financial leasing in accordance with IFRS, which resulted in an increase in both the asset and the liability by SEK 30 million, as of December 31, 2004. According to IFRS, information about future leasing charges, interest rates and the present value of the residual value must be disclosed. This information will be presented in the annual report, as of 2005.

¹⁾ As of July 1, 2005, Colly Company AB leases premises from Fastighets AB Raseborg and the Parent Company subleases offices from Colly Company AB. [See page 60, section "Agreements with related companies".]

NOTE 9 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Interest income	4	9	9	12	18	23
Exchange-rate differences	-	-	-	-	5	7
Other	-	-	-	-	-	0
	4	9	9	12	23	30

Of which, pertaining to Group companies:

Interest income	-	2	3	10	14	22
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NOTE 10 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Interest expenses	-16	-19	-27	-9	-15	-21
Exchange-rate differences	-	-2	-3	-2	-	-6
Other	-1	-1	0	-1	-	-
	-17	-22	-30	-12	-15	-27

Of which, pertaining to companies in the Industrivärden Group:

Interest expenses	-	-3	-21	-	-3	-21
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NOTE 11 RESULTS FROM SHARES IN GROUP COMPANIES

	Parent Company		
	2004	2003	2002
Dividend from subsidiaries	112	94	77
Capital gain on internal sale of subsidiary	-	-	5
Group contribution	30	20	6
Write-down (impairment) of shares in subsidiaries	-43	-78	-71
	99	36	17

NOTE 12 APPROPRIATIONS, PARENT COMPANY

	Parent Company		
	2004	2003	2002
Difference between booked depreciation and depreciation according to plan	0	0	0

NOTE 13 TAX

Tax expense	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Current tax	-51	-39	-37	-	-	0
Deferred tax	2	-2	1	0	0	-1
Tax effect on Group contributions	-26	-26	-31	-	-	-
	-75	-67	-67	0	0	-1

The Group's tax expense accounted for 34.7 percent [36.9 percent in 2003 and 37.0 percent in 2002] of the Group's income before tax. The difference between the reported tax expense and the expected tax expense is explained below.

SEK million	Group				Parent Company		
	2004 (IFRS)	2004	2003	2002	2004	2003	2002
Income before tax	243	216	182	181	67	20	10
Weighted average tax based on national tax rates (Group 30.0%, and 30.7% and 30.3%, respectively. Parent Company 28.0%)	-73	-65	-56	-55	-19	-5	-3
Tax effect of:							
Non-deductible goodwill amortization	-	-8	-8	-9	-	-	-
Non-deductible other costs/non-taxable income	1	1	-	-2	19	4	2
Change in deferred tax liability due to changed law	-	-	-	-	-	1	-
Tax attributable to prior period	-2	-2	-	-1	-	-	-
Non-capitalized tax loss carryforwards	-1	-1	-3	-	-	-	-
	-75	-75	-67	-67	0	0	-1
	30.9%	34.7%	36.9%	37.0%	0.0%	0.0%	10.0%

Deferred tax assets in temporary differences that have not been valued amounted to SEK 1 million (2003: 3 and 2002: 0).

NOTE 13, Cont.

Deferred tax liability	Group				Parent Company		
	2004 (IFRS)	2004	2003	2002	2004	2003	2002
Intangible rights	1	1	0	1	-	-	-
Buildings and land	12	12	13	13	-	-	-
Equipment	5	5	5	3	-	-	-
Long-term receivables	-	-	0	1	-	-	-
Current assets	-4	-4	-1	-3	-	0	0
Transitional reserve	-	-	-	-	-	-	1
Untaxed reserves	2	2	1	2	-	-	-
Provision for pensions	-11	-5	0	-1	-	-	0
Accrued expenses and deferred income	-1	-1	0	-1	0	-	-
	4	10	18	15	0	0	1
Of which, deferred tax assets	-11	-5	-5	-9	0	0	0
Of which, deferred tax liability	15	15	23	24	0	0	1

When applying IFRS, Indutrade has taken the opportunity to report the total effect of actuarial gains and losses pertaining to pensions directly against shareholders' equity, taking deferred tax into account. At the end of 2004, the deferred tax asset for this amounted to SEK 6 million.

NOTE 14 REMUNERATION TO AUDITORS

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Öhrlings PricewaterhouseCoopers						
Audit assignments	6	6	6	1	1	1
Other assignments	1	0	0	-	-	0
Other audit firms						
Audit assignments	0	0	0	-	-	-
Other assignments	0	0	0	-	-	-
	7	6	6	1	1	1

Auditing assignments mean auditing the annual report and accounts and the administration of the Board and the President, other tasks which are the duties of the company's auditors, and advice and other assistance resulting from observations made at such audits or the performance of such other tasks. Everything else is other assignments.

NOTE 15 INTANGIBLE FIXED ASSETS

Group 2004	Goodwill		Licenses, etc.	Rental rights, etc	Active dev. work	Total intangible fixed assets	
	IFRS					IFRS	
Opening acquisition value	480	480	20	4	-	504	504
Investments during the year	-	-	2	-	1	3	3
Company acquisitions	-	-	4	-	-	4	4
Reclassification	-27	-27	27	-3	-	-3	-3
Sales and scrappage	-	-	-1	-	-	-1	-1
Translation difference	-2	-2	4	-1	-	1	1
Closing accumulated acquisition value	451	451	56	0	1	508	508
Opening depreciation	-313	-313	-17	-3	-	-333	-333
Depreciation/write-downs (impairment) during the year	-2	-29	-6	-	-	-8	-35
Reclassification	18	18	-18	3	-	3	3
Sales and scrappage	-	-	1	-	-	1	1
Translation difference	2	2	-2	-	-	0	0
Closing accumulated depreciation	-295	-322	-42	-	-	-337	-364
Planned residual value	156	129	14	0	1	171	144
Difference between reporting in accordance with IFRS and previous accounting principles:							
Effect of goodwill no longer being amortized							29
Impairment of goodwill							-2
							171

NOTE 15, Cont.

Group 2003	Goodwill	Licenses,	Rental	Active	Total intangible fixed assets
		etc.	rights, etc	dev. work	
Opening acquisition value	417	17	4	-	438
Investments during the year	-	1	-	-	1
Company acquisitions	71	3	-	-	74
Sales and scrappage	-5	-1	-	-	-6
Translation difference	-3	-	-	-	-3
Closing accumulated acquisition value	480	20	4	-	504
Opening depreciation	-284	-14	-3	-	-301
Company acquisitions	-3	-2	-	-	-5
Depreciation during the year	-32	-2	-	-	-34
Sales and scrappage	4	1	-	-	5
Translation difference	2	-	-	-	2
Closing accumulated depreciation	-313	-17	-3	-	-333
Planned residual value	167	3	1	-	171
Group 2002	Goodwill	Licenses,	Rental	Active	Total intangible fixed assets
		etc.	rights, etc	dev. work	
Opening acquisition value	403	17	4	-	424
Investments during the year	-	1	-	-	1
Company acquisitions	-	-	-	-	-
Reclassification	-	-	-	-	-
Sales and scrappage	-1	-	-	-	-1
Translation difference	15	-1	-	-	14
Closing accumulated acquisition value	417	17	4	-	438
Opening depreciation	-237	-12	-2	-	-251
Company acquisitions	-	-	-	-	-
Depreciation during the year	-33	-2	-1	-	-36
Reclassification	-	-	-	-	-
Sales and scrappage	-	-	-	-	-
Translation difference	-14	-	-	-	-14
Closing accumulated depreciation	-284	-14	-3	-	-301
Planned residual value	133	3	1	-	137

In the closing accounts for 2004, the net asset acquisition of agencies, which was previously reported as goodwill, was reclassified as licenses, patents, trademarks, etc. The net value at the beginning of 2004 was SEK 9 million. Investments in the rental rights reported at a planned residual value of SEK 0 million have been reclassified as equipment, Note 16.

NOTE 16 TANGIBLE FIXED ASSETS

Group 2004	Buildings/ land	Machinery	Equipment		Construction in progress	Total tangible fixed assets	
			IFRS			IFRS	
Opening acquisition value	213	82	334	307	13	642	615
Investments during the year	0	7	35	23	-	42	30
Company acquisitions	-	4	-	-	-	4	4
Reclassification	-	-	3	3	-	3	3
Sales and scrappage	-	-2	-41	-32	-	-43	-34
Sale of company	-	-	-	-	-	-	-
Transferred from construction in progress	13	-	-	-	-13	-	-
Translation difference	0	-	-5	-5	-	-5	-5
Closing accumulated acquisition value	226	91	326	296	-	643	613
Opening depreciation	-67	-49	-233	-233	-	-349	-349
Depreciation during the year	-7	-7	-26	-26	-	-40	-40
Company acquisitions	-	-2	-	-	-	-2	-2
Reclassification	-	-	-2	-2	-	-2	-2
Sales and scrappage	-	1	24	24	-	25	25
Translation difference	-	-	2	2	-	2	2
Closing accumulated depreciation	-74	-57	-235	-235	-	-366	-366
Planned residual value	152	34	91	61	-	277	247

NOTE 16, Cont.

	Buildings/ land	Machinery	Equipment	Construction in progress	Total tangible fixed assets
Group 2003					
Opening acquisition value	189	82	287	29	587
Investments during the year	3	6	38	16	63
Company acquisitions	-	-	12	-	12
Sales and scrappage	-10	-3	-25	-	-38
Sale of company	-	-2	-2	-	-4
Transferred from construction in progress	31	-	1	-32	-
Translation difference	-	-1	-4	-	-5
Closing accumulated acquisition value	213	82	307	13	615
Opening depreciation	-65	-46	-221	-	-332
Depreciation during the year	-7	-6	-31	-	-44
Company acquisitions	-	-	-8	-	-8
Sales and scrappage	5	1	22	-	28
Sale of company	-	2	2	-	4
Write-down	-	-	-	-	-
Translation difference	-	-	3	-	3
Closing accumulated depreciation	-67	-49	-233	-	-349
Planned residual value	146	33	74	13	266
Group 2002					
Opening acquisition value	179	73	285	3	540
Investments during the year	5	13	32	32	82
Sales and scrappage	-	-4	-27	-	-31
Transferred from construction in progress	6	-	-	-6	-
Translation difference	-1	0	-3	-	-4
Closing accumulated acquisition value	189	82	287	29	587
Opening depreciation	-58	-43	-214	-	-315
Depreciation during the year	-6	-6	-30	-	-42
Sales and scrappage	-	3	22	-	25
Write-down	-2	-	-	-	-2
Translation difference	1	-	1	-	2
Closing accumulated depreciation	-65	-46	-221	-	-332
Planned residual value	124	36	66	29	255

The tax-assessment value of Swedish properties amounted to SEK 63 million (2003: 64 and 2002: 60), of which SEK 49 million (2003: 50 and 2002: 45) pertained to buildings and SEK 15 million to land (2003: 14 and 2002: 15). Corresponding book value of the Swedish properties amounted to SEK 97 million (2003:102 and 2002:94).

Parent Company	2004	2003	2002
Opening acquisition value	3	1	1
Investments during the year	-	2	0
Sales and scrappage	-	-	0
Closing accumulated acquisition value	3	3	1
Opening depreciation	-1	-1	-1
Depreciation during the year	-	-	0
Sales and scrappage	-	-	0
Closing accumulated depreciation	-1	-1	-1
Planned residual value	2	2	0

NOTE 17 SHARES AND PARTICIPATIONS**Parent Company's holdings of shares and participations in subsidiaries**

Company name / Corp. Reg. No. / VAT No.	Reg. HQ	Portion	Number	Book value
Gustaf Fagerberg Holding AB, 556040-9087	Gothenburg	100%	100,000	17
Bengtssons Maskin AB, 556037-8670	Arlöv	100%	2,000	14
Euro Energy Components AB, 556506-7948	Kungsbacka	100%	1,000	1
C&M Plast AB, 556554-3856	Malmö	100%	1,000	0
GEFA Processtechnik GmbH, Germany	Dortmund	100%	–	25
Colly Company AB, 556193-8472	Stockholm	100%	30,000	30
ETP Transmission AB, 556158-5398	Linköping	100%	20,000	21
AB Novum, 556296-6126	Helsingborg	100%	5,000	7
Indutrade A/S, Denmark	Glostrup	100%	167,443	45
HITMA B.V., The Netherlands	Uithoorn	100%	3,502	32
Indutrade Sweden AB, 556364-7469	Stockholm	100%	1,000	185
Indutrade Oy, Finland	Helsinki	100%	42,000	48
Tecla Garage Equipment AB, 556606-8747	Stockholm	100%	1000	0
Total				425

The complete statutory specification has been appended to the annual report that was sent to the Swedish Companies Registration Office. This specification can be ordered from Indutrade AB, PO Box 6044, SE-164 06 Kista.

The Group's holdings of shares and participations in other companies

	Reg. HQ	Share of capital, %	Share of votes, %	Number	Book value
Finnish telephone shares / participations	Finland	–	–	1,546	0
Nevas Golf (Golf Exclusive Oy)	Finland	–	–	2	0
SN-Kiinnike OY	Finland	33	33	33	0
Honkakoli	Finland	–	–	18	1
Elisa Communications	Finland	–	–	5,429	1
Other		–	–	–	0
					2

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Shares and participations						
Opening acquisition value	2	2	2	951	885	792
Purchases / capital contributions	–	–	–	–	66	94
Sales	–	–	–	–	–	–1
Translation difference	–	–	–	–	–	–
Closing accumulated acquisition value	2	2	2	951	951	885
Opening write-ups	–	–	–	8	8	8
Write-ups during the year	–	–	–	–	–	–
Closing accumulated write-ups	–	–	–	8	8	8
Opening write-downs	–	–	–	–491	–412	–341
Sales	–	–	–	–	–	–
Write-downs during the year	–	–	–	–43	–79	–71
Closing accumulated write-downs	–	–	–	–534	–491	–412
Book value	2	2	2	425	468	481

NOTE 18 OTHER LONG-TERM RECEIVABLES

	Group		
	2004	2003	2002
Alecta funds	-	-	1
Advance payments to suppliers	2	3	2
Deposits	2	1	1
Other items	1	2	4
	5	6	8

Change in long-term receivables

Opening acquisition value	6	8	17
Acquisition of companies	-	-	-
Purchases/Investments	4	3	1
Sales of companies	-	-1	-
Repayment / Reallocation	-5	-4	-10
Translation difference	-	-	0
Closing accumulated acquisition value	5	6	8

NOTE 20 PREPAID EXPENSES AND ACCRUED INCOME

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Prepaid rent	5	4	3	2	1	-
Accrued interest income	-	-	0	-	-	-
Prepaid leasing charges	1	1	1	-	-	0
Prepaid service and maintenance fees	4	3	3	0	1	-
Prepaid insurance fees	2	2	1	-	-	0
Other items	9	9	8	0	-	0
	21	19	16	2	2	0

NOTE 21 UNTAXED RESERVES

	Parent Company		
	2004	2003	2002
Accumulated difference between booked depreciation and depreciation according to plan	0	0	0

NOTE 22 PROVISIONS FOR PENSIONS

As of January 1, 2004, Indutrade applies RR¹⁾ 29 Employee Benefits, which is based on IAS 19 Employee Benefits. In accordance with this recommendation the actuary, commissioned by Indutrade, has calculated the amount to be posted continuously as a provision for pensions for the Group's employees. The initial effect of the transition to RR¹⁾ 29 amounts to SEK -15 million and has been charged against the Group's unrestricted equity. No adjustments have been made for the corresponding figures in earlier years. The Indutrade Group's pension plans comprise both defined-benefit and defined-contribution plans.

Defined-benefit plans

These pension plans cover retirement pension, sickness pension and family pension. Apart from PRI plans in Sweden, the Group also has defined-benefit plans in the Netherlands and Norway. The liability is divided as follows:

Breakdown of liability, SEK million	In accordance with IAS 19 amendment	In accordance with RR ¹⁾ 29/IAS 19
PRI plans	64	66
Others ²⁾	31	10
Total	95	76

¹⁾ RR is a Swedish abbreviation of the Swedish Financial Accounting Standards Council.

²⁾ Applies mainly to the Netherlands.

NOTE 19 INVENTORIES

	Group		
	2004	2003	2002
Inventories are distributed among the following items:			
Raw materials and consumables	48	51	53
Products in progress	25	24	29
Finished products and goods for resale	483	492	489
	556	567	571

According to IFRS, information must be provided about the portion of inventories that has been valued at net realizable value and about inventory write-downs. At the end of 2004, total accumulated write-downs amounted to SEK 59 million (48). Information about the portion of inventories that has been valued at net realizable value will be reported as of 2005.

Defined-contribution plans

These pension plans cover retirement pension, sickness pension and family pension. Premiums are paid continuously during the year to independent legal entities. The size of the premium payment is based on the employee's salary level and costs for the premiums are reported continuously in the income statement.

In line with a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, an insurance undertaking has been secured in Alecta in regard to retirement and family pensions for employees in Sweden. This is a defined-benefit plan that covers several employers. Since Indutrade does not have access to the type of information that would enable it to account for this plan as a defined-benefit plan in 2004, it is accounted for as a defined-contribution plan. This year's fees for subscriptions to pension insurance in Alecta total approximately SEK 10 million.

Actuarial profits and losses are accounted for in the income statement as a revenue or expense if the net amount of accumulated unreported actuarial profits and losses exceeds 10 percent of the present value of the defined-benefit pension liability or 10 percent of the actual value of the plan assets, whichever is higher.

Since the switch to accounting according to IFRS, actuarial profits and losses is entered directly against shareholders' equity. This accounting transaction presumes that the EU approves the IAS 19 amendment.

The Group's plan assets totaling SEK 119 million consisted of investments in insurance companies, primarily in shares.

NOTE 22, Cont.

		Group 2004		Defined-benefit pension plans	Defined-contribution pension plans	Total
Assumptions used in calculating pension obligations						
Discount rate, %		5.00				
Anticipated return on plan assets, %		5.00				
Future salary increases, %		2.25–3.00				
Anticipated inflation, %		2.75				
(Future pension increases, %)		2.00				
Employee turnover, %	Sweden 0, Netherlands age-based					
Anticipated remaining period of employment for employees, average (years)		11.493–17.99				
Group		According to IAS 19 amendment	According to RR ¹⁾ 29/IAS 19			
Amount reported in the balance sheet						
Present value of funded obligations		150	150			
Fair value of plan assets		-119	-119			
		31	31			
Present value of unfunded obligations		64	64			
Unreported actuarial gains/losses		-	-19			
		64	45			
Net debt in balance sheet		95	76			
Net debt at beginning of year		80	80			
Net cost reported in the income statement		10	10			
Disbursed compensation		-3	-3			
Fees		-11	-11			
Actuarial losses		19	-			
Exchange-rate differences on foreign plans		0	0			
Net debt at end of year		95	76			
Amount reported in income statement						
Costs pertaining to service during current period				6	64	70
Interest on obligation				10	-	10
Anticipated return on plan assets				-6	-	-6
Net cost in income statement				10	64	74
of which, included in cost of goods sold				-	-	-
of which, included in selling costs				3	51	54
of which, included in administrative expenses				3	13	16
of which, included in financial items				4	-	4

According to IFRS, a general description is required of the pension plan, as well as analysis of pension benefits resulting from pension plans that are not funded in full or in part. IFRS also requires a specification of such data as the anticipated capital return, actuarial gains and losses, the contribution paid by the employer and employee and disbursed compensation, as shown above.

NOTE 23 OTHER PROVISIONS

	Group		
	2004	2003	2002
Guarantee commitments	1	1	1
Supplementary purchase considerations	8	15	-
	9	16	1

The provision for supplementary purchase considerations pertains to the acquisition of Warla Trade Oy and Kontram Oy. If these amounts become due for payment, this will occur in 2005.

NOTE 24 LIABILITIES TO CREDIT INSTITUTIONS

	Group				Parent Company		
	2004 (IFRS)	2004	2003	2002	2004	2003	2002
Utilized overdraft facilities	8	8	9	1	3	-	-
Loans with a maturity of less than one year	104	104	85	13	99	74	-
Future leasing commitments for financial leasing	30	-	-	-	-	-	-
Loans with a maturity of less than three years	50	50	225	2	50	224	0
	192	162	319	16	152	298	0

According to IFRS, financial leasing agreements pertaining to vehicles are reported as financial leasing, which resulted in an increase in both the assets and the liabilities by SEK 30 million.

Externally granted amounts for overdraft facilities amounted to SEK 119 million (2003: 119 and 2002:95) in the Group and SEK 49 million (2003: 49 and 2002: 50) in the Parent Company.

¹⁾ RR is a Swedish abbreviation of the Swedish Financial Accounting Standards Council.

NOTE 25 ACCRUED EXPENSES AND DEFERRED INCOME

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Accrued interest expenses	-	1	0	-	1	-
Accrued personnel-related expenses	105	97	82	7	6	2
Other	31	37	36	1	1	1
	136	135	118	8	8	3

NOTE 26 ACQUISITIONS/DIVESTMENTS OF SUBSIDIARIES

During 2004, Granaths Hårdmetall AB of Huddinge and a Landis&Gyr agency in Finland were acquired. During 2003, the Finnish companies Kontram Oy, Maansäkhä Oy and Warla Trade Oy, and the Swedish company Euro Energy Components of Kungsbacka were acquired. Teck Instrument A/S was divested.

Acquired subsidiaries in 2002: SEK 1 million pertains to a reduced purchase price pertaining to prior-year acquisitions and divestments of companies and SEK 5 million to the payment of a supplementary purchase consideration for prior-year divestment.

The total value of acquired assets and liabilities, purchase prices and the impact on Group liquidity was as follows:

	Acquisition of subsidiaries 2004	Acquisition of subsidiaries 2003	Divestment of subsidiaries 2003	Divestment of subsidiaries 2002
Intangible fixed assets	4	70	-3	-
Tangible fixed assets	2	6	-2	-
Financial fixed assets	-	0	-1	-
Inventories	2	21	-8	-
Other current assets	1	19	-4	-
Cash and cash equivalents	-	5	-2	-
Provisions	-1	0	1	-
Long-term liabilities	-	-7	9	-
Current liabilities	-1	-26	6	-
Capital gains	-	-	-	-
Total purchase price	7	88	-4	-
Estimated supplementary purchase consideration	-	-15	-	-
Decrease in receivable pertaining to sold subsidiaries	-	-	-9	-5
Cash and cash equivalents in acquired/divested companies (-)	-	-5	2	-
Impact of acquisitions/divestments during the year on the Group's cash and cash equivalents	7	68	-11	-5
Repayment of debt pertaining to prior-year acquisitions	7	-	-	-1
Net impact on the Group's cash and cash equivalents	14	68	-11	-6

In connection with the acquisition of companies in 2004, tangible fixed assets were assigned a value that was SEK 2 million higher than the amount reported in the acquired company. The acquisition was implemented on December 31, 2004 and the earnings were consolidated as of January 1, 2005.

NOTE 27 ASSETS PLEDGED

	Group			
	2004 (IFRS)	2004	2003	2002
For own liabilities				
Chattel mortgages	-	-	9	9
Property mortgages	1	1	1	-
Assets subject to liens	30	-	-	-
	31	1	10	9
For own contingent liabilities				
Chattel mortgages	-	-	5	-
Property mortgages	-	-	7	6
Other	1	1	1	1
	1	1	13	7
Total assets pledged	32	2	23	16

Financial leasing agreements pertaining to vehicles are reported as financial leasing in accordance with IFRS, which resulted in an increase in assets, liabilities and assets pledged by SEK 30 million.

NOTE 28 CONTINGENT LIABILITIES

	Group			Parent Company		
	2004	2003	2002	2004	2003	2002
Contingent liabilities for subsidiaries' PRI liabilities	-	-	-	26	25	25
Other contingent liabilities	2	1	2	5	9	4
	2	1	2	31	34	29

NOTE 29 TRANSACTIONS WITH RELATED PARTIES

Only an insignificant amount of purchases and sales occurred within the Group.

Investments with and borrowing from Group companies occurred on normal commercial terms.

The liability for Group contribution granted during the year becomes due for payment on April 30 every year and are until then interest free.

Indutrade AB leases the Malax 3 property in Akalla from Fastighets AB Raseborg, a wholly owned subsidiary of AB Industrivärden. The premises that are not used by Indutrade AB are subleased to five subsidiaries¹⁾.

NOTE 30 INFORMATION ABOUT THE PARENT COMPANY

The Parent Company of the Group in which Indutrade AB is a subsidiary and for which consolidated accounts are compiled is AB Industrivärden, 556043-4200, Stockholm.

¹⁾ As of July 1, 2005, Colly Company AB leases premises from Fastighets AB Raseborg and the Parent Company subleases offices from Colly Company AB. (See page 60, section "Agreements with related companies").

AUDITORS' STATEMENT

In our capacity as auditors of Indutrade AB (publ), we have examined the information about Indutrade in this prospectus. The examination was carried out in accordance with recommendations of FAR (the institute for the accounting profession in Sweden).

The Annual Reports for 2002, 2003 and 2004 were audited by us. The information in the prospectus extracted from the Annual Reports has been reproduced accurately. Forward-looking information provided in the prospectus has not been examined by us. The interim report pertaining to the situation at June 30, 2005 has been reviewed. Nothing has come to our attention that indicates that the prospectus does not fulfill the requirements of the Swedish Companies Act and the Securities and Clearing Operations Act.

Malmö, September 16, 2005

ÖHRLINGS PRICEWATERHOUSECOOPERS AB

Ulf Pernvi

Authorized Public Accountant

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CERTAIN DEFINITIONS

Business area An organizational part of Indutrade (business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products).

Consumables Components and products that are consumed on a continuous basis by producers or are worn and replaced on a continuous basis by end users (such as filter cartridges and screws).

Hydraulics Products using fluids to transmit energy.

Investment products Products of a one-off character and with a considerable sales value (such as a completely fitted automotive workshop).

Niche An area of application (within a product or market area), in which the products have specific properties that are important for the customers' production processes.

OEM-customers Customers who integrate Indutrade's products in their own products.

Pneumatics Products within the field of pneumatic technology.

Product area Collective term for a number of similar products, such as valves, filters, fasteners.

Recurring needs Products and/or transactions that satisfy a recurring need for the customer, for example large production series at OEM-customers or deliveries to operation and maintenance department at the end user.

Technology sales companies Sell products with a technical content, based on technical expertise, knowledge of the customers' processes and usually supplemented by service and training activities.

Transmissions Products intended to transmit power (for example cogs, chains and gears).

Wholesaler Sells technical products, based on an efficient logistical flow and price.



SELLING RESTRICTIONS

General

No action has been or will be taken in any jurisdiction [other than Sweden] that would permit a public Offering of the Sale Shares, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the Sale Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Offering Circular comes should inform themselves about and observe any restrictions on the distribution of this Offering Circular and the Offering, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Offering Circular does not constitute an offer to subscribe for or buy any of the shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

United States

The Sale Shares have not been, and will not be, registered under the U.S. Securities Act and may not, unless so registered, be offered or sold within the United States (as defined in Regulation S), except pursuant to an exemption from or in a transaction not subject to the registration requirements of the U.S. Securities Act and applicable state securities laws. The Sale Shares are being offered and sold in the United States only to QIBs in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and outside the United States in offshore transactions in reliance on Regulation S. Transfers of the shares purchased and sold pursuant to Rule 144A or another exemption from registration are restricted as described under "Transfer restrictions" in this Offering Circular.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the shares by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer and sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the U.S. Securities Act.

United Kingdom

The Sale Shares may not be offered or sold prior to the date six months after the date of delivery of the shares to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995. All sales of shares will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "FSMA") with respect to anything done in relation to the Offering and the shares in, from or otherwise involving the United Kingdom. No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the sale of any shares in circumstances in which Section 21(1) of the FSMA does not apply to the Company.

Canada

The Sale Shares will not be sold in Canada or to residents of Canada other than in compliance with applicable Canadian securities laws ("Canadian Securities Laws"). Without limiting the foregoing, each Manager will only make offers and sales of the shares included in this Offering in Canada or to residents of Canada (i) through an appropriately registered securities dealer or in accordance with an available exemption from the applicable registered securities dealer requirements under the Canadian Securities Laws and (ii) pursuant to an exemption from the prospectus requirements under Canadian Securities Laws.

France

The Sale Shares will not be offered or sold, directly or indirectly, to the public in the Republic of France and all offers and sales of shares will be made in the Republic of France only to qualified investors as defined and in accordance with Articles L.411-1 and L.411-2 of the French Code monétaire et financier and Decree No 98-880 dated October 1, 1998 relating to offers to qualified investors. In addition, neither this Offering Circular nor any offering material relating to the shares has been distributed or caused to be distributed or will be distributed or caused to be distributed in the Republic of France, other than to those investors to whom offers and sales of the shares may be made as described in this paragraph.

Germany

This Offering Circular is not a Securities Selling Prospectus within the meaning of the German Securities Sales Prospectus Act of September 8, 1998 and has not been filed with and approved by the German Federal Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) or any other competent German governmental authority under the relevant laws. No shares have been offered or sold, no shares may be offered or sold, and no copies of this Offering Circular or any document relating to the Sale Shares may be distributed, directly or indirectly, in Germany except to persons falling within the scope of section 2 numbers 1 (persons who as part of their profession, occupation or business, purchase or sell securities for their own account or for the account of third parties), 2 (a restricted circle of persons) and 3 (employees by their employer or related group companies) of the German Securities Sales Prospectus Act of September 8, 1998 and no steps have been, or will be, taken which would constitute a public Offering of the shares in Germany.

Switzerland

The Sale Shares, including any subscription rights related thereto, may not be publicly offered or sold in or from Switzerland, and neither this Offering Circular nor any other offering material relating to the Sale Shares may be distributed, or otherwise made available in connection with any such offering or sale. The Sale Shares may only be offered or sold and the Offering Circular may only be distributed, or otherwise made available in Switzerland on a private placement basis to a limited number of investors without any public offering.

SWEDISH COMPANY LAW CONSIDERATIONS

Set forth below is a summary of certain material provisions of Swedish company law. This description is a summary of certain legal issues and does not purport to be complete. The description is based on current legislation in force. It should be noted that a new Companies Act has been passed in Sweden that will enter into force 1 January 2006 and will result in changes in some of the matters described below.

Directors

According to the Articles of Association of the Company (the "Articles"), Directors appointed by shareholders are elected at a General Meeting for the period until the end of the next Annual General Meeting. A Director may retire or be removed prematurely by the shareholders in a General Meeting at any time. There is no upper age limit or shareholding qualification for Directors.

In companies or groups of companies with more than 25 employees, the labor organizations in relation to which the Company is bound by collective bargaining agreement may appoint up to two Employee Representative Directors and up to two Deputy Employee Representative Directors under the Swedish Private Employee Board Representation Act of 1987. If the number of employees exceeds 1,000 and where the Company operates within several different industries, three Employee Representative Directors with three Deputy Employee Representative Directors may be appointed.

The fees of the Directors appointed by shareholders are decided at each Annual General Meeting. Under the Swedish Companies Act of 1975 (the "Companies Act"), neither a Director nor the Managing Director may deal with matters relating to agreements between himself/herself and the company, nor may he/she deal with matters relating to agreements between the company and a third party if he/she has a material interest in the matter which conflicts with that of the company nor may he/she deal with matters relating to agreements between the company and a legal entity if he/she alone or together with someone else may represent that legal entity. In addition, the Board of Directors or other representatives of the company may not enter into legal transactions or undertake other measures which are likely to give an undue advantage to a shareholder or to a third party to the detriment of the company or other shareholders.

General Meeting

Pursuant to the Companies Act, a shareholder's right to take part in decisions related to the company's affairs is normally exercised at the General Meetings of shareholders.

An Annual General Meeting must be held within six months of the end of each financial year to consider, *inter alia*, statutory accounts and reports, disposition of profit or loss and discharging the Directors from liability. The Articles stipulate that notices convening the Annual General Meeting are to be announced in the Swedish Gazette (*Post- och Inrikes Tidningar*) and *Dagens Nyheter*. According to the Companies Act and the Articles such announcement has to be made not earlier than six weeks and not later than four weeks prior to the date of such meeting. In addition, the Companies Act stipulates that a written notice must be sent to each shareholder whose address is known to the company when a General Meeting is convened to deal with alterations to the Articles as described under items (c) and (d) of "Voting" below or the commencement or discontinuance of the liquidation of the company, as well as when an Annual General Meeting is to be held at a time different to that prescribed in the Articles.

Extraordinary General Meetings are held when the Board of Directors considers such meeting appropriate or when either the auditor or shareholders representing at least one-tenth of all issued shares request it in writing for a specified purpose. Notices of Extraordinary General Meetings shall be given to the shareholders in accordance with the Companies Act within two weeks from receipt by the Board of Directors of such request. A notice convening an Extraordinary General Meeting will, according to the Articles, be announced in the Swedish Gazette (*Post- och Inrikes Tidningar*) and *Dagens Nyheter*. According to the Companies Act such announcement has to be made not earlier than six weeks and not later than four weeks prior to the date of the Extraordinary General Meeting if the General Meeting will decide on a proposed amendment of the Articles of Association. To any other Extraordinary General Meeting the notice convening the Meeting has to be announced not earlier than six weeks and not later than two weeks prior to the date of such Meeting.

Under Swedish law, a General Meeting may not adopt any resolution which is likely to give undue advantage to a shareholder or a third party to the detriment of the company or another shareholder of the company.

Pursuant to the Articles one or two public accountants, with up to two deputies, shall be appointed at the Annual General Meeting for the period until the end of the Annual General Meeting held during the fourth financial year after the appointment. Alternatively, an authorized public accounting firm may be appointed as auditor.

Voting

The Articles provide for a single class of shares. Each person is entitled to vote in respect of the total number of shares owned and represented by him/her without limitation as to the total number of votes. A shareholder may attend and vote at a General Meeting in person or by a representative in possession of a written and dated proxy. A proxy is valid for one year from the date of issue. Pursuant to the Companies Act, a company must not send proxy forms to its shareholders at the expense of the company. To attend and vote at a General Meeting, a shareholder must be registered in his or her own name in the register of shareholders, which is kept by VPC AB (the Swedish Securities Register Centre) on the 10th day prior to the date of the Meeting and must, as stipulated in the Articles, have given notice to the Company of his or her intention to attend by not later than 4.00 p.m. on the day indicated in the notice of the Meeting. Such day may not be a Sunday, another public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and must not be earlier than the fifth business day before such Meeting. A person designated on the register of shareholders as a nominee is not entitled to attend and vote at a General Meeting. To be entitled to attend and vote, a beneficial owner whose shares are registered in the name of a nominee must arrange to have the shares registered in his or her own name on the register of shareholders on the 10th day prior to the date of such Meeting and also notify the Company of his or her intention to attend.

At General Meetings, resolutions that do not involve an election are passed by a simple majority of the votes cast, except in certain circumstances including:

- (a) a resolution to disapply the shareholders' preferential rights in connection with an issue (except for an issue in kind) of new shares, to reduce the share capital or to approve a merger will require a majority of at least two thirds of the votes cast as well as at least two thirds of the shares represented at the General Meeting;
- (b) a resolution to amend the Articles requires a majority of at least two-thirds of the votes cast as well as at least two-thirds of the shares represented at the General Meeting;
- (c) a resolution to amend the Articles for the purpose of limiting the number of shares in respect of which a shareholder may vote at a General Meeting, or requiring the Company to retain a larger amount of the net profit than required by the Companies Act, or amending shareholders' rights in a winding-up of the Company, requires the approval of shareholders representing at least two-thirds of the votes cast and at least nine-tenths of the shares represented at the General Meeting;
- (d) a resolution to amend the Articles which reduces any existing shareholder's right to profits or other assets, restricts the transferability of issued shares or alters the legal relationship between issued shares, normally requires the unanimous approval of the shareholders present at the Meeting and representing at least nine-tenths of all shares issued; and
- (e) a resolution to convert from a public company to a private company requires the unanimous approval of the shareholders present at the Meeting and representing at least nine-tenths of all shares issued.

When a resolution involves an election the candidate receiving the largest number of votes shall be considered elected. In case of parity of votes, drawing of lots shall effect the election unless the Meeting before the election took place has resolved that a new election will be made in case of parity.

Dividends

The Companies Act stipulates that all shares carry equal rights unless otherwise stated in the articles of association. Payment of dividends must be authorized by a resolution passed at an Annual General Meeting adopting the consolidated profit and loss account and the consolidated balance sheet. VPC administers dividend payments on behalf of the Company.

The amount of any dividend is limited by, inter alia, reference to profits and distributable reserves of both the Company and the Group available at the end of the preceding financial year and may not exceed the amount proposed or approved by the Board of Directors (except to a limited extent where the holders of one-tenth or more of the total shares have otherwise requested at the Annual General Meeting) or be of such amount as, having regard to the Company's or the Group's consolidation needs or liquidity or financial position in other respects, would be contrary to generally accepted business practice.

In accordance with the Companies Act, at least 10 percent of the net profit for the year, after deducting any losses carried forward, has to be allocated to a restricted reserve unless and until the amount of such reserve equals 20 percent of the share capital. Any premium on an issue of shares must be allocated to a separate restricted reserve.

Preferential right to subscribe for shares

Under the Companies Act, the existing shareholders have preferential rights to subscribe for new shares issued for cash in proportion to their existing holdings unless the articles of association provide otherwise or the General Meeting deciding on the issue stipulates that the shareholders shall not have such preferential rights.

SWEDISH MARKET INFORMATION

The Company's share capital, prior to the Offering, consists of 40 million shares of nominal value SEK 1 each. The Stockholm Stock Exchange has agreed to admit the Company's shares to listing on its O-list, subject to satisfaction of its initial distribution criteria.

The Stockholm Stock Exchange Trading System

Stock market trading in Sweden is primarily conducted on the Stockholm Stock Exchange. On the Stockholm Stock Exchange, trading is conducted on behalf of clients by banks and brokers that are members of the exchange. While banks and brokers are permitted to act as principals in trading both on and off the exchange, they generally engage in transactions as agents.

The Stockholm Stock Exchange operates through a fully electronic trading system, "SAXESS", which covers all stocks listed on the exchange.

Trading on the Stockholm Stock Exchange begins each morning at 9.00 a.m. (Stockholm time) at an opening price determined in an opening call and continues at prices based on market demand until 5.30 p.m. with a closing call starting 5.20 p.m. Buy and sell orders are registered on the system in round lots, typically of 100 shares, and odd lots are matched separately at the last price for round lots. All standard transactions on the Stockholm Stock Exchange through banks or brokers are made through SAXESS' order book. Larger trades can be made outside SAXESS and reported to SAXESS. Very large transactions may be executed at a price which is outside the spread.

In addition to official trading on the Stockholm Stock Exchange, there is also trading off the exchange during and after official trading hours, through intermediaries or directly.

Trades in excess of 20 round lots can be effected off the Stockholm Stock Exchange if the transaction price lies within the spread then appearing on SAXESS, and trades in excess of 250 round lots may be effected off the Stockholm Stock Exchange without regard to such spread. Trades after official trading

hours must normally be effected at a transaction price that lies within the spread appearing on SAXESS at the time of the closing. If there are no orders in SAXESS at such time, the trade may be effected at a price that otherwise reflects the market situation at such time.

If the market situation changes after the closing of SAXESS, trades may be effected outside the spread, provided that it can be shown that the transaction price reflected the market situation prevailing at the time of the trade. Trading on the Stockholm Stock Exchange tends to involve a higher percentage of retail clients, while trading off the exchange – whether through intermediaries or directly – often involves larger Swedish institutions, banks arbitraging between the Swedish market and foreign markets and foreign buyers and sellers purchasing shares from or selling shares to Swedish institutions.

The Stockholm Stock Exchange is an authorized stock exchange in accordance with the Swedish Stock Exchange and Clearing House Act and is subject to regulation by the Swedish Financial Supervisory Authority. The Swedish Stock Exchange and Clearing House Act provides for the regulation and supervision of the Swedish securities market and market participants and the Swedish Financial Supervisory Authority implements such regulation and supervision.

The regulatory system governing trading on and off the Stockholm Stock Exchange is intended to achieve transparency and equality of treatment. All trades on the exchange are made through SAXESS to the Stockholm Stock Exchange, which records information as to the banks and brokers involved, the issuer, the number of shares and the price and the time of the transaction. Each bank or broker is required to maintain records indicating trades carried out as agent or, in the case of banks, as principal. All trades off the exchange by or through members of the Stockholm Stock Exchange must also be reported to the Stockholm Stock Exchange within five minutes, although trades after 5.30 p.m. are to be reported no later than fifteen minutes prior to the opening on the next trading day. All trading information reported to the Stockholm Stock Exchange is publicly available.

Registration procedure – the book entry system

The Company's share register is kept by VPC, which keeps a computerized paperless share registration system. The Company's shares are registered as book-entries on the shareholders' book-entry accounts at VPC ("VP Accounts"). Accordingly, no physical share certificates are issued by the Company.

The account holder's name, address and nationality are recorded. Each account is kept up to date and the holder is immediately notified of any change. An annual statement shows the year-end balance.

In accordance with Swedish law and the practice and regulations of VPC:

- (i) only one person is normally registered as the holder of a share. Joint holders are not usually recorded on the VPC register. Shareholdings may be entered on the register in the name of the owner or in the name of the person designated as nominee (förvaltare) for the beneficial owner. There is also a separate register maintained by VPC for the recording of persons who have other interests in respect of the share, such as the interest of a pledgee;
- (ii) where the registered holder is a nominee, the nominee receives, for the account of the beneficial owner, dividends and, on capital increases, shares. Dividends are remitted in one single payment to the nominee who is responsible for the distribution of such dividends to the beneficial owner. A similar procedure is adopted for share issues. Specific authority to act as a nominee must be given by VPC. Such authority can be given to a Swedish nominee as well as a non-Swedish nominee,
- (iii) authorized nominees are required to file a report with VPC with regard to their holdings on behalf of a beneficial owner of shares in any company. A list, which may not be more than six months old, containing information with respect to persons who own more than 500 shares in any one company must be open to public inspection. Such a list must reveal the name of the beneficial owner but need not reveal the name of the nominee in whose name the shares have been registered; and
- (iv) the rights attaching to shares which rank for dividends, rights issues or bonus issues accrue to those persons whose names are recorded in the share register on a particular day, the record date, and the dividends are sent to the address of such persons registered with VPC or, at the direction of that person, to a specified account.

Transfer of shares

Shares in the Company are transferable to and by non-Swedish citizens without any restrictions in addition to those that would be applicable to domestic shareholders. Transfer of ownership is made effective by book-entry in the VPC system from the transferor's account to the account of the transferee through an authorized account operating entity or, if the shares are registered in the name of the nominee, by notice to such nominee.

Settlement and custody of the Shares

The Shares will be delivered in book-entry form to the investors' VP accounts on or about October 10, 2005, following payment and timely provision of appropriate account details. Investors may choose to keep their Shares on the register of a custodian bank or securities broker acting as nominee or through a nominee as described above.

Exchange control

There are no Swedish exchange control restrictions on investments in shares listed or quoted on the Stockholm Stock Exchange.

SWEDISH TAXATION OF NON-RESIDENTS

The following is a general summary of certain Swedish tax consequences related to the Offering for shareholders that are non-residents of Sweden for tax purposes. The summary does not cover tax issues in cases where securities constitute an inventory asset for the holder in business operations or are held by partnerships. The information below is based on the Swedish taxation law in force at the date of the Offering. The information below is furthermore based on the assumption that the shares in the Company are listed on the O-list of the Stockholm Stock Exchange. As appropriate, each investor should consult a tax adviser as to the tax consequences that the Offering may entail in Sweden and in the state of residence, respectively.

Capital gains

Individuals and companies who are non-residents are normally not liable for capital gains taxation in Sweden upon the sale of Swedish securities, including the shares in the company. Shares that are related to a permanent establishment of a foreign company in Sweden are however taxed under the Swedish rules on capital gains (note: rules on participation exemption may apply).

According to a special rule, individuals resident outside Sweden may be subject to capital gains taxation upon the sale of Swedish shares if they have been resident or permanently domiciled in Sweden at any time during a ten-year period immediately preceding the sale. It should be noted that the application of this rule is limited in many cases as a result of double tax treaties between Sweden and other countries.

Dividends

Individuals and companies who are non-residents are generally subject to Swedish withholding tax on dividends paid by a Swedish company (tax rate: 30 percent). The withholding tax rate is, however, generally reduced under double-taxation treaties between Sweden and other countries.

TRANSFER RESTRICTIONS

The Sale Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws.

Each purchaser of the Sale Shares outside the United States pursuant to Regulation S will be deemed to have represented and agreed that it has received a copy of the Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

- (1) The purchaser acknowledges that the Sale Shares have not been and will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to significant restrictions on transfer;
- (2) The purchaser is, and the person, if any, for whose account or benefit the purchaser is acquiring the Sale Shares, was located outside the United States at the time the buy order for the Sale Shares was originated and continues to be located outside the United States and has not purchased the Sale Shares for the benefit of any person in the United States or entered into any arrangement for the transfer of the Sale Shares to any person in the United States;
- (3) The purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate; and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Sale Shares from the Company or an affiliate thereof in the initial distribution of the Sale Shares;
- (4) The purchaser is aware of the restrictions on the offer and sale of the Sale Shares pursuant to Regulation S described in this Offering Circular;
- (5) The Sale Shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act; and
- (6) The Company or the Selling shareholder shall not recognize any offer, sale, pledge or other transfer of the Sale Shares made other than in compliance with the above-stated restrictions.

Each purchaser of the Sale Shares within the United States pursuant to Rule 144A will be deemed to have represented and agreed that it has received a copy of the Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

- (1) The purchaser acknowledges that the Sale Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;
- (2) The purchaser (i) is a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act), (ii) is aware that the sale to it is being made in reliance on Rule 144A or another exemption from registration, and (iii) is acquiring such Sale Shares for its own account or for the account of a qualified institutional buyer;
- (3) The purchaser is aware the Sale Shares are being offered in the United States in a transaction not involving any public Offering in the United States within the meaning of the U.S. Securities Act;
- (4) If in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Sale Shares, such Sale Shares may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S under the U.S. Securities Act, or (iii) in accordance with Rule 144 under the U.S. Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
- (5) The Sale Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of any exemption for resales of any Sale Shares;
- (6) The purchaser will not deposit or cause to be deposited such Sale Shares into any depository receipt facility established or maintained by a depository bank other than a Rule 144A restricted depository receipt facility, so long as such Sale Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act; and
- (7) The Company shall not recognize any offer, sale pledge or other transfer of the Sale Shares made other than in compliance with the above-stated restrictions.

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