Annual Report 2005

nocom

This English annual report is a translation of the Swedish original. In the event of discrepancy between the English translation and the Swedish original, the original Swedish version shall prevail.

ANNUAL GENERAL MEETING

The Annual General Meeting of Nocom AB (publ) will be held on Wednesday, May 3, 2006, starting at 6 pm in Celsiussalen, Ingenjörshuset – Citykonferensen, Malmskillnadsgatan 46, Stockholm.

Notification

Stockholders who wish to participate in the Annual General Meeting must:

- be recorded in the share registered maintained by VPC AB (the Swedish Central Securities Depository) not later than Wednesday, April 26, 2006,
- notify the company of their intention to participate not later than Friday, April 28, 2006, by mail to Nocom AB (publ), Box 57, SE-171 74 Solna, Sweden, by telephone +46 8-705 18 33, by fax +46 8-705 18 55 or via Internet at www.nocom.se.

The notification should include name, address, telephone number, personal identification or corporate registration number and registered shareholding.

In order to be entitled to participate in the Meeting, stockholders whose shares are registered in the name of a trustee must temporarily re-register the shares in the own names. Such re-registration should be requested from the trustee well in advance of April 26, 2006.

Authorization documents, such as forms of proxy and certificates of registration, should be submitted prior to the Meeting, where applicable. Stockholders who wish to be accompanied by one or two assistances must notify the company within the time limit and according to the procedure that applies for stockholders.

Dividend

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

Financial calendar

Interim report	
January-March 2006	April 27, 2006
Mid-year report	
January-June 2006	August 23, 2006
Interim report	
January-September 2006	November 8, 2006

Highlights of 2005

- Sales tripled during the year and reached SEK 635.6 (214.2) million. The year's strong sales growth is attributable to acquisitions and successful performance in the market.
- Operating profit rose by 150 percent to SEK 34.8 (13.9) million. All business areas showed stable earnings growth and profitability.
- Profit after financial items amounted to SEK 34.0 (13.5) million and profit after tax to SEK 57.0 (25.9) million.
- Earnings per share were SEK 0.63 (0.84).
- The Group has a solid financial position with strong liquidity and positive cash flows in all business areas. Available cash and cash equivalents at December 31, 2005, totaled SEK 119.1 (22.9) million and cash flow from operating activities was SEK 7.4 (-7.5) million.
- Nocom raised total capital of SEK 107.0 million during the year through new stock issues and divestitures.
- The O-listed TurnIT and IAR Systems were acquired. The two companies are consolidated as of March 22.
- The number of employees in the Group at year-end was 250 (92), of whom the majority were added through the acquisitions of TurnIT and IAR Systems.
- Nocom's B share is quoted on the O list of the Stockholm Stock Exchange. At December 31, 2005, the closing share price was SEK 7.25 (4.07) and Nocom's market capitalization was SEK 723 (130) million. As of January 2006, the Nocom share is quoted on Attract 40 – the Stockholm Stock Exchange's segment for the most actively traded shares on the O list.

About us

Nocom AB (publ) is a leading provider of IT distribution, software and communication solutions. Nocom's mission is to develop and distribute high quality IT products and services through independent, profitable and growth-oriented subsidiaries. The company was founded in 1985 and has been quoted on the O list of the Stockholm Stock Exchange (NOCM B) since 1999. As of January 2006, the share is quoted on the Attract 40 segment of the O list.

With the acquisitions of TurnIT and IAR Systems in the spring of 2005, Nocom grew significantly both in size and financial strength. Considerable cost savings and synergies were generated through the integration of the two companies. At the end of the year, on December 31, 2005, the Group had six operating subsidiaries and around 250 employees.

The six subsidiaries operate under their own brand names in three separate business areas – Distribution, Software and Services. These business areas have no joint organization or management, and profit responsibility rests with each individual company.

Stefan Skarin is CEO of Nocom AB since June 2001.

Distribution
The business area is focused on distribution of IT products via resellers and partners in the Nordic and Baltic countries. The Distribution business area is made up of SweDeltaco (computer products and accessories such as cables, network products, multimedia products and products for data communication), Network Innovation (digital imaging products for the graphics and photography market) and Nocom Distribution (Nocom's original core activities in value-added software distribution, with an emphasis on IT security).

Software
The Software business area comprises IAR Systems, which is specialized in development tools for embedded systems. The majority of sales go to overseas customers, which include several prominent manufacturers of automobiles, cell phones, medico-technical equipment, white goods and consumer electronics.

Services
The market offering includes advanced IT hosting services and a wide range of communication solutions, such as IP telephony and web portal solutions. The Services business area consists of Nocom Drift (maintenance, monitoring, data backup, e-mail, web hosting, Internet access and ASP services for SMS) and Nocom Networks (communication solutions in the form of broadband connections and IP telephony, Internet and e-mail services, firewall solutions, VPN and solutions for secure online backup).

A profitable and expansive IT group with potential

It is time to sum up another successful year for Nocom. 2005 was the year when we delivered on our promise from 2004, to create a strong, stable and profitable IT group. Sales tripled – primarily through acquisitions but also thanks to a 25-percent increase in sales. The positive earnings trend of recent years continued in 2005. We have achieved the risk diversification and stable quarter-to-quarter profitability we were aiming for. The sustainability of our business, financial position and earnings provides us with both the necessary power and a solid platform from which to continue developing the new Nocom Group.

The starting point was both promising and full of challenges. 2004 was the best year in the company's history – doubling our profit despite major changes and expansion. Despite impressive performance, Nocom was a small listed company with comparatively high costs for market listing and other group-wide functions. Organic growth in the existing companies was good, but not sufficient. To effectively utilize the expansion opportunities offered by the market, something more was needed. We therefore ended 2004 with a public offer to acquire the O-listed TurnIT and IAR Systems. We entered 2005 with high ambitions and expectations.

The acquisitions of TurnIT and IAR Systems were carried out on the basis of an in-depth business analysis with an unwavering focus on profitability and a goal to create a comprehensive, competitive offering with a good spread of risk. TurnIT had undergone financial reconstruction following severe profitability problems in the early 2000s. The group was made up of interesting, competitive companies with an emphasis on IT distribution – Nocom's original core business. IAR Systems, in which TurnIT was the majority stockholder, had made a name for itself on the global market with its development tools for embedded systems. IAR Systems had undertaken a strategic realignment of its offering and reduced the share of consulting services while at the same time intensifying its focus on sales of proprietary software. The company was in a positive spiral.

The new group is financially strong – stock issues and divestitures have provided around SEK 107 million in cash and cash equivalents. In addition, all business areas are generating positive cash flows, providing both security and freedom of action.

The acquisitions came at the best possible time. Nocom had reversed a trend of heavy losses, streamlined its market offering and worked its way back to a healthy business. The acquired companies had also come far in their renewal efforts. At the same time, the opportunities for continued development were inhibited by the limited size of the companies. A merger offered many advantages – not primarily by way of business synergies, but through a more comprehensive offering, a wider spread of risk, reduced central costs and a business-driven and committed management for the new group.

In the first half of the year we devoted our full attention to evaluating and integrating the acquired companies. Business risks and disputes were analyzed, rigorous cost-cutting measures were taken and our financial position was bolstered by new stock issues. The initial restructuring process was fast-paced and decisive, and by the second quarter we were already seeing tangible improvement in earnings.

Among other things, this evaluation of the new group's companies led to a decision to sell most of the former TurnIT company Arete – a vital step in attaining a profitable mix of businesses and reducing total risk exposure in the group. Early on, we identified Arete's consulting operations as the greatest business risk in TurnIT. Despite high capacity utilization and acceptable hourly rates, Arete had been struggling for several years with inadequate profitability caused by factors like high central costs, oversized administration and excess space. The Arete companies were assessed to have better scope for development and profitability under new management. The sale of Arete was also an important signal to the Nocom companies' suppliers and resellers that we are a pure-play distributor that does not cater directly to end-users.

In the second half of the year, the process of change shifted to a slower tempo. The rapid integration has brought well needed quiet and a host of new opportunities, which has also enabled the new group to find its form and deliver both stable profitability and organic growth. For several of the subsidiaries, the last months of the year brought many notable deals and advances in new market segments.

The Group's refinancing is now completed and a significant portion of debt was amortized already during the spring. The new Nocom is financially strong – stock issues and divestitures have provided around SEK 107 million in cash and cash equivalents. In addition, all business areas are generating positive cash flows, providing both security and freedom of action. As of January 2006 the Nocom share has been moved to Attract 40 – the Stockholm Stock Exchange's segment for the most actively traded shares on the O list. We see this as proof of restored confidence from the financial market and a growing interest in Nocom – as a company and an equity investment.

The annual report is as much a retrospective of the past year as an opportunity to chart our path forward and share our visions for the future. I am proud that we have succeeded in realizing our objective – to enter 2006 as a profitable and growth-oriented IT group with abundant potential. In 2006 we will leverage the capacity still available in the Group – to boost profitability in Distribution, achieve growth in Software and realize additional synergies in Services. On this journey we are accompanied not only by our employees, suppliers and customers, but also our 19,000 stockholders. As earlier, our success will depend on commitment, the ability to seize business opportunities and the courage to change.

Solna, Monday, March 20, 2006

Stefan Skarin
President & CEO

Nocom AB (publ), corporate registration number 556400-7200.
The Board of Directors and CEO hereby submit the following annual report and consolidated annual report.

Administration report

Road to the new Nocom 2005

2005 was dominated by the acquisitions of TurnIT and IAR Systems and the successful integration process that followed. In a short span of time, a new group has emerged and taken shape – autonomous and competitive subsidiaries operating under their own names, with their own business missions and offerings, with knowledge and experience adapted their respective markets. Below is a description of the offers for TurnIT och IAR Systems, the motives for creating a larger and better Nocom and the process leading to the formation of the new group.

Over the period from 2001 to 2003, Nocom moved from heavy losses to stable profitability. Behind this turnaround was a streamlining and rationalization of operations and a successive return to the original, successful business model – to be a value-added software distributor. As a result, in 2003 and 2004 the company delivered its highest earnings since the start 20 years ago. With a solid financial base, Nocom began to raise its sights. A first step was taken in the spring of 2004, when the Danish company Tempest was acquired and integrated.

Motive for the acquisitions

However, Nocom was still a relatively small listed company with limited opportunities to pursue more aggressive growth. Although ventures in new technologies and markets were generating growth, changes in the market were also raising the requirements on efficiency, flexibility and diversification of risk. Additional capital was needed to seize the available opportunities for expansion.

Like Nocom, TurnIT had succeeded in saving a group in severe distress. One significant difference was that TurnIT's turnaround was of a more financial nature. The top priority was not on developing the individual subsidiaries and their operations, but rather on maximizing short-term profitability with very limited investment. This led to a considerable gap between Nocom and TurnIT in terms of management and control of operations. The management strategy in TurnIT's various subsidiaries was strongly marked by severe financial constraints and was primarily concerned with formal financial control.

Nocom therefore saw abundant scope to capitalize on the untapped business potential of the subsidiaries. With a more business-driven and committed group management and board, the subsidiaries could be given the necessary conditions and support to develop their operations.

The motives behind the offers for TurnIT and IAR Systems were to create an IT group of sufficient strength and size to take advantage of business opportunities, diversify risks and stand firm through a future recession. Like Nocom, TurnIT had its core business in IT distribution. Furthermore, both TurnIT and IAR Systems, in which TurnIT had a 75 percent stake, were quoted on the O list of the Stockholm Stock Exchange. The acquisitions and creation of a new group were expected to generate rapid savings and opportunities to raise the capital needed to finance ongoing expansion.

Substantial cost-savings

At an early stage, Nocom saw scope for substantial cost-savings in the new group without compromising the subsidiaries' business operations or necessitating staff reductions. The original calculations indicated annual cost savings of SEK 12-15 million, but by the end of the year annual savings of approximately SEK 23 had been identified according to the following:

- Parent Company and Executive Management — SEK 7.3 million
- Board, market listing, IR/PR, etc. — SEK 6.1 million
- Credit costs — SEK 5.0 million
- Other, including co-location of units — SEK 4.6 million

THE OFFERS IN BRIEF

IAR Systems

Stockholders:

For every share in IAR Systems, the holder is offered one newly issued class B share in Nocom. The offer was completed on November 1, 2005.

TurnIT

Stockholders:

For every four shares of class A or B, the holder is offered one newly issued class B share in Nocom.

Warrantholders:

For every ten warrants in TurnIT, the holder is offered

- one newly issued subscription warrant in Nocom (TO2B, expiring on December 20, 2006, exercise price of SEK 3.00/share), provided that the holder had subscribed for one newly issued class B share in Nocom when the offer was declared unconditional (in March 2005).

or

- two newly issued subscription warrants in Nocom (TO1B, expiry on June 30, 2005, exercise price of SEK 3.00/share)

Organization

Nocom has a flat organization with a compact staff in the Parent Company. The six autonomous subsidiaries operate under their own brands in three different business areas. These business areas have no joint organization or management and profit responsibility rests with the respective companies:

- *Distribution* – SweDeltaco (computer products and accessories), Network Innovation (products for the professional graphics industry) and Nocom Distribution (software with a focus on IT security)
- *Software* – IAR Systems (development tools for embedded systems)
- *Services* – Nocom Drift (hosting and operating services) and Nocom Networks (communication solutions)

The Executive Management consists of Stefan Skarin, President and CEO, and Stefan Ström, CFO.

One central task for the Executive Management and Board of Directors is to identify, utilize and develop the potential of each company's offering.

Business mission

Nocom's mission is to develop and distribute high quality IT products and services through independent, profitable and growth-oriented subsidiaries.

Strategies

- To develop independent, profitable and growth-oriented subsidiaries by preserving their distinctive attributes.
- To create the conditions for value growth by diversifying risks, entering new markets and further enhancing the Group's products and services.
- To promote dedicated, responsible and instructive leadership aimed at developing the business and staff

Operating goals

- Stable and rising profitability
- Create the conditions for growth
- All subsidiaries are independently profitable

Important milestones in the acquisition and integration process

December 2004 Nocom announces its offers for TurnIT and IAR Systems.

January 2005 The Extraordinary General Meeting of Nocom authorizes the Board to issue shares and warrants in connection with the acquisitions.

February 2005 The original application period is February 7-28. The offers to the stockholders in TurnIT and IAR Systems are extended thereafter in several increments during the year.

March 2005 The Board of Nocom decides to complete the offers and declares them unconditional on March 10. The Board also decides on a new stock issue.

The Stockholm Stock Exchange places TurnIT and IAR Systems on the observation segment of the O list since the companies no longer meet the listing requirement for concentration of ownership.

Nocom calls for compulsory redemption of the shares in IAR Systems.

A new president is appointed for Nocom Sweden, with responsibility for Nordic and Baltic operations in Nocom Distribution.

April 2005 Annual General Meeting of IAR Systems. A new board is appointed.

Extraordinary General Meeting of TurnIT. A new board is appointed.

The IAR Systems share is delisted from the Stockholm Stock Exchange.

Nocom raises around SEK 33 in new capital when TurnIT's former warrant-holders subscribe for Nocom shares.

Annual General Meeting of Nocom. A new board is appointed and the company's registered office is moved to Stockholm.

May 2005 Arete Internet changes name to Nocom Networks and moves into joint premises with Nocom Drift in Solna.

The warrant series in TurnIT expires on May 17 and is exercised to subscribe for new shares in TurnIT, providing the new group with net proceeds of around SEK 17.5 million.

The TurnIT share is delisted from the Stockholm Stock Exchange.

Operations in Arete Affärssystem AB are sold to the IT consulting firm CIBER Sweden AB, giving Nocom a clearer position as a pure-play distributor in the Swedish market.

Nocom chooses Danske Bank as its principal bank and, in connection with this, reduces its bank overdraft facilities to SEK 50 million.

All disputes in the remaining TurnIT companies are analyzed and no additional risk exposure is found to exist.

June 2005 Arete AB and Arete Datastöd AB are sold to the IT consulting firm Contactor Data AB. The sale leads to reduced risk exposure in the core business and provides net proceeds of at least SEK 24 million.

Nocom Distribution adapts its offering to current market conditions and cuts costs. Network Innovation moves into new premises that provide scope for expansion.

July 2005 The warrant series Nocom 1B expires on June 30 and the warrant-holdesr subscribe for new shares in Nocom, which raises capital of around SEK 36.6 million.

Nocom Networks acquires UNC Systems, specialized in web portal solutions and tools for electronic communication.

August 2005 Co-location of the Uppsala-based operations in IAR Systems and Nocom's Swedish distribution unit.

October 2005 A joint president is appointed for Nocom Drift and Nocom Networks and the two companies move towards a more integrated business offering.

November 2005 The offer to the stockholders in IAR Systems is completed in connection with expiration of the extended application period on November 1.

January 2006 The Nocom share is placed on Attract 40, the Stockholm Stock Exchange's segment for the most actively traded shares on the O list.

In connection with compulsory redemption of the remaining shares in IAR Systems, the arbitration board decides that Nocom has the right to redeem the outstanding shares in IAR Systems and that Nocom may be registered as the holder of these.

April 2006 The offer the stockholders in TurnIT will expire on April 28.

December 2006 The warrant series Nocom 2B will expire on December 20, providing the Group with around SEK 32 million in new capital if the warrants are exercised for subscription to new shares.

Distribution Business Area

The Distribution business area consists of SweDeltaco (computer products and accessories), Network Innovation (products and solutions for the graphics industry) and Nocom Distribution (software and products with a focus on IT security), and is active in distribution of IT products and services to resellers and via partners in the Nordic and Baltic countries.

The business area originally consisted of Nocom Distribution but was expanded with SweDeltaco and Network Innovation through the acquisition of TurnIT in 2005. The companies possess a high level of technical expertise that is offered to resellers through technical sales support, training, service and maintenance. In addition, the companies provide warehousing and logistics services, as well as electronic integration of sales support systems. The business area has a total of 131 employees.

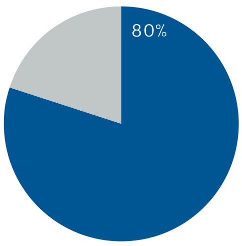
In February 2006, operations in Nocom Distribution were divided into three companies focusing on different technical areas: information security, web analytics and IT infrastructure.

Sales and profit

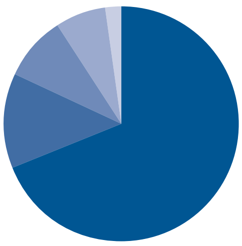
Sales in the Distribution business area for 2005 totaled SEK 509.7 (196.9) million. The increase is due to strong growth in Nocom's original operations in Nocom Distribution and the acquisitions of SweDeltaco and Network Innovation, which are consolidated as of March 22. If the acquisitions had taken place on January 1, 2005, the business area's net sales would have been SEK 572.2 million. The Distribution business area had a successful year with powerful growth and a stable earnings trend.

Operating profit for 2005 reached SEK 26.1 (21.9) million. If the acquisitions had taken place on January 1, 2005, the business area's operating profit would have been SEK 33.4 million. Higher sales in the final quarter contributed to improved profitability and all of the companies reported positive fourth quarter earnings.

Business area's share of group sales



Geographical distribution of sales



- 69% Sweden
- 13% Denmark
- 9% Finland
- 7% Norway
- 2% Other

Business area Distribution 2005

Net sales: SEK 509.7 million

Operating profit: SEK 26.1 million

Operating margin: 5.1 percent

Investments, including acquisitions: SEK 32.9 million

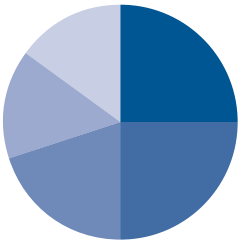
Number of employees: 131

SweDeltaco

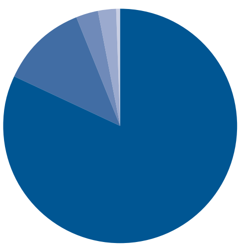
SweDeltaco was established in 1991 and is part of Nocom Group since the acquisition of TurnIT in 2005. With its focus on fast delivery and competitive prices, SweDeltaco has become one of the Nordic region's leading distributors of computer products and accessories. SweDeltaco is headquartered in Skärholmen, Sweden, and has its own subsidiaries in Finland and Denmark. The SweDeltaco Group has around 45 employees.

Siamak Alian
President of SweDeltaco AB

Sales by product category



Geographical distribution of sales



SweDeltaco offers a comprehensive range of computer products and accessories, primarily cables, network products (switches, routers and cards), multimedia products (speakers and earphones) and products for data communication and industrial PC, as well as wireless and mobile communications. The product range consists of both directly imported products marketed under SweDeltaco's own brand name and well known brands like D-link, Zonet, Sennheiser, Maxell, Aten and Logitech. The product offering has been recently expanded with products for digital TV, mobile navigation and surveillance.

Market

The bulk of SweDeltaco's sales go to Nordic resellers of IT products. The growing pervasiveness of IT products throughout society is opening up new segments, where the retail trade is of particular interest. Sweden accounts for more than 80 percent of sales, but sales to Denmark and Finland are on the rise. Sales in Norway, Estonia and the Netherlands are conducted via resellers.

Position

SweDeltaco has a strong market position based on a longstanding reputation as a distributor that not only offers a wide range of products, but also superior service and delivery capacity – at competitive prices. One key strategy for defending and strengthening the market position is to maintain a technological lead and offer the latest products on the market. By developing strong ties to suppliers in Asia, SweDeltaco is able to monitor key trends and shifts in the market.

Customers

SweDeltaco's customer base is made up of over 5,000 resellers, of which the ten largest accounted for approximately 30 percent of sales in 2005. From having previously consisted of traditional computer stores, the customer base has widened in pace with increasing use of IT products. SweDeltaco has adapted its organization accordingly and set up a new unit that is dedicated to active sales and targeting new market segments, a move than has created tangible results. In 2005 new customers were added in the retail segment, such as Jula and Axfood.

Competitors

SweDeltaco has many competitors in parts of the product range, but none that can offer the same breadth, at the same price and with the same high delivery capacity. In 2005 several domestic competitors disappeared after being wound up, consolidated with other companies or going bankrupt. As a result, many of their customers turned to SweDeltaco. Competitors in individual segments include Isolda, SMG/GNT and Green Computer.

Competition from Europe has intensified in recent years, particularly from Germany. The fast-growing e-business market is enabling competitors to offer fast delivery without maintaining their own inventories. However, SweDeltaco does not see any of the current competitors as a serious threat to the company's market position.

Key events during the year

2005 was an eventful year when the company grew from 33 to 45 employees, largely due to increased and more active sales. Previously, SweDeltaco's sales consisted mainly of order reception, but has intensified its efforts as the company gains access to new segments. These measures have been successful and several important customers were tied to the company in the past year. At the end of 2005 SweDeltaco won its largest order of all time, from a grocery retailer.

In 2004-2005 several mid-sized distributors disappeared from the Nordic market, which boosted SweDeltaco's market share somewhat. An influx on new players in the retail segment, such as major chains that offer IT accessories, is a favorable trend for SweDeltaco to the extent that the company succeeds in winning the confidence of these retailers. At the same time, it is contributing to a slightly higher dependency on large customers.

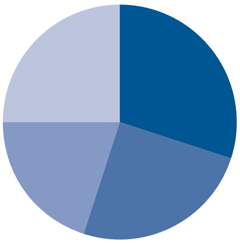
SweDeltaco is enlarging its warehouse capacity in order to meet growing demand. New segments and products vouch for an exciting 2006.

Network Innovation

Network Innovation was founded in 1993 and is part of the Nocom Group since the acquisition of TurnIT in 2005. The company is a leading distributor and general agent for products and solutions for resellers in the graphics industry and for professional photographers, printers and advertising agencies. Network Innovation is headquartered in Nacka, Sweden, and has a sales office in Malmö. Network Innovation has around 20 employees.

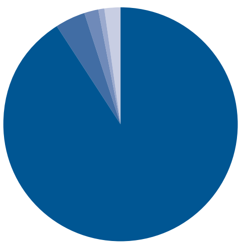
Erik Näsman
President of Network Innovation AB

Sales by customer segment



- 30% Advertising agencies /in-house production
- 25% Graphics industry
- 20% Professional photographers
- 25% Other

Geographical distribution of sales



- 91% Sweden
- 4% Norway
- 2% Denmark
- 1% Finland
- 2% Other

Network Innovation is a value-added distributor of products and solutions for the graphics industry, and also offers support, service and installation. Network Innovation has a particularly strong position in high-end software and hardware – a segment where few brand suppliers have their own representation. Ultimately, this means that the company has exclusive rights to many products. Network Innovation's offering is more or less evenly distributed between the Mac och PC platforms, although today's products are often compatible with both.

Market

Network Innovation's market has undergone dramatic restructuring in recent years. A large share of the graphics industry has shifted from analog to digital production, for example in the photography segment. The printing industry has also undergone a radical consolidation process in which heavy technology investments and foreign competition have forced many small players out of business. One effect of this is that traditional repro companies have been virtually eliminated from the market as repro is increasingly taken over by advertising agencies or in-house production.

Position

In its capacity as value-added distributor, Network Innovation competes on the basis of quality and advanced solutions rather than price. Network Innovation targets specific customer problems, but also develops solutions adapted for a range of different scenarios. Network Innovation strives to keep step with the market and drive development by capturing trends at an early stage. From a solution-oriented perspective, the company is especially strong in color calibration and flow management of images and text.

Customers

Network Innovation's customers are traditionally found in Sweden, and cover a wide spectrum of sellers to the graphics industry, a total of nearly 500 companies of which some 30 are authorized by Network Innovation. Prominent customers include YFO, Mediafront, MacSupport and InWarehouse. Some sales also go to resellers in Finland, and sales in Norway and Denmark are showing strong growth.

Competitors

Network Innovation has no clear competitors with the same comprehensive marketing offering. Through its exclusive rights, the company also has a unique position in sales of specific brand name products. In limited market segments, the company faces competition from companies like Agfa, Heidelberg and Fuji.

Key events in 2005

2005 was marked by a large number of marketing activities. In the past year the company carried out close to 100 seminars, trade fairs and other activities independently or in association with resellers, suppliers or partners such as Apple and Adobe. At the year's premier event in the graphics industry, the Grafex/Image trade fair, Network Innovation had a display covering a full 450 square meters – the largest stand at the fair by far.

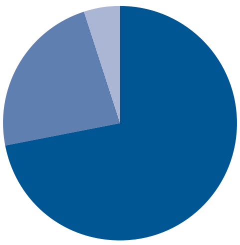
Extended distribution rights, for example cover most of the software company Quark's product portfolio, have entailed greater responsibility. The distribution rights for Norway and Denmark have also strengthened the company's position in the Nordic market. 2005 ended strong and was, overall, a year of good profitability.

Nocom Distribution

Nocom Distribution was established in 1985 and comprises Nocom's original core business. The company is a value-added distributor of software and products in the Nordic and Baltic countries. Nocom Distribution, consisting of Nocom Sweden AB, has its head office in Uppsala, Sweden, and subsidiaries in Norway, Denmark, Finland and Estonia. Nocom Distribution has around 70 employees.

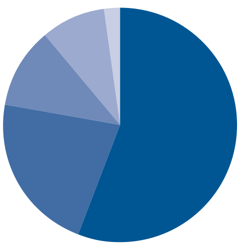
Anders Vallenfjord
President of Nocom
Sweden AB

Sales by segment in 2005



- 72% Information security
- 23% IT infrastructure
- 5% Web analytics

Geographical distribution of sales



- 56% Sweden
- 22% Denmark
- 11% Norway
- 9% Finland
- 2% Baltic countries

Nocom Distribution is a value-added distributor whose mission is to simplify and effectivize business for companies in the Nordic and Baltic countries through the sale of software and products for information security, web analytics and IT infrastructure. The company also offers service and support, training, installation and certification. The product offering consists of an attractive portfolio from market-leading vendors such as Symantec, SonicWALL, Utimaco, WebTrends, Gupta and AttachmateWRQ.

Market

Nocom Distribution works in a fiercely competitive market where suppliers are increasingly seeking a well established distributor that is able to effectively reach resellers and end-users in all Nordic countries. There are two types of distributors in the market – niche players who offer advanced technological and business expertise in addition to software and products, and distributors who strive for large volumes compete on the basis of price. More than half of Nocom Distribution's sales are concentrated in Sweden, at the same time that the company is steadily expanding its market share in Finland and the Baltic countries. The information security segment accounted for all of the company's 40-percent growth in 2005.

Position

Nocom Distribution's position as a value-added distributor relies on a commitment to expertise, quality and accessibility. Recently, Nocom Distribution was named the most innovative distributor in the Nordic region by Symantec. The company has been active in the market for more than 20 years and is regarded as stable and enduring. Nocom Distribution has also strengthened its relationships with resellers and partners through a defined channel strategy. Today, Nocom Distribution has daily contact with more resellers than ever before.

Customers

The customers are resellers in the Nordic and Baltic markets. The partner network includes close to 1,500 resellers, divided between consulting companies and system integrators with a focus on technical solutions and resellers that supplement their customers' needs for IT products.

Resellers and partners include High Performance System, WM-Data, Atea, Dustin, TCM, Ementor, TopNordic, TDC, Cybercity and Ravenholm.

Competitors

Aggressive competition has led to consolidation of the existing market and some new start-ups via European players. The niched value-added distributors include Securesoft and Smartsec.

Key events in 2005

After a weak start to the year, Nocom Distribution enjoyed powerful sales growth in the second half of 2005. In the first half of the year, the company launched a restructuring process in which operations were divided into three technical areas: information security, web analytics and IT infrastructure. The restructuring also included enhancement of the business model with closer collaboration between sales staff and engineers in customer sales.

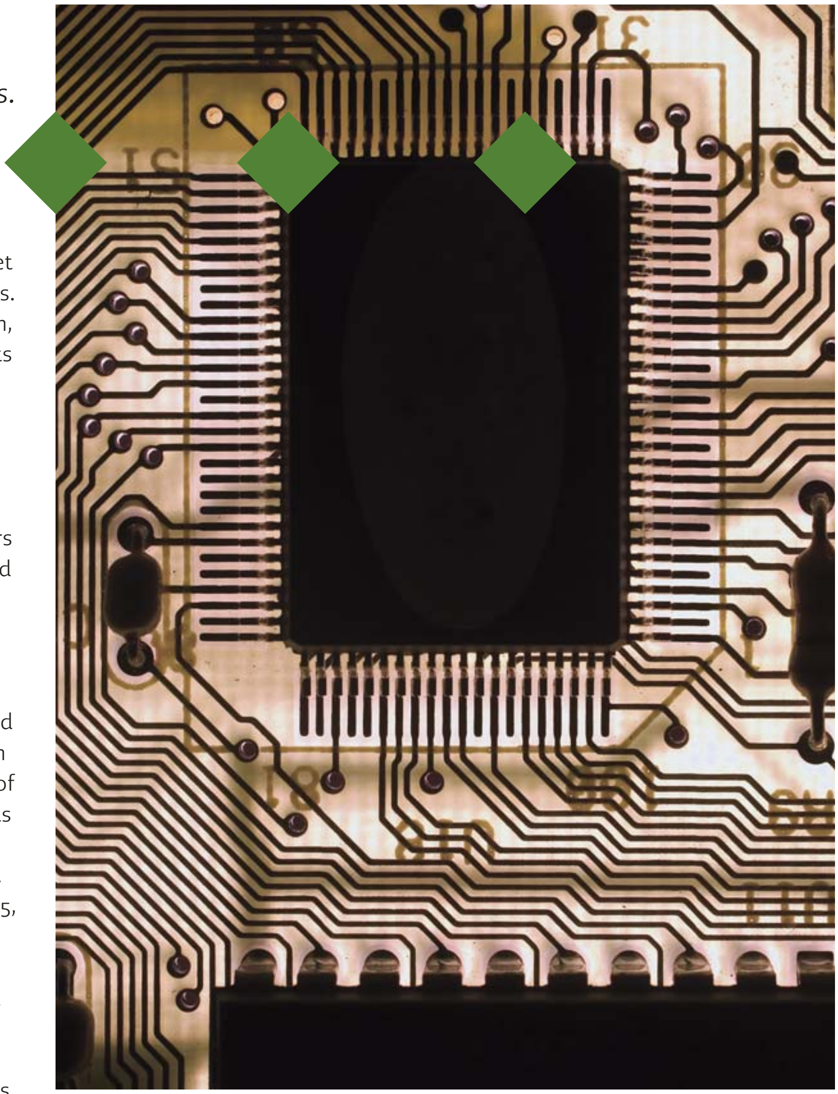
During the year Nocom Distribution initiated a large-scale project aimed at improved order processing, simpler processes and more efficient logistics. The company moved into new offices in Uppsala together with the sister company IAR Systems.

Sales improved significantly in the second half of the year and by the end of 2005 Nocom Distribution had attained profitability in all markets. Operations in the Baltic countries, which were established in 2004, gained real momentum during the year and sales in Finland rose sharply. Nocom Distribution also acquired the net assets of Mtrust Solutions in Denmark, thereby strengthening company's expertise and offering in information security. At year-end 2005, Nocom Distribution posted the highest sales in the company's history and growth of over 40 percent.

On February 1, 2006, Nocom Distribution announced the division of its operations into three separate units as a means for increasing specialization in the areas of information security, IT infrastructure and web analytics. By operating independently, the companies will be able to focus their resources in a whole different way. The companies offer market's best software and leading know-how in their respective areas. Together with their suppliers, resellers, partners and customers, the three companies are ready to take on new challenges and grow.

Software Business Area

The Software business area consists of IAR Systems, a world-leading supplier of development tools for embedded systems.



IAR Systems has been part of the Nocom Group since 2005. The company serves the global market and the majority of sales go to overseas customers. IAR Systems is headquartered in Uppsala, Sweden, and is represented in over 30 countries through its own subsidiaries and distributors. At the end of 2005, IAR Systems had 95 employees.

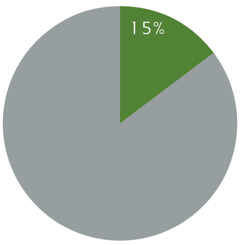
Sales and profit

Sales in the Software business area during 2005 reached SEK 93.9 million. The entire amount refers to the acquired IAR Systems which is consolidated in the Nocom Group as of March 22, 2005. If the acquisition had taken place on January 1, 2005, the business area's net sales would have been SEK 113.9 million. IAR Systems enjoyed excellent development in 2005. In 2004, the company started a streamlining process with an increased focus on sales of software licenses. The combined effects of restructuring and successful sales in many markets yielded growth in sales during the year.

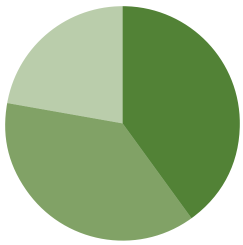
Operating profit for 2005 was SEK 13.0 million. If the acquisition had taken place on January 1, 2005, the business area's operating profit would have been SEK 8.7 million, mainly due to the fact that one-time expenses had a negative impact on first quarter profit in IAR Systems.

The streamlining and focusing of operations, together with a lower cost level than in earlier years, led to significant improvement in operating profit compared with 2004.

Business area's share of group sales



Geographical distribution of sales



- 40% Europe
- 38% USA
- 22% Other, primarily Asia and Oceania

Software business area

Net sales: SEK 93.9 million

Operating profit: SEK 13.0 million

Operating margin: 13.8 percent

Investments, including acquisitions: SEK 2.7 million

Number of employees: 95

IAR Systems

IAR Systems is a world-leading supplier of development tools for embedded systems. The company was founded in 1983 and has been part of the Nocom Group since 2005. IAR Systems has a total of 95 employees and a head office in Uppsala, Sweden.

Olle Eriksson
President of IAR Systems AB

Since the autumn of 2004, IAR Systems has carried out an extensive effort to streamline and focus its business on the areas where the company's offering is particularly strong. Today the market offering is concentrated in two product groups – IAR Embedded Workbench and visualSTATE.

IAR Embedded Workbench provides a completely integrated development environment for building and debugging embedded applications. IAR Embedded Workbench is regarded as the perhaps most user-friendly and technologically advanced development tool on the market.

visualSTATE is a suite of graphical programming tools using UML state charts. Based on these charts, visualSTATE generates an effective code that can be used directly in the finished product. visualSTATE supports application design with a high level of abstraction, even for microprocessors with limited capacity. This dramatically reduces the share of manual coding, leading to significantly shorter design times och higher quality in the final product.

The company also offers *IAR KickStart Kit*, a complete solution that provides all the hardware and software needed to quickly get started with design and testing of embedded systems.

Market

The global market for embedded systems has grown in pace with increasingly widespread use of these systems in products such as consumer electronics. Rising demands on product functionality are multiplying the number of microprocessors needed in every system, which is another key driver for market development.

The growing complexity and multifunctionality of modern products is increasing the amount of time required for product development and design. This is highlighting the importance of the type of tools delivered by IAR Systems, which are aimed at accelerating the design process for embedded applications.

Sales and customers

IAR Systems' revenue comes from license sales and maintenance contracts for the manufacturing industry in general, and from design contracts for makers of microprocessors. In the past year, the company strengthened its focus on sales of software licenses in order to create the conditions for growth and higher profitability. In line with the new business model, IAR Systems has been more selective in its choice of design assignments.

The customers include many of the world's best known companies in the automotive, telecom, consumer electronics and industrial automation industries.

IAR System's most significant markets are served directly by the company's own sales force. Aside from the head office in Uppsala, Sweden, there are subsidiaries in Japan, Germany, the UK and the USA. The company is also represented in Brazil and China. In around 30 additional countries, IAR Systems is represented by distributors.

Position

IAR Systems has a strong market position in its niche. The company has been specialized in providing customers with optimized development tools since the start in 1983, which has earned the company widespread recognition and a solid reputation. IAR Systems also has a unique status in the market as one of the few independent suppliers in its area.

Competitors

The competitors can be roughly divided into two groups, where one is made up of companies which offer software development tools for microprocessors as part of their offering, and the other consists of manufacturers of microprocessors such as Texas Instruments and NEC, which have in-house development units that offer similar tools.

IAR Systems is an independent supplier that specializes in software development for microprocessors and offers products of a high quality, both of which are valuable competitive strengths for the company.

Key events in 2005

The streamlining process that was launched in the autumn of 2004 continued in 2005. The focus has been on changing the business model, increasing the share of sales revenue from software licenses and adapting the cost level, an initiative that has been highly successful. The increase in sales was primarily linked to chips based on ARM technology, where IAR Systems has a major technological and market lead. ARM technology is increasingly widespread, and an area where IAR Systems sees considerable future sales potential.

In 2005 IAR Systems also signed three significant design contracts with leading global chip makers.

With the successful streamlining process now completed, IAR Systems has entered 2006 with improved resource utilization and a business model that has already generated growth in both sales and profitability. Combined with increased sales and marketing activities, this will enable IAR Systems to further advance its already strong position on global market in 2006.

Services Business Area

The Services business area consists of Nocom Drift and Nocom Networks, as well as UNC Systems which was acquired and integrated with Nocom Networks during the year. The business area offers everything from advanced IT operation and hosting to a wide range of communication solutions, such as IP telephony and web portal solutions.

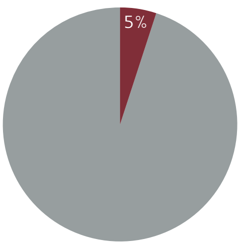
Nocom Drift has been part of the Nocom Group since 1999 and Nocom Networks since 2005. In the past year the two companies have moved towards increased business integration in response to customer demand for comprehensive solutions based on the services of both companies. The companies have moved into shared premises and are headed by joint president. At year-end, the Services business area had 19 employees.

Sales and profit

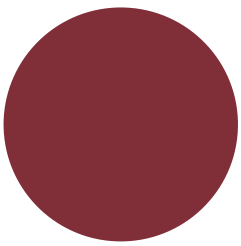
Net sales in the Services business area during 2005 amounted to SEK 32.0 (17.0) million. The increase is due to the acquisition of Nocom Networks (formerly Arete Internet), consolidated as of March 22, and Nocom Networks' acquisition of UNC Systems AB, which is consolidated as of July 1. If the acquisitions had taken place on January 1, 2005, the business area's net sales would have been SEK 37.4 million.

Operating profit for 2005 was SEK -1.9 (-1.1) million. If the acquisitions had taken place on January 1, 2005, the business area's operating profit would have been SEK -2.1 million. Profitability improved rapidly in the second half of the year and the business area posted a positive operating profit for the last six months of 2005. The improvement is due to a stronger offering through acquisitions and co-location, and the realization of numerous cost synergies.

Business area's share of group sales



Geographical distribution of sales



100% Sweden

Services business area

Net sales: SEK 32.0 million

Operating profit: SEK -1.9 million

Operating margin: -5.9 percent

Investments, including acquisitions: SEK 7.2 million

Number of employees: 19

Nocom Drift and Nocom Networks

Nocom Drift has its origins in Bizit AB, which was acquired by Nocom in 1999. The company is specialized in the provision of operating services with rigorous security requirements, and has one of Sweden's most secure and state-of-the-art hosting facilities. Nocom Networks, formerly Arete Internet, is part of the Nocom Group since 2005. Nocom Networks offers communication solutions in the form of broadband connections and IP telephony, web portals and VPN solutions. The companies have a total of 19 employees.

Fredrik Thelander
President of Nocom Drift AB and Nocom Networks AB

In 2005 Nocom Drift and Nocom Networks have moved towards greater integration of their market offering, which has generated business synergies. Together, the companies have a wider offering and opportunities to leverage each other's existing business relationships to boost sales.

Nocom Drift and Nocom Networks share premises since mid-year 2005 and were organized under a joint president on October 1, 2005. As a natural result of this, the companies will operate under the name Nocom Networks in the future. Nocom Networks also includes UNC Systems, which was acquired in July 2005. UNC Systems delivers web portal solutions, such as its proprietary web publication tool UNC Företagsportal.

Market offering

Nocom Networks is a pure-play service company whose offering can be divided into three areas: communication solutions, hosting and web portals.

Communication solutions include everything from simple Internet connection to communication solutions for large enterprises, such as VPN solutions and IP telephony. The company also offers a number of peripheral services such as web hosting, e-mail services, antivirus and antispam protection. Nocom Networks' wide offering enables the company to deliver end-to-end solutions for internal and external enterprise communication.

Nocom Networks provides high quality hosting solutions such as server operation, maintenance and monitoring of customer IT systems. Nocom Networks' modern facilities and recognized high security standards make the company a natural choice for customers with business- or mission-critical systems demanding rigorous security. One of these customers is Stockholm County Council, which has collaborated with Nocom for four years.

Nocom Networks offers customized web portals through its proprietary Företagsportalen solution. The tool is primarily adapted for small and mid-sized enterprises with a need for web portals offering high functionality and scalability to accommodate future growth.

Sales and customers

Nocom Networks caters mainly to small and mid-sized enterprises in Sweden. The customers are served directly by the company's own sales force. Some sales on the communication area are conducted via distributors.

Nocom Networks has a very strong position as a supplier of web portal tools to municipalities and industry organizations. Notable customers include the Municipality of Torsby, Employers Association of the Swedish Plateworks and the Reko Comfort chain.

In operating services, Nocom Networks has a strong position among customer with exacting security requirements. Among other things, Nocom Networks is responsible for operation of the Vårdguiden web portal for healthcare services in Stockholm County. Other customers include companies like Wallmans Salonger, Vodafone, Autoliv and the Royal Opera.

Competitors

Competition in the hosting and communication segments is fierce, and the industry is grappling with severe price pressure. Superior quality, a service and support function with high accessibility, and an uncompromising security level are key competitive strengths for Nocom Networks. Competitors in the communication segment include companies like Telia, Bredbandsbolaget and MCI. Since Nocom Networks' hosting services are largely directed to customers with strict security requirements, the company often meets competition from major players like Hewlett Packard and IBM.

The foremost competitor in the web portal segment is Sweden-based ElektroPost and its Episerver product.

Key events in 2005

2005 has been both a challenging and rewarding year for Nocom Networks. The process of integrating operations in Nocom Networks, Nocom Drift and UNC Systems was initiated, creating a number of decisive advantages for Nocom Networks. The integrated sales force is armed with a wider customer offering and greater capacity to deliver total solutions. The expanded service portfolio also offers better to large customers and major procurements. In addition, during 2005 Nocom Networks launched a new IP telephony platform that has been well received by the market.

The enhanced market offering and business integration have generated substantial cost synergies and given Nocom Networks excellent potential for growth and increased profitability in 2006.

Business risks

Changes in the IT industry are often rapid, and future development forecasts are therefore associated with a higher degree of uncertainty than for companies in other areas of business. The risks Nocom is exposed to vary with respect to the activities of the respective subsidiaries. The risk factors described below refer sometimes to a specific subsidiary and sometimes to several different subsidiaries or the entire Nocom Group.

OPERATING RISKS

Suppliers

Several of Nocom's subsidiaries function as distributors for major foreign manufacturers, and it is vital for Nocom's success that these partnerships are maintained. While contracts have been signed with a few suppliers – often on an annual basis – other relationships are based on longstanding non-formalized contacts. Even though Nocom regards these arrangements as successful and enduring, it is possible for supplier relationships to change or be terminated at short notice.

Resellers

The subsidiaries in distribution operations work with a large number of different resellers, of which no single reseller accounts for a dominant share of sales. Consequently, the subsidiaries' dependency on individual resellers is minor.

Customers

The subsidiaries in Nocom's Software and Services business areas strive to establish long-term relationships with their customers. In general, there is a relatively good spread between customer categories in terms of both industrial sectors and markets, which reduces risk to a certain extent. Despite this spread between customer categories, however, the loss of one or more major customers could have a negative impact on Nocom's business operations and earnings. Thanks to a stringent credit assessment policy, customer losses have been very low in a historical perspective.

Employees

Nocom is dependent on key staff, normally comprising founders or senior executives in the subsidiaries. To reduce the risk that any of these will leave the Group, various incentive schemes are used in certain cases.

The employees' longstanding experience of the products and good customer relationships are also valuable competitive advantages. Nocom's competitiveness is continuously maintained and strengthened through product certification, training and knowledge sharing. To avoid excess dependency on individual employees, there are always several people responsible for expertise in a specific area and several employees working with each customer. Personal sales are currently low, but a stronger business cycle could lead to an increase. The Group's development is also dependent on access to new and qualified staff, which means that the ability to create an attractive work environment with opportunities for development is of strategic importance.

Technology

For an IT company, it is essential to offer products and services in the latest technologies as well as knowledge and experience of established products and technologies. Nocom's earlier strategy was to quickly incorporate cutting-edge technology into its product range. In software distribution, a change in the product selection strategy towards more mature products has significantly reduced the technology-related risks. Here, the risks associated with backing the wrong products are primarily linked to the sales trend. Because purchased software is usually downloaded over the Internet, the risk for losses due to inventory obsolescence is very limited. In the computer accessories market, much of the product range consists of basic products with a significantly longer technical and commercial life. Although Nocom is technologically advanced in both the software and service markets, it cannot be ruled out that individual subsidiaries could be negatively affected by future technology shifts.

Competitors

Nocom's subsidiaries compete with companies in many different sub-areas of the IT industry. The competitors include major international and domestic companies. Certain competitors have considerable financial resources and are thus able to quickly react in way that can affect the market positions for Nocom's subsidiaries.

Business cycle

The business cycle and related customer IT investments are difficult to predict and have a considerable impact on the Group's sales and earnings trend. The acquisitions carried out in 2005 and the resulting diversification between products, markets and industrial sectors have significantly reduced the Group's sensitivity to the business cycle.

FINANCIAL RISKS

Through its operations, the Group is exposed to various types of financial risk arising as a result of

fluctuations in the company's earnings and cash flow due to movements in exchange and interest rates, as well as refinancing and credit risks.

Currency risk
Currency risk consists of the risk for variations in the value of financial instruments due to exchange rate fluctuations. Nocom's procedures for management of transaction-related currency risk are established in the Group's currency policy, which specifies how and when the company may hedge its currency exposure. The objective is to minimize the short-term earnings impact of an exchange rate movement while at the same time creating long-term freedom of action. On the balance sheet date, no financial instruments were used for currency hedging purposes. Certain currency risks are associated with translation of accounts receivable and payable in foreign currencies, primarily USD and EUR.

The Group's sales in foreign currency make up around 30 percent of total sales. Sales in other currencies are mainly denominated in USD and EUR. Of the cost of goods sold in the Group, approximately 61 percent of purchases are denominated in foreign currencies, primarily USD and EUR.

The Group's translation exposure, consisting of the risk for changes in the Group's value of net assets of foreign subsidiaries due to exchange rate fluctuations, is limited and no measures are currently take to hedge translation exposure in foreign currencies.

Financing and liquidity risk
In 2005 the Group carried out several new stock issues as part of the acquisitions of TurnIT and IAR Systems. The Group's financial position was considerably strengthened during the year. Interest-bearing liabilities increased substantially in connection with the acquisition of TurnIT, but have already been amortized in significant amounts and amounted to SEK 49.6 (3.6) million at December 31. Cash and cash equivalents at year-end totaled SEK 89.5 (13.7) million and unutilized bank overdraft facilities to SEK 29.6 (9.2) million.

Credit risk
The Group's credit risk is mainly associated with the solvency of its customers. Nocom carries out routine credit assessment of customers according to established procedures. A few of the subsidiaries use credit insurance in order to minimize credit risk. Credit risk has been historically low, and there is no significant concentration of risk attributable to any individual customer or geographical area.

Interest rate risk
Interest rate risk consists of the risk for variations in the value of financial instruments due to movements in market interest rates. The Group's loans carry variable interest rates. At present, Nocom has no investments in equity instruments.

Sensitivity analysis

	Change	Annual impact on profit
Currency – USD	-/+ 5%	-/+ SEK 2.5 million [1]
Payroll costs	-/+ 5%	-/+ SEK 8.0 million
Cost of goods sold	-/+ 2%	-/+ SEK 9.0 million

[1] Refers to the impact on profit if no measures such as currency clauses are used.

Corporate governance

General meeting of stockholders

Responsibility for management and control of Nocom is divided between the General Meeting of Stockholders, the Board of Directors and the CEO, as prescribed by the Swedish Companies Act and the Articles of Association. The Annual General Meeting (AGM) on April 28, 2005, re-elected Christer Magnusson (Chairman) and Stefan Skarin (CEO). The newly elected members were Trygve Angell, Håkan Lissinger and Alexander Oker-Blom. The Board's three new members represent longstanding experience and valuable expertise both for the Group as a whole and for the individual subsidiaries: Trygve Angell operates his own company, Pidell AS in Norway, and has an extensive background in the IT and telecom industries, Håkan Lissinger is President of Electra Gruppen AB, one of Sweden's leading suppliers of home electronics goods and services, and Alexander Oker-Blom is Managing Director of Alted and one of the principal stockholders in the new Nocom Group.

The Chairman and members of the Board of Directors are paid fees in accordance with the decision of the AGM. No additional remuneration is paid for work in the Board committees. No board fees are paid to members who receive salary from companies in the Nocom Group. In 2005 this rule applied to the CEO Stefan Skarin. The Chairman receives fees of SEK 150,000 (150,000). Other members of the Board are paid fees of SEK 100,000 (100,000) each. Total board fees in 2005 thus amounted to SEK 450,000 (350,000). No other remuneration has been paid to the Board of Directors.

Board of Directors

The Board of Nocom has adopted a procedural plan containing instructions for the division of responsibilities between the Board and CEO and the framework for financial reporting. The Board is also responsible for ensuring that the Group is suitably structured so that the company's accounting, cash management and other financial circumstances can be controlled satisfactorily. The Board continuously monitors the Group's financial situation.

Before calling a meeting of the Board, the Board Chairman, in consultation with the CEO, prepares an agenda and determines the necessary decision data and documentation for the business at hand. Board members and the CEO may request that a certain item be included on the agenda. The Board is called to attend a statutory meeting following the AGM and at least five scheduled meetings. Four of the scheduled meetings coincide with the dates for publication of external financial reports. The fifth scheduled meeting is held in December and is devoted primarily to a review of the budget and business plan. At the Board meeting where the annual accounts are presented, the auditors participate in order report their observations from the audit. Aside from scheduled meetings, the Board is called to additional meetings as needed.

The Board supervises the work of the CEO and ensures that the organization is suitably structured. The Board adopts the budgets and annual financial statements of the company and the Group, and continuously monitors their development during the year.

The statutory Board meeting held the same day as the 2005 AGM transacted customary business, such as appointment of the Chairman (re-election of Christer Magnusson) and delegation of signatory authority. Aside from the members of the Board, any two jointly, signatory authority is held by a few executives in the company, also two jointly. The CEO is always entitled to sign for the company in matters concerning day-to-day management.

The number of Board meetings in 2005 was twelve (ten). Attendance has been very high: Christer Magnusson twelve (of twelve possible), Stefan Skarin twelve (of twelve possible), Trygve Angell eight (of nine possible), Håkan Lissinger nine (of nine possible), Alexander Oker-Blom nine (of nine possible). Aside from monitoring of performance against the budget and strategic plan and strengthening of the company's management and control, the Board has devoted its time to the company's strategic focus. Key items of business for the new Board were the sale of the Arete companies during the spring, refinancing of the Group, disputes in TurnIT, delisting of TurnIT and IAR Systems, extension of offers and forecast for the new Group. During the autumn, the Board has dealt with matters such as: extension of offers, the Swedish Code of Corporate Governance, budgets, salary and remuneration to senior executives, the forecast for 2005 and interim reports.

For additional information about the members of the Board of Directors, see page 52.

Board Chairman

The Chairman oversees the work of the Board and is responsible for ensuring that its members are continuously provided with the information required to carry out their duties with consistently high quality and in accordance with the Swedish Companies Act. The Chairman represents the company in matters related to corporate governance.

Nominating committee

Nocom has no nominating committee. Stockholders who wish to recommend candidates for election to the Board can turn to Board Chairman Christer Magnusson at the company's address. Board nomination are compiled, evaluated and prepared by the Board Chairman ahead of the AGM.

Remuneration committee
The Board has no separate remuneration committee. The Board of Directors, excluding the CEO, recommends and decides on salary, other terms of employment, pension benefits and incentive schemes for the CEO. The Board as a whole decides on the corresponding terms for other senior executives, and is also responsible for drawing up general principles for remuneration.

Audit committee
The Board has determined that there is no need for a separate audit committee. Every year, the Board Chairman compiles and prepares a basis for decision ahead of the AGM. Matters related to financial reporting and internal control are dealt with by the Board as a whole, and in collaboration with the company's auditors when necessary.

Internal control and auditing
The Board of Directors has overall responsibility for the company's internal control system, which has the general aim of protecting the stockholders' investments and the Group's assets, ensuring that the requisite accounting records are prepared and that the financial reports used internally and for publication are accurate and reliable. The system is designed to ensure effective management and compliance with laws and regulations. However, the internal control system is no absolute guarantee against material irregularities or losses.

The company uses a number of methods to continuously monitor and control the risks associated with attainment of the company's goals. The Board assists the management in identifying and evaluating the greatest risks to which the Group is exposed through its operations.

External auditors are appointed by the AGM to serve for a period of four years. Leonard Daun and Lars Kylberg, Öhrlings PricewaterhouseCoopers, have been appointed as the company auditors until the 2008 AGM.

Swedish Code of Corporate Governance
The Board of Directors has initiated a process of adaptation to the Swedish Code of Corporate Governance. In 2005 Nocom was not subject to mandatory Code compliance, but has implemented the changes deemed reasonable for a company of Nocom's size. Considerable progress has been made in adapting aspects such as internal routines, the work of the Board and changes in AGM procedures as dictated by the Code and, with respect to the company's size, Nocom plans to issue a corporate governance report for 2007. The Board of Directors revises the company's framework for Code compliance on a yearly basis.

CEO
The CEO supervises operations according to the instructions adopted by the Board. He is responsible for ensuring that the Board members are supplied with the necessary information and data ahead of Board meetings, presents reports and submits well founded proposals for decision. Every month, the CEO provides the members of the Board with the information needed to monitor the financial position, business and development of the company and the Group, and to keep the Board Chairman continuously informed about important matters. The CEO takes the necessary measures to ensure that the company's financial accounting and reporting are carried out in compliance with law and that financial management is handled in a satisfactory manner. A more detailed description of the division of responsibilities between the Board and the CEO is provided in written instructions to the CEO, which are regularly updated.

Executive Management
The Executive Management consists of the CEO and the CFO, who meet once a week. In addition, there is an extended Executive Management which also includes the subsidiary presidents, a total of five persons at year-end. The CEO supervises the work of the Executive Management and makes decisions after consultation with its members. The extended Executive Management meets as needed, around five times per year.

The Nocom share

Nocom's class B share has been quoted on the O list of the Stockholm Stock Exchange since January 1999 and is traded on the Attract 40 segment of the O list Since January 2, 2006. A round lot consists of 2,000 shares. In 2005 the closing share price has varied between a low of SEK 3.73 (3.30) and a high of SEK 7.55 (6.25). The share price at December 31 was SEK 7.25 (4.07), equal to an increase of 78 percent. Nocom's market capitalization at December 31, 2005, was approximately SEK 723 (130) million, including 468,744 subscribed and paid-up shares (BTA) that were converted after year-end.

The number of stockholders in Nocom at December 31, 2005, was 18,613 (5,647). The large increase is due to the addition of many stockholders through the acquisitions of TurnIT and IAR Systems. Of these stockholders, 1,151 (318) held more than 10,000 shares each. Foreign investors held around 12.5 (10) percent of the share capital and 11.5 (8) percent of the votes.

Stock issues

New stock in Nocom was issued during 2005 in connection with acquisitions:

- 39,190,602 class B shares were issued in conjunction with the acquisition of TurnIT.
- 5,094,940 class B shares were issued in conjunction with the acquisition of IAR Systems.
- 10,985,567 class B shares were issued in conjunction with the exercise of warrants in TurnIT for subscription to new shares in Nocom.
- 12,463,060 class B shares were issued in conjunction with exercise of warrants in Nocom for subscription to new shares in Nocom.

After the completed issues, Nocom's share capital at December 31, 2005, consisted of 1,000,000 class A shares and 98,779,673 class B shares. Upon full exercise of the 10,763,626 outstanding warrants, Nocom will raise an additional SEK 32.3 million in share capital by December 20, 2006.

Share data

Nocom's share capital at December 31, 2005, amounted to SEK 99,779,673, distributed among 99,779,673 shares. Of this total, 1,000,000 are class A shares and 98,779,673 are class B shares. All shares grant equal rights to the company's assets and profits. Class A shares carry ten votes each and class B shares one vote each at general stockholder meetings, where each holder of voting stock is entitled to exercise the full number of votes held directly or by proxy without restriction.

The Annual General Meeting on April 28, 2005, approved an amendment to paragraph 4 of the Articles of Association, which is now worded as follows: "The share capital of the company shall amount to a minimum of SEK 70,000,000 and a maximum of SEK 280,000,000."

Dividend

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

Authorizations

The Extraordinary General Meeting on January 27, 2005, granted authorization for the Board to decide on the issuance of new class B shares and the issuance of promissory notes with detachable warrants for conversion to class B shares. This authorization may be used only for issues within the framework of the offers to the stockholders and warrantholders in TurnIT and the stockholders in IAR Systems.

The Annual General Meeting on April 28, 2005, granted the Board renewed authorization to decide on

- the issuance of shares as purchase consideration in connection with the public offers to acquire TurnIT and IAR Systems.
- the issuance of class B shares with preferential rights for existing stockholders.
- the issuance of a maximum 8,500,000 class B shares in return for payment in cash, in the form of capital in kind or through set-off of claims or otherwise according to specific conditions, and to thereby deviate from the stockholders' preferential rights. The reason for deviation from the stockholders' preferential rights is to enable to company to issue shares in connection with the acquisition of companies or parts thereof.

The Board was also authorized to

- repurchase Nocom shares in a maximum amount whereby the holding of treasury shares at no time exceeds ten percent of the current share capital of the company. The shares may be acquired on the Stockholm Stock Exchange or through a public offer directed to all stockholders.
- sell the company's treasury shares. Such sale of shares, with waiver of the stockholders' preferential rights, may take place in connection with acquisitions. Shares may also be sold over the stock exchange as a means for financing acquisitions.

Warrants

A series of warrants was issued in the spring of 2005 in connection with Nocom's acquisition of TurnIT. The warrantholders in TurnIT were offered two alternatives for conversion to warrants in Nocom.

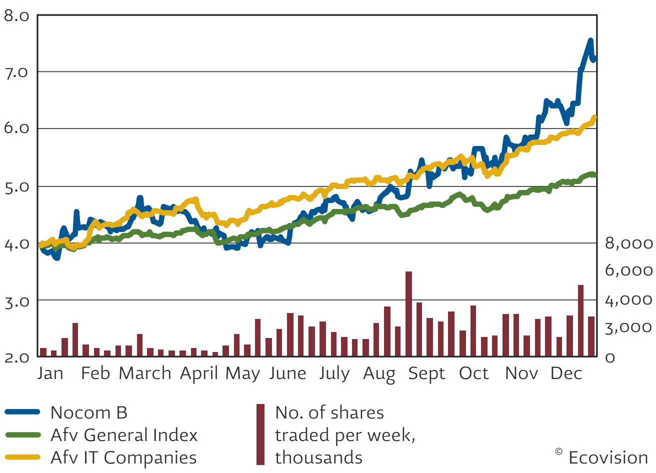
The first warrant series granted the right to exercise one warrant (Nocom TO1B) for subscription to one new class B share in Nocom for a price of SEK 3.00 by June 30, 2005, at the latest. The total number of warrants issued under TO1B was 12,717,254, of which 12,241,119 were exercised before the expiry date.

The second warrant series grants the right to exercise one warrant (Nocom TO2B) for subscription to one new class B share in Nocom for a price of SEK 3.00 by December 20, 2006, at the latest. The total number of warrants issued under TO2B was 10,985,522, of which 221.941 were exercised in 2005. The warrant series TO2B is traded on the Stockholm Stock Exchange (NOCOM, TO2B). A round lot consists of 2,000 warrants and the exercise price at December 31, 2005, was SEK 4.15.

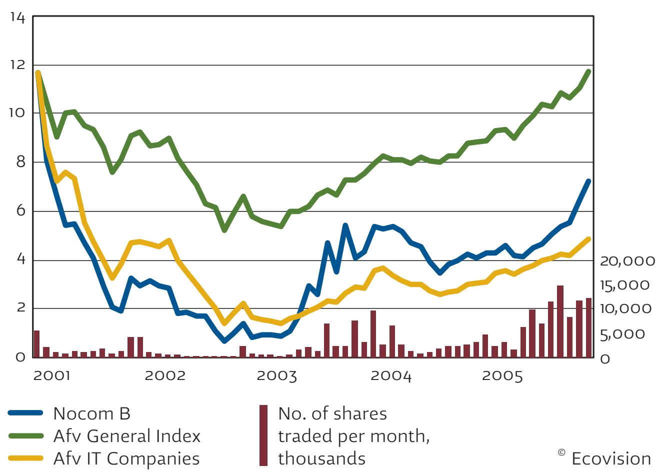
Incentive schemes

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

Nocom stock price trend, January 1 – December 31, 2005



Nocom stock price trend 2001-2005



SHARE CAPITAL DEVELOPMENT [1]

Year	Transaction	Quota value	Increase in no. of shares	Total no. of shares	Increase in share capital	Total share capital
1990	Company formed	100	500	500	50,000	50,000
1993	Split, 100-for-1	1	49,500	50,000	–	50,000
1994	Stock dividend, 9-for-1	1	450,000	500,000	450,000	500,000
1996	Stock dividend, 5-for-1	1	2,500,000	3,000,000	2,500,000	3,000,000
1996	New stock issue	1	129,600	3,129,600	129,600	3,129,600
1997	New stock issue	1	220,920	3,350,520	220,920	3,350,520
1998	New stock issue	1	940,000	4,290,520	940,000	4,290,520
1999	New stock issue/conversion	1	31,200	4,321,720	31,200	4,321,720
1999	New stock issue	1	271,456	4,593,176	271,456	4,593,176
2000	New stock issue	1	540,000	5,133,176	540,000	5,133,176
2000	New stock issue	1	300	5,133,476	300	5,133,476
2000	New stock issue	1	195,700	5,329,176	195,700	5,329,176
2000	Stock dividend, 4-for-1	1	21,316,704	26,645,880	21,316,704	26,645,880
2000	New stock issue	1	5,500	26,651,380	5,500	26,651,380
2001	New stock issue	1	27,500	26,678,880	27,500	26,678,880
2001	New stock issue	1	609,624	27,288,504	609,624	27,288,504
2001	New stock issue	1	1,000,000	28,288,504	1,000,000	28,288,504
2004	New stock issue	1	3,757,000	32,045,504	3,757,000	32,045,504
2005	New stock issue	1	53,702,961	85,748,465	53,702,961	85,748,465
2005	New stock issue	1	941,182	86,689,647	941,182	86,689,647
2005	New stock issue	1	12,404,214	99,093,861	12,404,214	99,093,861
2005	New stock issue	1	5,998	99,099,859	5,998	99,099,859
2005	New stock issue	1	211,070	99,310,929	211,070	99,310,929
2005	New stock issue (under registration)	1	468,744	99,779,673	468,744	99,779,673

[1] Operations started in 1985 and were organized within Nocom Nordic Communication AB until February 1998. The current operating company was established in 1990.

DISTRIBUTION OF STOCKHOLDINGS, DECEMBER 31, 2005

	No. of shares	% of no. of shares	No. of stockholders	% of no. of stockholders
1 - 1,000	3,612,548	4.9	12,211	65.6
1,001 - 10,000	19,402,786	24.0	5,251	28.2
10,001 - 50,000	20,663,443	17.0	939	5.1
50,001 - 100,000	8,711,732	6.8	118	0.6
100,001 -	46,920,420	47.3	94	0.5
Subtotal	99,310,929	100.0	18,613	100.0
Subscribed paid-up shares under registration	468,744			
Total	99,779,673		18,613	

LARGEST STOCKHOLDERS, DECEMBER 31, 2005

	No. of A shares	No. of B shares	Total no. of shares	Total no. votes	% of share capital	% of votes
Stefan Skarin	1,000,000	2,300,000	3,300,000	12,300,000	3.3	11.3
Catella Case	–	5,500,000	5,500,000	5,500,000	5.5	5.0
Nordea Bank SA	–	3,322,368	3,322,368	3,322,368	3.3	3.0
Pupose AB	–	2,300,000	2,300,000	2,300,000	2.3	2.1
Björn Danckwardt-Lillieström	–	1,600,000	1,600,000	1,600,000	1.6	1.5
Manticore	–	1,500,000	1,500,000	1,500,000	1.5	1.4
AMF Pension Aktiefond-Småbolag	–	1,496,000	1,496,000	1,496,000	1.5	1.4
Tedde Jeansson Sr.	–	1,378,011	1,378,011	1,378,011	1.4	1.3
Alted AB	–	1,292,805	1,292,805	1,292,805	1.3	1.2
Anders Jonson	–	1,281,462	1,281,462	1,281,462	1.3	1.2
Others	–	76,809,027	76,809,027	76,809,027	77.0	70.0
Total	1,000,000	98,779,673	99,779,673	108,779,673	100.0	100.0

Five-year overview

INCOME STATEMENTS

SEK millions	**2005** [1]	2004 [1]	2003 [2]	2002 [2]	2001 [2]
Net sales	635.6	214.2	151.5	150.8	280.4
Operating expenses	-598.8	-195.9	-135.1	-188.6	-353.3
Depreciation of tangible assets	-7.6	-4.2	-8.0	-21.3	-25.2
Amortization of intangible assets	-2.8	-0.2	-2.9	-6.6	-14.6
Other income	8.4	–	–	–	–
Extraordinary items	–	–	–	-19.1	-67.2
Shares in profit/loss of associated companies	–	–	-0.3	-1.5	-2.9
Operating profit/loss	**34.8**	**13.9**	**5.2**	**-86.3**	**-182.8**
Result from financial investments	-0.8	-0.4	0.3	-0.8	-5.1
Profit/loss after financial items	**34.0**	**13.5**	**5.5**	**-87.1**	**-187.9**
Taxes	22.3	12.4	-2.2	-1.5	0.4
Minority interest in profit for the period	–	–	–	–	6.1
Profit for the period from discontinued operations	0.7	–	–	–	–
Profit/loss for the year	**57.0**	**25.9**	**3.3**	**-88.6**	**-181.4**

BALANCE SHEETS

SEK million	**2005** [1]	2004 [1]	2003 [2]	2002 [2]	2001 [2]
ASSETS					
Fixed assets					
Goodwill	227.6	22.6	10.1	13.1	38.8
Other intangible assets	38.3	2.8	–	–	–
Tangible assets	46.3	9.8	11.0	18.1	39.6
Financial assets	63.3	19.3	11.0	13.4	15.7
Total fixed assets	**375.5**	**54.5**	**32.1**	**44.6**	**94.1**
Current assets					
Inventories, etc.	66.7	4.8	1.0	1.7	3.1
Other current assets	27.3	6.1	5.4	6.9	12.7
Accounts receivable	150.4	57.2	40.3	30.6	56.3
Cash and cash equivalents	89.5	13.7	17.9	19.5	47.2
Total current assets	**333.9**	**81.8**	**64.6**	**58.7**	**119.3**
TOTAL ASSETS	709.4	136.3	96.7	103.3	213.4
EQUITY, PROVISIONS AND LIABILITIES					
Total equity	**448.9**	**65.7**	**23.0**	**20.3**	**108.9**
Long-term liabilities					
Interest-bearing liabilities	32.2	2.8	1.7	0.2	4.5
Provisions	16.6	–	–	–	–
Total long-term liabilities	**48.8**	**2.8**	**1.7**	**0.2**	**4.5**
Current liabilities					
Accounts payable	81.1	27.6	23.1	19.0	22.9
Interest-bearing liabilities	17.4	0.8	1.4	3.6	7.9
Provisions	2.4	–	–	–	–
Other current liabilities	110.8	39.4	47.5	60.2	69.2
Total current liabilities	**211.7**	**67.8**	**72.0**	**82.8**	**100.0**
TOTAL EQUITY, PROVISIONS AND LIABILITIES	709.4	136.3	96.7	103.3	213.4

CASH FLOWS

SEK million	**2005** [1]	2004 [1]	2003 [2]	2002 [2]	2001 [2]
Payments from customers	639.2	198.5	143.8	178.4	323.0
Payments to suppliers and employees	-631.0	-205.4	-142.8	-195.7	-366.9
Interest received	0.9	0.5	0.9	1.0	4.6
Interest paid	-1.8	-0.8	-0.5	-1.6	-1.5
Income tax paid	0.1	-0.3	0.3	-0.5	-0.6
Cash flow from operating activities	**7.4**	**-7.5**	**1.7**	**-18.4**	**-41.4**
Cash flow from investing activities	**32.9**	**-13.5**	**-3.3**	**-9.3**	**-31.7**
Cash flow from financing activities	**35.5**	**16.8**	**–**	**–**	**1.5**
Cash flow for the year	**75.8**	**-4.2**	**-1.6**	**-27.7**	**-71.6**

[1] Based on IFRS

[2] Based on recommendations and statements of the Swedish Financial Accounting Standards Council.

KEY RATIOS

	2005 [1]	2004 [1]	2003 [2]	2002 [2]	2001 [2]
Gross margin, %	5.8	8.5	10.7	-26.1	-26.4
Operating margin, %	5.5	6.5	3.4	-57.2	-65.2
Profit margin, %	5.3	6.3	3.7	-58.8	-67.0
Cash flow, %	1.2	-3.5	1.1	-12.2	-14.8
Equity/assets ratio, %	63.3	48.2	23.8	19.7	51.0
Return on equity, %	22.2	58.4	15.2	-137.2	-93.8
Return on capital employed, %	12.6	29.9	24.2	-117.3	-83.3
Interest coverage ratio	20.0	18.5	11.6	-47.1	-124.3
Capital employed, SEK million	498.5	69.3	26.1	24.1	121.3
Net interest-bearing liabilities. SEK million	-39.9	-10.1	-14.8	-15.7	-34.8
Net debt/equity ratio	-0.09	-0.15	-0.64	-0.77	-0.32
Number of employees at year-end	250	91	76	92	155
Average number of employees	212	86	77	124	229
Sales per employee, SEK million	3.0	2.5	2.0	1.2	1.2

SHARE DATA

	2005 [1]	2004 [1]	2003 [2]	2002 [2]	2001 [2]
Equity per share, SEK	4.50	2.05	0.81	0.72	3.85
Equity per share adjusted for outstanding warrants, SEK	4.35	2.05	0.81	0.72	3.85
Equity per share adjusted for full exercise of outstanding offers and warrants, SEK	4.41	2.05	0.81	0.72	3.85
Number of shares at end of period, million	99.8	32.0	28.3	28.3	28.3
Number of shares at end of period adjusted for outstanding warrants, million	110.5	32.0	28.3	28.3	28.3
Number of shares at end of period adjusted for full exercise of outstanding offers and warrants, million	117.4	32.0	28.3	28.3	28.3
Average number of shares, million	80.6	30.8	28.3	28.3	28.2
Average number of shares adjusted for outstanding warrants, million	89.0	30.8	28.3	28.3	28.2
Average number of shares adjusted for full exercise of warrants, million	94.3	30.8	28.3	28.3	28.2
Cash flow from operating activities/share, SEK	0.09	-0.24	0.05	-0.65	-1.47
Cash flow from operating activities/share adjusted for full exercise of outstanding offers and warrants, SEK	0.08	-0.24	0.05	-0.65	-1.47
Earnings per share, SEK	0.63	0.84	0.12	-3.13	-6.41
Earnings per share after dilution, SEK	0.57	0.84	0.12	-3.13	-6.41
Earnings per share adjusted for full exercise of outstanding offers and warrants, SEK	0.60	0.84	0.12	-3.13	-6.41
Dividend per share, SEK	–	–	–	–	–
Closing share price at December 31 or similar, SEK	7.25	4.07	4.35	0.81	2.95

[1] Based on IFRS
[2] Based on recommendations and statements of the Swedish Financial Accounting Standards Council.

DEFINITIONS

Gross margin
Operating profit before depreciation/amortization as a percentage of sales.

Equity
Reported equity including 72 percent of untaxed reserves.

Equity per share
Equity divided by the number of shares at the end of the period.

Cash flow
Cash flow from operating activities as a percentage of sales.

Net interest-bearing liabilities
Interest-bearing liabilities less interest-bearing assets.

Net debt/equity ratio
Net interest-bearing liabilities divided by equity.

Earnings per share
Profit for the year after tax divided by the average number of shares during the period.

Earnings per share after dilution
Earnings per share after dilution are calculated on profit attributable to equity holders in the Parent Company divided by the weighted average number of shares outstanding during the period including outstanding warrants. See also Note 25, page 44.

Return on equity
Profit after financial items less full tax as a percentage of average adjusted equity.

Return on capital employed
Profit after financial items plus financial expenses as a percentage of average capital employed.

Interest coverage ratio
Profit after financial items plus financial expenses divided by financial expenses.

Operating margin
Operating profit after depreciation/amortization as a percentage of sales.

Equity/assets ratio
Equity as a percentage of the balance sheet total.

Capital employed
Balance sheet total less interest-free liabilities.

Profit margin
Profit after financial items as a percentage of sales.

Additional information

Investments and financing

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

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

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

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

Personnel

The number of employees in the Nocom Group at year-end rose by 158 to 250 (92), an increase that is mainly attributable to the acquisitions of TurnIT and IAR Systems in March 2005.

Number of employees	December 31 2005	December 31 2004
Distribution	131	76
Software	95	–
Services	19	12
Central	5	4
Total	250	92

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

Nocom's success relies on the ability of the subsidiaries to recruit, retain and develop qualified staff. The required experience, education and the type of expertise varies between the different subsidiaries. Each company is therefore responsible for its own personnel policy, including plans for skills development, equality, health and fitness and occupational health and safety.

Environment

The Group does not conduct any operations that are subject to permitting and/or reporting requirements under the Swedish Environmental Code. The most significant sources of environmental in Nocom's operations are transports and business trips. Most of the subsidiaries have their own environmental policies.

Research and development

Development activities in the Nocom Group are conducted only by the subsidiary IAR Systems. Development activities include general and specific product development, as well as customer-financed product development. The Group's other subsidiaries conduct no independent research or development. See also Note 2.21, page 36.

Goodwill

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

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

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

Deferred tax assets

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

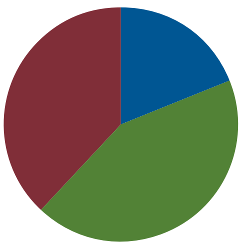
In the income statement, deferred tax income of SEK 23.1 million is recognized for the full year. The remaining increase in this balance sheet item refers to acquired deferred tax assets.

Minority interest

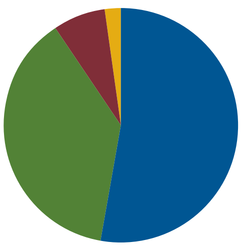
The extended acceptance period for Nocom's tender offer to the stockholders in TurnIT and IAR Systems expired on November 1, 2005. At the end of the acceptance

EMPLOYEES 2005

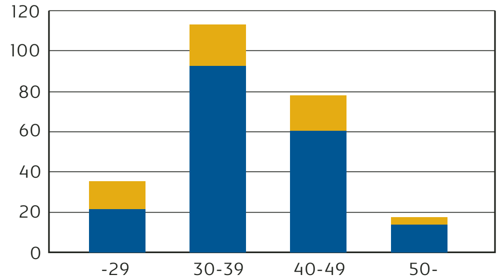
Educational level



Employees by business area



Age and gender distribution



period, Nocom's offer had been accepted by stockholders in TurnIT representing around 86.4 percent of the share capital and 87.5 percent of the votes. The Board of Nocom decided to further extend the acceptance period for stockholders in TurnIT until February 6, 2006. More information about this is provided under "Subsequent events".

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

Minority interests in TurnIT at December 31 equaled 13.6 percent of the share capital and 12.5 percent of the votes. Minority interests in IAR Systems was 2.8 percent.

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

Dividend

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

Key events after the end of the reporting period

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

On February 1, 2006, Nocom Distribution announced plans to divide its operations into three separate companies as a means for increasing specialization and boosting profitability. Information security is the main area where a focusing of resources and expertise is necessary to establish a leading position in the Nordic market. The other two units will offer IT infrastructure and web analysis products with related services.

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

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

Outlook for 2006

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

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

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

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

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

The priority for 2006 is to leverage the potential still available in the various operations, with a focus on long-term performance and profitability. The stability of Nocom's business, financial position and earnings provides a solid platform on which to continue building the new Nocom Group.

Proposed appropriation of accumulated deficit

The Board of Directors and the CEO propose that the accumulated deficit of SEK 5,396,278 be carried forward to new account.

Consolidated income statements

SEK million	Note	**2005**	2004
Net sales	1, 2, 3, 4 5, 36	635.6	214.2
Total operating income		**635.6**	**214.2**
Goods for resale	6, 37	-395.1	-122.6
Other external expenses	7, 18, 19	-59.7	-17.6
Personnel costs	8, 9, 36	-144.0	-55.7
Depreciation of tangible assets	5, 10, 11, 12	-7.6	-4.2
Amortization of intangible assets	5, 13, 14, 15, 16	-2.8	-0.2
Other income	17	5.0	–
Result from participations in group companies	20	3.4	–
Operating profit		**34.8**	**13.9**
Result from financial investments			
Result from other securities	21	–	-0.1
Interest income		1.0	0.5
Other financial items	22	-1.8	-0.8
Total result from financial investments		**-0.8**	**-0.4**
Profit before tax		**34.0**	**13.5**
Tax on profit for the year	23, 24	22.3	12.4
Profit for the year from continuing operations		56.3	25.9
Profit for the year from discontinued operations		0.7	–
Profit for the year		**57.0**	**25.9**
Profit for the year attributable to:			
Equity holders in the Parent Company		51.4	25.9
Minority interests		5.6	–
Earnings per share based on profit from continuing operations attributable to equity holders in the Parent Company during the period, SEK			
– before dilution	25	0.63	0.84
– after dilution	25	0.57	0.84
Earnings per share based on profit from discontinued operations attributable to equity holders in the Parent Company during the period, SEK			
– before dilution	25	0.01	–
– after dilution	25	0.01	–

COMMENTS ON THE CONSOLIDATED INCOME STATEMENTS

Comparative information

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

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

The results for 2004 have been positively affected by the transition to IFRS. The comparative information has been retrospectively restated for goodwill amortization in 2004. See also Note 2 for a more detailed description of the accounting policies.

Sales

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

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

Reported sales by business area

Sales	Full year	Quarter			
SEK million	**2005**	Jan-Mar	Apr-June	July-Sept	Oct-Dec
Distribution	509.7	53.5	136.0	125.0	195.2
Software	93.9	3.1	31.6	29.4	29.8
Services	32.0	4.3	8.7	10.0	9.0
Group	**635.6**	**60.9**	**176.3**	**164.4**	**234.0**

Distribution

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

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

The Distribution business area had a successful year with powerful growth and a stable earnings trend. All of the subsidiaries ended the year strong with a number of significant orders.

Software

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

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

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

Aside from increased license sales, IAR Systems signed three major strategic development agreements with leading global chip makers. The agreements call for intensive development work and offer considerable scope for additional orders and license revenue over the next few years.

Services

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

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

The companies moved into shared premises during the summer and were organized under a joint President in early October. Additional synergies are anticipated and the companies are moving towards greater integration of their market offering. UNC Systems has an established customer base among industry associations, small municipalities and non-profit organizations, and during the autumn launched a comprehensive web publication and content management solution (CMS) for the Comfort retail plumbing supply chain.

Operating profit

Operating profit for 2005 was SEK 34.8 (13.9) million. The acquired companies are consolidated as of March 22 (TurnIT and IAR Systems) and July 1 (UNC Systems).

Operating margin for the full year 2005 was 5.5 (6.5) percent.

Reported operating profit by business area

Operating profit	Full year	Quarter			
SEK million	**2005**	Jan-Mar	Apr-June	July-Sept	Oct-Dec
Distribution	26.1	0.0	4.9	7.4	13.8
Software	13.0	0.3	3.6	4.9	4.2
Services	-1.9	-1.2	-1.3	0.5	0.1
Central	-2.4	-2.1	1.6	-2.5	0.6
Group	**34.8**	**-3.0**	**8.8**	**10.3**	**18.7**
Operating margin, %	5.5	-4.9	5.0	6.3	8.0

Following a review of disputes in TurnIT, the executive management set up a working group to pursue an earlier TurnIT dispute. As part of the agreement, Nocom received a sum of SEK 5.0 million during the summer and Nocom and its partner have gained greater freedom of action in ongoing handling of the dispute, which concerns a mutual third party. This item had a positive effect on profit and is reported above in the business area "Central" in the second quarter.

In May 2005, a settlement was reached in a previous TurnIT dispute whereby TurnIT was charged with a sum of SEK -7.5 million. In the preliminary acquisition balance, this obligation was stated at SEK -9.0 million. The positive difference of SEK +1.5 million had no effect on profit. Instead, the adjustment has affected the preliminary acquisition balance and has thereby reduced goodwill to a corresponding extent.

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

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

Distribution

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

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

SEK million	Full year 2005	Quarter Jan-Mar	Apr-June	July-Sept	Oct-Dec
Sales	509.7	53.5	136.0	125.0	195.2
Operating expenses	-478.8	-52.8	-129.9	-116.0	-180.1
Depreciation of tangible assets	-3.6	-0.6	-0.9	-1.1	-1.0
Amortization of intangible assets	-1.2	-0.1	-0.3	-0.5	-0.3
Operating profit	**26.1**	**0.0**	**4.9**	**7.4**	**13.8**
Operating margin, %	5.1	0.0	3.6	5.9	7.1

Software

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

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

SEK million	Full year 2005	Quarter Jan-Mar	Apr-June	July-Sept	Oct-Dec
Sales	93.9	3.1	31.6	29.4	29.8
Operating expenses	-78.7	-2.7	-27.3	-23.9	-24.8
Depreciation of tangible assets	-0.9	-0.1	-0.3	-0.2	-0.3
Amortization of intangible assets	-1.3	-0.0	-0.4	-0.4	-0.5
Operating profit	**13.0**	**0.3**	**3.6**	**4.9**	**4.2**
Operating margin, %	13.8	9.7	11.4	16.7	14.1

Services

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

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

SEK million	Full year 2005	Quarter Jan-Mar	Apr-June	July-Sept	Oct-Dec
Sales	32.0	4.3	8.7	10.0	9.0
Operating expenses	-30.5	-5.2	-8.9	-8.4	-8.0
Depreciation of tangible assets	-3.1	-0.3	-1.1	-1.0	-0.7
Amortization of intangible assets	-0.3	–	–	-0.1	-0.2
Operating profit	**-1.9**	**-1.2**	**-1.3**	**0.5**	**0.1**
Operating margin, %	-5.9	-27.9	-14.9	5.0	1.1

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

Taxes

For 2005 Nocom reported a tax asset of SEK 22.3 million, including a deferred tax asset of SEK 23.1 million, resulting from a new assessment of the Group's future earnings ability. The estimated value of Group's loss carryforwards has increased and at December 31, 2005, amounted to a cumulative total of approximately SEK 442 million. In the balance sheet, the current estimated value of these losses is SEK 61.6 (19.6) million. This item consists of capitalized temporary differences and acquired loss carryforwards.

Profit for the year

Profit after tax is reported at SEK 57.0 (25.9) million. Profit for the year attributable to equity holders in the Parent Company was SEK 51.4 (25.9) million, equal to earnings per share of SEK 0.63. Upon full exercise of offers and outstanding warrants, earnings per share would be SEK 0.60.

Consolidated balance sheets

SEK million	Note	2005	2004
	1, 2, 3		
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	13	227.6	22.6
Brands	14	30.1	2.8
Software	15	3.0	–
Customer contracts	16	5.3	–
		265.9	**25.4**
Tangible assets			
Leasehold improvements	10	2.9	3.4
Equipment	11	16.6	6.4
Buildings	12	26.8	–
		46.3	**9.8**
Financial assets			
Other long-term securities	27	1.1	–
Other long-term receivables		0.6	0.5
Deferred tax asset	23	61.6	18.8
		63.3	**19.3**
Total fixed assets		**375.5**	**54.5**
Current assets			
Inventories, etc.			
Goods for resale	28	66.7	4.8
Current receivables			
Accounts receivable		150.4	57.2
Tax assets		2.0	–
Other current receivables		12.8	1.9
Prepaid expenses and accrued income	29	12.5	4.2
		244.4	**68.1**
Cash and cash equivalents	30	89.5	13.7
Total current assets		**333.9**	**81.8**
TOTAL ASSETS		**709.4**	**136.3**
EQUITY, PROVISIONS AND LIABILITIES			
Equity	31		
Share capital		99.8	32.1
Other contributed capital		264.0	22.2
Translation differences		-0.2	-0.1
Retained profit including profit for the year		71.3	11.5
Minority interest		14.0	–
Total equity		**448.9**	**65.7**
Long-term liabilities			
Long-term interest-bearing liabilities	32	32.2	2.8
Long-term provisions	33	6.0	–
Deferred tax liabilities		10.6	–
Total long-term liabilities		**48.8**	**2.8**
Current liabilities			
Accounts payable		81.1	27.6
Current interest-bearing liabilities		17.4	0.8
Provisions	33	2.4	–
Other current liabilities		30.2	16.3
Accrued expenses and deferred income	34	80.6	23.1
Total current liabilities		**211.7**	**67.8**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**709.4**	**136.3**
Pledged assets	38	69.7	16.1
Contingent liabilities		–	–

Consolidated statement of changes in equity

SEK million	Note	Share capital	Other contributed capital	Translation reserve	Retained profit	Total equity
	31					
Equity, December 31, 2003		**28.3**	**22.7**		**-28.0**	**23.0**
New stock issues		3.8	13.1		–	16.9
Translation differences		–	–	-0.1		-0.1
Total changes in equity not recognized in the income statement		**3.8**	**13.1**	**-0.1**	**–**	**16.8**
Transfers between other contributed capital and retained profit		–	-13.6		13.6	–
Profit for the year		–	–		25.9	25.9
Equity at December 31, 2004		**32.1**	**22.2**	**-0.1**	**11.5**	**65.7**
New stock issues		67.7	263.3			331.0
Issue expenses			-4.7			-4.7
Translation differences				-0.1		-0.1
Total changes in equity not recognized in the income statement		**67.7**	**258.6**	**-0.1**	**–**	**326.2**
Transfers between other contributed capital and retained profit			-16.8		16.8	–
Profit for the year					57.0	57.0
Equity at December 31, 2005		**99.8**	**264.0**	**-0.2**	**85.3**	**448.9**
– of which minority interest in equity						14.0

COMMENTS ON THE CONSOLIDATED BALANCE SHEETS

ASSETS

Assets at year-end 2005 amounted to SEK 709.4 million, up by SEK 573.1 million over the previous year. The increase is mainly attributable to the acquisitions of TurnIT and IAR Systems in 2005.

Intangible assets totaled SEK 265.9 (25.4) million. The bulk of these, SEK 227.6 million, comprised goodwill, of which SEK 194.2 million consisted of consolidated goodwill arising on the acquisitions of TurnIT and IAR Systems. Intangible assets in the form of brands, customer contracts and product development amounted to SEK 38.4 million at December 31.

Tangible assets are reported at SEK 46.3 (9.8) million. Corporate acquisitions had a powerful impact on the year's investments. Net investments amounted to SEK 44.1 (1.5) million, most of which is attributable to the property where the TurnIT company SweDeltaco conducts its operations.

Financial assets amounted to SEK 63.3 (19.3) million, of which the deferred tax asset attributable to loss carryforwards accounted for SEK 61.6 million. Deferred tax assets attributable to loss carryforwards are recognized only to the extent that it is probable that these can be offset against future taxable profits. At December 31, 2005, the Group had cumulative loss carryforwards of approximately SEK 442 million. This item consists of capitalized temporary differences and acquired loss carryforwards.

Inventories amounted to SEK 66.7 (4.8) million. Nocom's strong finances are making it possible to gain competitive advantages by aggregating purchasing volumes and raising the share of advance payments to suppliers. This is increasing the amount of capital tied up in inventory, but is also providing opportunities to strengthen profitability and relationships with customers that demand higher volumes and faster delivery.

Accounts receivable amounted to SEK 150.4 (57.2) million. A large share of sales in the Distribution business area are booked late in the quarter, increasing capital tied up in accounts receivable. In general, the amount of tied-up capital is highest at year-end.

Cash and cash equivalents totaled SEK 89.5 (13.7) million. The Group has a strong financial position and net liquidity at year-end was SEK 39.9 million. The Group's available cash and cash equivalents at December 31 totaled SEK 119.1 million.

EQUITY AND LIABILITIES

Consolidated equity rose from SEK 65.7 million to SEK 448.9 million in 2005. Most of the increase is explained by the new stock issues carried out during the year to finance the acquisitions of TurnIT and IAR Systems and to strengthen the Group's financial position. Minority interest in equity was SEK 14.0 million. No dividends were paid during the year. The equity/assets ratio on the balance sheet date was 63 (48) percent.

Long-term liabilities are reported at SEK 48.8 (2.8) million, of which interest-bearing liabilities account for SEK 32.2 (2.8) million. Interest-bearing liabilities increased significantly as a result of the acquisitions of TurnIT and IAR Systems. In connection with refinancing of the Group, a portion of interest-bearing liabilities was amortized. Long-term provisions amounted to SEK 6.0 million and refer to estimated additional purchase consideration for the acquisition of UNC Systems.

Current liabilities amounted to SEK 211.7 (67.8) million, including interest-bearing liabilities of SEK 17.4 (0.8) million.

Consolidated cash flow statements

SEK million	Note	2005	2004
	35		
Operating activities			
Payments from customers		639.2	198.5
Payments to suppliers and employees		-631.0	-205.4
Cash flow from operating activities before paid interest and income taxes		**8.2**	**-6.9**
Interest received		0.9	0.5
Interest paid		-1.8	-0.8
Income taxes paid		0.1	-0.3
Cash flow from operating activities		**7.4**	**-7.5**
Investing activities			
Investments in tangible assets		-3.0	-1.3
Acquisition of subsidiaries	36	35.5	-16.4
Sale of (+)/investments in (-) other financial assets		0.4	4.2
Cash flow from investing activities		**32.9**	**-13.5**
Financing activities			
New stock issue		84.1	16.8
Amortization of financial liabilities		-48.6	–
Cash flow from financing activities		**35.5**	**16.8**
Cash flow for the year		75.8	-4.2
Cash and cash equivalents at beginning of year		13.7	17.9
Cash and cash equivalents at end of year		89.5	13.7
Unutilized overdraft facilities		29.6	9.2
Total available cash and cash equivalents		**119.1**	**22.9**

COMMENTS ON THE CONSOLIDATED CASH FLOW STATEMENTS

Cash flows, cash and cash equivalents

	Full year	Quarter			
SEK million	**2005**	Jan-Mar	Apr-June	July-Sept	Oct-Dec
Cash flow from operating activities	7.4	-2.9	-8.9	3.7	15.5
Cash flow from investing activities	32.9	19.3	22.7	-6.4	-2.7
Cash flow from financing activities	35.5	31.0	2.8	-0.3	2.0
Total cash flow	**75.8**	**47.4**	**16.6**	**-3.0**	**14.8**
Total available cash and cash equivalents	**119.1**	**130.3**	**108.2**	**103.6**	**119.1**

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

Cash flow from operating activities was SEK 7.4 (-7.5) million. A large share of sales is booked late in the quarter and considerable capital was tied up in accounts receivable at the end of each quarter. Although accounts receivable rose by nearly SEK 30 million and an additional SEK 18 million was tied up in inventories in the Distribution business area during the fourth quarter, cash flow for the period improved significantly.

In May 2005, a settlement was reached in a previous TurnIT dispute whereby TurnIT was charged with a sum of SEK -7.5 million. In the preliminary acquisition balance, this obligation was stated at SEK -9.0 million. The positive difference of SEK +1.5 million had no effect on profit. Cash flow from operating activities was charged with a sum of SEK 7.5 million in the second quarter due to the settlement.

Cash flow was positively affected by a gain of SEK 5.0 million in the third quarter resulting from an agreement reached earlier in the year regarding treatment of a dispute in the TurnIT Group.

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

Cash flow from financing activities was SEK 35.5 (16.8) million. This cash flow was partly attributable to payments received for the shares subscribed for through the exercise of outstanding warrants during the year and partly to amortization of interest-bearing liabilities.

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

Parent Company income statements

SEK million	Note	2005	2004
Net sales	1, 2, 3, 4 5, 6, 37	7.5	19.3
Operating income		**7.5**	**19.3**
Goods for resale	37	-0.0	-0.0
Other external expenses	7, 18, 19	-4.3	-8.8
Personnel costs	8, 9, 37	-8.0	-13.5
Depreciation of tangible assets	5, 10, 11, 12	-1.3	-1.4
Operating profit		**-6.1**	**-4.4**
Result from financial investments			
Result from participations in group companies	20	2.5	-7.4
Result from other securities	21	–	-0.1
Interest income		1.3	0.1
Other financial items	22	-0.4	-0.0
Total result from financial investments		**3.4**	**-7.4**
Loss before tax		**-2.7**	**-11.8**
Tax on loss for the year	23, 24	-1.9	4.5
Loss for the year		**-4.6**	**-7.3**

Parent Company balance sheets

SEK million	Note	2005	2004
	1, 2, 3		
ASSETS			
Fixed assets			
Tangible assets			
Leasehold improvements	10	0.0	0.2
Equipment	11	1.5	1.8
		1.5	**2.0**
Financial assets			
Shares in subsidiaries	26	299.4	50.5
		299.4	**50.5**
Total fixed assets		**300.9**	**52.5**
Current assets			
Current receivables			
Accounts receivable		0.0	0.1
Receivables from subsidiaries		74.7	22.2
Tax asset		0.4	–
Other current receivables		0.0	0.5
Prepaid expenses and accrued income	29	0.2	0.8
		75.3	**23.6**
Cash and cash equivalents	30	22.3	0.1
Total current assets		**97.6**	**23.7**
TOTAL ASSETS		**398.5**	**76.2**
EQUITY, PROVISIONS AND LIABILITIES			
Equity	31		
Restricted equity			
Share capital		99.8	32.1
Restricted reserves		270.2	29.1
		370.0	**61.2**
Non-restricted equity			
Accumulated deficit		-0.8	11.5
Loss for the year		-4.6	-7.3
		-5.4	**4.2**
Total equity		**364.6**	**65.4**
Long-term liabilities	32		
Long-term interest-bearing liabilities		15.0	–
Total long-term liabilities		**15.0**	**–**
Current liabilities			
Accounts payable		4.8	1.2
Liabilities to subsidiaries		1.3	7.0
Current interest-bearing liabilities		10.0	-
Other current liabilities		0.8	0.3
Accrued expenses and deferred income	34	2.0	2.3
Total current liabilities		**18.9**	**10.8**
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**398.5**	**76.2**
Pledged assets	38	250.2	1.4
Contingent liabilities		–	–

Parent Company statement of changes in equity

SEK million	Note	Share capital	Share premium reserve	Statutory reserve	Accumulated deficit	Total equity
	31					
Equity, December 31, 2003		**28.3**	**29.5**	**0.1**	**-13.6**	**44.3**
New stock issue		3.8	13.1	–	–	16.9
Group contributions received		–	–	–	16.0	16.0
Tax effect of group contributions		–	–	–	-4.5	-4.5
Total changes in equity not recognized in the income statement		**3.8**	**13.1**	**–**	**11.5**	**28.4**
Transfers between non-restricted and restricted equity		–	-13.6	–	13.6	–
Loss for the year		–	–	–	-7.3	-7.3
Equity at December 31, 2004		**32.1**	**29.0**	**0.1**	**4.2**	**65.4**
Net stock issue		67.7	245.8	–	–	313.5
Issue expenses		–	-4.7	–	–	-4.7
Group contributions received		–	–	–	0.1	0.1
Group contributions paid		–	–	–	-7.0	-7.0
Tax effect of group contributions		–	–	–	1.9	1.9
Total changes in equity not recognized in the income statement		**67.7**	**241.1**	**–**	**-5.0**	**303.8**
Transfers between non-restricted and restricted equity		–	–	–	–	–
Transfers between share premium reserve and statutory reserve		–	-270.1	270.1	–	–
Loss for the year		–	–	–	-4.6	-4.6
Equity at December 31, 2005		**99.8**	**0.0**	**270.2**	**-5.4**	**364.6**

Parent Company cash flow statements

SEK million	Note	2005	2004
Operating activities			
Payments from customers		8.8	16.9
Payments to suppliers and employees		-13.6	-20.4
Cash flow from operating activities before paid interest and income taxes		**-4.8**	**-3.5**
Interest received		1.3	0.1
Interest paid		-0.4	-0.0
Dividends received		2.5	–
Cash flow from operating activities		**-1.4**	**-3.4**
Investing activities			
Investments in tangible assets		-0.8	-0.2
Acquisition of subsidiaries	36	–	-20.3
Loans to subsidiaries		-53.6	-14.1
Sale of (+)/investments in (-) other financial assets		–	3.9
Cash flow from investing activities		**-54.4**	**-30.7**
Financing activities			
New stock issue		59.9	16.9
Borrowings		25.0	
Group contributions		-6.9	16.0
Cash flow from financing activities		**78.0**	**32.9**
Cash flow for the year		22.2	-1.2
Cash and cash equivalents at beginning of year		0.1	1.3
Cash and cash equivalents at end of year		22.3	0.1
Unutilized overdraft facilities		15.0	–
Total available cash and cash equivalents		**37.3**	**0.1**

Notes

NOTE 1 GENERAL INFORMATION

Nocom AB (publ), corporate identity number 556400-7200, is a registered public limited company domiciled in Stockholm, Sweden. The address to the company's head office is Box 57, SE-171 74 Solna, Sweden. The Parent Company is listed on the O list of the Stockholm Stock Exchange. Since January 2006 the Nocom share is quoted on the Attract 40 segment for the most actively traded shares on the O list.

These consolidated financial statements were approved by the Board of Directors for publication on March 20, 2006.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Group

2.1 Basis of presentation of financial reports for the Parent Company and Group

Nocom's consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which have been endorsed by the European Commission for application in the EU. This financial report is the first complete financial report in conformity with IFRS. In connection with the transition from the previous accounting policies to IFRS, the Group has applied IFRS 1, First-Time Adoption of IFRS. Furthermore, the Swedish Financial Accounting Standards Council's recommendation RR 30, Supplementary Rules for Consolidated Financial Statements, has been applied.

The functional currency of the Parent Company is Swedish kronor (SEK), which is also the presentation currency of the Parent Company and the Group. The consolidated financial statements are thus presented in SEK. Unless otherwise stated, all amounts are rounded off to the nearest hundred thousand. Assets and liabilities are stated at cost.

The preparation of financial reports in compliance with IFRS requires the use of critical accounting estimates and assumptions. When preparing the financial statements, the management is also required to make certain estimates and assumptions in application of the company's accounting policies. The estimates and assumptions are based on historical experience and a number of other factors which are deemed reasonable under the prevailing circumstances. The results of these estimates and assumptions are then used as a basis for decisions concerning the reported values of assets and liabilities unless such can be determined through information from other sources. Actual outcomes may differ from these estimates and assumptions.

The areas that contain a large degree of estimates, which are complex or where the assumptions and estimates are of material significance for the consolidated financial statements, are specified in Note 4.

According to IAS 8, pages 30-31 are associated with certain disclosure requirements regarding standards and interpretations that have not yet gone into effect and have not been applied by the company. The following standards and interpretations have been published, but are not yet effective. Nocom has chosen not to adopt any of these standards prematurely.

Standard or interpretations (effective date)

IAS 1	Amendment Capital Disclosures (January 1, 2007)
IAS 19	Amendment – Actuarial Gains and Losses, Group Plans and Disclosures (January 1, 2006)
IAS 21	Amendment – Net investment in a Foreign Operation (January 1, 2006)
IAS 39	Amendment Cash Flow Hedge Accounting of Forecast Intragroup Transactions (January 1, 2006)
IAS 39	Amendment – The Fair Value Option (January 1, 2006)
IAS 39 and IFRS 4	Amendment Financial Guarantee Contracts (January 1, 2006)
IFRS 1	First-time Adoption of IFRS, and IFRS 6 Amendment (before Jan. 1, 2006)
IFRS 6	Exploration for and Evaluation of Mineral Resources (January 1, 2006)
IFRS 7	Financial Instruments: Disclosures (Jan. 1, 2007)
IFRIC 4	Determining whether an Arrangement contains a Lease (January 1, 2006)
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (January 1, 2006)
IFRIC 6	Liabilities arising from Participating in a Specific Market: Waste Electrical and Electronic Equipment (December 31, 2005)
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (March 1, 2006)
IFRIC 8	Scope of IFRS 2 (March 1, 2006)

Note 40 contains a reconciliation and description of the effects of IFRS transition on the Group's results, financial position and reported cash flows.

The Parent Company applies the same accounting policies as the Group, except for in those cases described under "Parent Company accounting policies". Any deviations between the polices applied by the Parent Company and the Group are a result of limitations in the scope for IFRS conformity in the Parent Company due to its application of the Swedish Annual Accounts Act and the Pension Protection Act, etc., and in certain cases due to tax considerations.

2.2 Scope of consolidation

Subsidiaries are all companies (including special-purpose companies) in which the Group has the right to govern the operating and financial and policies in a manner normally determined by the ownership of more than 50 percent of the voting stock. The existence and effect of potential voting rights which are currently possible to exercise or convert are a factor to be considered in deciding whether significant influence exists. Subsidiaries are included in the consolidated financial statements from the date on which control passes to the Group, and are excluded from the consolidated financial statements from the date on which the controlling influence ceases.

The consolidated financial statements have been prepared in accordance with the purchase method of accounting. The cost of a business combination is measured at the sum of fair values of assets given, equity instruments issued by the acquirer and liabilities incurred or assumed on the date of exchange, and any costs directly attributable to the acquisition. The acquired identifiable assets, liabilities, and contingent liabilities are measured initially by the acquirer at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess that comprises the difference between the Group's cost of acquisition and the fair value of acquired identifiable net assets is reported as goodwill. If the fair value of the acquired subsidiary's net assets exceeds the Group's cost of acquisition, the difference is recognized immediately in the income statement.

All intra-group transactions, balances and unrealized gains on transitions between group companies are eliminated on consolidation. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the sold asset. In certain cases, the accounting policies of subsidiaries have been changed to guarantee consistent application of the Group's policies.

2.3 Segment reporting

A business segment is an identifiable component of the Group that provides products or services and is subject to risks and returns that are different from those of other segments.

The Group is organized in three main business segments which comprise the primary segments; Distribution, Software and Services. The Distribution business segment sells software licenses and related support services in the areas of security, analysis and infrastructure. The Software business segment consists of IAR Systems, which is specialized in software for programming of microprocessors in embedded systems. The Services business segment is focused on sales of advanced IT hosting services and comprehensive communication solutions.

The income, expenses and profit of the different business segments have been affected by intra-group deliveries, which are eliminated on consolidation. The secondary segments consist of the geographical areas where the Group's customers are based.

2.4 Foreign currency translation

Items included in the financial statements of the Group's subsidiaries are measured using the currency of the primary economic environment in which the subsidiary operates (functional currency). The consolidated financial statements are presented in Swedish kronor (SEK), which is the functional and presentation currency of the Parent Company.

The profit and financial position of all group companies (of which none is in a hyperinflationary economy) which have a functional currency other than the presentation currency are translated to the Group's presentation currency as follows:

- assets and liabilities in each of the balance sheets are translated at the closing day rate,
- income and expenses in each of the income statements are translated at the average rate of exchange (unless this average rate is not a reasonable approximation of the cumulative effect of actual rates on the respective transaction dates, in which case income and expenses are translated at the rate ruling on the transaction date), and
- all resulting exchange differences are recognized as a separate component of consolidated equity.

On consolidation, any exchange differences arising from translation of the net investments of foreign operations, as well as borrowings and other foreign currency instruments identified as hedges of such investments, are recognized in equity. When a foreign operation is disposed of, the cumulative amount of exchange differences attributable to the operation is realized in the income statement as part of the capital gain/loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of this operation and are translated at the closing day rate of exchange.

The following exchange rates have been used:

Country	Currency	Closing day rate		Average rate	
Denmark	1 DKK	1.2640	(1.2115)	1.2447	(1.2199)
Finland, Germany	1 EUR	9.4300	(9.0070)	9.3039	(9.1210)
Norway	1 NOK	1.1760	(1.0900)	1.1525	(1.0900)
UK	1 GBP	13.7325	(–)	13.5782	(–)
USA	1 USD	7.9525	(–)	7.4775	(–)
Japan	1 JPY	0.0678	(–)	0.0678	(–)

2.5 Tangible assets

All tangible assets are recognized at cost less accumulated depreciation and any impairment losses. Subsequent expenditure is added to the recorded value of the asset or recognized as a separate asset when it is probable that the future economic benefits associated with the asset will flow the Group and the cost of the asset can be measured reliably. All other types of repair and maintenance are expensed in the income statement for the period in which they arise.

Tangible assets are depreciated on a straight-line basis over the estimated useful life of the asset. The following depreciation periods are used:

Computers	3 years
Other equipment	5 years
Buildings	50 years
Leasehold improvements:	
Remaining lease period	1-5 years

2.6 Intangible assets

a) Goodwill

Goodwill comprises the amount by which the Group's cost of acquisition for the shares in a subsidiary exceeds the fair value of net assets in a subsidiary on the acquisition date. Goodwill arising on the acquisition of subsidiaries is recognized as an intangible asset. Goodwill is tested for impairment annually to look for any indication of impairment and is measured at cost less accumulated impairment losses. Capital gains/losses on the sale of a unit include the remaining recognized value of goodwill attributable to the sold unit.

b) Brands

Brands are measured at cost. Brands have a definite useful life and are recognized at cost less accumulated amortization. Brands are depreciated over a period of 5-15 years.

c) Software

Software is measured at cost. Software has a definite useful life and is recognized at cost less accumulated amortization. Software is depreciated on a straight-line basis in order to allocate the cost of the software over its useful life, which is estimated at 12 years.

2.7 Impairment

Assets with indefinite lives are not amortized but are tested for impairment at least annually. Amortizable assets are tested for impairment whenever circumstances or events indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is calculated as the higher of fair value less costs to sell and value in use.

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is measured according to the First-In, First-Out (FIFO) principle. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.9 Financial instruments

The Group uses only financial instruments classified as either loans and receivables or as financial liabilities. The management determines the classification of these instruments on initial recognition and reassesses this decision at each subsequent reporting date.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Such receivables arise when an entity provides cash, goods or services directly to a customer with no intent of trading the resulting receivable. These are included in current assets, with the exception of items maturing more than 12 months from the closing date which are classified as fixed assets. Loans and receivables are included in the items "Other current receivables" and "Accounts receivable". See also section 2.10 below.

(b) Financial liabilities

Financial liabilities include all liabilities where there is a contractual obligation to deliver cash or another financial asset to another entity. Both borrowings and accounts payable are designated as financial liabilities, since there is a contractual obligation to deliver cash or another financial asset to another entity.

(c) Available-for-sale financial assets

Available-for-sale financial assets are subsequently measured at fair value.

2.10 Accounts receivable

Accounts receivable are initially measured at fair value and subsequently at amortized cost using the effective interest rate method, less any provisions for value impairment. A provision for value impairment of accounts receivable is made when there is objective evidence that the Group will not be able to recover the full amount due according to the original terms of a receivable. The size of the provision consists of the difference between the carrying amount of an asset and the present value of estimated future cash flows discounted by the effective interest rate. The provision is recognized in the income statement.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank (or equivalent institutions) and other highly liquid short-term investments with original maturities of less than three months.

2.12 Borrowing

Borrowings are initially measured at fair value net of transaction costs. Borrowings are subsequently measured at amortized cost and any differences between the amount received (net of transaction costs) and the amount to be repaid on maturity amortized over the period to maturity using the effective interest method and is recognized in the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to postpone payment of the liabilities for at least 12 months after the balance sheet date.

2.13 Share capital

The company's ordinary shares are classified as share capital.

Transaction costs directly attributable to the issue of new stock or warrants are recognized, net of tax, in equity as a deduction from the issue proceeds.

2.14 Deferred tax

Reported income taxes consists of current tax payable or receivable with respect to the year's profit or loss, adjustments in current tax from earlier years and changes in deferred tax. All tax liabilities/assets are measured at nominal value with the application of the tax rules and tax rates that have been enacted or substantively enacted by the balance sheet date. For items recognized in the income statement, the related tax effects are reported in the income statement. The tax effects of items recognized directly in equity are also recognized in equity. Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between the carrying amount of an asset or liability and its tax base.

Temporary differences are not recognized for consolidated goodwill or for participations in subsidiaries that are not expected to be taxed within the foreseeable future.

Deferred tax assets comprising tax loss carryforwards and other future tax deductions are recognized to the extent that it is probable that these can be used against future taxable profits.

2.15 Employee benefits

a) Pension obligations

The Group has predominantly defined contribution pension plans, which means that each company pays a fixed contribution to a separate legal entity and has no legal or constructive obligation to make further payments. Contributions payable under defined contribution plans are recognized as an expense in the period in which they arise.

b) Termination benefits

Employment contracts can be terminated with a notice period of three to twelve months. With certain exceptions, the notice period applies regardless of which party terminates the contract. The main exception is that Nocom is always subject to compliance with any longer notice period that is stipulated by law.

The notice period on the part of the company with regard to the CEO is 12 months with full salary and a maximum of six months termination benefits. Other senior executives have employment contracts that stipulate mutual notice periods of three to six months. In addition, the CFO has a maximum of three months severance pay.

2.16 Revenue recognition

Net sales consist of the fair value of revenue arising from the sale of goods and services, net of VAT and discounts and after elimination of intra-group sales. Revenue is reported as follows:

Distribution business area

Net sales consist of revenue arising from the sale of computer accessories, software licenses, support and software service contracts, expert software support and training services. Revenue from software license fees and software service contracts, where companies in the Nocom Group have no obligation to the customer, is recognized on delivery. Revenue from support and service contracts where companies in the Nocom Group have an obligation to the customer is accrued over the term of the contract.

Expert support and training are charged on running account, whereby revenue is recognized in proportion to the stage of completion.

Software business area

Net sales consist of revenue arising from the sale of programming tools for embedded systems, consulting and training services, new development contracts and maintenance contracts. Software license fees are recognized on delivery. Revenue from consulting and training services is recognized in proportion to the stage of completion. Contract work is of two different types, new development contracts and maintenance contracts, both of which are carried out at a fixed price. Revenue from new development contracts is recognized in proportion to the stage of completion when the outcome can be estimated reliably. If the outcome cannot be estimated reliably, contract revenue is recognized in proportion to contract costs incurred for work performed on the balance sheet date, and no profit is recognized until the assignment is completed. Revenue from maintenance and support contracts is accrued over the term of the contract.

Services business area

Net sales consist of revenue arising from the sale of operating and consulting services. Revenue includes start-up revenue which is recognized at the start of each project, and ongoing revenue which is recognized over the term of the contract. Consulting services are performed primarily on running account, whereby revenue is recognized in proportion to the stage of completion. Work in progress less progress billings is recognized as a current asset. The company's assessment is that the apportionment between start-up revenue and ongoing revenue corresponds to the actual value of each subcomponent.

2.17 Exchange gains and losses

Realized exchange gains/losses including forward hedges attributable to purchases in the normal course of business are recognized in cost of goods sold. Exchange gains/losses arising on revaluation of loans and financial receivables in foreign currencies are recognized in financial income or expenses.

The Group had no outstanding forward hedges at December 31, 2004, or December 31, 2005.

2.18 Finance leases

When a lease transfers substantially all the risks and rewards incident to ownership to the Group, the leased object is recognized as a fixed asset in the consolidated balance sheet. The corresponding obligation to pay future leasing charges is reported as a liability.

The Parent Company classifies all leases, whether finance or operating, as operating leases.

2.19 Borrowings

Borrowing costs are charged to profit for the period in which they arise, regardless of how the borrowed funds have been used.

2.20 Cash flow statement

The cash flow statement is presented according to the direct method. The reported cash flow includes only transactions involving cash receipts and cash payments.

Aside from cash and bank balances, cash and cash equivalents are defined as short-term financial investments that are traded on an open market at known amounts and have a remaining maturity of less than three months from the date of purchase.

2.21 Research and development

Costs for research and development are reported according to IAS 38, Intangible Assets, which states that an intangible asset is recognized only when an enterprise has control over an identifiable asset that is expected to generate future economic benefits. In the Nocom Group, only IAR Systems conducts certain research activities. The Group recognizes development costs as intangible assets when the Group has adequate technical and financial resources to complete development and the value of the asset can be measured reliably. Development costs refer to costs where research findings or other knowledge is used to achieve new or improved products.

Development work is conducted in two areas, general development and specific product development. The Group's costs for development technical platform components are charged to expense as incurred, since it not possible, on completion of the development work, to assess with adequate certainty the future economic benefits generated by the finished products, i.e. the software based on the platform components and subsequent development work.

2.22 Discontinued operations

For fixed assets whose carrying amounts will be recovered primarily through a sale and not through use, these are classified as non-current assets held for sale and are measured at the lower of carrying amount and fair value less costs to sell. For the Nocom Group, this means that the acquired net assets of the TurnIT subsidiaries Arete AB, Arete Datastöd AB and Arete Affärssystem AB have been valued at net selling price in the acquisition analysis prepared for the acquisition of the TurnIT Group. Profit in these units during the period of holding is recognized in income statement within profit from discontinued operations.

Parent Company

2.23 Parent Company accounting policies

The annual financial statements of the Parent Company are presented in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RR32, Accounting for Legal Entities. RR 32 states that in the report for the legal entity, the Parent Company shall apply all EU-endorsed IFRS and statements as far as possible within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation.. This recommendation defines the exceptions and additional disclosures compared with IFRS. The differences between the accounting standards applied by the Group and the Parent Company are described below.

The following accounting standards for the Parent Company have been applied consistently for all periods presented in the Parent Company financial statements.

2.24 Group and stockholder contributions
Group and stockholder contributions are reported in accordance with a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force, URA 7. Stockholder contributions are thus recognized directly in equity by the recipient and are capitalized in shares and participations by the giver, after which the value of participations of the giver is tested for impairment in accordance with the Financial Accounting Standards Council's recommendation 17, Impairment. Group contributions are reported in accordance with their financial significance. This means that Group contributions paid to minimize the Group's overall tax burden are reported directly in equity less the current tax effect.

2.25 Finance leases
The Parent Company classifies all leases, whether finance or operating, as operating leases.

2.26 Sickness absence
Because the Parent Company has fewer than ten employees, no information about sickness absence is disclosed.

2.27 Dividends
The Parent Company recognizes dividends from subsidiaries when the right to receive payment is deemed certain.

2.28 Participations in group companies
The Parent Company recognizes participations in group companies at cost less any impairment losses. Dividends from subsidiaries are recognized only to the extent that these are paid on profits arising after the acquisition date.

2.29 Financial instruments
Financial instruments that are recognized in the balance sheet include accounts receivable, accounts payable and borrowings. For all financial instruments, market value is deemed to correspond to book value.

NOTE 3 FINANCIAL RISK MANAGEMENT

(a) Operating risks

Suppliers
Several of Nocom's subsidiaries function as distributors for major foreign manufacturers, and it is vital for Nocom's success that these partnerships are maintained. Contracts have been signed with a few suppliers – often on an annual basis – while other partnerships are based on longstanding non-formalized contacts. Even though Nocom regards these arrangements as successful and enduring, it is possible for these supplier relationships to change or be terminated at short notice.

Resellers
The subsidiaries in distribution operations work with a large number of different resellers, of which no single reseller accounts for a dominant share of sales. Consequently, the subsidiaries' dependency on individual resellers is minor.

Customers
The subsidiaries in Nocom's Software and Service business areas strive to establish long-term relationships with their customers. In general, there is a relatively good spread between customer categories in terms of both industrial sectors and markets, which reduces risk to a certain extent. Despite this spread between customer categories, however, the loss of one or more major customers could have a negative impact on Nocom's business operations and earnings. Thanks to a stringent credit assessment policy, customer losses have been very low in a historical perspective.

Employees
Nocom is dependent on key staff, normally comprising founders or senior executives in the subsidiaries. To reduce the risk that any of these will leave the Group, various incentive schemes are used in certain cases.

The employees' longstanding experience of the products and good customer relationships are also valuable competitive advantages. Nocom's competitiveness is continuously maintained and strengthened through product certification, training and knowledge sharing. To avoid excess dependency on individual employees, there are always several people responsible for expertise in a specific area and several employees working with each customer. Personal sales are currently low, but a stronger business cycle could lead to an increase. The Group's development is also dependent on access to new and qualified staff, which means that the ability to create an attractive work environment with opportunities for development is of strategic importance.

Technology
For an IT company, it is essential to offer products and services in the latest technologies as well as knowledge and experience of established products and technologies. Nocom's earlier strategy was to quickly incorporate cutting-edge technology into its product range. In software distribution, a change in the product selection strategy towards more mature products has significantly reduced the technology-related risks. In this area, the risks associated with backing the wrong products are primarily linked to the sales trend. Because purchased software is usually downloaded over the Internet, the risk for losses due to inventory obsolescence are very limited. In the computer accessories market, much of the product range consists of basic products with a significantly longer technical and commercial life. In both the software and service markets, Nocom is technologically advanced. However, it cannot be ruled out that individual subsidiaries could be negatively affected by future technology shifts.

Competitors
Nocom's subsidiaries compete with companies in many different sub-areas of the IT industry. The competitors include major international and domestic companies. Certain competitors have considerable financial resources and are thus able to quickly react in way that can affect the market positions for Nocom's subsidiaries.

Business cycle
The business cycle and related customer IT investments are difficult to predict and have a considerable impact on the Group's sales and earnings trend. The acquisitions carried out in 2005 and the resulting diversification between products, markets and industrial sectors have significantly reduced the Group's sensitivity to the business cycle.

(b) Financial risks
Through its operations, the Group is exposed to various types of financial risk arising as a result of fluctuations in the company's earnings and cash flow due to movements in exchange and interest rates, as well as refinancing and credit risks.

Currency risk
Currency risk consists of the risk for variations in the value of financial instruments due to exchange rate fluctuations. Nocom's procedures for management of transaction-related currency risk are established in the Group's currency policy, which specifies how and when the company may hedge its currency exposure. The objective is to minimize the short-term earnings impact of an exchange rate movement while at the same time creating long-term freedom of action. On the balance sheet date, no financial instruments were used for currency hedging purposes. Certain currency risks are associated with translation of accounts receivable and payable in foreign currencies, primarily USD and EUR.

The Group's translation exposure, consisting of the risk for changes in the Group's value of net assets of foreign subsidiaries due to exchange rate fluctuations, is limited and no measures are currently take to hedge translation exposure in foreign currencies.

Financing and liquidity risk
In 2005 the Group carried out several new stock issues as part of the acquisitions of TurnIT and IAR Systems. The Group's financial position was considerably strengthened during the year. Interest-bearing liabilities increased substantially in connection with the acquisition of TurnIT, but have already been amortized in significant amounts and amounted to SEK 49.6 (3.6) million at December 31. Cash and cash equivalents at year-end totaled SEK 89.5 (13.7) million and unutilized bank overdraft facilities to SEK 29.6 (9.2) million.

Credit risk
The Group's credit risk is mainly associated with the solvency of its customers. Nocom carries out routine credit assessment of customers according to established procedures. A few of the subsidiaries use credit insurance in order to minimize credit risk. Credit risk has been historically low, and there is no significant concentration of risk attributable to any individual customer or geographical area.

Interest rate risk

Interest rate risk consists of the risk for variations in the value of financial instruments due to movements in market interest rates. The Group's loans carry variable interest rates. At present, Nocom has no investments in equity instruments.

For a more detailed description of operating risks, see page 14-15.

NOTE 4 KEY ACCOUNTING ESTIMATES

The estimates and assumptions are evaluated on a regular basis and are based on historical experience and a number of other factors, including anticipated future events which are deemed reasonable under the prevailing circumstances. The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, not always precisely equal the related actual results. The estimates and assumptions that can lead to significant adjustments in the carrying values of assets and liabilities in the financial statements of later years are described below.

(a) Impairment testing of goodwill

The Group tests goodwill for impairment annually, in accordance with the accounting policy described in section 2.6. The recoverable amounts of cash-generating units have been determined through calculation of value in use. These calculations require the use of certain estimates (Note 13).

Value in use is determined on the present value of forecasted future cash flows. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate. The applied growth rate is based on historical data and the management's expectations of future changes in the market.

The estimated operating margin used to determine value in use is based on historical data and the management's expectations of future changes in the market.

The weighted average growth rate is based on industry growth forecasts. The applied discount rates are stated before tax and reflect specific risks for each area of operation. Estimated value in use significantly exceeds the value of goodwill.

(b) Income taxes

The Group is liable to pay income tax in several countries. Extensive estimates are required to determine the amount of provisions for income taxes in the consolidated financial statements. There are many transactions and computations where the final income tax is uncertain at the time when the transactions and computations are carried out.

Although the Group has substantial accumulated loss carryforwards, the merger has resulted in a reduction in total loss carryforwards through the so-called amount limit. Furthermore, the opportunities to utilize these loss carryforwards have been affected by the so-called group contribution limit which restricts usablity to the respective original corporate group for the next six years. Total loss carryforwards on the balance sheet date amounted to approximately SEK 442 million, of which SEK 287 was attributable to the original Nocom Group and SEK 155 to the original TurnIT Group. All loss carryforwards are found in Sweden and can be used for an unlimited period. A total deferred tax asset of SEK 61.6 million is recognized in the consolidated balance sheet at December 31, 2005. The value of loss carryforwards is recognized as an asset to the extent that it is probable that these can be used against future taxable profits. The assessed value is based on historical data and the management's expectations of future changes in the market.

(c) Revenue recognition

The Group reports revenue in accordance with IAS 18, Revenue, whereby revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the seller and these can be measured reliably. Revenue is measured according to the principles described in Note 2.16 above.

The Group assesses the probability that the economic benefits will flow to the Group on the basis of several factors, such as a customer's payment history and credit rating. In certain cases, the Group requires a deposit from the customer. If the company deems a debt to be doubtful, a provision is made to cover the debt until it is possible to determine whether or not the Group will receive payment. Advance payments are recorded as current liabilities until they are earned.

The Group's sales contracts in service operations and parts of distribution operations sometimes consist of several different sub-components, known as multiple elements, where revenue for each element is allocated based on the estimated fair values of the respective sub-components in order to facilitate accurate revenue recognition.

(d) Research and development

Costs for research and development are reported according to IAS 38, Intangible Assets, which states that an intangible asset is recognized only when an enterprise has control over an identifiable asset that is expected to generate future economic benefits. In the Nocom Group, only IAR Systems conducts certain research activities. The Group recognizes development costs as intangible assets when the Group has adequate technical and financial resources to complete development and the value of the asset can be measured reliably. Development costs refer to costs where research findings or other knowledge is used to achieve new or improved products.

Development work is conducted in two areas, general development and specific product development. The Group's costs for development technical platform components are charged to expense as incurred, since it not possible, on completion of the development work, to assess with adequate certainty the future economic benefits generated by the finished products, i.e. the software based on the platform components and subsequent development work. In 2005 no such costs were capitalized in the Group, since the above criteria were not satisfied. However, see (e) Corporate acquisitions below.

Specific product development is primarily customer-financed, i.e. is carried out at the request of customers. These customer projects are recognized in the Group according to the percentage of completion method.

(e) Corporate acquisitions 2005, key estimates by the board and management

Acquisition analyses

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

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

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

No reverse acquisition is deemed applicable

At the acquisition date, both TurnIT and IAR Systems had a very wide spread of ownership with a total of more than 23,000 stockholders. No single stockholder could achieve a controlling influence over the new group on implementation of the offer. The management of the new group is identical to the previous management of Nocom and responsible for operating decisions in the Group. This, in combination with the fact that no board members were appointed from among the former boards of TurnIT or IAR Systems, means that no reverse acquisition is deemed to have taken place, despite the relative size of the acquired companies compared to the former Nocom Group.

Consolidated goodwill

Intangible assets of SEK 35.2 million were identified in the form of brands, customer contracts and product development on the acquisition of TurnIT and IAR Systems. The remaining difference between purchase consideration given and the fair value of acquired net assets is attributable to goodwill, which amounted to SEK 227.6 million at December 31, 2005.

Discontinued operations

Arete AB and Arete Datastöd AB and the operations in Arete Affärssystem AB have been sold. These operations are recognized as non-current asset held for sale. This means that income and expenses in these units are recognized as profit for the period from discontinued operations and are therefore not included in the other income statement items.

Disputes
In May 2005, a settlement was reached in a previous TurnIT dispute whereby TurnIT was charged with a sum of SEK -7.5 million. In the preliminary acquisition balance, this obligation was stated at SEK -9.0 million. The positive difference of SEK +1.5 million had no effect on profit. This adjustment has instead affected the preliminary acquisition analysis and has thus reduced recognized goodwill by a corresponding amount. Cash flow from operating activities was charged with a sum of SEK 7.5 million in the second quarter due to the settlement.

Following a review of disputes in TurnIT, the executive management set up a working group in June 2005 to pursue an earlier TurnIT dispute. As part of the agreement, Nocom received a sum of SEK 5.0 million during the summer and Nocom and its partner have gained greater freedom of action in ongoing handling of the dispute, which concerns a mutual third party. No future costs are expected to arise as a result of this dispute. The agreement is assessed to be fully attributable to activities occurring after Nocom's acquisition of TurnIT, for which reason the preliminary acquisition balance has not been adjusted. This item is reported in the business area "Central" in the second quarter had a positive effect on profit of SEK 5 million in the third quarter.

Tax loss carryforwards in the acquisition balance
Although the Group had substantial accumulated loss carryforwards at March 31, 2005, the merger has resulted in a reduction in total loss carryforwards through the so-called amount limit. Furthermore, the opportunities to utilize these loss carryforwards have been affected by the so-called group contribution limit which restricts usablity to the respective original corporate group for the next six years. Total loss carryforwards at March 31, 2005, amounted to SEK 285 million in the original Nocom Group and SEK 166 million in the original TurnIT Group. On the balance sheet date, the loss carryforwards totaled approximately SEK 442 million. A total deferred tax asset of SEK 61.6 million is recognized in the consolidated balance sheet at December 31, 2005.

Total loss carryforwards on the balance sheet date amounted to approximately SEK 442 million, of which SEK 287 was attributable to the original Nocom Group and SEK 155 to the original TurnIT Group. All loss carryforwards are found in Sweden and can be used for an unlimited period. A total deferred tax asset of SEK 61.6 million is recognized in the consolidated balance sheet at December 31, 2005.

NOTE 5 SEGMENT REPORTING

At December 31, 2005, the Group was organized in three main business segments: Distribution, Software and Services, as well as Central.

Primary segmentation – business segments:

Financial year 2005

SEK million	Distribution	Software	Services	Central	Eliminations	Group
Income						
External sales	509.7	93.9	32.0			635.6
Internal sales	5.3	–	1.8	11.1	-18.2	–
Total income	**515.0**	**93.9**	**33.8**	**11.1**	**-18.2**	**635.6**
Result						
Operating profit by business segment	26.1	13.0	-1.9	-2.4		34.8
Interest income						1.0
Interest expenses and other expenses from financial investments						-1.8
Tax						22.3
Profit for the year from discontinued operations						0.7
Profit for the year						**57.0**
Other information						
Total assets	518.9	120.1	56.3	172.4	-158.3	709.4
Total liabilities	240.3	36.3	47.1	63.3	-126.5	260.5
Investments in tangible assets						47.7
Investments in intangible assets						38.3
Investments in goodwill						204.3
Depreciation of tangible assets						7.6
Amortization of intangible assets						2.8

Primary segmentation – business segments:

Financial year 2004

SEK million	Distribution	Software	Services	Central	Eliminations	Group
Revenue						
External sales	196.9	–	17.3	–		214.2
Internal sales	17.4	–	0.2	–	-17.6	–
Total revenue	**214.3**	**–**	**17.5**	**–**	**-17.6**	**214.2**
Result						
Operating profit by business segment	21.9	–	-1.1	-6.9		13.9
Interest income						0.5
Interest expenses and other expenses from financial investments						-0.9
Tax on profit for the year						12.4
Profit for the year						**25.9**
Other information						
Total assets	151.3	–	22.0	–	-37.0	136.3
Total liabilities	90.9	–	16.7	–	-37.0	70.6
Investments in tangible assets						2.2
Investments in intangible assets						3.0
Investments in goodwill						12.6
Depreciation of tangible assets						4.2
Amortization of intangible assets						0.2

In 2004, "Central" was reported as part of the "Distribution" segment.
Consequently, assets and liabilities for "Central" at December 31, 2004, are not reported separately but are included in "Distribution" above.

Secondary segmentation – geographical segments:

	Sales		Assets		Investments	
SEK million	**2005**	2004	**2005**	2004	**2005**	2004
Sweden	316.7	139.4	614.8	98.0	287.4	2.3
Denmark	105.2	31.3	33.5	17.8	0.2	15.7
Norway	35.7	35.2	13.0	17.5	0.3	0.1
Finland	51.3	8.0	19.7	3.0	0.0	0.0
Baltic countries	4.9	0.3	3.3	–	0.0	–
Europe excl. Nordic and Baltic	69.6	–	9.8	–	0.2	–
North America	32.1	–	12.1	–	0.1	–
Asia	19.1	–	3.2	–	–	–
South America	0.7	–	–	–	–	
Africa	0.3	–	–	–	–	–
Total	**635.6**	**214.2**	**709.4**	**136.3**	**288.2**	**18.1**

Assets and investments in are reported according to where the assets are located.

NOTE 6 EXCHANGE DIFFERENCES

The item "goods for resale" within consolidated operating profit includes positive exchange differences of SEK 0.0 million pertaining to operating receivables and liabilities.

The corresponding amount for 2004 was SEK 0.4 million.

Operating profit in the Parent Company includes exchange differences of SEK -0.1 (-0.3) million.

NOTE 7 FEES TO AUDITORS

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Auditing assignments				
Öhrlings PricewaterhouseCoopers	1.2	0.7	0.3	0.5
Others	0.1	0.1	–	–
Other assignments				
Öhrlings PricewaterhouseCoopers	0.5	0.1	0.4	0.1
Total fees to auditors	**1.8**	**0.9**	**0.7**	**0.6**

NOTE 8 EMPLOYEES

Average number of employees:	**2005**		2004	
Number	No. of employees	Of whom, men	No. of employees	Of whom, men
Parent Company				
Uppsala	1	–	20	50%
Stockholm	2	100%	–	–
Subsidiaries in Sweden				
Uppsala	94	78%	30	80%
Stockholm	59	79%	12	100%
Subsidiaries outside Sweden				
Denmark	24	88%	13	85%
Finland	5	70%	2	100%
Norway	9	89%	8	88%
Estonia	1	100%	–	–
UK	2	100%	–	–
Germany	4	80%	–	–
USA	7	89%	–	–
Japan	4	80%	–	–
Total subsidiaries	**209**	**81%**	**65**	**86%**
Total Group	**212**	**81%**	**85**	**78%**

Board members and senior executives: Number	2005 No. on Dec. 31	2005 Of whom, men	2004 No. on Dec. 31	2004 Of whom, men
Group (including subsidiaries)				
Board members	5	100%	6	83%
Presidents and other senior executives	7	100%	5	100%
Parent Company				
Board members	5	100%	5	80%
Presidents and other senior executives	2	100%	2	100%

Salaries, other remuneration and social security expenses: SEK million	2005 Salaries and other remun-eration	2005 Social sec. expenses (of which, pension costs)	2004 Salaries and other remun-eration	2004 Social sec. expenses (of which, pension costs)
Parent Company	4.2	2.5	8.2	4.7
		(0.9)		(1.6)
Subsidiaries	96.2	37.1	30.4	11.1
		(8.7)		(3.2)
Total Group	**100.4**	**39.6**	**38.6**	**15.8**
		(9.6)		**(4.8)**

Of the Group's total pension costs, SEK 1.6 (0.7) million is attributable to board members and presidents.

Of the Parent Company's total pension costs, SEK 0.4 (0.6) million is attributable to the Board and CEO.

Breakdown of salaries and other remuneration by country and between Board members, the CEO and other employees:

SEK million	2005 Board and CEO	2005 Other employees	2004 Board and CEO	2004 Other employees
Parent Company	**2.3**	**1.9**	**2.2**	**6.0**
Subsidiaries in Sweden	**8.2**	**58.5**	**0.4**	**18.9**
Subsidiaries outside Sweden				
Denmark	1.0	10.9	0.7	5.9
Finland	0.3	1.4	–	0.9
Norway	0.8	3.8	0.8	2.8
Estonia	–	0.2	–	–
UK	–	1.1	–	–
Germany	–	2.5	–	–
USA	–	5.5	–	–
Japan	–	2.0	–	–
Total subsidiaries	**10.3**	**85.9**	**1.9**	**28.5**
Total Group	**12.6**	**87.8**	**4.1**	**34.4**

NOTE 9 REMUNERATION TO SENIOR EXECUTIVES

Principles

The Chairman and members of the Board of Directors are paid fees in accordance with the decision of the Annual General Meeting. No additional remuneration is paid for work in the Board committees.

No board fees are paid to members who receive salary from companies in the Nocom Group.

Remuneration to the CEO and other senior executives consists of basic salary, variable remuneration, other benefits, pension and financial instruments. Other senior executives include one (five) individual(s) who together with the CEO make up the Executive Management. For the composition of the Executive Management, see page 52.

For the CEO, the maximum amount of variable remuneration is equivalent to 30 percent of basic salary. For other senior executives, the maximum amount of variable remuneration is equivalent to 30 (12-23) percent of basic salary. This variable remuneration is based on the fulfillment of individually set goals.

Pension benefits, remuneration in the form of financial instruments and other benefits of the CEO and other senior executives are paid as part of the total remuneration package.

Remuneration and other benefits during the year

Board of Directors

The Board Chairman receives fees of SEK 0.15 (0.15) million. Other members of the Board are paid fees of SEK 0.1 (0.1) million each. Total Board fees in 2005 amounted to SEK 0.45 (0.35) million.

CEO

The CEO received basic salary of SEK 1.6 (1.1) million and variable remuneration of SEK 0.5 (0.0) million. Other benefits, consisting of company car benefits and meal vouchers, totaled SEK 0.1 (0.0) million. Pension premiums were paid in an amount of SEK 0.4 (0.4) million.

Other senior executives

Other senior executives received basic salary of SEK 1.0 (3.5) million and variable remuneration of SEK 0.3 (0.2) million. Other benefits, consisting of company car benefits and meal vouchers, totaled SEK 0.1 (0.3) million. Pension premiums were paid in an amount of SEK 0.3 (0.8) million.

Subsidiary presidents

Some of the subsidiary presidents have contracts stipulating the payment of certain salary components after July 1, 2007.

Variable remuneration

For the CEO, the bonus for 2005 was based on the Group's operating profit. The bonus amount for 2005 was equal to 30 (3) percent of basic salary.

For other senior executives, the bonus for 2005 was based on the Group's operating profit and the attainment of individual goals. The bonus amount for other senior executives in 2005 was equal to 30 (7) percent of basic salary.

Financial instruments

No share-based compensation was paid in 2005.

Pension agreements

The CEO and CFO are covered by pension insurance corresponding to the ITP plan, but with a contractual retirement age of 60 years. All other senior executives are covered by pension insurance corresponding to the ITP plan. Essentially all of the Group's pension plans are of the defined contribution type, for which reason the few agreements comprising defined benefit plans are also reported as defined contribution plans.

Termination benefits

In the event of dismissal by the company, the CEO is entitled to full salary during a notice period of twelve months and termination benefits corresponding to six monthly salaries after the notice period. Other senior executives have employment contracts specifying a mutual notice period of three to six months. In addition, the CFO is entitled to termination benefits corresponding to a maximum of three monthly salaries.

All senior executives are entitled to salary and other contractual benefits during the notice period. The subsidiary presidents have employment contracts specifying a mutual notice period of three to six months and termination benefits corresponding to three to six monthly salaries.

NOTE 10 LEASEHOLD IMPROVEMENTS

SEK million	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Opening cost	11.1	11.1	1.5	1.5
Additions	0.4	–	–	–
Closing accumulated cost	**11.5**	**11.1**	**1.5**	**1.5**
Opening depreciation	7.8	6.9	1.3	0.9
The year's depreciation	0.8	0.9	0.2	0.2
Closing accumulated depreciation	**8.6**	**7.8**	**1.5**	**1.3**
Closing planned residual value	**2.9**	**3.4**	**0.0**	**0.2**

NOTE 11 EQUIPMENT

SEK million	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Opening cost	30.3	27.7	24.0	23.8
Additions	3.4	0.6	0.8	0.2
Acquired on acquisition of subsidiary	45.4	1.1	–	–
Additions through finance leases	4.7	1.3	–	–
Sales and disposals	-13.8	-0.4	–	–
Closing accumulated cost	**70.0**	**30.3**	**24.8**	**24.0**
Opening depreciation	23.9	20.8	22.2	21.0
Sales and disposals	-10.3	-0.3	–	–
Acquired on acquisition of subsidiary	33.5	0.8	–	–
The year's depreciation of finance leases	1.1	–	–	–
The year's depreciation	5.2	2.6	1.1	1.2
Closing accumulated depreciation	**53.4**	**23.9**	**23.3**	**22.2**
Closing planned residual value	**16.6**	**6.4**	**1.5**	**1.8**

NOTE 12 BUILDINGS

SEK million	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Opening cost	–	–	–	–
Additions	–	–	–	–
Acquired on acquisition of subsidiary	29.8	–	–	–
Closing accumulated cost	**29.8**	–	–	–
Opening depreciation	–	–	–	–
Acquired on acquisition of subsidiary	2.5			
The year's depreciation	0.5	–	–	–
Closing accumulated depreciation	**3.0**	–	–	–
Closing planned residual value	**26.8**	–	–	–

NOTE 13 GOODWILL

SEK million	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Opening cost	22.6	10.0	0.4	0.4
Additions	204.3	12.6	–	–
Sales and disposals	–	–	–	–
Closing accumulated cost	**226.9**	**22.6**	**0.4**	**0.4**
Opening amortization	–	–	0.4	0.4
The year's amortization	–	–	–	–
Closing accumulated amortization	**–**	**–**	**0.4**	**0.4**
Opening translation difference	–	–	–	–
The year's translation difference	0.7	0.0	–	–
Closing accumulated translation differences	**0.7**	**0.0**	**–**	**–**
Closing residual book value	**227.6**	**22.6**	**0.0**	**0.0**

Goodwill has been allocated to the Group's identified cash-generating in each business segment

SEK million	Group 2005	Group 2004
Distribution	171.5	13.2
Software	38.3	–
Services	17.8	9.4
Total	**227.6**	**22.6**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash generating units (CGUs) are determined from value in use calculations. Impairment testing has been carried out at the lowest level in the Group at which separate cash flows have been identified.

Value in use is determined on the present value of forecasted future cash flows. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate. The applied growth rate is based on historical data and the management's expectations of future changes in the market.

Assumptions used for determination of value in use

	Distribution	Software	Services
Growth rate	5.0%	10.0%	5.0%
Discount rate	16.8%	15.0%	16.8%

The estimated operating margin used to determine value in use is based on historical data and the management's expectations of future changes in the market.

The weighted average growth rate is based on industry growth forecasts. The applied discount rates are stated before tax and reflect specific risks for each area of operation. Estimated value in use significantly exceeds the value of goodwill.

NOTE 14 BRANDS

SEK million	Group 2005	Group 2004	Parent Company 2005	Parent Company 2004
Opening cost	3.0	–	–	–
Additions	29.0	3.0	–	–
Sales and disposals	–	–	–	–
Closing accumulated amortization	**32.0**	**3.0**	**–**	**–**
Opening amortization	0.2	–	–	–
The year's amortization	1.7	0.2	–	–
Closing accumulated amortization	**1.9**	**0.2**	**–**	**–**
Closing planned residual value	**30.1**	**2.8**	**–**	**–**

Value of brands by business segment

SEK million	Group 2005	Group 2004
Distribution	19.0	2.8
Software	11.1	–
Services	–	–
Total	**30.1**	**2.8**

According to IFRS 3, Business Combinations, acquired intangible assets must be valued individually to a greater extent than under Swedish GAAP, and are therefore recognized separately from goodwill. The intangible assets identified on acquisition are amortized over their estimated useful lives.

In the acquisition carried out by Nocom in the spring of 2004, intangible assets were identified in the form of brands with a fair value of SEK 3.0 million (carrying amount of SEK 2.8 million on December 31, 2004). The estimated useful life is 5 years and amortization of SEK 0.2 million has been recognized in the IFRS income statement for 2004. The deferred tax liability attributable to the brands has been measured in accordance with IFRS 3 and amounted to SEK 0.8 million at December 31, 2004. The deferred tax liability is being released in pace with amortization.

In the acquisitions carried out by Nocom during 2005, intangible assets were identified in the form of brands with a fair value of SEK 29.0 million. The estimated useful life is five 15 years. The deferred tax liability attributable to the brands has been measured in accordance with IFRS 3 and amounted to SEK 8.1 million at the acquisition date. The deferred tax liability is being released in pace with amortization.

The total carrying amount of brands at December 31, 2005, was SEK 30.1 million. In the income statement for 2005, amortization of brands was charged in an amount of SEK 1.7 million. The deferred tax liability attributable to the brands amounted to SEK 8.4 million at December 31, 2005. The release of the deferred tax liability had a positive effect of SEK 0.5 million on profit for 2005.

NOTE 15 SOFTWARE

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Opening cost	–	–	–	–
Additions	3.2	–	–	–
Sales and disposals	–	–	–	–
Closing accumulated cost	**3.2**	**–**	**–**	**–**
Opening amortization	–	–	–	–
The year's amortization	0.2	–	–	–
Closing accumulated amortization	**0.2**	**–**	**–**	**–**
Closing planned residual value	**3.0**	**–**	**–**	**–**

Value of product development by business segment

	Group	
SEK million	**2005**	2004
Distribution	–	–
Software	3.0	–
Services	–	–
Total	**3.0**	**–**

According to IFRS 3, Business Combinations, acquired intangible assets must be valued individually to a greater extent than under Swedish GAAP, and are therefore recognized separately from goodwill. The intangible assets identified on acquisition are amortized over their estimated useful lives.

In the acquisitions carried out by Nocom during 2005, intangible assets were identified in the form of product development with a fair value of SEK 3.2 million. The estimated useful life is 12 years. The deferred tax liability attributable to product development has been measured in accordance with IFRS 3 and amounted to SEK 0.9 million at the acquisition date. The deferred tax liability is being released in pace with amortization.

The total carrying amount of product development at December 31, 2005, was SEK 3.0 million. In the income statement for 2005, amortization of brands was charged in an amount of SEK 0.2 million. The deferred tax liability attributable to product development amounted to SEK 0.8 million at December 31, 2005. The release of the deferred tax liability had a positive effect of SEK 0.1 million on profit for 2005.

NOTE 16 CUSTOMER CONTRACTS

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Opening cost	–	–	–	–
Additions	6.1	–	–	–
Sales and disposals	–	–	–	–
Closing accumulated cost	**6.1**	**–**	**–**	**–**
Opening amortization	–	–	–	–
The year's amortization	0.8	–	–	–
Closing accumulated amortization	**0.8**	**–**	**–**	**–**
Closing planned residual value	**5.3**	**–**	**–**	**–**

Value of customer contracts by business segment

	Group	
SEK million	**2005**	2004
Distribution	–	–
Software	2.9	–
Services	2.4	–
Total	**5.3**	**–**

According to IFRS 3, Business Combinations, acquired intangible assets must be valued individually to a greater extent than under Swedish GAAP, and are therefore recognized separately from goodwill. The intangible assets identified on acquisition are amortized over their estimated useful lives.

In the acquisitions carried out by Nocom during 2005, intangible assets were identified in the form of customer contracts with a fair value of SEK 6.1 million. The estimated useful life is 5 years. The deferred tax liability attributable to customer contracts has been measured in accordance with IFRS 3 and amounted to SEK 1.7 million at the acquisition date. The deferred tax liability is being released in pace with amortization.

The total carrying amount of customer contracts at December 31, 2005, was SEK 5.3 million. In the income statement for 2005, amortization of brands was charged in an amount of SEK 0.8 million. The deferred tax liability attributable to product development amounted to SEK 1.5 million at December 31, 2005. The release of the deferred tax liability had a positive effect of SEK 0.2 million on profit for 2005.

NOTE 17 OTHER INCOME

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Payment arising from handling of former TurnIT dispute	5.0	–	–	–
Total other income	**5.0**	**–**	**–**	**–**

Following a review of disputes in TurnIT, the executive management set up a working group to pursue an earlier TurnIT dispute. As part of the agreement, Nocom received a sum of SEK 5.0 million during the summer of 2005 and Nocom and its partner have gained greater freedom of action in ongoing handling of the dispute, which concerns a mutual third party.

NOTE 18 OPERATING LEASES

The amounts paid under operating leases during the year amounted to SEK 13.3 (3.8) million in the Group. The majority of operating leases consist of leases for premises. The Parent Company classifies all leases, whether operating or finance leases, as operating leases.

The total amount of minimum lease payments at the balance sheet date under noncancellable operating leases falls due for settlement as follows:

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Within 1 year	11.1	4.9	0.1	1.7
Within 2 years	9.4	3.2	0.1	–
Within 3 years	7.4	3.1	–	–
Within 4 years	2.8	2.7	–	–
Later than 5 years	0.0	2.7	–	–

NOTE 19 FINANCE LEASES

The majority of finance leases refer to infrastructure assets in Nocom Drift AB, as well as company cars. The accumulated cost of finance leases at December 31, 2005, was SEK 5.9 (4.6) million. Accumulated amortization at year-end was SEK 3.1 (1.0) million. These obligations are recognized within equipment in the balance sheet. See also Note 11.

Lease payments for company cars are affected by interest rate levels, and are thus variable.

The present value of future payment obligations under finance leases is recognized within liabilities to credit institutions, divided between current and long-term liabilities as follows:

Group, SEK million	**2005**	2004
Current portion (due for settlement within 1 year)	2.8	0.8
Long-term portion (due for settlement within 5 years)	1.8	2.4
Total	**4.6**	**3.2**

NOTE 20 RESULT FROM PARTICIPATIONS IN GROUP COMPANIES

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Sale of IAR Systems AS	3.4	–	–	–
Impairment loss on shares in subsidiaries	–	–	–	-7.4
Anticipated dividends from subsidiaries	–	–	2.5	–
Total result from participations in group companies	**3.4**	**–**	**2.5**	**-7.4**

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

NOTE 21 RESULT FROM OTHER SECURITIES

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Capital loss on sale of holding in Orexo AB	–	-0.1	–	-0.1
Total result from other securities	**–**	**-0.1**	**–**	**-0.1**

NOTE 22 INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Interest expenses	-1.5	-0.0	-0.4	-0.0
Finance leases	-0.3	-0.2	–	–
Other	0.0	-0.6	-0.0	–
Total interest expenses and similar items	**-1.8**	**-0.8**	**-0.4**	**-0.0**

NOTE 23 DEFERRED TAX

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
The year's deferred tax expense/income				
Deferred tax liability attributable to				
– temporary differences	-0.8	-3.6	–	–
Deferred tax liability attributable to				
– group contributions	–	–	-1.9	4.5
– temporary differences	23.9	17.1	–	–
Total deferred tax in the income statement	**23.1**	**13.5**	**-1.9**	**4.5**

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Reconciliation between effective tax and tax based on the applicable tax rate				
Reported profit before tax	34.0	13.5	-2.6	-11.8
Tax according to applicable tax rate	-9.5	-3.8	0.7	3.3
Tax effect of non-deductible expenses	-1.2	-1.1	-0.0	-2.1
Tax effect of non-taxable income	0.3	0.2	-0.7	–
Increase (-)/decrease (+) in previously unrecognized tax assets attributable to loss carryforwards	32.7	17.1	-1.9	3.3
Tax on profit for the year according to income statement	**22.3**	**12.4**	**-1.9**	**4.5**

Tax rate

The applicable tax rate, 28 (28) percent, is the tax rate for income tax in the Group.

Temporary differences

Temporary differences arise when the carrying amount of an asset or liability differs from its tax base. Temporary differences in respect of the following items have resulted in deferred tax liabilities and assets.

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Opening deferred tax liabilities	**-0.9**	**-0.1**	**–**	**–**
Deferred tax liability attributable to acquired intangible assets	-9.9	-0.8	–	–
The year's release of deferred tax liabilities	0.2	–	–	–
Closing deferred tax liabilities	**-10.6**	**-0.9**	**–**	**–**
Opening deferred tax assets	**19.6**	**0.0**	**0.0**	**0.0**
Acquired deferred tax asset	18.4		–	
Deferred tax asset attributable to loss carryforwards	105.4	82.6	56.6	54.7
Unrecognized deferred tax assets attributable to loss carryforwards and temporary differences	-81.8	-63.0	-56.6	-54.7
Closing deferred tax assets	**61.6**	**19.6**	**0.0**	**0.0**
Net deferred tax assets	**51.0**	**18.7**	**0.0**	**0.0**

Total loss carryforwards in the Group at December 31, 2005, amounted to approximately SEK 442 (285) million.

NOTE 24 TAX ON PROFIT FOR THE YEAR

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Current tax	-0.8	-1.1	–	–
Current tax attributable to prior years	–	–	–	–
Deferred tax	23.1	13.5	-1.9	4.5
Total tax on profit for the year	**22.3**	**12.4**	**-1.9**	**4.5**

NOTE 25 EARNINGS PER SHARE (BEFORE AND AFTER DILUTION)

	Group	
SEK million	**2005**	2004
Reported profit before dilution, SEK million	51.4	25.9
Reported profit after dilution, SEK million	51.4	25.9
Average number of shares before dilution, million	80.6	30.8
Average number of shares after dilution, million	89.0	30.8
Earnings per share before dilution, SEK	0.63	0.84
Earnings per share after dilution, SEK	0.57	0.84

In connection with TurnIT's composition procedure and issue in June 2004, the issue participants were also granted one subscription warrant for each share in TurnIT. The warrants expired on May 17, 2005.

Nocom offered these warrantholders the opportunity to exercise the warrants for subscription to shares in Nocom according to two alternatives, one of which expired in June 2005.

The outstanding options alternative will expire on December 20, 2006. The exercise price for the warrants is SEK 3 per share.

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

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

Before dilution

Earnings per share before dilution are determined by dividing profit attributable to equity holders in the Parent Company by the weighted average number of shares outstanding during the period.

After dilution

Profit for the year after tax is divided by the average number of shares outstanding during the year after dilution. The dilution effect of warrants is determined based on the following assumptions: (1) all warrants with a exercise price which is lower than the market value per share at the end of the respective period are exercised and new shares issued, (2) the net proceeds generated by the exercise of warrants is equal to the number of warrants exercised multiplied by the value of the exercise price, (3) the net proceeds are used to repurchase shares at a price equal to the market price per share according to (1) above. The increase in the number of shares in the company is thus equal to the number of shares issued through the exercise of warrants less the number of shares repurchased with the net proceeds received.

NOTE 26 PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
SEK million	**2005**	2004
Opening cost	206.6	186.3
New stock issues in subsidiaries	–	2.2
Acquired subsidiaries	269.2	18.1
Sold subsidiaries	-20.3	–
Closing accumulated cost	**455.5**	**206.6**
Opening impairment losses	156.1	148.7
The year's impairment losses	–	7.4
Closing accumulated shares in profit of associated companies	**156.1**	**156.1**
Closing book value	**299.4**	**50.5**

Parent Company holdings

SEK million	Corporate registration no.	Registered office	% of shares	% of votes	No. of shares	Book value 2005	Book value 2004
Direct holdings:							
Nocom Sverige AB	556579-0473	Uppsala	100.0%	100.0%	1,000	48.8	28.0
Nocom Networks Solna AB	556579-0432	Stockholm	100.0%	100.0%	3,333	2.2	2.2
Nocom Drift AB	556535-8792	Stockholm	100.0%	100.0%	1,200	0.1	–
Nocom AS	957462561	Oslo	100.0%	100.0%	–	–	2.2
Tempest AS	16986844	Copenhagen	100.0%	100.0%	–	–	18.1
TurnIT AB	556116-4384	Stockholm	86.4%	87.5%	156,408,230	225.5	–
IAR Systems AB	556230-7107	Uppsala	22.3%	22.3%	5,094,940	22.8	–
Indirect holdings through subsidiaries:							
Nocom AS	957462561	Oslo	100.0%	100.0%	–	–	–
Tempest AS	16986844	Copenhagen	100.0%	100.0%	–	–	–
Nocom OY	1702558-9	Espoo	100.0%	100.0%	–	–	–
Nocom Baltics Oü	11123556	Tallinn	100.0%	100.0%	–	–	–
WebControl Sweden AB	556527-5624	Uppsala	100.0%	100.0%	–	–	–
Nocom Networks AB	556564-6196	Stockholm	100.0%	100.0%	–	–	–
SweDeltaco AB	556509-3951	Stockholm	100.0%	100.0%	–	–	–
Network Innovation AB	556564-6196	Stockholm	100.0%	100.0%	–	–	–
IAR Systems AB	556230-7107	Uppsala	74.9%	74.9%	–	–	–
IAR Systems Software Inc	1830665	Foster City, USA	100.0%	100.0%	–	–	–
IAR Systems Ltd	2190612	Northampton, England	100.0%	100.0%	–	–	–
IAR Systems AG	HRB 128716	Munich, Germany	100.0%	100.0%	–	–	–
IAR Systems KK	0111-01-034174	Tokyo, Japan	100.0%	100.0%	–	–	–
IAR Systems Jönköping AB	556456-7690	Jönköping	100.0%	100.0%	–	–	–

Aside from the above, there are several dormant subsidiaries.
A complete list of all group companies can be obtained from the Parent Company.

Closing book value	299.4	50.5

NOTE 27 OTHER LONG-TERM SECURITIES

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Opening cost	7.3	11.3	7.0	11.0
The year's acquisitions	1.1	–	–	–
The year's acquisitions	–	-4.0	–	-4.0
Closing accumulated cost	**8.4**	**7.3**	**7.0**	**7.0**
Opening impairment losses	-7.3	-7.3	–	-7.0
The year's impairment losses	–	–	–	–
Closing accumulated impairment losses	**-7.3**	**-7.3**	**-7.0**	**-7.0**
Closing book value	**1.1**	**0.0**	**0.0**	**0.0**

NOTE 28 INVENTORIES

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Software	8.0	4.8	–	–
Computer accessories	58.7	–	–	–
Total inventories	**66.7**	**4.8**	**–**	**–**

Inventories are measured at cost.

NOTE 29 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Accrued income	1.0	0.9	–	0.0
Other items	11.5	3.3	0.2	0.8
Total prepaid expenses and accrued income	**12.5**	**4.2**	**0.2**	**0.8**

NOTE 30 CASH AND CASH EQUIVALENTS

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Cash and cash equivalents at end of year	**89.5**	**13.7**	**22.3**	**0.1**

The Group has unutilized overdraft facilities of SEK 29.6 (9.2) million.

NOTE 31 SHARE CAPITAL

A specification of changes in stockholders' equity is found in the statement of changes in equity.

Number of shares:

Parent Company	A shares	B shares	Total number
Number at December 31, 2004	1,000,000	31,045,504	32,045,504
Number at December 31, 2005	1,000,000	98,779,673	99,779,673

Nocom's share capital at December 31, 2005, amounted to SEK 99,779,673, distributed among 99,779,673 shares. Of this total, 1,000,000 are class A shares and 98,779,673 are class B shares. All shares grant equal rights to the company's assets and profits. Class A shares carry ten votes each and class B shares one vote each at general stockholder meetings, where each holder of voting stock is entitled to exercise the full number of votes held directly or by proxy without restriction.

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

NOTE 32 BORROWINGS

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Long-term				
Bank loans	30.4	–	15.0	–
Finance leases	1.8	2.8	–	–
Total long-term borrowings	32.2	2.8	15.0	–
Current				
Bank overdraft facilities	4.6	–	–	–
Finance leases	2.4	0.8	–	–
Bank loans	10.4	–	10.0	–
Total current borrowings	17.4	0.8	10.0	–
Total borrowings	**49.6**	**3.6**	**25.0**	**–**

Due dates for settlement of long-term borrowings

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Between 1 and 2 years	11.2	1.1	10.0	–
Between 2 and 5 years	7.2	1.3	5.0	–
Later than 5 years	13.8	–	–	–
Total long-term borrowings	32.2	2.4	15.0	-

All borrowing is in SEK. The interest rate for the bank loans is 3.1 percent. The interest is variable.

NOTE 33 PROVISIONS

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Long-term provisions				
Additional purchase consideration	6.0	–	–	–
	6.0	–	–	–
Current provisions				
Disputes	1.7	–	–	–
Discontinued premises	0.7	–	–	–
	2.4	–	–	–
Total provisions	**8.4**	**–**	**–**	**–**

NOTE 34 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
Accrued salaries and social security expenses	23.9	5.6	1.6	1.0
Accrued accounts payable	31.0	12.5	–	–
Deferred income	20.6	0.8	–	–
Other items	5.1	4.1	0.4	1.3
Total accrued expenses and deferred income	**80.6**	**23.1**	**2.0**	**2.3**

NOTE 35 CASH FLOW FROM OPERATING ACTIVITIES

	Group		Parent Company	
SEK thousand	**2005**	2004	**2005**	2004
Operating profit before financial items	34.8	13.9	-6.1	-4.4
Adjustments for:				
– profit from discontinued operations	0.7	–	–	-
– depreciation of tangible assets	7.6	4.2	1.3	1.4
– amortization of intangible assets	2.8	0.2	–	–
– interest income	1.0	0.5	1.3	0.1
– interest expenses	-1.8	-0.8	-0.4	-0.0
– dividends received	–	–	2.5	–
– taxes	0.1	-0.3	–	–
Changes in working capital (excluding effects of acquisitions and exchange differences on consolidation):				
– inventories	-41.5	-0.2	–	–
– receivables from/liabilities to group companies	–	–	-4.5	1.3
– Accounts receivable and other receivables	-26.1	-14.7	0.8	1.6
– Accounts payable and other liabilities	29.7	-10.3	3.7	-3.4
Cash flow from operating activities	**7.4**	**-7.5**	**-1.4**	**-3.4**

Transactions not settled with cash and cash equivalents

The most significant transaction not settled with cash and cash equivalents was the issue of stock as purchase consideration for the acquisition specified in Note 36.

NOTE 36 ACQUISITION OF SUBSIDIARIES

Acquisitions in 2005

Nocom acquired TurnIT and IAR Systems on March 22, 2005, and UNC Systems on 1 July, 2005. If the acquisitions of TurnIT, IAR Systems and UNC Systems had taken place on January 1, 2005, the Group's net sales would have amounted to SEK 723.5 million and operating profit to SEK 33.8 million.

Net sales and operating profit do not include Arete AB and Arete Datastöd AB or the operations in Arete Affärssystem AB that were sold in the second quarter of 2005.

Acquisitions of TurnIT and IAR Systems

The acquisitions of TurnIT and IAR Systems were financed through the issuance of new shares and warrants in Nocom. At December 31, 2005, the offer had been accepted by stockholders in TurnIT representing 87.5 percent of the votes and 86.4 percent of the capital. On the same date, the offer had been accepted by stockholders in IAR Systems representing 97.2 percent of the votes and capital.

The acquisitions were financed through the issuance of new shares and warrants in Nocom. At December 31, 2005, 44.3 million new shares had been issued as consideration for these acquisitions. Furthermore, 11.0 million shares were added through a cash issue that provided Nocom with proceeds of SEK 28.4 million (after issue expenses). 12.5 million shares were issued in connection with subscription for shares by warrantholders in Nocom, providing Nocom with proceeds of SEK 37.3 million (after issue expenses). An additional 10.8 million warrants in Nocom have been issued.

The total cost of the shares amounts to SEK 248.3 million, where cost has been determined on the basis of the number of issued shares and warrants in Nocom, the fair value of these and the expenses associated with the acquisition. Depending on the date of issuance of new shares and warrants, the cost of the shares is estimated at SEK 4.25-5.36. The cost of the warrants has been estimated at SEK 1.45 for warrants with a term extending through June 30, 2005, and SEK 1.55 for warrants with a term extending through December 20, 2006.

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

TurnIT holds approximately 75 percent of the shares in IAR Systems, which means that this ownership stake in net assets, etc., is reported in the following table in the column for TurnIT.

Acquired net assets and goodwill

Purchase consideration, SEK million	TurnIT	IAR Systems	Total
– direct costs in connection with the acquisition	2.4	0.7	3.1
– fair value of issued shares and warrants	223.1	22.1	245.2
Total purchase consideration	225.5	22.8	248.3
Fair value of acquired net assets	-45.2	-8.9	-54.1
Goodwill	180.3	13.9	194.2

Acquisition of UNC Systems

The acquisition of UNC Systems was financed with purchase consideration that was paid partly in cash on signing of the agreement and partly in a sum to be paid in at a later date. In addition, future purchase consideration may be payable in an amount that is dependent on the company's development.

The acquisition cost is estimated at SEK 11.7 million. Cost is determined on the basis of initial purchase consideration and the estimated outcome of additional purchase consideration.

Acquired net assets and goodwill:

Purchase consideration, SEK million	UNC Systems
– direct expenses in connection with the acquisition	0.2
– purchase consideration	11.5
Total purchase consideration	11.7
Fair value of acquired net assets	-1.9
Goodwill	9.8

The assets and liabilities included in the acquisitions of TurnIT, IAR Systems and UNC Systems were as follows:

2005 SEK million	TurnIT Fair value	TurnIT Acquired book value	IAR Systems Fair value	IAR Systems Acquired book value	UNC Fair value	UNC Acquired book value	Total Fair value	Total Acquired book value
Cash and cash equivalents	17.7	17.7	3.6	3.6	0.1	0.1	21.4	21.4
Net selling price of available-for-sale assets	20.2	5.0	–	–	–	–	20.2	5.0
Intangible assets								
- brands	23.9	–	4.7	–	–	–	28.6	–
- software	2.4	–	0.8	–	–	–	3.2	–
- customer relations	2.5	–	0.9	–	2.7	–	6.1	–
Tangible assets	38.4	38.4	0.6	0.6	0.2	0.2	39.2	39.2
Financial assets	0.5	0.5	0.1	0.1	0.0	0.0	0.6	0.6
Current assets	101.2	101.2	6.4	6.4	1.1	1.1	108.7	108.7
Liabilities	-87.4	-86.9	-7.3	-7.3	-1.5	-1.5	-96.2	-96.2
Borrowings	-83.6	-83.6	-0.2	-0.2	–	–	-83.8	-83.8
Deferred tax assets, net	9.4	17.9	-0.7	0.6	-0.7	–	8.0	18.5
	45.2	10.2	8.9	3.8	1.9	-0.1	56.0	13.4
Acquired net assets	**45.2**		**8.9**		**1.9**		**56.0**	
Purchase consideration and expenses settled in cash at acquisition date		-2.4		-0.7		-4.6		-7.7
Purchase consideration settled in cash in connection with acquisition of Tempest								-0.7
Cash effect on sale of non-current held for sale		22.5		–		–		22.5
Cash and cash equivalents in the acquired companies		7.1		14.2		0.1		21.4
Total change in the Group's cash and cash equivalents on acquisition		**27.2**		**13.5**		**-4.5**		**35.5**

Acquisitions in 2004

In May 2004, Nocom acquired Tempest A/S in Denmark. Cash consideration was on the acquisition date and a limited additional purchase consideration was paid in the spring of 2005. Tempest is consolidated as of May 1, 2004.

In connection with the acquisition, a new stock issue was directed to a few institutional investors. The issue consisted of 3,757,000 class B shares in Nocom and generated net proceeds of SEK 16.8 million after issue expenses. The issue price was SEK 4.80 per share and corresponded to the estimated market value.

Acquired net assets and goodwill:

Purchase consideration, SEK million	Tempest
– direct expenses in connection with the acquisition	0.2
– purchase consideration	17.9
Total purchase consideration	18.1
Fair value of acquired net assets	-5.5
Goodwill	12.6

The assets and liabilities included in the acquisition of Tempest were as follows

2004 SEK million	Tempest Fair value	Tempest Acquired book value
Cash and cash equivalents	1.0	1.0
Intangible assets		
– Brands	3.1	–
Tangible assets	1.1	1.1
Financial assets	0.2	0.2
Current assets	7.5	7.5
Liabilities	-5.5	-5.5
Deferred tax assets, net	-0.9	–
	6.5	4.3
Acquired net assets	**6.5**	
Purchase consideration and expenses settled in cash at acquisition date		-18.1
Purchase consideration settled in cash during 2005		0.7
Cash and cash equivalents in the acquired company		1.0
Total change in the Group's cash and cash equivalents on acquisition		**-16.4**

NOTE 37 RELATED PARTY TRANSACTIONS

Intra-group purchases and sales

Of the Parent Company's total expenses of SEK 4.3 (8.8) million, 30 (2) percent refers to purchases from other companies in the Nocom Group. Of the Parent Company's total sales income, 100 (100) percent refers to intra-group sales.

Of the subsidiaries' total purchase expenses and sales income, 0 (0) percent refers to purchases from the Parent Company and 0 (0) percent to sales to Parent Company.

Transactions with other related parties

No transactions with related parties have taken place other than those stated in Notes 8 and 9.

NOTE 38 PLEDGED ASSETS

	Group		Parent Company	
SEK million	**2005**	2004	**2005**	2004
To secure own liabilities				
To secure pensions and similar obligations:				
Direct pension obligations	1.4	1.4	1.4	1.4
To secure liabilities to credit institutions:				
Floating charges	22.7	10.2	–	–
Property mortgages	17.0	–	–	–
Shares in subsidiaries	25.4	–	248.3	–
Machinery held under finance leases	3.0	4.5	0.5	–
Total assets pledge to secure own liabilities	69.5	16.1	250.2	1.4
To secure other commitments				
Guarantees	0.2	–	–	–
Total pledged assets	**69.7**	**16.1**	**250.2**	**1.4**

NOTE 39 SUBSEQUENT EVENTS

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

In connection with compulsory redemption of the remaining shares in IAR Systems, the arbitration board ruled in January 2006 that Nocom has the right to redeem the shares in IAR Systems not currently held by Nocom. Furthermore, the arbitration board approved the collateral furnished for future redemption amounts through pledged deposits of SEK 4.7 million on account in Swedish commercial banks. Subsequent to approval of this collateral, Nocom may be registered as the holder of the outstanding shares.

NOTE 40 EFFECTS OF TRANSITION TO IFRS

Transition to IFRS in 2005

As of January 1, 2005, Nocom prepares its consolidated accounts in compliance with IFRS. The interim report for the first quarter of 2005 was the company's first report issued according to IFRS. Until the end of 2004, Nocom applied the recommendations and statements of the Swedish Financial Accounting Standards Council (FASC). The transition to IFRS is reported in accordance with med IFRS 1, First-time Adoption of International Financial Reporting Standards, with the opening IFRS balance sheet date on January 1, 2004. IFRS 1 also requires that the comparative information for 2004 be restated according to IFRS. Financial information for reporting periods prior to 2004 is not restated. The general rule is that all applicable IFRS and IAS standards in force and endorsed by the EU on December 31, 2005, must be applied retrospectively. However, IFRS 1 allows some exceptions to the general rule which Nocom may elect to follow.

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

Effects on the income statement

Effects of transition to IFRS on the consolidated income statement

	Full year 2004		
SEK million	Swedish GAAP	Effect of transition to IFRS	IFRS
Net sales	214.2		214.2
Operating expenses	-195.9		-195.9
Depreciation of tangible assets	-4.2		-4.2
Amortization of intangible assets	-3.9	3.7	-0.2
Operating profit	**10.2**		**13.9**
Result from financial investments	-0.4		-0.4
Profit after financial items	**9.8**		**13.5**
Taxes	12.4	0.0	12.4
Profit for the year	**22.2**		**25.9**
Attributable to equity holders in the Parent Company	22.2		25.9
Earnings per share, SEK	0.72		0.84

Profit according to Swedish GAAP

	Full year 2004		
SEK million	Operating profit	Profit before tax	Profit for the year
Profit according to Swedish GAAP	**10.2**	**9.8**	**22.2**
Goodwill amortization	3.9	3.9	3.9
Amortization of brands	-0.2	-0.2	-0.2
Total adjustment in profit	**3.7**	**3.7**	**3.7**
Profit according to IFRS	**13.9**	**13.5**	**25.9**

Effects on the balance sheet

Effects of transition to IFRS on the consolidated balance sheet

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

Effects of transition to IFRS on the consolidated balance sheet

	December 31, 2004		
SEK million	Swedish GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Fixed assets			
Goodwill	20.9	1.7	22.6
Intangible assets	–	2.8	2.8
Tangible assets	9.8		9.8
Financial assets	20.1	-0.8	19.3
Total fixed assets	**50.8**		**54.5**
Current assets			
Inventories	4.8		4.8
Other current assets	6.1		6.1
Accounts receivable	57.2		57.2
Cash and bank	13.7		13.7
Total current assets	**81.8**		**81.8**
TOTAL ASSETS	132.6		136.3
EQUITY AND LIABILITIES			
Total equity	**62.0**	**3.7**	**65.7**
Long-term interest-bearing liabilities	**2.8**		**2.8**
Current liabilities			
Accounts payable	27.6		27.6
Interest-bearing liabilities	0.8		0.8
Other current liabilities	39.4		39.4
Total current liabilities	**67.8**		**67.8**
TOTAL EQUITY AND LIABILITIES	132.6		136.3
Equity per share, SEK	1.93		2.05

Effects on equity

Effects of transition to IFRS on equity, SEK million	December 31, 2004
Equity according to Swedish GAAP	**62.0**
Goodwill not amortized after the transition period	3.9
Amortization of brands	-0.2
Tax effect on amortization of brands	0.0
Total adjustment in equity	**3.7**
Equity according to IFRS	**65.7**

Elective exemptions to IFRS 1

Elective exceptions to IFRS 1

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

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

IFRS 3 Business Combinations

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

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

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

IAS 1 Presentation of Financial Statements

The transition to IFRS also entails changes in the rules for presentation of equity in the balance sheet. Under the previous accounting standards (Swedish GAAP), equity was divided between non-restricted equity and restricted equity according to the rules stated in the Swedish Annual Accounts Act.

According to IAS 1, equity must instead be divided into the various components of which it consists.

IAS 1 states that as a minimum, an enterprise must present issued share capital and other equity in the balance sheet. Nocom has chosen to specify equity, which has been established as the opening balance for 2004, in accordance with IFRS in additional components according to the table below:

Share capital
Other contributed capital
Translation differences
Accumulated deficit
Total equity

Share capital consists of the registered share capital of the Parent Company.

Other contributed capital comprises the sum of Nocom's transactions with stockholders. These transactions consist of issues carried out at a premium.

Translation differences consist of the income and expenses to be recognized in equity according to IFRS standards. In Nocom's case, this item consists of translation differences attributable to translation of foreign subsidiaries according to IAS 21.

Solna, Monday, March 20, 2006

Christer Magnusson
Chairman of the Board

Stefan Skarin
President & CEO

Trygve Angell **Håkan Lissinger** **Alexander Oker-Blom**

Our audit report was submitted on Friday, March 31, 2006

Öhrlings PricewaterhouseCoopers AB

Leonard Daun
Authorized Public Accountant

Lars Kylberg
Authorized Public Accountant

Audit report

To the Annual General Meeting of Nocom AB (publ)
Corporate registration number 556400-7200

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the CEO of Nocom AB (publ) for the financial year 2005. These accounts and the administration of the Company as well as the application of the International Financial Reporting Standards (IFRS) adopted by the EU and the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the Board of Directors and the CEO. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the CEO and significant estimates made by the Board of Directors and the CEO when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any Board member or the CEO. We also examined whether any Board member or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of stockholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Uppsala, Friday, March 31, 2006

Öhrlings PricewaterhouseCoopers AB

Leonard Daun
Authorized Public Accountant

Lars Kylberg
Authorized Public Accountant

Board of Directors, Senior Executives and Auditors

Christer Magnusson, born in 1940. B.Sc.
Chairman of the Board since September 2002 and Board members since 2001.
Chairman of Engsholms Slott AB, TaxiKurir AB and Mässrestauranger AB.
Board member of Spinator AB, Sands Hotel AB and Saltå Kvarn AB, as well as Stiftelsen Livslust in Latvia.
Former President of Vingresor/Club 33 AB, Linjeflyg AB and Stockholm Saltsjön AB.
Holdings in Nocom: 350,000 class B shares and 2,000 class B shares via company.

Trygve Angell, born in 1960. M.B.A and M.Acc.
Active in own business Pidell AS in Norway.
Board member since 2005.
Extensive experience in the IT and telecom industries, including eight years at Oracle.
Holdings in Nocom: 192,000 class B shares.

Håkan Lissinger, born in 1943. M.Sc.Eng.
President of Electra Gruppen AB (publ), a trading and logistics enterprise in home electronics and telecommunications.
Board member since 2005.
Holdings in Nocom: 0.

Alexander Oker-Blom, born in 1964. Economics studies at Stockholm University.
President of Alted AB.
Board member since 2005.
Chairman of Orre & Nyberg Capital. Board member of Electra Gruppen AB (publ).
Holdings in Nocom: 400,000 class B shares and 300,000 warrants TO2B (directly held), as well as 1,292,805 class B shares and 906,802 warrants TO2B (via company).

Stefan Skarin, born in 1962. IHM Business School's International Marketing, Communication and Leadership programs and economic courses at Stockholm University.
President and CEO of Nocom since 2001 and Board member since 2002.
Former positions as Sales Director of Adobe Nordic, President of Interleaf Norden and several senior international positions in Oracle Corporation.
Holdings in Nocom: 1,000,000 class A shares and 2,250,000 class B shares.

Stockholdings as of February 28, 2006.

SENIOR EXECUTIVES

Stefan Skarin, President and CEO of Nocom AB
Employed since 1999. See Board of Directors.

Stefan Ström, born in 1958. M.B.A.
Chief Financial Officer and Deputy CEO of Nocom AB
Employed since 1997.
Holdings in Nocom: 103,450 class B shares.

AUDITORS

Leonard Daun, born in 1964. Auditor for Nocom since 1998. Authorized Public Accountant, Öhrlings PricewaterhouseCoopers

Lars Kylberg, born in 1969. Auditor for Nocom since 2004. Authorized Public Accountant, Öhrlings PricewaterhouseCoopers

This annual report has been produced by Nocom in association with IR Stockholm and Tatlin Design.

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