

05

CONTENTS



Annual Report

1	The Year in Brief
2	This is Indutrade
4	Chief Executive's Review
6	The Share
8	Business Concept, Goals and Strategies
12	Building a Business Area
13	Organisation and Operations
14	Employees and Expertise
15	Quality and the Environment
16	Market and Positioning
19	Edeco – Working Closely with the Customer
20	Business Area – Engineering & Equipment
22	Business Area – Flow Technology
24	Business Area – Industrial Components
26	Business Area – Special Products
28	Risk Management
30	Six-year Summary

Financial Summary and Financial Reports

32	Directors' Report
34	Proposed Dividends
35	Consolidated Income Statement
36	Consolidated Balance Sheet
38	Consolidated Cash Flow Statement
39	Parent Company Income Statement/Balance Sheet
40	Parent Company Cash Flow Statement
41	Accounting Principles and Notes to Financial Statements
55	Auditors' Report

Corporate Governance

56	Corporate Governance Report
59	Internal Control Report
60	Board of Directors
61	Management Group
62	Addresses
64	Annual General Meeting

Indutrade AB (publ) "Indutrade" is a Swedish company that is subject to the laws and jurisdictions of Sweden. The amounts are presented in Swedish krona (SEK). Amounts in millions of kronor are abbreviated as MSEK. Figures in brackets refer to 2004, unless otherwise stated. Income statements, balance sheets and key figures for the years 2000–2003 have not been adjusted to comply with the International Financial Reporting Standards (IFRS), but are based on the recommendations of the Swedish Financial Accounting Standards Council (Redovisningsrådet). Information about markets and competitors are estimates made by Indutrade, unless a specific source is otherwise stated. These estimates are based on the best information that was most recently available. Pages 32–54 have been audited.

THE YEAR IN BRIEF

Net sales rose to MSEK 3,822 (3,486), an increase of 10 per cent, of which 5 per cent related to acquisitions.



Operating income before amortisation of intangible fixed assets (EBITA) rose by 26 per cent to MSEK 333 (264).



Earnings per share amounted to SEK 5.55 (4.20).



Four companies were acquired during the year.



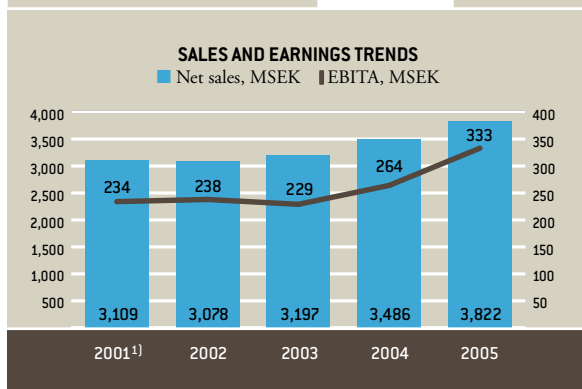
The Board of Directors proposes a dividend of SEK 2.75 per share.



Indutrade was listed on the Stockholm Stock Exchange on October 5, 2005.

KEY FIGURES

	2005	2004
Net sales, MSEK	3 822	3 486
EBITA, MSEK	333	264
EBITA margin, %	8.7	7.6
Profit/loss for the year, MSEK	222	168
Return on equity, %	31.2	24.3
Return on operating capital, %	31.5	26.0
Average number of employees	1,510	1,415



¹⁾ On Jan. 1, the Fagerberg, EIE and Tecalemit Groups were acquired. Net sales for the Groups amount to approx. MSEK 1,000.

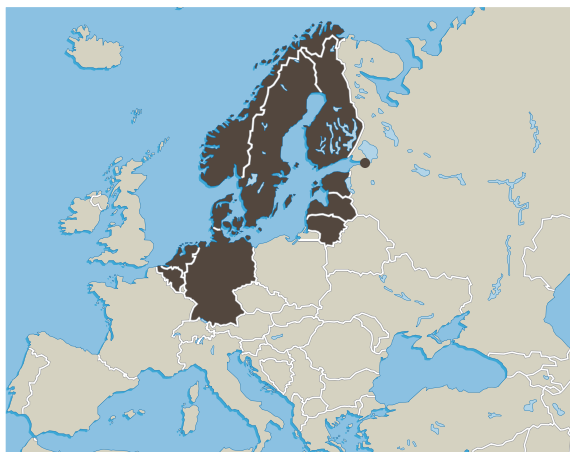
THIS IS INDUTRADE

Indutrade operates in the industrial technology sector with components and systems, and also develops, produces and markets its own products. The products have a high-tech content.









The Group is divided into four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products. It has about 60 subsidiaries in Sweden, Finland, Norway, Denmark, Germany, the Benelux countries, the Baltic States and Russia. Sales amounted to MSEK 3,822 in 2005.

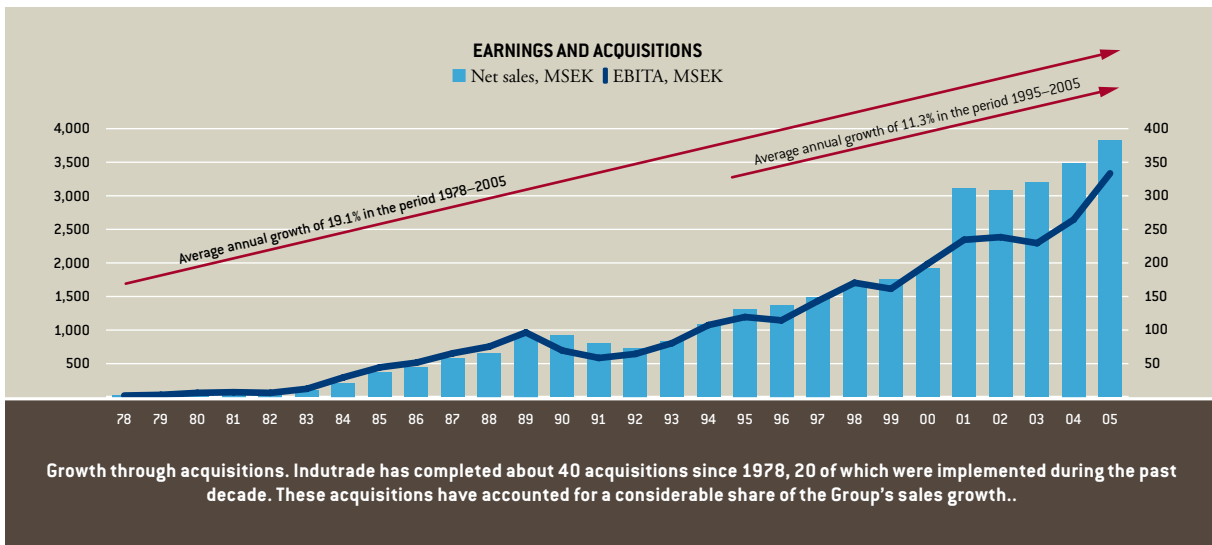
The subsidiaries work within well-defined niches and have a high level of expertise in each area of technology. This high level of expertise makes it possible for them to create added value for their customers.

Indutrade has been listed on the O List of the Stockholm Stock Exchange since October 5, 2005.



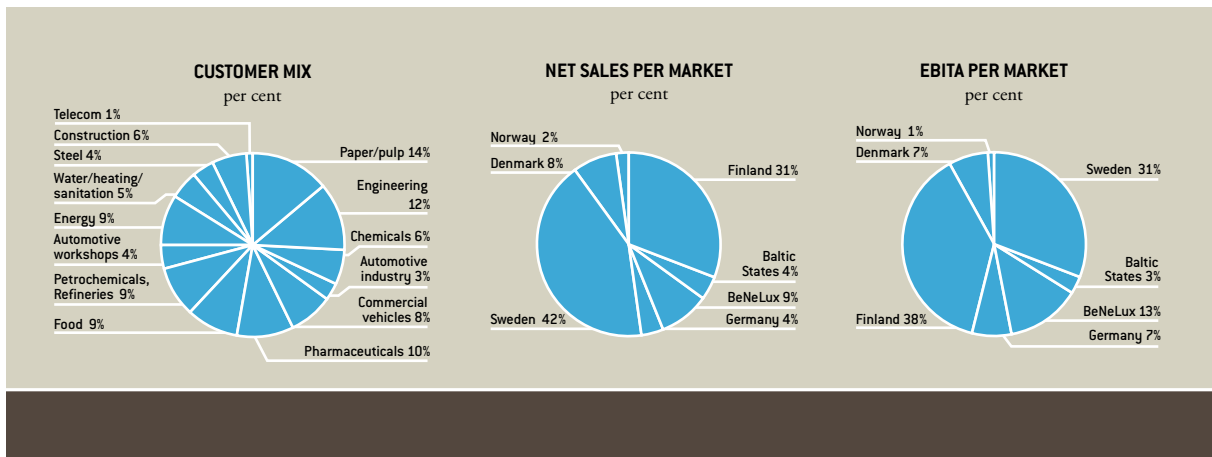
Indutrade is a technology sales company with about 60 subsidiaries in Sweden, Finland, Denmark, Norway, the Benelux countries, Germany and the Baltic States. Addresses are listed on pages 62–63.

BUSINESS AREAS	ENGINEERING & EQUIPMENT	FLOW TECHNOLOGY	INDUSTRIAL COMPONENTS	SPECIAL PRODUCTS
Description	Engineering & Equipment offers customised niche products, design solutions, after-market service and special processing. It manufactures mainly equipment for automotive workshops, hydraulics, transmission and flow products.	Flow Technology produces components and systems for the management, control and supervision of flows. Its main products are valves, pumps and measuring and analysis instruments.	Industrial Components offers a broad range of advanced technical components and systems for production and maintenance. Its products, which mainly consist of consumables for recurring needs, include fasteners, filters, adhesives and cutting tools.	Special Products offers specially manufactured niche products, design solutions, after-market service, assembly and special processing. Its products include temperature sensors, special plastics, tool holders, electrical components, etc.
Net sales	 MSEK 1,393	 MSEK 966	 MSEK 680	 MSEK 805
EBITA	 MSEK 133	 MSEK 67	 MSEK 50	 MSEK 108
Number of employees	528	326	244	405



1978–1981	1982–1985	1986–1987	1988–1991	1992–1995	1996–1998	1999–2000	2001–2002	2003–2004	2005
Bengtssons Maskin	G.A. Lindberg	Lining (Fin)	HITMA (Neth)	CCMP ¹⁾ (Belg)	Ventim	Belos	Liljegrens	Euro Energy	Hanwel (Neth/Bel)
Carlsson & Möller	Diatom	Linatex ¹⁾ (Den)	Aluglas (Neth)	Alnab	Maanterä (Fin)	Lyma	EIE Maskin	Warla Trade (Fin)	HP Valves (Neth)
Sonesson Trading ²⁾	Colly Components	Seltek ¹⁾	Novum (Sw)	Euronord	Edeco Tool	Akamex (Fin)	Elmeko	Maansähkö (Fin)	Gimex (Neth)
	Colly Filter	Tehovoitelu ³⁾	Novatool	GPA (Sw)	Vipmek (Fin)	Lining Components (Fin)	Eie Oy (Fin)	Kontram (Fin)	Satron
	Colly VT	Granzow (Den)	Mandorf	GPA (Den)	Kiinnike	Process pumps	Pentronic	Granaths	Saniflex
	Colly Teknik	ETP		Indutek (Est)	Kolmio (Fin)	Teollisuusapu (Fin)	GEFA (Ger)		Puwimex (Fin)
	Colly (Fin)	YTM (Fin)		Industek (Latv)	Indutek (Rus)	Novum (No)	Fagerberg (Fin)		
	Colly (Den)				Industek (Lith)	Techflow	Tecalemit (Fin)		
							G. Fagerberg (Sw)		
							Teck Instrument ¹⁾		
							Fagerberg (No)		
							G. Fagerberg (Den)		
							Tecalemit (Est)		
							Tecalemit (Lat)		
							Tecalemit (Lith)		
							Tecalemit (Rus)		

¹⁾ Since its acquisition, the company has been sold by Indutrade.
²⁾ Sonesson Trading is now a division of the subsidiary Bengtssons Maskin.
³⁾ Tehovoitelu is now a division of the subsidiary YTM.



“BOTH NET SALES AND EARNINGS REACHED RECORD LEVELS IN 2005”

We made interesting acquisitions in all the business areas in 2005. It was also the year with most acquisitions since 2001. We intend to continue making acquisitions and we have a long list of potential candidates.

2005 was a good year for Indutrade. Both sales and earnings reached new record heights. Net sales increased to MSEK 3,822 (3,486) and EBITA increased to MSEK 333 (264).

We thus met our targets for profitability with room to spare. The EBITA margin rose to 8.7 per cent. The target was to exceed 8 per cent. Return on operating capital was 31.5 per cent. The target was to exceed 25 per cent. A 10 per cent increase in sales meant that we also achieved our growth target. All the goals we set when we launched the Company on the Stock Market were thus met.

Obviously, it should be possible to exceed goals in a year like 2005. Our goals were set as an average over an economic cycle and we were helped greatly during the year by favourable market conditions.

INDUTRADE BOLSTERS ITS PRESENCE IN THE MARKET

The development of the market was clearly positive and gradually grew stronger. Early on, there was strong demand in those areas of the Group that focus on investment goods. Those areas with a greater element of consumables, particularly Industrial Components, experienced weak demand in the first six months. Demand started to show a much stronger trend during the autumn.

Finland continued as a strong market and demand rose in Sweden. Market growth in Germany and the Netherlands was slow, but in our companies we observed a definite positive trend towards the end of the year.

In our business, it is difficult to be able to calculate market shares with any certainty. But I have a feeling we moved forward and gained shares in several areas. In the processing industry, many companies continued trying to reduce the number of suppliers they use. Because of our size and our wide range of products, this is a favourable trend for Indutrade.

LISTING ON THE STOCK EXCHANGE ENHANCED OUR PROFILE

The year was also marked to a great extent by our flotation on the Stock Exchange. I feel confident enough to say that the flotation was successful in every respect. The schedule was tight, but co-operation with all the parties concerned went

extremely well. By the end of the year, the share price had risen by 37 per cent.

The Group's profile was greatly enhanced by the extensive positive publicity Indutrade received before and after flotation and the feedback from customers and suppliers has been most favourable. I have also received positive comments from our employees. Many of our employees feel that the flotation has created a stronger sense of kinship with the Group.

It was difficult during the intensive, demanding process prior to the flotation to devote sufficient resources to the identification and implementation of acquisitions. In spite of this, 2005 was our best year for acquisitions since 2001.

Our largest acquisition was the Dutch company Hanwel, with four subsidiaries in the product areas that are closely associated with those we already have. Moreover, we were able to move into a new geographic market via Hanwel's subsidiary in Belgium. Hanwel has good profitability and has already proved to be a prosperous addition.

The Engineering & Equipment business area acquired the Finnish technology sales company Puwimex, which specialises in pumps for hazardous liquids. This acquisition further strengthens our position in the Finnish market.

The Flow Technology business area purchased the Swedish technology sales company Satron, which has a strong position in the electronic measurement and control equipment sector, with a special focus on paper and cellulose. A major part of the business focuses on system solutions.

The Swedish company Saniflex was acquired by the Industrial Components business area. Saniflex is a supplier of hose and pipe couplings and instruments to the Nordic processing industry.

PLANS FOR THE FUTURE

All these companies are excellent examples of the kind of acquisitions that we want to carry on making. Our aim is to continue acquiring more, large-size companies over the next few years.

We have a long list of potential candidates. There are potential opportunities in all our product areas, but the two areas I consider to be of particular interest are pumps and measurement technology.



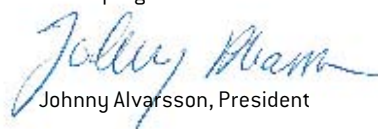
Geographically, we are looking at Denmark and Norway first and foremost, and then the Netherlands, Belgium and Luxembourg.

We already have a major presence in many areas in the Swedish and Finnish markets and consequently there is less opportunity for making acquisitions here.

Secondly, we intend to give high priority in 2006 to improving profitability in low-performance subsidiaries. In a Group that has sixty or so companies, there are bound to be some less profitable subsidiaries. As part of our long-term process

of improving profitability, we have also set individual goals for 2010 for all our subsidiaries.

I would like to take this opportunity to thank all of Indutrade's employees for their tremendous efforts and commitment during the year. The high level of expertise among our employees is, and will continue to be, the most important factor for the future progress and success of Indutrade.


Johnny Alvarsson, President

HUGE INTEREST IN INDUTRADE SHARES SINCE ITS FLOTATION IN OCTOBER

Indutrade's shares have been listed on the O-List of the Stockholm Stock Exchange since October 5, 2005. The Company was well received by the market and the price of shares rose by 37 per cent in the months following flotation. The Company's stock market value at year-end was MSEK 3,560.

INDUTRADE'S SHARE PRICE IN COMPARISON WITH THE BUSINESS AND THE STOCK EXCHANGE AS A WHOLE

The closing rate for Indutrade's shares in 2005 was SEK 89, which means that the share price rose during the year by 37 per cent from SEK 65 at the time of quotation. The OMX Stockholm Index, which replaces the SAX All Share Index, rose 8 per cent in the same period. The highest share price during this period was SEK 91, recorded on December 27, and the lowest was recorded on October 5 (the date of flotation).

EVENTS DURING THE PERIOD

- Indutrade acquires Saniflex AB, a technology sales company (Nov 29, 2005)
- New CFO appointed for Indutrade (Nov 29, 2005)
- Indutrade acquires the Finnish technology sales company Puwimex Oy (Nov 17, 2005)
- Interim Report, January 1-September 30, 2005 (Nov 8, 2005)
- Indutrade offers incentive schemes to senior executives (Oct 31, 2005)

SHARE TURNOVER

A total of 21,100,362 Indutrade shares were sold in 2005, equivalent to 52.75 per cent of the total number of shares outstanding. An average of 334,926 shares was sold on each trading day and the average number of transactions was 159 per trading day.

SHARE CAPITAL

On December 31, 2005, the share capital in Indutrade was MSEK 40 split between a total of 40,000,000 shares with a nominal value of SEK 1 each. All shares carry equal voting rights.

INCENTIVE SCHEME

The Board of Directors of Indutrade has, in cooperation with Industrivärden AB, implemented an incentive scheme aimed specifically at the Group's senior executives. The purpose of the scheme is to promote the long-term commitment and participation of the management group in the Company. The scheme will run through to June 30, 2010.

29 senior executives have acquired a total of 157,600 shares at a price of SEK 76.65 each and 268,800 call options at SEK 6.00 each. The call options have been issued by Industrivärden AB and run through June 30, 2010.

Indutrade pays a total of 40 per cent of the invested amount to those executives who participate in the incentive scheme. The total cost for the Company will be approximately MSEK 7. MSEK 1.7 of this will be charged to the profit and loss account for 2005 and MSEK 1.3 will be charged to the profit and loss account each year over the next four years.

DIVIDENDS

Under Indutrade's dividend policy, about 50 per cent of profit after tax will be paid out over time. In conjunction with the Board's proposal, the Group's financial position and any potential acquisitions will be taken into account. The Board of Directors of Indutrade recommends a dividend of SEK 2.75 per share for 2005. This is equivalent to about 50 per cent of the year's profit after tax.

OWNERSHIP

On December 31, 2005, the number of shareholders was 6,165. The top ten shareholders had 65.3 per cent of capital and voting rights at year-end. Swedish legal entities, including institutions such as insurance companies and funds, owned 75.7 per cent of capital and voting rights at year-end. 13.3 per cent is held by overseas investors.

THE TOP TEN SHAREHOLDERS ON DECEMBER 31, 2005

	Number of shares	Capital/Votes, %
AB Industrivärden	14,857,800	37.1
Lundbergföretagen AB	4,000,000	10.0
Handelsbankens Pensionsstiftelse	1,628,000	4.1
Öresund Investment AB	1,196,900	3.0
Alecta	1,097,200	2.7
AFA Sjukförsäkrings AB	966,000	2.4
Nordea Bank SA, Luxembourg	844,060	2.1
State Street Bank and Trust, USA	529,319	1.4
Pensionskassan SHB	521,700	1.3
Carnegie Småbolagsfond AB	467,800	1.2
Others	13,891,221	34.7

SHAREHOLDERS IN ORDER OF SIZE ON DECEMBER 31, 2005

	Holding	Number of shareholders	Share of capital and votes, %
1	– 500	3,804	2.7
501	– 1,000	1,316	2.7
1,001	– 2,000	495	2.1
2,001	– 5,000	291	2.6
5,001	– 10,000	108	2.1
10,001	– 20,000	50	1.9
20,001	– 50,000	40	3.7
50,001	– 100,000	26	4.8
100,001	– 500,000	26	13.3
500,001	– 1,000,000	4	7.2
1,000,001	– 5,000,000	4	19.8
10,000,001	–	1	37.1

KEY FIGURES PER SHARE

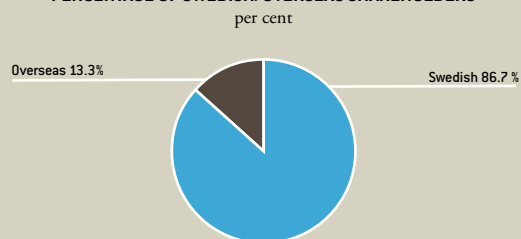
Share price on Dec. 31	SEK	89.00
Stock market value on Dec. 31	MSEK	3,560
Dividends	SEK ¹⁾	2.75
Earnings per share	SEK	5.55
Number of shares outstanding	1,000s	40,000
Number of shareholders on Dec. 31	No.	6,165
Highest rate during the financial year	SEK ²⁾	91.00
Lowest rate during the financial year	SEK ²⁾	65.00
Immediate return	% ³⁾	3.1

¹⁾ Board's recommendation

²⁾ Since flotation on October 5

³⁾ Recommended dividend, divided by share price on December 31

PERCENTAGE OF SWEDISH/OVERSEAS SHAREHOLDERS



SHARE TREND OCTOBER 5, 2005–FEBRUARY 24, 2006



Source: SIX/Hallvarsson&Halvarsson

BUSINESS CONCEPT, GOALS AND STRATEGIES

BUSINESS CONCEPT

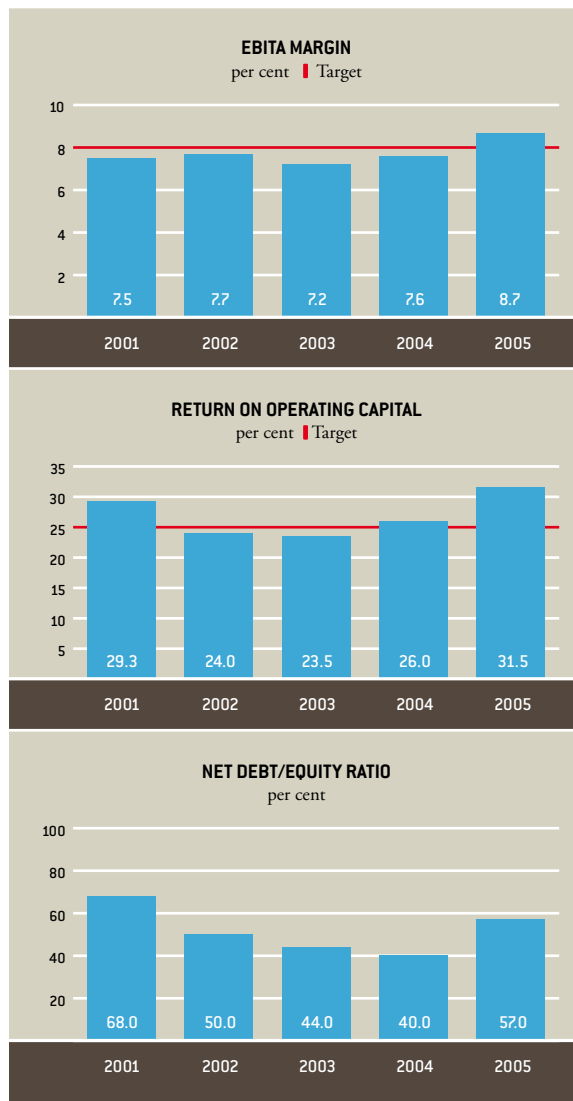
Indutrade markets and sells components, systems and services with high-tech content within selected niches. Indutrade will be the most dynamic partner for customers and suppliers, with its excellent knowledge of the customers' systems and processes, and its top-level technical expertise.

OVERALL GOALS

Indutrade shall be the foremost technology sales company in the Nordic region in terms of net sales, profitability and technical expertise. The Company aims to expand successively within its selected product areas and niches with minimal business risk.

FINANCIAL GOALS

- Average sales growth of 10 per cent each year over a business cycle, of which
 - organic growth is to exceed GNP growth in the geographic markets where Indutrade operates and
 - remaining growth is to be achieved via acquisitions.
- The EBITA margin is to exceed an average of 8 per cent each year over a business cycle.
- Return on operating capital is to exceed an average of 25 per cent each year over a business cycle.
- The net debt-equity ratio should not normally exceed 100 per cent.



STRATEGIES

To achieve the aforementioned goals and objectives, Indutrade uses the following strategies:

Growth with limited business risk

There should be three dimensions to growth:

- Within new and current product areas.
- Through an extended offering, e.g., increased support, training and other after-market services.
- Geographically on selected markets.

Growth should be organic as well as via acquisitions. When Indutrade expands, the entry barriers for potential competitors are expected to become higher. At the same time, the risk of Indutrade's suppliers establishing their own sales organisations on the Company's markets decreases. Business development and growth are thus strategic tools for minimising the business risk.

Strong market positions

Indutrade focuses on selling products in niches where it can attain a leading position. Healthy profitability often depends on strong market positions. They make it easier to attract the best suppliers and this further helps to secure Indutrade's position.

Long-term partnerships with leading suppliers

Indutrade gives priority to suppliers that, through their own product development processes, can supply market-leading, superior quality products with a high level of technology content. Suppliers may find that a partnership with Indutrade is the most profitable way for them to sell their products in the market regions where Indutrade operates.

A range of market-leading products, from the best suppliers, makes Indutrade more attractive as a partner to current and potential customers.

Large proportion of recurring sales and a focus on selected customer segments

Indutrade provides components, systems and services for recurring needs. This enhances the stability of the business and the predictability of revenue flows.

The Group gives priority to customers with recurring needs operating in industries with good prospects of maintaining competitive production in Indutrade's domestic markets. These industries are frequently characterised by a high degree of automation, high distribution costs and/or considerable start-up investments.

Sales organisation with solid technical expertise

Indutrade's range of products and services, which are aimed at end users and OEM customers (customers that integrate Indutrade's products in their own products), should have a high-tech content and incorporate a high level of service and qualified technical consulting services. Indutrade's sales people have a high level of technical expertise in their respective fields and in-depth knowledge about the customers' production processes. This makes Indutrade an attractive partner that can create added value for customers and suppliers.

Decentralised organisation with strong local presence

Indutrade's governance model is characterised by decentralisation, as the best decisions are made close to the customer by people who have a good understanding of the customer's needs and processes.

The subsidiaries are responsible for their own profitability, which makes them more versatile and increases their business acumen.

GROWTH THROUGH ACQUISITIONS

Indutrade has completed about 40 acquisitions since 1978, 20 of which were implemented during the past decade. These acquisitions have accounted for a considerable share of the Group's sales growth. Over the past ten-year period (1995–2005) consolidated net sales increased from MSEK 1,310 to MSEK 3,822 and EBITA rose from MSEK 119 to MSEK 333. The average annual sales growth was 11.3 per cent, with slightly more than 8 per cent each year deriving from acquisitions and about 3 per cent each year from organic growth.

The Group works with a well tried-and-tested process for analysing, planning and implementing corporate acquisitions and has an established network of customers, suppliers and other market operators. As a result, Indutrade has a clear picture of the range of potential acquisitions. The fragmented market structure means that the availability of acquisition candidates is good. With its sound history of acquisitions, its size and its excellent reputation, Indutrade has the experience and what is required to continue making value-producing acquisitions.

Future growth is expected to stem principally from corporate acquisition. The aim is to annually acquire one or more companies. Indutrade is thus continually evaluating possibilities for implementing larger acquisitions. We made several acquisitions in 2005 – the Dutch group Hanwel, the Swedish companies Satron and Saniflex AB and the Finnish company Puwimex.

THE ACQUISITION STRATEGY FOCUSES ON:

- *Companies in niches where Indutrade has solid expertise.*
- *Market-leading companies with high-tech content in their particular niches.*
- *Profitable companies.*
- *Companies whose suppliers' long-term strategy is in line with Indutrade's strategy.*
- *Companies whose customers have recurring needs and capital-intensive production.*
- *Companies whose key persons are motivated to continue managing the company even after it has been purchased.*

ACQUISITION PROCESS

Indutrade's acquisition process aims to provide structure to the procedures for acquisition and ensure the quality of the acquisitions. There are five stages in the process:

Identification

A list of potential candidates is continually updated and normally contains more than 100 companies. Smaller companies, with net sales of less than MSEK 50, are often identified by Indutrade's subsidiaries or at a business area level, while Group management focuses on identifying larger strategic candidates.

Indutrade strives to conduct a dialogue with the owners of potentially interesting companies at an early stage. By doing so, the owners often regard Indutrade as the natural partner when discussing the possibility of divestiture. Indutrade has on-going discussions with 5 to 10 candidates.

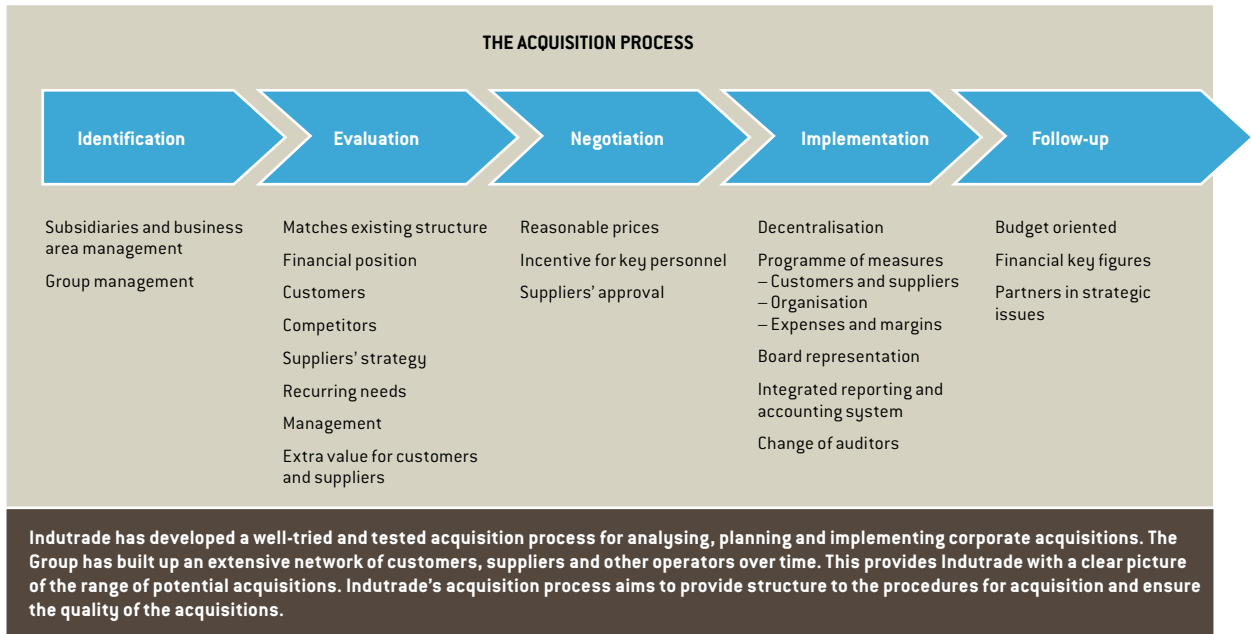
Evaluation

A number of parameters are used to evaluate potential acquisitions. These include market position, customers, competitors, the strategic and technical orientation of main suppliers, recurring elements in product ranges, financial position, history, the continued commitment of key personnel and the extra value the company can create for customers and suppliers. The purpose of this analysis is to minimise the operating and financial risks associated with an acquisition.

Negotiation

The primary aims of the negotiation phase are to establish:

- that the acquisition can be carried through at a price that makes this a value-producing transaction. Historically, Indutrade has acquired businesses at a price of 4 to 8 times the after-tax earnings.
- the continued commitment of key personnel after the acquisition. Since the key persons are usually shareholders in the company being acquired, it is normal to use an acquisition structure with an additional earn-out payment. This provides key persons with an incentive to stay with the Group and contribute to its further growth in net sales and earnings.
- that the candidate's main suppliers are in favour of the acquisition, so that essential product agents are not lost.



Implementation

The acquisition process involves a structured analysis of the acquired company. This concentrates primarily on three areas:

- Customers and suppliers – broadening of customer base and product range.
- Organisation – streamlining with the main purpose of increasing the focus on customers and sales.
- Costs, margins and stock turnover – to boost profitability and ensure a stable financial position.

New financial goals are established. The goals are adjusted in accordance with the needs and conditions of the company.

Follow-up

Group management and the management teams of each business area maintain an on-going dialogue with the company's management. The day-to-day management is goal-oriented, focusing on growth, margins and capital turnover.

Most key personnel in acquired companies continue to work for Indutrade, even after payment of any additional earn-out. One of the main reasons for this is Indutrade's corporate culture, with a strongly decentralised organisation, which gives entrepreneurs considerable freedom to continue developing their businesses.



Peter Eriksson, President of Flow Technology Business Area

“It’s been a fantastic journey”

Peter Eriksson was President of Alnab, which Indutrade purchased in 1994. Alnab was the foundation on which he then built up an entire business area.

“We didn’t really want to sell.” The year was 1994 and Peter Eriksson was President of the technology sales company Alnab in Gothenburg. He owned 40 per cent and his partner 60 per cent of the shares. After a series of long discussions and meetings, they agreed that it would be best, in spite of everything, to sell their company.

From among the potential buyers, they chose Indutrade. This was due largely to the fact that they knew Indutrade was interested in developing the company further.

“At one of my first meetings after the acquisition, Gunnar Tindberg, who was Indutrade’s President at the time, asked me to compile a list of companies I was interested in purchasing. I think that we have actually purchased all the companies that were on that list,” Peter Eriksson says. “It’s been a fantastic journey.”

Alnab was Indutrade’s first company in flow technology and became the foundation for what is now the Flow Technology business area. This has been gradually developed through the acquisition of twelve companies. Alnab’s sales totalled MSEK

60 in 1994. Flow Technology had a turnover of almost SEK 1 billion in 2005.

“When Indutrade purchased Alnab, I promised to stay with the company for three years but had made up my mind not to remain with the Group for longer than that. However, I soon realised how much I enjoyed my work and I wanted to continue developing the business area.”

Its rapid growth was spurred on by a good network of contacts and strong financial backing from the Parent Company. When building up a group of companies in flow technology, the philosophy has always been to acquire profitable companies that are already in good shape and to avoid resource-draining turn-around projects.

“Obviously, we study the figures, but it is also very important to go with a gut feeling when purchasing companies.”

Sales in the billions and a very strong market position have not changed Peter Eriksson’s basic objective for the business area.

“We intend to continue growing.”

THE BEST DECISIONS ARE MADE CLOSE TO THE CUSTOMER

Indutrade has some 60 subsidiaries that offer a wide range of high-tech products within selected niches. A high level of decentralisation makes it possible for the subsidiaries to plan their own strategies.

The fundamental principle for Indutrade's organisation is decentralisation. The best business decisions are made close to the customers and suppliers by people who are most familiar with the customer's needs and processes.

This results in increased customisation and flexibility, and creates an excellent basis for maintaining the organisation's innovative entrepreneurial spirit in the best possible way.

Decentralisation is also a natural consequence of the Group's niche policy. To build up the expertise that is required to create value and, consequently, profitability for its customers, it is essential to concentrate operations in a number of selected niches. The various niches are subject to different requirements and preconditions, and it is therefore best that each subsidiary prepare its own strategy plans.

The Parent Company has an owner role, which involves goal management and supporting the subsidiaries with their coordination services. Goal management is primarily focused on growth, operating margin and operating working capital.



The Group is organised in four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products. Each business area consists of a number of independent subsidiaries.

Indutrade has about 60 subsidiaries in all. These companies vary in size. Many have 15 to 20 employees who are mainly sales engineers or technical consultants. Over the course of several decades, the companies have normally built up long-term and close relationships with customers and suppliers, and have progressively become specialists in their area of technology. Their operations are often built around a couple of strong, well-established suppliers, backed up with a number of smaller agencies.

The subsidiaries offer a wide range of high-tech products within selected niches. The products are often important for the customers' production processes and are designed to meet clearly-defined requirements, such as quality, durability and temperature resistance. Most of Indutrade's products meet customer's repeat needs and often have a high-tech content.

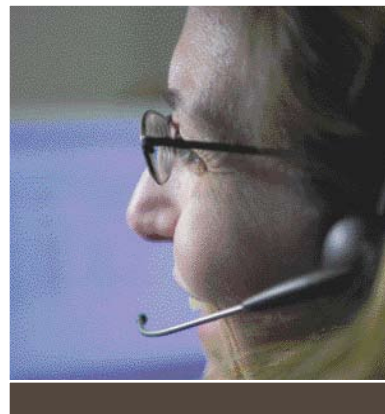
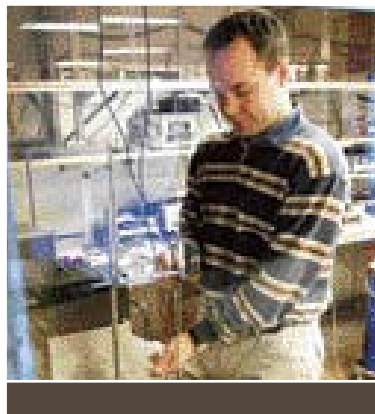
A number of subsidiaries conduct proprietary manufacturing, refinement and product development. This means that Indutrade can offer customised products and create customised system solutions. In 2005, sales of proprietary products and refined products accounted for MSEK 600, corresponding to about 15 per cent of the Group's net sales.

About 20 of the subsidiaries offer after-market services, such as laboratory services, validation, monitoring, technical service, product adaptation, assembly, resharpening of tools and repairs. All services have a natural connection to the Group's products and customer relationships. Sales related to after-market service in 2005 amounted to approximately MSEK 125, corresponding to about 3 per cent of the Group's total net sales.

In addition, Indutrade offers training in how the Group's products should be used and integrated in larger systems. Revenues from training operations in 2005 amounted to approximately MSEK 25, corresponding to about 1 per cent of the Group's net sales.

OUR EMPLOYEES' SKILLS AND EXPERTISE ARE THE KEY TO SUCCESS

Indutrade gives priority to the development of its employees' business skills and technical expertise.

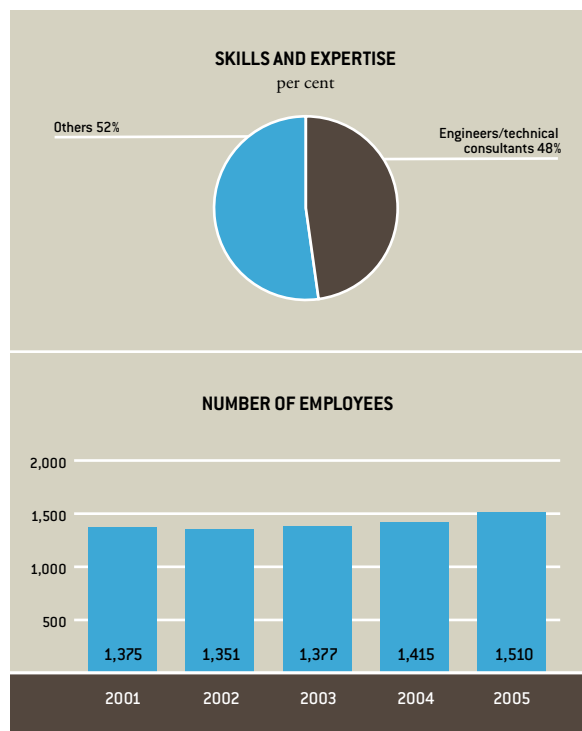


Employees' business skills and technical proficiency are crucial to the future development of Indutrade. Consequently, the Group places great importance on the continuous development of skills. Business skills are reinforced through management development and sales training courses. Most of the technical training is organised and conducted by suppliers.

Indutrade introduced a specially-tailored leadership development programme during the year. Apart from the actual leadership development aspect of the programme, it also offers Group management the opportunity to assess the current leadership capacity and the availability of managerial resources, and to obtain the information necessary to produce a plan for leadership succession within and between different companies. Parallel with this, participants initiate a programme for their own development, based on their subsidiary's business plan. This programme also includes an external benchmarking process which gives participants the opportunity to study some of Sweden's best companies in the areas that are of interest to Indutrade. During the year, 42 participants were involved in the programme.

Indutrade's future success depends greatly on the Group's ability to retain key persons in acquired companies. Apart from continuous in-service training this is primarily achieved through the decentralisation policy and the entrepreneurial spirit that characterises Indutrade and which gives subsidiary managers considerable decision-making power.

The average number of employees for the year amounted to 1,510 [1,415], of which 22 per cent were women and 78 per cent were men.



48 per cent of the Group's employees are qualified engineers or technicians.

QUALITY WITH THE CUSTOMER IN THE CENTRE

Indutrade's quality and environmental systems are characterised by an emphasis on customer focus and continuous improvement.

Indutrade's quality and environmental work is based on careful, long-term planning and is a natural part of the Group's business operations. The quality and environmental systems are characterised by an emphasis on customer focus and continuous improvement.

QUALITY

Indutrade's objective is that the products and services it provides shall meet or exceed customer expectations. Customers should associate Indutrade with quality products, delivery assurance, excellent technical support and a positive, business-like attitude.

Our quality-assurance activities cover products and processes, where all procedures (from purchasing and storage routines to delivered products and technical solutions) must be conducted in an optimum manner to ensure top-quality products. Top quality is always given priority.

At the start of a partnership with a supplier, we always conduct an in-depth quality analysis.

19 of the Group's companies are registered under the ISO 9001 and/or QS 9000 standards. All companies with ISO registration have measurable goals (e.g., delivery deadlines to customers and number of returns), which are continually compared with results.

Subsidiaries only obtain ISO registration if it is considered necessary for market reasons. However, the subsidiaries that are not registered implement quality assurance procedures aimed at improving overall standards.

The Group's products are delivered fully assessed for compliance with the requirements of the current European directives, such as the PED and ATEX directives.

Five of the Group's Swedish subsidiaries conduct operations that require licences or notifications in accordance with the Swedish Environmental Code. Two foreign subsidiaries conduct operations subject to equivalent licence or notification obligations. Net sales for subsidiaries with licence or notification obligations amount to MSEK 534.

THE ENVIRONMENT

Indutrade's environmental work is governed by legal requirements and directives, as well as what is financially feasible, technically possible and ecologically justifiable. Our Group works continuously to minimise the impact of our operations on the environment and achieve transparency when reporting on our successes and problems, if any, in the environmental sphere.

Since Indutrade's core activities are trade and distribution, our direct impact on the environment is minimal.

Indutrade also seeks ways to reduce environmental impact throughout the product's life. When choosing similar products with comparable prices, the Company always aims to choose the product that has the least negative impact on the environment. It considers aspects such as how transport or product components affect the environment.

When entering into a partnership with a new supplier, we conduct an environmental audit.

Nine of the Group's subsidiaries are registered under the ISO 14001 standard. Registration processes are implemented if warranted by demands from customers or suppliers. The subsidiaries that are not registered operate a systematic environmental programme aimed at improving overall standards.

PROFITABLE ALTERNATIVE TO OWN SALES ORGANISATIONS

Indutrade works close to its customers, providing a high level of service and qualified technical advice.

Indutrade is a technology sales company on the Northern European market for components, systems and services to the industry. In this market, sales take place either directly through the manufacturers' own sales organisations or via technology sales companies or wholesalers.

Technology sales companies differ from wholesalers in that they offer technical advice, customised solutions and generally more technologically advanced products. In addition, technology sales companies often offer high-quality support, training and other after-market services. From the manufacturer's perspective, technology sales companies are on a par with their own sales organisation.

PRODUCTS

The market can be divided into products for recurring needs and products of an investment nature. Products for recurring needs generate a more stable revenue flow. Indutrade focuses on products for recurring needs with high-tech content within selected niches.

FRAGMENTED MARKET

The market is fragmented and mainly comprises a large number of small, family-owned technology sales companies, which often cooperate closely with just one or a select number of manufacturers. There are also a few larger operators, similar to

Indutrade, and manufacturers who sell their products through their own sales organisations. However, for many manufacturers of high-tech industrial components and systems, it is not profitable to have their own sales organisations in smaller markets such as the Nordic market. Normally, the most profitable option for these manufacturers is to collaborate with a technology sales company.

MARKET SIZE

Indutrade conducts business in 11 countries. In 2005, the Group's two main geographical markets, Sweden and Finland, together accounted for about 75 per cent of consolidated net sales.

Indutrade estimates that the market for the niches in which the Group operates amounts to approximately SEK 9 billion in Sweden and about SEK 5 billion in Finland. This would mean that Indutrade has an estimated market share of about 20 per cent in its niches in the Swedish and Finnish markets respectively.

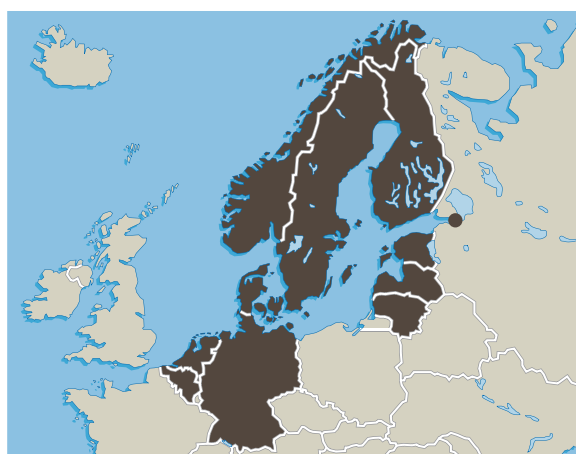
In other geographic markets, Indutrade is a relatively minor player today.

AVERAGE ANNUAL SALES GROWTH IN VARIOUS INDUSTRIES 1995–2005²⁾

Customer segments/industries	Sweden	Finland	Estimated share of Indutrade's net sales 2005 ¹⁾
Paper and pulp industry	3%	4%	15%
Engineering industry	4%	5%	12%
Automotive industry	8%	2%	11%
Pharmaceutical industry	10%	-2%	10%
Food industry	2%	3%	9%
Petrochemical, Refineries	8%	4%	9%
Others			34%

¹⁾ These estimates are based on the strategy plans drawn up annually by each of Indutrade's subsidiaries and are thus relatively unreliable. Each strategy plan includes an appraisal of the subsidiary's market, market share and main competitors.

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



	Net sales, MSEK	EBITA, MSEK	Employees
Sweden	1,578	103	617
Norway	85	4	19
Finland	1,201	125	441
Denmark	300	22	122
Baltic States and Russia	166	11	100
BeNeLux and Germany	492	68	211

MARKET GROWTH AND CYCLICALITY

Growth in Indutrade's markets is primarily dependent on growth in the industries where its customers operate. Growth in the customer segments depends on several factors, including the general economic climate.

However, Indutrade sells products and services to many sectors, each of which is affected in different ways at any particular stage of the business cycle. This means that Indutrade's profitability is normally less susceptible to economic fluctuations, compared with other companies with similar business

operations. This also means that demand for Indutrade's products and services tends to grow in pace with GDP in the geographic markets in which Indutrade operates.

DRIVING FORCES AND TRENDS

The main trends and other central driving forces in Indutrade's markets are described below.

Focus on core operations

Many industrial companies in Northern Europe have increased their focus on their core operations in recent years. Activities not defined as core operations have often received lower priority, with the effect that the level of knowledge within these areas has declined. Consequently, industrial companies today have a greater need for close collaboration with suppliers that possess a high level of technical expertise and knowledge about the processes and requirements of the customers.

This is in line with Indutrade's strategy and business orientation.

Increased demand for services

Many customers are trying to reduce the size of their internal service and maintenance departments, which is in keeping with the general trend of focusing on core operations.

This has led to an increase in demand for service and support in recent years, which has consequently presented Indutrade with opportunities to extend its service and offer additional services.

Fewer suppliers

In order to reduce administrative expenses, industrial companies are generally striving to use fewer suppliers. At the same time, close partnerships with a limited number of suppliers enables shorter lead times and, subsequently, reduced capital investment.

As a consequence, each supplier will be expected to offer a broader product line, which is normally good news for large technology sales companies.

One way in which customers can reduce the number of suppliers is by using the same supplier for several geographic markets. Many larger customers regard the Nordic region as one market, and Indutrade believes it will become even more important for the company to be able to deliver throughout the Nordic region.

Indutrade's goal is to offer an extensive product line with pan-Nordic coverage in all niche areas to create the potential for becoming a comprehensive supplier.

Relocation of production to low-cost countries

There has been a growing trend in recent years to relocate industrial production from the Nordic countries and the rest of Western Europe to so-called low-cost countries, predominantly in Eastern Europe and Asia.

This has had only a limited effect on Indutrade, primarily because the Group has chosen to focus on customers with recurring needs in sectors deemed as having solid enough bases for maintaining competitive production in Indutrade's domestic markets.

These industries are frequently characterised by a high degree of automation, high distribution costs and/or considerable start-up investments. Relocating production to low-cost countries is less profitable for these sectors than it is for more personnel-intensive operations.

Sales to such sectors accounted for about 75 per cent of consolidated net sales in 2005.

From a historical perspective, relocation to low-cost countries has mainly affected the electronics and telecom industries and subcontractors in these industries.

Manufacturer consolidation

The size of the manufacturers in Indutrade's markets has been growing steadily, mainly as a result of acquisitions. As far as Indutrade is concerned, this consolidation trend presents both opportunities and threats.

A merger between two manufacturers, one of which is a supplier to Indutrade, entails an opportunity to take over the other company's product sales. There is also a risk that the other company already has an established sales organisation in Indutrade's market.

Manufacturer consolidation also increases opportunities for suppliers to provide leading products since more capital is allocated to research and development.

This usually enhances the competitive strength and attractiveness of Indutrade's product portfolio in the eyes of the customer.

Increased imports from low-cost countries

We are observing a general trend across Indutrade's markets for increased imports of products and intermediate goods from non-European countries, especially China. This is expected to result in lower prices, in the long run, for both Indutrade and end users.

However, for products with high-tech content and stringent quality requirements, this type of import is still limited.

MARKET AND POSITIONING

Several suppliers have relocated parts of their production to low-cost countries. This trend is expected to continue and lead to lower prices, thereby enabling Indutrade to maintain its competitive edge.

COMPETITORS

Since the Nordic region is a relatively small market for global operators, they frequently choose to work in this market via technology sales companies, rather than setting up their own sales organisations. Indutrade's main competitors are thus other technology sales companies.

Technology sales companies can be divided into small, often family-run companies and large-scale companies like Indutrade. The family businesses often have a structure similar to that of Indutrade's subsidiaries and normally represent one or a few manufacturers in a select number of niches. Competitors include Armatec/Armaturljonnsson in the area of valves and Christian Berner in the area of pumps and instruments. In some markets, Indutrade competes with specific subsidiaries of other major market operators, such as Addtech, Bergman & Beving, GL Beijer and OEM International.

However, the above-mentioned only have limited operations in Indutrade's niches and Indutrade estimates that competition from these is less than 10 per cent of consolidated net sales. However, the competition from these companies is more evident when seeking opportunities to acquire new subsidiaries.

Large-scale, international manufacturers that compete with Indutrade via their own sales organisations are Hydac and Millipore (filters), Loctite (chemical engineering) and Sandvik and Seco Tools (cutting tools).

In the Nordic market, there are also a number of wholesalers who mainly distribute high-volume products. These include Ahlsell, Bulten Stainless and the Bufab Group. What these companies all have in common is that they market broad product ranges that generally only require minimal technical advice and adaptation.

The main competitive advantages of the wholesalers are broad product portfolios, good logistics and low prices.

Since Indutrade operates mainly in product niches with a high-tech content which require thorough knowledge of the customer's processes, competition from these companies is limited to a minor share of Indutrade's sales. Indutrade estimates that less than 10 per cent of the Group's net sales face competition from pure wholesale companies.

CREATING EXTRA VALUE

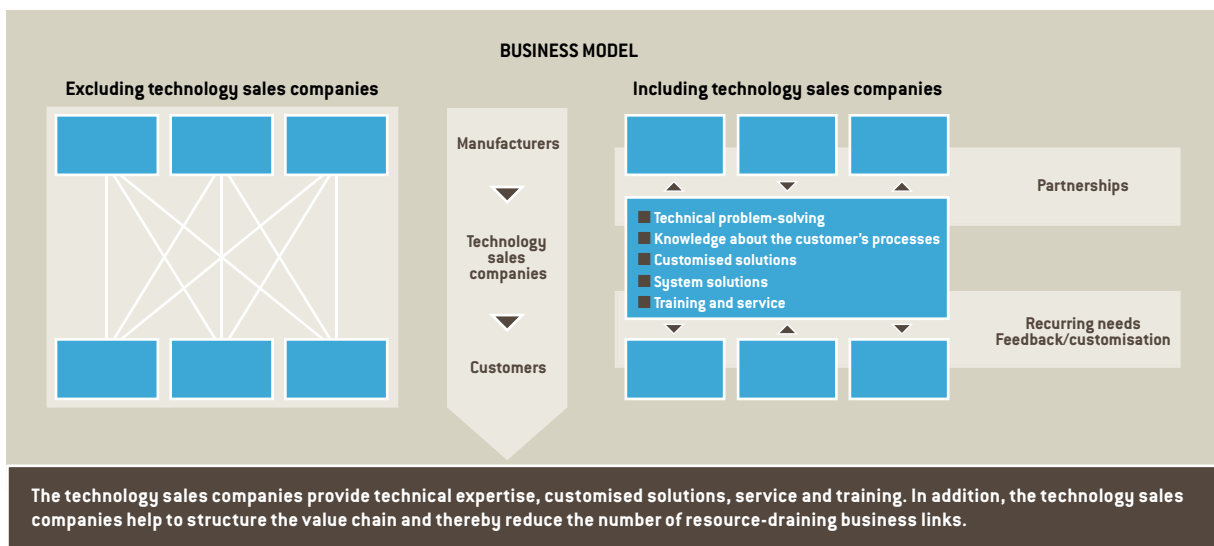
The technology sales companies create value for their customers and manufacturers by structuring and streamlining the value chain.

Value is created for customers through:

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

Value is created for manufacturers through:

- Access to a technically qualified sales organisation with established customer relations and local market knowledge
- Access to information about customers' production processes through technology sales companies' established customer relationships
- Broadened areas of application for the manufacturer's products since technology sales companies are able to combine products and systems from various manufacturers and thereby offer customised solutions
- Opportunity to sell products in markets where establishing an own sales organisation is not considered financially profitable.





Anders Höögh, President of Edeco Tool AB

Towards a common goal

“Collaboration between the companies works extremely well. I would describe it as a group working towards a common goal, rather than a traditional relationship between manufacturers, suppliers and customers.”

ScanWafer in Norway is one of the world’s leading manufacturers of silicon wafers for solar cells. It is a technically complicated process and, put simply, consists of two phases: the creation of huge blocks of silicon, as pure as possible, using heat treatment, and cutting these blocks into very thin wafers. A wafer is no more than about 0.24 mm thick.

Indutrade’s subsidiary, Edeco, supplies ScanWafer with bandsaw blades that are used to cut the huge blocks of silicon. These have to be diamond-grit-edge blades as silicon is very hard. The blades comply with extremely high standards and are made of special spring temper steel that combines strength and great flexibility.

The diamond saw blade has been specially developed in collaboration with Edeco, ScanWafer and the German bandsaw manufacturer, Wikus. “Collaboration between the companies works extremely well. I would describe it as a group working towards a common goal, rather than a traditional relation-

ship between manufacturers, suppliers and customers,” says Anders Höögh, President of Edeco.

Development work is a continuous process in which the focus is on making the saw blade thinner to minimise the amount of silicon that is sawn away. Other priorities are to speed up the sawing process without compromising the precision, and increase the useful life of the blades.

The market for silicon wafers grew by 40 per cent in 2005, and this rapid growth is expected to continue. In 2005, capacity at ScanWafer’s plant in Herøya, Norway, doubled and the company is currently investing MNOK 370 in an extension of its plant in Glomfjord in northern Norway, doubling the capacity even there. The new factory is due to start operations in 2008.

Edeco has 20 employees and a turnover of almost MSEK 70. As well as bandsaw blades, it produces other cutting tools for the steel, automotive and engineering industries.

MANY PRODUCTS ARE CUSTOMISED

Engineering & Equipment offers customised niche products, design solutions, after-market service and special processing.



Sales cover more investment goods than the other business areas and are also characterised by a relatively large proportion of specially adaptations, compositions and installations of products from different suppliers.

The five largest subsidiaries are Bengtssons Maskin, Kontram, Lining, Tecalemit and YTM. These accounted for 69 per cent of the business area's net sales in 2005.

MARKET

Geographically, the focus of the business area is in Finland, but there are also subsidiaries in Sweden, Norway, Estonia, Latvia and Lithuania. A branch was set up in Denmark in 2005. Engineering & Equipment has a particularly strong position in the Finnish market for the majority of operations. Competitors are mainly smaller family-owned companies and international manufacturers' sales companies in each product area.

CUSTOMERS

This business area's customers mainly operate in the paper and pulp industry, as well as the commercial vehicles and engineering industries. Its five largest customers are Kemira, Kvaerner, Metso, Stora Enso and Tetra Pak.

PRODUCT AREAS

The business area is organised into four product areas: industrial equipment, transmission, flow products and hydraulics and pneumatics.

Industrial Equipment

This product area has a full range of garage equipment, with related project design for remodelling and new construction of automotive workshops. It also develops and designs special equipment for car repair shops. Other products are equipment for fire protection and central lubrication systems, plus equipment for industrial painting and surface treatment.

Transmission

The range of transmission products includes chains and shaft couplings, with related adaptation and processing. Other products are gearboxes for the processing industry and compact precision gears for robot manufacture. Customised conveyor belts and power transmission belts are also produced for the engineering, food and paper industries.

Flow Technology

The range consists primarily of valves, pumps, measuring instruments and couplings, and solutions for handling wastewater.

Hydraulics and Pneumatics

This product area comprises hydraulic and compressed air components. The product range also includes pipes, quick disconnect and Kamlok couplings, including accessories. Pneumatic components and magnetic valves are also included.

THE PAST YEAR

Net sales rose 13 per cent to MSEK 1,393 (1,238) and EBITA rose 30 per cent to MSEK 133 (102).

The increase in net sales was fully related to organic growth and was mainly attributable to healthy market growth in the business area’s main markets in Finland and Sweden. The improvement in EBITA was due partly to the growth in net sales and partly to the higher margins that resulted from continued improvements in efficiency. Sales and administrative expenses remained more or less unchanged in spite of the increase in sales.

Sales in the Baltic States accelerated slightly faster than in other regions. However, profitability remained below the business area average.

During the autumn, the Group purchased the Finnish technology sales company, Puwimex Oy, which has an annual turnover of approximately MEUR 6.5. Puwimex specialises in pumps for hazardous fluids. Its customers are mainly in the chemicals, paper and pulp, food and construction industries. This acquisition means that Indutrade further reinforced its presence in pump technology in the Finnish market. The company has been part of the Group since January 1, 2006.

FUTURE

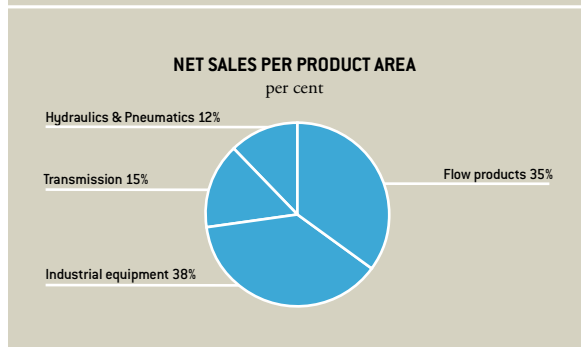
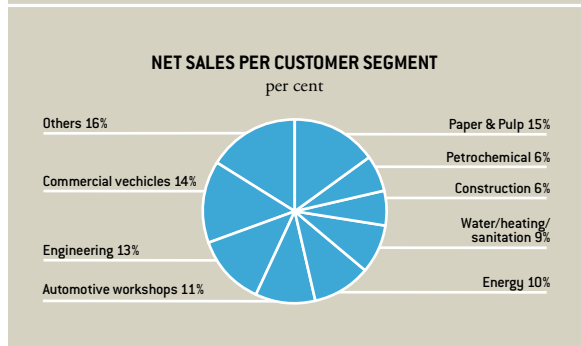
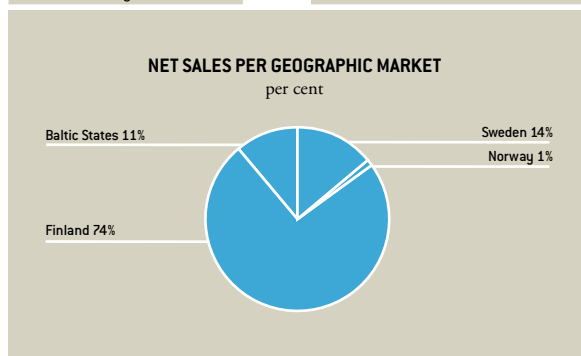
In the next few years, the market is not expected to achieve the same high rate of growth as in 2005. Acquisitions and takeovers of new agencies will therefore account for a significant share of the business area’s growth.

We intend to increase the rate of acquisition. We have identified potential acquisition candidates in all the business areas’ current or related technical areas.

Long-term cost-reduction and streamlining programmes will continue.

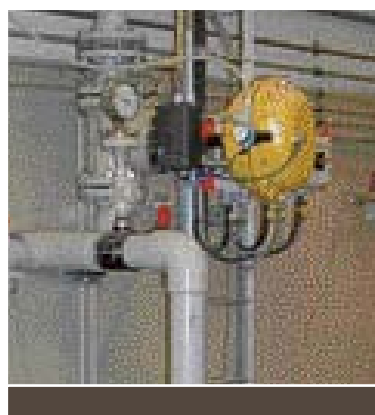
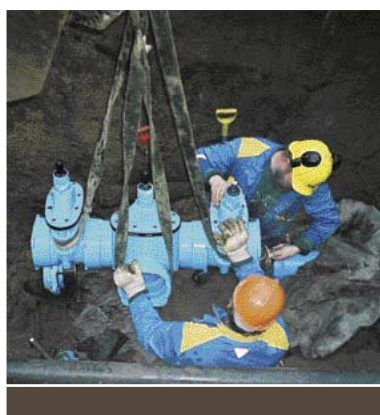
KEY FIGURES

	2005	2004	2003	2002	2001
Net sales, MSEK	1,393	1,238	1,081	939	963
EBITA, MSEK	133	102	80	73	67
EBITA margin, %	9.5	8.2	7.4	7.8	7.0
Number of employees at the end of the year	526	510	491	419	444



LARGEST IN THE NORDIC REGION IN FLOW TECHNOLOGY

Flow Technology offers components and systems for the management, measurement, supervision and control of flows.



The business area has ten subsidiaries, each specialising in various aspects of industrial flow technology. The five largest subsidiaries are Alnab, Gustaf Fagerberg AB, Gustaf Fagerberg A/S, GPA and Ventim, which jointly accounted for about 64 per cent of the business area's net sales in 2005.

MARKET

The business area has a large share of its sales in Sweden and Denmark, and also has operations in Norway and Russia.

Indutrade is the dominant group in industrial flow technology in the Nordic countries. Its competitors are primarily individual companies in each of the subsidiaries' markets.

CUSTOMERS

Its customers operate in a large number of market segments, but mainly within the paper and pulp, food and chemicals industries. Some of its major customers are Akzo Nobel, Kvaerner, Metso, Stora Enso and Tetra Pak. The great breadth of customer categories strengthens the contact with suppliers, whose products are often appropriate for several different market segments.

PRODUCT AREAS

The business area is divided into five product areas: valves, measuring and analysis instruments, pipe systems, pumps and compressors and service.

Valves

The Swedish market's broadest range of valves and fittings for industrial customers and municipalities. With its high level of

technical expertise, Indutrade can meet customers' demands for close cooperation and partnerships.

Measuring and analysis instruments

A fully comprehensive range of processing instruments for measuring and analysing flows, pressure, temperature and level is available. During the year, the area's range was extended with gas analysis products. The products are often important for ensuring the operation of the customers' processes.

Pipe systems

Valves, pipes, pipe parts and couplings in plastic and Teflon-coated materials for systems with aggressive fluids. System solutions for pipes, pumps and tanks in customised materials. Expertise in material selection for corrosive fluids and gases.

Pumps

Pumps and customised system solutions in which pumps, regulating systems, valves and pipes are assembled together to form a complete unit. Ready-to-use systems are frequently supplied to customers. In addition, special products are included to handle aggressive, corrosive and environmentally hazardous fluids.

Compressors and service

Compressed-air compressors and vacuum-technology equipment. In additions, customers are offered repair, maintenance and service for pumps, valves and regulating equipment. Service activities directly related to the products sold are included in several of the subsidiaries in the business area.

THE PAST YEAR

The business area's net sales rose by 11 per cent to MSEK 966 (869). EBITA rose by 26 per cent to MSEK 67 (53).

The increase in net sales was a result of a generally greater demand in the business area's markets, and Flow Technology also increased its market share in some segments. The increase in earnings was primarily due to the increase in sales volume.

Net sales increased most in the Measuring and Analysis Instruments product area, where demand was driven by more stringent environmental requirements.

During the year, the Swedish technology sales company, Satron Instruments Process & Project AB, was purchased. Satron holds a strong market position within electronic measuring and control instruments for the global processing industry, with a particular focus on paper and cellulose. Its operations cover everything from the production of individual components to comprehensive system solutions, including commissioning and training. Annual sales are approximately MSEK 40. Satron was consolidated from October 1, 2005, as part of the business area.

A small-scale service business, NJ Smedje, was acquired to further reinforce its service operations in Gustav Fagerberg in Denmark.

There is a continuing trend among many customers to use fewer suppliers. Partly to comply with these wishes, the business area continued working with EKA on the development of the so-called VPI concept (Valve, Pumps and Instruments), which means that Indutrade is responsible for supplying EKA with everything within these three product areas. Several other customers have expressed an interest in starting similar partnerships.

FUTURE

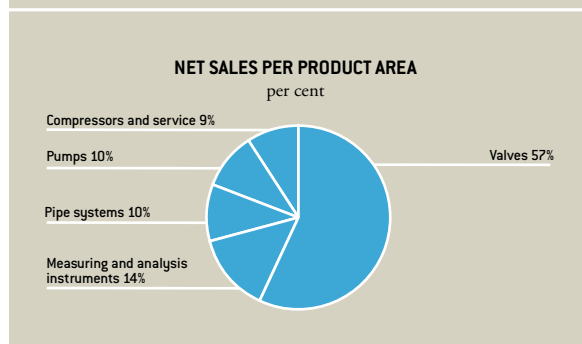
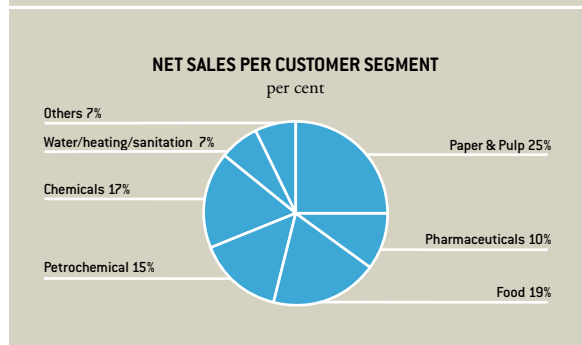
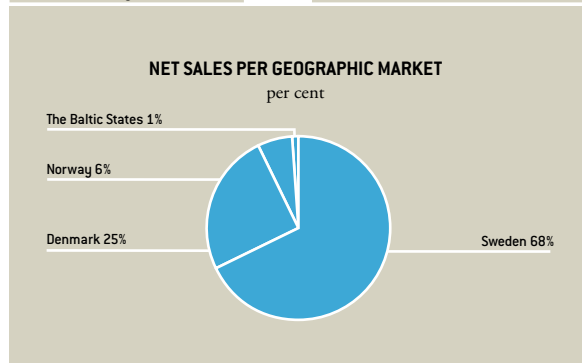
We expect a continued strong demand in the business area's markets throughout 2006.

We expect a number of market trends to continue affecting Flow Technology. These include a growing demand for analysis instruments, greater use of new materials such as plastics and composite materials, greater need for total solutions and systems, and greater need for qualified service from suppliers, concurrent with reductions in customers' own service departments.

The business area intends to make a number of acquisitions in 2006.

KEY FIGURES

	2005	2004	2003	2002	2001
Net sales, MSEK	966	869	780	808	817
EBITA, MSEK	67	53	39	63	48
EBITA margin, %	6.9	6.1	5.0	7.8	5.9
Number of employees at the end of the year	329	304	304	307	308



LARGE PROPORTION OF CONSUMABLES

Industrial Components offers a broad range of advanced technical components and systems for production and maintenance. The products are mainly consumables.



The business area's subsidiaries often work in close cooperation with the customers' development, production and maintenance departments. Great efforts are made to analyse and understand the customers' production processes and needs.

The largest subsidiaries are Colly Components, Colly Filtringsteknik, Edeco Tool, Oy Colly Company and G. A. Lindberg, which accounted for a combined total of approximately 62 per cent of the business area's net sales in 2005.

MARKET

The business area's main sales region is Sweden, but it has significant operations in Finland and Denmark too. Its competitors are international companies with their own sales organisations and smaller, family-owned companies.

CUSTOMERS

Major customer groups are the engineering, paper and pulp, commercial vehicles, food and pharmaceutical industries. Major customers include ABB, Metso, Stora Enso, Astra, Novo Nordisk, Tetra Pak and Volvo.

PRODUCT AREAS

The business area is organised into four product areas: Filter and Process Technology, Fasteners, Cutting Tools and Adhesive and Chemical Technology.

Filter and Process Technology

A number of the subsidiaries in the business area work with the American PALL Corporation, which is one of the world's largest filter manufacturers. PALL has the market's broadest product portfolio in filtration and separation, with related measurement and monitoring equipment. Collaboration with PALL gives Industrial Components a strong market presence in the Nordic region.

Fasteners

Products include a wide range of fasteners, bearings and quick-connect couplings with related assembly and automation equipment. The operational focus is on thin sheet joining, threaded-joint technology and fastening technology for the construction industry. The products are often included as sub-components in the customers' own products (OEM).

Cutting Tools

This product area is a leading importer of cutting tools in Sweden, and has a wide range of high-quality tools for various types of cutting work, such as drilling, turning, cutting and thread cutting.

Adhesives and Chemical Technology

The product area works with leading suppliers of adhesives, silicone and lubricants. It also offers oils and fluids for metal processing, rust protection, hydraulics, spray-painting and tissue production. The range also includes box and flat packaging and a number of specialist seals for demanding fluid and gas sealings.

THE PAST YEAR

Demand in the business area's markets weakened in the first six months, but was much stronger in the second half of the year. Altogether, this means that net sales for the whole year rose by 2 per cent to MSEK 680 (668).

EBITA rose by 2 per cent to MSEK 50 (49). Taking into account winding-up costs in conjunction with staff reductions, EBITA rose by 8 per cent.

During the year, the business area established fastener operations in Norway by taking over two agencies. These will serve as a platform for the future expansion of operations in Norway.

In the autumn, the Group acquired Saniflex AB, a supplier of hose and pipe couplings and instruments to the Nordic processing industry and has an annual turnover of approximately MSEK 10. This acquisition further strengthened Indutrade's position in the processing technology sector. Saniflex was consolidated from December 1, 2005, as part of the business area.

Granaths Hårdmetall was consolidated from January 1, 2005. This improves the range of services offered to customers in the area of cutting tools, with sharpening and wire EMD equipment for rotating tools and reverse cutters.

During the year, cost reductions were achieved partly by reducing the number of administrative staff. The total annual savings were about MSEK 7.

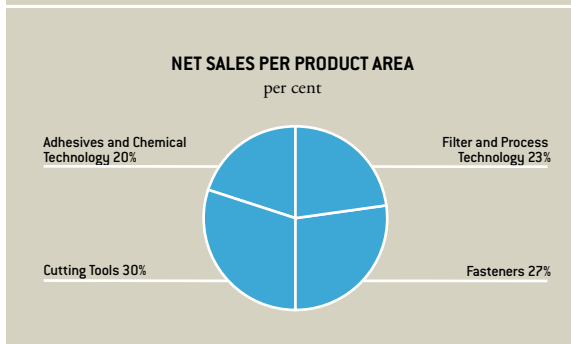
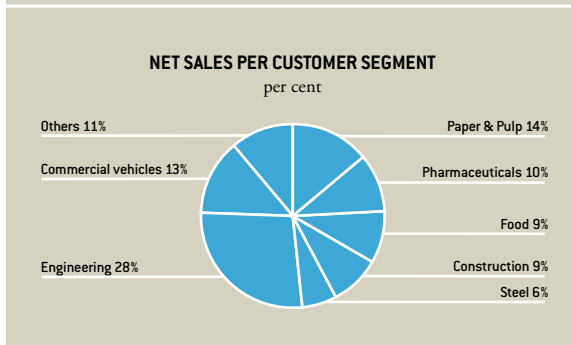
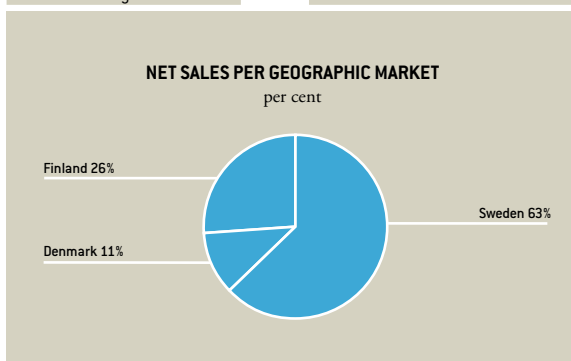
FUTURE

Demand in the business area's markets is expected to grow slightly faster in 2006 than in 2005.

The business area intends to acquire a number of companies in 2006 and add agencies to its existing operations in Sweden, Finland and Denmark.

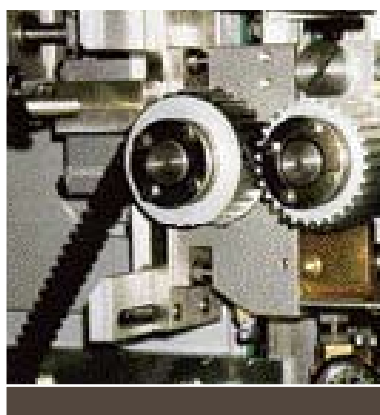
KEY FIGURES

	2005	2004	2003	2002	2001
Net sales, MSEK	680	668	653	685	674
EBITA, MSEK	50	49	50	48	41
EBITA margin, %	7.4	7.3	7.7	7.0	6.1
Number of employees at the end of the year	248	242	239	247	240



SIGNIFICANT SHARE OF PROPRIETARY PRODUCTION

Special Products offers specially manufactured niche products, design solutions, after-market service, assembly and special processing.



The business area comprises a number of companies with proprietary production and, out of Indutrade's business areas, is the one with the greatest proportion of its own products.

The six largest subsidiaries are Aluglas, ETP, GEFA, HITMA, HP Valves, which are part of the Hanwel group, and Pentronic, which together accounted for 80 per cent of the business area's net sales during 2005.

MARKET

The business area operates primarily in three geographic markets: Sweden, Germany and the Benelux countries.

CUSTOMERS

Its customers are primarily in the pharmaceuticals, petrochemical and engineering industries. Some of its major customers are Tetra Pak, Wärtsilä, Metso Paper, Sandvik and ABB.

PRODUCT AREAS

The business area is divided into five product areas: Hydraulic couplings, electrical components, thermometry, valves and process technology and construction plastics.

Hydraulic couplings

The business area develops, manufactures and markets hydraulic connections, couplings and tool holders that are used in the assembly and dismantling of drills and similar machinery with a high level of precision and quality. The range also includes mounting and centring products based on hydraulic and hydromechanical principles. The product area is highly skilled in this combination of mechanics and hydraulics and is a world-leading supplier in its niche, with an export share of 85 per cent. Exports are mainly to Western Europe and the USA.

Electrical components

The offering comprises electrical components and surge protection that are marketed under the suppliers' own brands. About 70 per cent of the electrical components are sold through electrical wholesalers, mainly to customers in the construction industry.

Thermometry

This product area refines and markets advanced equipment for industrial thermometry in demanding environments and offers calibration of measuring instruments and training courses for personnel handling the measuring equipment.

Valves and process technology

This product area refines single-leaf dampers, ball valves and a number of other types of valves. These are generally specially designed to meet specific customer needs. The remaining product range includes components and complete systems in valve and regulation technology, as well as filtration and separation technology.

Construction plastics

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

THE PAST YEAR

Net sales rose 10 per cent to MSEK 805 (735) and EBITA rose 19 per cent to MSEK 108 (91).

Development varied among the subsidiaries. Some showed strong growth, while sales volumes declined for others. The business area as a whole reported the highest gross margin of all the business areas in Indutrade.

The Group acquired the Dutch technology sales company, Hanwel Europe B.V., with four technology-niched subsidiaries, operating mainly in the areas of flow technology, customer-specific ceramics and pipe systems. This acquisition strengthened Indutrade's position in the processing industry. Hanwel's net sales in 2004 totalled approximately MSEK 177 and it had about 60 employees.

After the acquisition, Hanwel was split into two divisions. HP Valves, which manufactures high-pressure steam valves, is an independent subsidiary, while other areas of Hanwel were incorporated into Indutrade's Dutch subsidiary, HITMA.

FUTURE

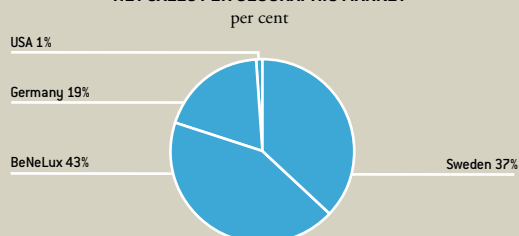
The potential for development is considered very promising for most of the business area's operations thanks to a high level of technology content and a large part of own products. A programme of measures is being implemented in 2006 in two subsidiaries where development was lagging in 2005.

The aim is to acquire more companies in 2006. The focus will primarily be on acquiring companies whose operations are closely related to those of the existing subsidiaries.

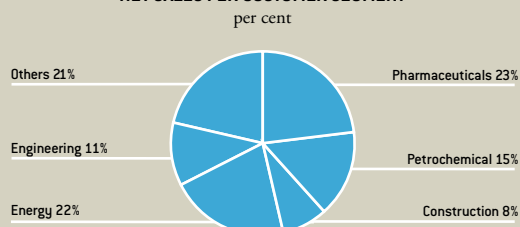
KEY FIGURES

	2005	2004	2003	2002	2001
Net sales, MSEK	805	735	701	666	682
EBITA, MSEK	108	91	88	85	88
EBITA margin, %	13.4	12.4	12.6	12.8	12.9
Number of employees at the end of the year	424	356	364	384	381

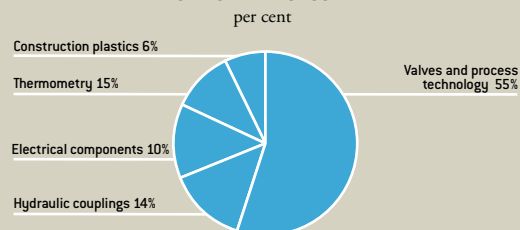
NET SALES PER GEOGRAPHIC MARKET



NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



RISK MANAGEMENT

OPERATING RISKS

Economic fluctuations

Indutrade's operations are dependent on the purchases and investments made by its customers. The Company's profitability is, however, relatively insensitive to fluctuations in the economy because the Company is represented in a large number of industries and its share of investment goods constitutes a relatively small portion of the Company's total net sales.

These factors mean that demand for Indutrade's products follows GDP growth in the Company's geographic markets.

Business relocation

The trend to relocate industrial production to low-cost countries has been apparent in Indutrade's markets in recent years. This trend has not affected Indutrade to any great extent. This is mainly due to the fact that Indutrade has chosen to focus on customers with repeat needs in industries with high automation, high distribution costs and/or large initial investments.

Competition from low-cost countries

There has been a noticeable increase in products from low-cost countries in the markets for Indutrade's products. The risk that Indutrade will be affected by this competition is counter-balanced by the fact that Indutrade's range of offerings includes products and services with a high-tech content, high level of service and highly-qualified technical advice.

Indutrade also strives to establish close partnerships with its customers by becoming involved early on in the planning and development phases, so its employees can contribute with their expertise in various processes.

Changes at supplier level

There is always a risk of suppliers deciding to leave a partnership with a technology sales company to set up their own sales

organisation. One trend in the market that points towards this is the consolidation among manufacturers. Indutrade tackles this by choosing suppliers for whom a partnership with Indutrade offers the most cost-effective option for getting their products onto the market. Indutrade's subsidiaries also have many long-term, stable customer relationships. One of the parameters that Indutrade analyses when purchasing a company is the strength of its supplier relationships.

Dependency on key persons

Indutrade's operations depend on the motivation and expertise of its employees, both at the sales level and in management. To attract and retain key personnel, Indutrade therefore conducts ongoing skills development programmes and management development programmes.

Risks associated with corporate acquisitions

The risk of losing expertise and skills is heightened when an acquisition is made. Indutrade has therefore made it part of its acquisition strategy that the company's key persons should be motivated to continue managing the company even after it has been purchased.

To ensure that the companies which are acquired do not lose product agencies, the company's main suppliers must give their approval to the acquisition.

Environmental issues

Among Indutrade's subsidiaries, five Swedish and two foreign companies conduct operations that require licences or notification under the Swedish Environmental Code and are under the supervision of the authorities.

FINANCIAL RISKS

Through its operations, Indutrade is exposed to financial risks of varying natures: financing and liquidity risk, interest-rate risk, currency risk and customer and counterparty risks (credit risk). The Group's financial operations are centralised in the Parent Company to benefit from economies of scale and minimise handling risks.

Operations are coordinated by the Parent Company, which executes all major external financial transactions and acts as an internal bank for the Group's transactions in the foreign exchange and interest-rate markets.

Indutrade's Board of Directors annually adopts a financial policy containing guidelines for managing financial risks and financial activities. The policy also regulates the applicable limits for counterparties.

Financing and liquidity risk

The financing and liquidity risk is the risk of the Group not being able to meet its payment obligations because of insufficient liquidity or difficulties in obtaining credit from external financing institutions. To the extent possible, this is countered by ensuring that the Company has a maturity structure in place, which facilitates the taking of necessary alternative actions required to secure the raising of capital should this be necessary.

Interest-rate risk

The interest-rate risk is the risk that unfavourable changes in interest rates will have an excessive impact on the Group's net financial items and earnings. In order to limit the negative effect on the Group's earnings due to interest rate movements in the market, the fixed interest term of the loan portfolio shall be diversified.

Currency risk and foreign exchange policy

Currency risk is the risk of unfavourable movements in exchange rates affecting consolidated earnings and shareholders' equity measured in SEK.

The Group uses currency clauses in customer contracts to reduce the effect of currency fluctuations.

Customer and counterparty risk

Credit risk in treasury management arises in connection with investing liquid funds and as counterparty risk in conjunction with the use of forward agreements and other derivative instruments.

These risks are limited by using counterparties that have been approved in accordance with the guidelines contained in the finance policy. Each subsidiary is responsible for assessing the credit risk in its commercial transactions.

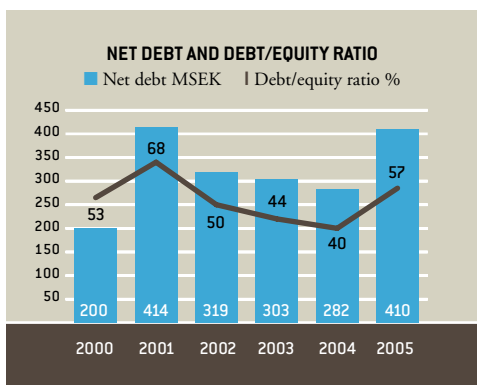
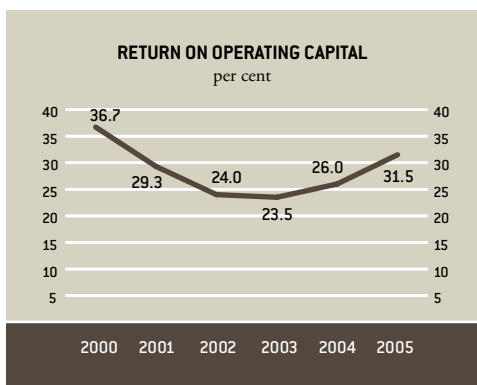
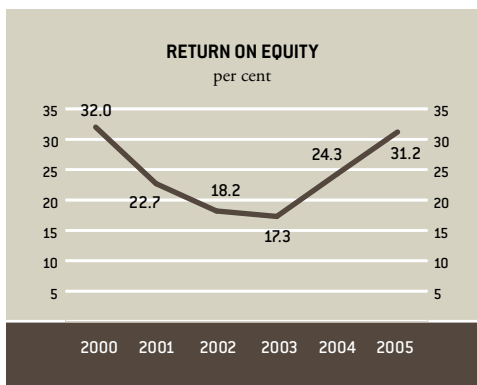
Indutrade's dependence on individual customers is small and the risk spread is considered to be favourable.

SENSITIVITY ANALYSIS

Based on the debt structure at December 31, 2005, a one (1) percentage point rise in interest rates on an annualised basis would result in an increase of about MSEK 3.6 in interest costs, without taking into account the loans' fixed interest terms. With the current interest terms, the effect over the next 12-month period would be about MSEK 1.6.

Indutrade estimates that the Company's translation exposure means that a one (1) percentage point depreciation in the value of the Swedish krona (SEK) relative to other currencies would result in an annual positive effect equivalent to approximately MSEK 24 in net sales and approximately MSEK 2.3 on pre-tax earnings.

SIX-YEAR SUMMARY – KEY FIGURES



Summarised consolidated income statement (MSEK)

	2005	2004	2003	2002	2001 ⁽¹⁾	2000 ⁽²⁾
Net sales	3,822	3,486	3,197	3,078	3,109	1,919
Cost of sold goods	-2,582	-2,367	-2,166	-2,083	-2,123	-1,276
Gross profit	1,240	1,119	1,031	995	986	643
Development expenses	-12	-11	-10	-9	-9	-6
Sales expenses	-725	-677	-663	-642	-623	-393
Administrative expenses	-182	-175	-167	-149	-157	-94
Other operating income/ expenses	3	0	4	7	0	28
Operating income	324	256	195	202	197	178
Financial income and expenses	-15	-13	-13	-21	-21	-1
Income after financial items	309	243	182	181	176	177
Tax	-87	-75	-67	-67	-64	-60
Net income for the year	222	168	115	114	112	117
EBITA	333	264	229	238	234	198

Summarised consolidated balance sheet (MSEK)

	2005	2004	2003	2002	2001 ⁽¹⁾	2000 ⁽²⁾
Goodwill	210	156	167	133	166	60
Other intangible fixed assets	88	15	4	4	5	7
Tangible fixed assets	287	277	266	255	225	132
Financial fixed assets	31	18	13	19	20	21
Inventories	615	556	567	571	625	382
Current receivables	585	517	480	447	468	293
Cash and cash equivalents	117	97	168	172	213	119
Total assets	1,933	1,636	1,665	1,601	1,722	1,014
Shareholders' equity	714	708	688	643	611	375
Long-term interest bearing liabilities	411	175	283	449	545	174
Long-term non-interest bearing liabilities	48	24	39	25	19	19
Current interest bearing liabilities	116	204	188	42	82	145
Accounts payable	322	263	228	225	227	154
Other current non-interest bearing liabilities	322	262	239	217	238	147
Total shareholders' equity and liabilities	1,933	1,636	1,665	1,601	1,722	1,014

Summarised consolidated cash flow statement (MSEK)

	2005	2004	2003	2002	2001 ¹⁾	2000 ²⁾
Cash flows from operating activities excl. changes in working capital	313	251	210	210	201	193
Changes in working capital	9	16	-8	44	-66	-37
Cash flows from operating activities	322	267	202	254	135	156
Net investments in fixed assets ³⁾	-41	-24	-53	-77	-46	-26
Corporate acquisitions and divestments	-148	-14	-57	6	-343	-33
Changes in other financial fixed assets	-8	2	-	13	2	-13
Cash flows from investing activities	-197	-36	-110	-58	-387	-72
Net borrowing	192	-157	-83	-91	340	-51
Dividends paid, Group contributions and shareholders' contributions	-301	-144	-11	-144	-1	-105
Cash flows from financing activities	-109	-301	-94	-235	339	-156
Cash flows for the year	16	-70	-2	-39	87	-72
Cash and cash equivalents at beginning of the year	97	168	172	213	119	189
Exchange rate difference in cash	4	-1	-2	-2	7	2
Cash and cash equivalents at the end of the year	117	97	168	172	213	119

Return ratios

	2005	2004	2003	2002	2001 ¹⁾	2000 ²⁾
Return on equity, %	31.2	24.3	17.3	18.2	22.7	32.0
Return on operating capital, %	31.5	26.0	23.5	24.0	29.3	36.7

Financial ratios

	2005	2004	2003	2002	2001 ¹⁾	2000 ²⁾
Long-term interest-bearing liabilities, MSEK	411	175	283	449	545	174
Short-term interest-bearing liabilities, MSEK	116	204	188	42	82	145
Cash and cash equivalents, MSEK	-117	-97	-168	-172	-213	-119
Consolidated net debt	410	282	303	319	414	200
Net debt/equity ratio, %	57	40	44	50	68	53
Interest coverage ratio	16.1	14.9	10.8	8.2	7.9	22.9
Equity ratio, %	36.9	43.3	41.3	40.2	35.5	37.0

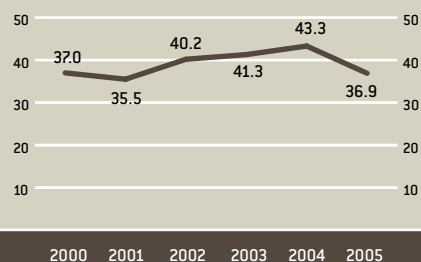
Key figures per employee

	2005	2004	2003	2002	2001 ¹⁾	2000 ²⁾
Average no. of employees	1,510	1,415	1,377	1,351	1,375	846
Sales, SEK thousands	2,531	2,464	2,322	2,278	2,261	2,268
Pre-tax earnings, SEK thousands	205	172	132	134	128	209

¹⁾ On January 1, 2001, Indutrade acquired the Fagerberg (including GEFA), EIE, Tecalemit Groups, with net sales of MSEK 1,029 for the financial year 2001.

²⁾ Including Alecta funds of MSEK 26.

³⁾ Net investments in fixed assets refer to the total of the year's investments/divestments of tangible and intangible assets (not including corporate acquisitions and divestments).

EBITA MARGIN
per cent**EQUITY RATIO**
per cent**DEFINITIONS**

Return on operating capital: EBITA divided by average operating capital.

Return on equity: Net income for the year divided by average equity.

Gross margin: Gross profit divided by net sales.

EBITA: Operating income before amortisation of intangible fixed assets.

Equity per share: Equity divided by the outstanding number of shares.

Investments: Gross investments in fixed assets, excluding corporate acquisitions.

Interest-bearing net debt: Interest-bearing liabilities, including pension liabilities minus cash and cash equivalents.

Net debt/equity ratio: Net debt divided by equity.

Operating capital: Equity plus net debt.

Operating cash flows: Cash flows from operating activities and net investments in fixed assets (not including acquisitions and divestments).

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

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

EBITA margin: EBITA divided by net sales.

Equity ratio: Equity divided by total assets (balance sheet total).

DIRECTORS' REPORT

The Board of Directors and the President of Indutrade AB (publ), corporate registration number 556017-9367, hereby present the Annual Report and consolidated financial statements for the 2005 financial year.

OPERATIONS

Indutrade markets and sells components, systems and services with high-tech content within selected niches.

The Group is divided into four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products. Subsidiaries operate in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Germany and the Netherlands.

Indutrade became a public company in 2005 and was listed on the Stockholm Stock Exchange on October 5, 2005.

NET SALES AND EARNINGS

The Group's order booking totalled MSEK 3,860 (3,542), representing an increase of 9 per cent.

Net sales rose 10 per cent during the year to MSEK 3,822 (3,486). 5 per cent of the increase derived from acquisitions, 4 per cent from organic growth and 1 per cent from positive currency movements.

Operating income before amortisation of intangible fixed assets (EBITA) rose to MSEK 333 (264), an increase of 26 per cent, corresponding to a strengthening of the EBITA margin by 1.1 per cent to 8.7 per cent (7.6).

Net financial expenses were MSEK -15 (-13).

Net income increased by MSEK 54 to MSEK 222 (168), equivalent to earnings per share of SEK 5.55 (4.20).

BUSINESS AREAS

Engineering & Equipment

Net sales for 2005 totalled MSEK 1,393 (1,238), an increase of 13 per cent, mainly due to strong demand in the Finnish market. EBITA rose by 30 per cent and reached MSEK 133 (102). The EBITA margin increased to 9.5 per cent (8.2) as a result of increased net sales.

Flow Technology

Net sales, which totalled MSEK 869 in 2004, rose by 11 per cent to MSEK 966, due to growing demand for the business area's products. EBITA reached MSEK 67 (53), corresponding to an EBITA margin of 6.9 per cent (6.1). The improvement in the EBITA margin is attributable to larger sales volumes.

Industrial Components

Net sales rose to MSEK 680 (668), which was an increase of just 2 per cent, due to weak demand at the beginning of the year. EBITA was MSEK 50 (49) and the EBITA margin reached 7.4 per cent (7.3).

Special Products

Net sales rose during the year by 10 per cent to MSEK 805 (735), chiefly due to the acquisition of Hanwel Europe B.V. EBITA reached MSEK 108 (91) and the EBITA margin improved by 1.0 percentage point to 13.4 per cent (12.4), which is largely attributable to a positive effect from acquired operations.

CORPORATE ACQUISITIONS

During 2005, four acquisitions were implemented:

- Hanwel Europe B.V., Netherlands, with an annual turnover of approximately MSEK 180
- Satron Instruments Process & Project AB, Sweden, with an annual turnover of approximately MSEK 40
- Saniflex AB, Sweden, with an annual turnover of approximately MSEK 10
- Puwimex Oy, Finland, with an annual turnover of approximately MSEK 60 that was consolidated as from January 2006. An agreement was signed in November and Indutrade gained controlling interest in January 2006.

PROFITABILITY, FINANCIAL POSITION AND CASH FLOW

Return on operating capital rose to 32 per cent (26). At the end of the financial year, the equity ratio stood at 37 per cent (43). Equity per share amounted to SEK 17.85 (17.70). The Group's interest-bearing net debt, following a deduction for cash and cash equivalents, amounted to MSEK 410 (282), corresponding to a net debt/equity ratio of 57 per cent (40).

Cash flows from operating activities remained strong during the year and amounted to MSEK 322 (267). Investments in fixed assets amounted to MSEK 58 (45). The purchase price for companies acquired during the year amounted to MSEK 145 (?).

EMPLOYEES

At the close of the year, the Group had 1,534 employees (1,422). The average number of employees was 1,510 (1,415). The number of employees has increased by 80 with the acquisitions made this year.

INCENTIVE SCHEME

The Board of Directors of Indutrade has, in cooperation with Industrivärden AB, implemented an incentive scheme aimed specifically at the Group's senior executives. The purpose of the scheme is to promote the long-term commitment and participation of the management group in the Company. The scheme will run through June 30, 2010.

29 senior executives have acquired a total of 157,600 shares at a price of SEK 76.65 each and 268,800 call options at SEK 6.00 each. The call options have been issued by Industrivärden AB and run through June 30, 2010.

Indutrade pays a total of 40 per cent of the invested amount to those executives who participate in the incentive scheme. The total cost for the Company will be approximately MSEK 7. MSEK 1.7 of this will be charged to the profit and loss account for 2005 and MSEK 1.3 will be charged to the profit and loss account each year over the next four years.

FINANCIAL RISKS

Through its operations, Indutrade is exposed to financial risks of varying natures: financing and liquidity risk, interest-rate risk, currency risk and customer and counterparty risks (credit risk). The Group's financial operations are centralised in the Parent Company, Indutrade, to benefit from economies of scale and minimise handling risks. The Parent Company executes all major external financial transactions and acts as an internal bank for the Group's transactions in the foreign exchange and bond markets. Indutrade's Board of Directors annually adopts a financial policy containing guidelines for managing financial risks and financial activities. The policy also regulates the applicable limits for counterparties. For a detailed review of how Indutrade manages the various financial risks, see Note 2.

ENVIRONMENTAL IMPACT

Five of the Group's Swedish subsidiaries conduct operations that require licences or notifications in accordance with the Swedish Environmental Code. Two foreign subsidiaries conduct operations subject to equivalent licence or notification obligations. Turnover of subsidiaries under such obligation amounts to approximately MSEK 534.

None of the Group's companies are involved in any disputes related to environmental issues.

RESEARCH AND DEVELOPMENT

Special Products is the business area accounting for the largest share of development of the Company's own products.

ACCOUNTING PRINCIPLES

As of January 1, 2005, Indutrade compiles its financial reports in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union. Up to the end of 2004, Indutrade applied the recommendations and statements of the Swedish Financial Accounting Standards Council. The transition to IFRS is reported in accordance with IFRS 1, Note 31. This means that the date of transition is January 1, 2004 as the comparative figures for 2004 have also been adjusted to the same standards.

The accounting recommendations that have the greatest impact on Indutrade's reports are IFRS 3, Business Combinations, and IAS 19, Employee Benefits.

The effects of the recommendations on Indutrade's reporting, profits and position, both initially for 2004 and through the financial years 2004 and 2005, and other changes in accounting principles resulting from the transition, are presented on pages 41–54.

COMPOSITION AND WORK OF THE BOARD

During the financial year, the Board of Directors was comprised of eight members. The Board members are presented on page 60.

During the year, the Board held 10 ordinary meetings and one statutory meeting. The work of the Board has dealt with issues concerning the Group's strategies and goals, corporate acquisitions, investments and the Company's stock exchange listing. For a detailed presentation of the Board's work, its working methods, routine matters, committees, etc., see pages 56–59 under the section "Board Governance Report."

THE PARENT COMPANY

The Parent Company's sales, which consisted entirely of the internal invoicing of services, amounted to MSEK 5 (8). The Parent Company's investments in fixed assets amounted to MSEK 1 (0). The number of employees on December 31 was 7 (6).

The Parent Company's main duties are responsibility for business development, major acquisitions and financing of the Group's operations.

DIRECTORS' REPORT/PROPOSED DIVIDENDS

EVENTS AFTER THE END OF THE FINANCIAL YEAR

In January 2006, an agreement was reached for the acquisition of all the shares in Robota AB. Robota sells products and customised solutions for water and wastewater. Annual sales are approximately MSEK 53.

On February 1, an agreement was signed for the acquisition of all the shares in Suomen Putkisto Tarvike Oy (SPT). SPT sells products and services in the area of leakage detection and has a turnover of approximately MSEK 8.

Both companies are part of the Engineering & Equipment business area.

FUTURE PROSPECTS

Indutrade's plan for 2006 is to meet growth and profitability targets by continuing to expand organically and through acquisitions. As operations are affected to a great extent by external factors such as market development in the segments where the Company operates and access to profitable acquisitions, no forecast for the present year has been given.

PROPOSED DIVIDENDS

The Annual General Meeting has the following funds at its disposal:

MSEK	
Retained earnings	258
Net income	166
	<hr/>
	424

The Board of Directors and the President recommend a dividend:

of SEK 2.75 per share	110
Brought forward	314
	<hr/>
	424

As recommended by the Board of Directors and the President, the proposed dividend is 23 per cent of the Parent Company's equity and 15 per cent of consolidated equity.

Indutrade's dividend policy is that the dividend shall, over time, amount to at least 50 per cent of after-tax earnings. The Board considers that the proposal is fair and reasonable with respect to the goals, scope and risks of the operations and in respect of the opportunities to fulfil the Company's future obligations. If the dividend had been paid out at year-end, the equity ratio would have been 31 per cent. After payment of the proposed dividend, Indutrade will continue to have good liquidity with a net debt/equity ratio well within the set limit.

The Board of Directors and President hereby affirm that, to the best of their knowledge, this Annual Report has been prepared in accordance with generally accepted accounting practice for listed companies, that the information submitted corresponds to the actual situation and that nothing of material significance has been omitted that could affect the picture of the company presented in the Annual Report.

For a full breakdown of the earnings and financial position of the Group and the Parent Company, please refer to the income statement, balance sheet, cash flow statement and notes which follow.

Stockholm, March 8, 2006

Bengt Kjell
Chairman

Owe Andersson

Michael Bertorp

Eva Färnstrand

Curt Källströmer

Anders Nyrén

Gunnar Tindberg

Johnny Alvarsson
President and CEO

Our Auditors' Report was submitted on March 8, 2006

Ulf Pernvi, *Authorised Public Accountant*

CONSOLIDATED INCOME STATEMENT

MSEK	Note	GROUP	
		2005	2004
Net sales		3,822	3,486
Cost of goods sold		-2,582	-2,367
Gross profit		1,240	1,119
Development expenses		-12	-11
Sales expenses		-725	-677
Administrative expenses		-182	-175
Other operating income	4	9	4
Other operating expenses		-6	-4
Operating income	5, 6, 7, 8, 13	324	256
Financial income	9	6	4
Financial expenses	10	-21	-17
Income after financial items		309	243
Tax	12	-87	-75
Net income for the year		222	168
Earnings per share ¹⁾		5.55	4.20
Proposed appropriation per share ²⁾		2.75	–

¹⁾ Net income for the period divided by 40,000,000 shares. No dilution effect exists.

²⁾ Indutrade was listed on the stock exchange on 5 October 2005.

Statement of recognized income and expense

MSEK	2005	2004
Actuarial loss	-30	-19
Currency translation difference for foreign companies	14	-4
Tax on items offset directly against equity	9	6
	-7	-17
Net income or loss for the year	222	168
Total recorded income and expenses for the fiscal year	215	151

CONSOLIDATED BALANCE SHEET

MSEK	Note	GROUP	
		Dec. 31 2005	Dec. 31 2004
ASSETS			
Fixed assets			
Intangible fixed assets	14		
Goodwill		210	156
Other intangible rights		88	15
Total intangible fixed assets		298	171
Tangible fixed assets	15		
Buildings and land		153	152
Machinery		37	34
Equipment, tools, fixtures and fittings		93	91
Construction in progress and advances regarding fixed assets		4	0
Total tangible fixed assets		287	277
Financial fixed assets			
Shares and participations in other companies	16	3	2
Other long-term receivables	17	5	5
Deferred tax receivables	12	23	11
Total financial fixed assets		31	18
Total fixed assets		616	466
Current assets			
Inventories	18	615	556
Current receivables			
Accounts receivable		532	461
Tax claim		17	22
Other receivables		13	13
Prepaid expenses and accrued income	19	23	21
Total current receivables		585	517
Short-term investments		7	1
Cash and cash equivalents		110	96
Total cash and cash equivalents		117	97
Total current assets		1,317	1,170
Total assets		1,933	1,636

CONSOLIDATED BALANCE SHEET

MSEK	Note	GROUP	
		Dec. 31 2005	Dec. 31 2004
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
Share capital		40	25
Other contribution		0	159
Reserves		10	-4
Retained earnings, incl. net income for the year		664	528
Total equity		714	708
Long-term liabilities			
Long-term interest bearing liabilities	21	280	80
Pension liability	22	131	95
Deferred tax liabilities	12	43	15
Other non interest-bearing long-term liabilities	23	5	9
Total long-term liabilities		459	199
Current liabilities			
Current interest bearing liabilities	21	116	112
Accounts payable		322	263
Tax liabilities		53	30
Debt to group companies		–	92
Other liabilities		115	96
Accrued expenses and prepaid income	24	154	136
Total current liabilities		760	729
Total shareholders' equity and liabilities		1,933	1,636
Assets pledged	26	39	32
Contingent liabilities	27	2	2

CONSOLIDATED CASH FLOW STATEMENT

MSEK	Note	GROUP	
		2005	2004
OPERATING ACTIVITIES			
Cash flow from operating activities	28	391	312
Interest received		3	4
Interest paid		-13	-12
Income tax paid		-59	-37
CASH FLOW FROM OPERATING ACTIVITIES		322	267
INVESTING ACTIVITIES			
Acquisitions of subsidiaries	25	-148	-14
Acquisitions of tangible fixed assets	15	-51	-30
Sales of tangible fixed assets ¹⁾	15	14	9
Acquisitions of intangible fixed assets	14	-4	-3
Increase/decrease in financial fixed assets		-8	2
CASH FLOW FROM INVESTING ACTIVITIES		-197	-36
FINANCING ACTIVITIES			
Borrowings		207	-
Repayment of debt		-15	-157
Dividends		-50	-
Paid-out group and shareholder contributions		-251	-144
CASH FLOW FROM FINANCING ACTIVITIES		-109	-301
CASH FLOW FOR THE YEAR		16	-70
Cash and cash equivalents at beginning of the year		97	168
Currency translation difference in cash and cash equivalents		4	-1
Cash and cash equivalents at end of period		117	97

¹⁾ Sales of tangible fixed assets for a book value of SEK 10 million. Profit on sale of real estate SEK 4 million.

PARENT COMPANY INCOME STATEMENT / BALANCE SHEET

Income Statement, MSEK	Note	PARENT COMPANY	
		2005	2004
Net sales		5	8
Gross profit		5	8
Administrative expenses		-38	-40
Other operating income/expenses	4	0	0
	4, 5, 6, 7, 8,		
Operating income	13	-33	-32
Financial income	9	14	12
Financial expenses	10	-13	-12
Profit from shares in group companies	11	225	99
		226	99
Income after financial items		193	67
Appropriations		0	0
Net income before tax		193	67
Tax	12	-27	0
Net income for the period		166	67

Balance Sheet, MSEK	Note	PARENT COMPANY	
		Dec. 31, 2005	Dec. 31, 2004
ASSETS			
Fixed assets			
Tangible fixed assets	15		
Equipment, tools, fixtures and fittings		2	2
Financial fixed assets			
Shares in group companies	16	428	425
Receivables from group companies		104	144
Deferred tax receivables	12	-	0
Total investments		532	569
Total fixed assets		534	571
Current assets			
Current receivables			
Receivables from subsidiaries		355	216
Other receivables		2	1
Prepaid expenses and accrued income	19	1	2
Total short-term receivables		358	219
Cash and cash equivalents		9	-
Total cash and cash equivalents		9	-
Total current assets		367	219
Total assets		901	790

Balance Sheet, MSEK	Note	PARENT COMPANY	
		Dec. 31 2005	Dec. 31 2004
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
Restricted capital			
Share capital		40	25
Statutory reserve		5	5
		45	30
Unrestricted shareholders' equity			
Retained earnings		258	415
Net income for the year		166	67
		424	482
Total shareholders' equity		469	512
Untaxed reserves		0	0
Provisions			
Provisions for taxes	12	0	0
Total provisions		0	0
Long-term liabilities			
Long-term interest bearing liabilities	21	259	50
Debt to group companies		24	24
Other non interest-bearing long-term liabilities		1	-
Total long-term liabilities		284	74
Current liabilities			
Current interest bearing liabilities	21	99	102
Accounts payable		1	1
Tax liabilities		27	-
Debt to group companies		14	92
Other liabilities		1	1
Accrued expenses and prepaid income	24	6	8
Total current liabilities		148	204
Total shareholders' equity and liabilities		901	790
Assets pledged		-	-
Contingent liabilities	27	74	31

PARENT COMPANY CASH FLOW STATEMENT

Cash Flow Statement, MSEK	Note	PARENT COMPANY	
		2005	2004
OPERATING ACTIVITIES			
Cash flow from operating activities	28	-251	-47
Interest earned		11	11
Interest paid		-10	-9
Income from group contributions and dividends		225	142
Income tax paid		0	0
CASH FLOW FROM OPERATING ACTIVITIES		-25	97
INVESTING ACTIVITIES			
Acquisitions of subsidiaries	16	-3	-
Acquisitions of tangible fixed assets	15	-1	0
Changes in financial fixed assets		43	37
CASH FLOW FROM INVESTING ACTIVITIES		39	37
FINANCING ACTIVITIES			
Borrowing		204	-
Repayment of debt		-	-147
Dividends paid		-50	-
Repayment of shareholder contribution		-159	-50
CASH FLOW FROM FINANCING ACTIVITIES		-5	-197
CASH FLOW DURING THE YEAR		9	-63
Cash and cash equivalents at beginning of year		0	63
Cash and cash equivalents at end of year		9	0

ACCOUNTING PRINCIPLES AND NOTES TO FINANCIAL STATEMENTS

(The amounts in the Notes are in MSEK unless otherwise stated)

NOTE 1 GENERAL ACCOUNTING AND VALUATION PRINCIPLES

The consolidated financial statements for Indutrade have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the European Union and in compliance with RR 30 and the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with historical cost convention, with the exception of re-evaluations for currency contracts that have been valued at fair value via the income statement.

The preparation of reports in accordance with IFRS requires the use of estimates and assumptions. The preparation of financial statements also requires management to make estimates and assumptions. Those areas that involve a higher level of assessment, or such areas where assumptions and estimates are of major importance to the consolidated financial statements, are stated in the section "Material estimates and assumptions" below.

Consolidated Financial Statements

The consolidated accounts include subsidiaries in which the Parent Company directly or indirectly has a controlling interest. Subsidiaries are included in the consolidated accounts from the date when the controlling interest is transferred to the Group. They are excluded from the consolidated accounts from the date when the controlling interest ceases.

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

If the consolidated acquisition value of the shares exceeds the value of the company's net assets entered in the acquisition analysis, this is reported as consolidated goodwill. If the acquisition value is below the fair market value of the acquired subsidiary's net assets, the difference is reported directly in the income statement.

The Parent Company

The Parent Company's accounts have been prepared in accordance with the Swedish Annual Accounts Act and RR 32:05, Accounting for legal entities.

Translation of foreign currency

Items that are included in the financial reports for the Group's different units have been valued in the currency that is used in the economic environment where each company mainly operates (functional currency). In the consolidated financial statement, the Swedish krona (SEK) is used. This is the Parent Company's functional currency and reporting currency.

The earnings and financial position of all Group companies that have a different functional currency to the reporting currency, are translated to the Group's reporting value in accordance with the following:

- assets and liabilities for each of the subsidiaries' balance sheets are translated at the exchange rate on the balance sheet date,
- income and expenses for each of the income statements are translated at the average currency rate and
- all exchange rate differences that arise are reported as a separate part of shareholders' equity.

Goodwill and adjustments at fair market value which are attributable to the acquisition of a foreign business are treated as assets and liabilities in the acquired company and are translated at the exchange rate on the balance sheet date.

Transactions and balance sheet items in foreign currency

Transactions in foreign currencies are translated to the functional currency at the exchange rate prevailing on the date of the transaction. Exchange rate profits and losses that arise when paying such transactions and when translating monetary assets and liabilities in foreign currencies at the exchange rate on the balance sheet date are reported in the income statement. Exchange rate differences that arise when paying operating assets/liabilities are reported as other income/expenses, while exchange rate differences that arise when paying financial assets/liabilities are reported as financial income/expenses.

Tangible fixed assets

Tangible fixed assets are accounted for at historical cost with deduction for accumulated depreciation as per plan. Fixed assets are depreciated over the asset's estimated period of use. Depreciation periods are:

Buildings	25–40 years
Machinery	5–10 years
Equipment	3–10 years

Intangible fixed assets

Goodwill

Goodwill represents the amount by which the purchase price exceeds the fair market value of the Group's share of the acquired subsidiary's identifiable net assets at the time of acquisition. Goodwill is tested annually for impairment and is carried at purchase price less accumulated impairment losses. Gains or losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (CGU) for impairment testing.

Agencies, brands, customer lists, licences, etc.

Agencies, brands, customer lists, licences, etc., are carried at historical cost. These assets have a limited useful life and are carried at historical cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives (5–10 years).

Acquired software licences are valued at purchase price and are amortised over their estimated useful lives (not more than 3 years).

Inventories

Inventories are valued at the lower of acquisition and net realisable value. The value of inventories is calculated using the first-in first-out (FIFO) method. The acquisition value for finished goods and work in progress consists of raw materials, direct wages, other direct costs and related indirect production costs (based on normal production capacity). Net realisable value is the estimated selling price in the normal course of business, less relevant variable marketing and selling costs.

Financial instruments

The Group mainly has the following financial instruments: accounts receivable, liquid assets, accounts payable, borrowing and forward agreements calculated at fair market value. Realised and unrealised gains and losses resulting from changes in fair market value are included in the income statement in the period in which they arise.

Accounts receivable

Accounts receivables are recorded initially at fair market value and then at the amount that is expected to be received after individual assessment.

Cash and cash equivalents

Cash and cash equivalents includes cash at hand, deposits held on call with banks and other short-term liquid investments with maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Borrowing

Loans are reported initially at their market fair value, net of deductions for transaction costs. After the time of acquisition, the loan is reported at the accrued acquisition value and any difference between the amount received (net of transaction costs) and the repayment amount is allocated to periods over the term of the loan in the income statement by applying the effective interest rate.

Taxes

Deferred tax attributable to temporary differences between the book value and the taxable value of assets and liabilities is reported in full in the consolidated accounts, while the Parent Company still reports the difference pertaining to machinery and equipment as an untaxed reserve. Deferred tax receivables attributable to unutilised loss carry-forwards are reported if it is considered that the likelihood of their being utilised in the foreseeable future is high. Tax is calculated on the basis of the current tax rate in the particular country. Current

tax and deferred tax are reported directly in equity if the tax is attributable to items reported directly in equity.

Remuneration to employees

The Group has both defined benefit schemes and defined contribution pension schemes. A defined benefit pension scheme is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. A defined contribution pension scheme is a pension plan to which the Group makes fixed contributions to a separate legal entity.

The retirement benefit liability recognised in the balance sheet is the present value of the defined benefit obligations on the balance sheet date, less the fair market value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined obligations is calculated by discounting the anticipated future cash flows using the rate of interest for government bonds that have been issued in the same currency as the benefits will be paid in and with maturity periods comparable to those of the current pension liabilities.

Actuarial gains and losses arising from experience adjustments and the effects of changes in actuarial assumptions are immediately recognised in equity after taking into account payroll tax and deferred tax.

Pension costs relating to previous periods of service are recognised immediately in the income statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Profit share and bonus schemes

The Parent Company and most of the subsidiaries operate bonus or profit share systems based on the earnings trend of each unit. The Group recognises a liability and an expense for these programmes.

Development expenses

The Group conducts product-specific development activities only in exceptional circumstances, so development expenses are normally reported as costs as they arise.

Revenue recognition

The Group's turnover consists mainly of sales of goods. Revenue is recognised (excluding VAT and discounts) when ownership has been transferred to the purchaser. Sales of services are recognised in the accounting period in which the services are rendered. Interest income and interest costs are recognised taking into account accrued interest at the balance sheet date.

Key estimates and assumptions for reporting purposes

The Group makes estimates and assumptions about the future which are used when preparing the financial reports. By definition, these predictions rarely match the actual results. The estimates and assumptions which involve a risk of significant adjustments in the carrying values of assets and liabilities in the next financial year are presented below.

Impairment testing of goodwill

In connection with the annual impairment testing of goodwill, which was conducted most recently in December 2005, Indutrade applies a model in which assumptions are made about such items as revenue growth, gross margins, investments and capital costs. Material assumptions that have been used for estimations of the value in use: the rate of growth for all segments has been estimated at 2 per cent and the discount rate before tax at 14 per cent. The gross margin has been assumed as reported gross margin for 2005. The forecast period is five years. The impairment test was performed at company level, which is the lowest cash-generating unit level.

The impairment test did not result in any impairment being recorded. Even if the discount rate before tax used in the model had been 1 percentage point higher and the gross margin had been 1 percentage point lower than the management forecast as at December 31, 2005, no impairment would have resulted.

Valuation of pension commitments

Various assumptions have been made, as stated in Note 22, in the calculation of the retirement benefit liability in the balance sheet. If the discount rate was lowered by 1 percentage point, the PRI liability would increase by MSEK 16, including payroll tax, and other defined-benefit plans by MSEK 27. If the discount rate increased by 1 percentage point, the PRI liability would decrease by MSEK 13 and other defined-benefit plans by MSEK 24.

Valuation of inventories

Most of Indutrade's subsidiaries use a standard technique, the obsolescence rate, to assess the market value of inventory. Slow-moving goods are therefore written down using a percentage rate that is determined by how long the products have been in stock, individually for each subsidiary.

NOTE 2 RISKS AND RISK MANAGEMENT

Market risks

The Indutrade Group's operations are conducted in Sweden, Finland, Denmark, Norway, the Netherlands, Belgium, Germany, Russia and the Baltic countries. Our exposure to risk and susceptibility to economic changes are relatively conservative due to our geographic coverage and a large number of customers and products.

A trading company such as Indutrade is subject to the risk that an agency relationship may be terminated. This could occur, for example, in connection with a structural change at the supplier level. This is a natural occurrence in an agency's operations and the organisation has the experience to deal with this. Indutrade's 60 or so companies have, on average, two or three main agencies per company, supplemented by a number of smaller agencies. As a result of the large number of agencies, no individual agency accounts for a material financial risk from the Group's perspective.

The risk associated with major customers deciding to bypass the agency level and trade directly with the producers is considered marginal, because the customers place great value on the technical expertise, availability and delivery assurance provided by a local technology sales company such as Indutrade. Indutrade companies also provide after-market services such as servicing, installation and so on.

Financial risks

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

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

Finance policy

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

Financing risk

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

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

At the end of 2005, the Parent Company had external interest-bearing loans amounting to the equivalent of MSEK 358 (152). The corresponding amount for the Group was MSEK 396 (192). After taking interest-bearing provisions and cash and cash equivalents into account, the Group's interest-bearing net indebtedness, including Group contribution liabilities, was MSEK 410 at the end of the year, compared with MSEK 282 in 2004.

At the end of 2005, the Group had cash and cash equivalents of MSEK 117 (97) and had MSEK 243 (111) in granted unutilised overdraft facilities.

71 per cent of total consolidated interest-bearing loans falls due for payment after December 31, 2006. The average remaining maturity of loans is 22 months.

Interest-rate risk

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

At the end of 2005, the average remaining fixed interest term for consolidated loans was 10 months.

Based on the loan structure at the end of the year, a one (1) percentage point rise in the interest rate on an annualised basis would result in an increase of about MSEK 3.6 in interest costs, without taking into account the loans' fixed interest terms. With the current interest terms, the effect for 2006 would be about MSEK 1.6.

Currency risk

Currency risk is the risk of unfavourable movements in exchange rates affecting consolidated earnings and shareholders' equity measured in SEK.

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

The Indutrade Group's transaction exposure arises when the subsidiaries import products for sale in the domestic market. As far as possible, the exchange-rate effects are eliminated by using currency clauses in the main contract and by purchasing and selling in the same currency. In special cases, forward contracts are used.

At the end of 2005, Indutrade had net exposure of MSEK 85 in foreign currency, including MSEK 72 in EUR (EUR 7.7 million) and MSEK 21 in GBP (GBP 1.5 million).

At the end of the year, the Group had outstanding forward contracts amounting to MSEK 23, in order to reduce the currency risk associated with future flows, including MSEK 19 in USD and MSEK 4 in GBP.

The GBP-based contracts expire within three months of the end of the year and the USD contracts expire at regular dates during 2006, up to the end of November.

A fair valuation of the outstanding forward contracts as at December 31, 2005, has resulted in an unrealised loss of MSEK 0.6. During 2005, realised forward contracts had marginal impact on earnings.

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

Customer and counterparty risks

Credit risks in financial-management activities arise in connection with investments of cash and cash equivalents, and as counterparty risk in conjunction with the use of forward agreements and other derivative instruments. These risks are limited by using counterparties that have been approved in accordance with the guidelines contained in the finance policy.

Each subsidiary is responsible for assessing credit risk in its commercial transactions. Indutrade's dependence on individual customers is small and the risk spread is considered to be favourable. At the end of 2005, consolidated accounts receivable were MSEK 532 after making a provision for doubtful debts of MSEK 5. Customer losses of MSEK 2 have been charged to the consolidated results.

Fair market value

The fair market value of financial assets and liabilities is not considered to vary significantly from their carrying value.

NOTE 3 SEGMENT REPORTING

The Group is divided into four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products constituting the Group's primary segment. The group operates primarily in the Nordic countries and Northern Europe. The geographical segments Sweden, Finland, Denmark/Norway and Europe, excluding the Nordic countries constitute the group's secondary segment.

The Engineering & Equipment area offers customised niche products, design solutions, after-market service and special processing. It manufactures mainly equipment for automotive workshops, hydraulics, transmission and flow products.

The Flow Technology area produces components and systems for the management, control and supervision of flows. Its main products are valves, pumps and measuring and analysis instruments.

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

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

Primary Segment

Primary Segment							
2005	EE	FT	IC	SP	Total	PC/Elim.	Total Group
Net sales	1,393	966	680	805	3,844	-22	3,822
Sales growth, %	12.5	11.2	1.8	9.5			9.6
EBITA	133	67	50	108	358	-25	333
EBITA margin, %	9.5	6.9	7.4	13.4			8.7
Operating income	129	66	49	105	349	-25	324
Net income for the year	95	46	33	68	242	-20	222
Operating capital	360	218	158	385	1,121	3	1,124
Return on operating capital, %	38.9	26.9	33.3	33.3			31.5
Investments	6	14	16	22	58	0	58
Amortisation/write-down of intangible assets	4	1	1	3	9	-	9
Depreciation of tangible fixed assets	9	12	8	19	48	1	49
Items not impacting cash flow	3	-2	-1	-5	-5	-1	-6
Total assets	625	450	331	632	2,038	-105	1,933
Non interest-bearing liabilities	219	214	164	215	812	-120	692
Interest-bearing liabilities	143	101	60	225	529	-2	527
2004							
2004	EE	FT	IC	SP	Total	PC/Elim.	Total Group
Net sales	1,238	869	668	735	3,510	-24	3,486
Sales growth, %	14.5	11.4	2.3	4.9			9.0
EBITA	102	53	49	91	295	-31	264
EBITA margin, %	8.2	6.1	7.3	12.4			7.6
Operating income	98	50	49	90	287	-31	256
Net income for the year	68	34	33	59	194	-26	168
Operating capital	324	281	142	264	1,011	-21	990
Return on operating capital, %	31.4	20.1	34.9	35.1			26.0
Investments	7	15	8	15	45	0	45
Amortisation/write-down of intangible assets	4	3	0	1	8	0	8
Depreciation of tangible fixed assets	10	9	5	16	40	0	40
Items not impacting cash flow	0	1	1	1	3	0	3
Total assets	582	427	288	384	1,681	-45	1,636
Non interest-bearing liabilities	205	126	101	105	537	12	549
Interest-bearing liabilities	161	151	88	129	529	-150	379

Secondary Segment

	GROUP	
	2005	2004
Net sales		
Sweden	1,578	1,480
Finland	1,201	1,098
Denmark and Norway	385	376
Europe, excl. Nordics	658	532
	3,822	3,486

	GROUP	
	2005	2004
Operating income		
Sweden	102	91
Finland	121	99
Denmark and Norway	25	21
Europe, excl. Nordics	76	45
	324	256

	GROUP	
	2005	2004
Assets		
Sweden	948	661
Finland	484	706
Denmark and Norway	88	78
Europe, excl. Nordics	413	191
	1,933	1,636

	GROUP	
	2005	2004
Investments per geographical market		
Sweden	33	27
Finland	2	5
Denmark and Norway	10	7
Europe, excl. Nordics	13	6
	58	45

Indutrade's internal sales for its primary segment is reported together with external sales, as they are limited in scope, and for most of Indutrade's companies, internal transactions consist of random "supporting purchases." Companies with the same representation sometimes transact with each other in order to satisfy a suddenly arising customer need. Normally, the price is the purchase price plus an administrative fee (10–15%).

Two of Indutrade's companies (GEFA and ETP) use other Indutrade companies as sales channels (Fagerbergbolagen and Bengtssons Maskin). Among these companies, price setting is market influenced. These internal sales are estimated to total just over SEK 10 million annually. The scope and nature of the internal transactions mean that the problem of internal profit in inventory is negligible.

Investments include the purchase of property, plants and equipment (note 15) and intangible fixed assets (note 14).

NOTE 4 OTHER OPERATING INCOME/EXPENSES

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Other operating income				
– exchange rate gains	4	3	0	0
– profit on sale of real estate	4	–	–	–
– other	1	1	–	–
	9	4	0	0
Other operating expenses				
– exchange rate losses	-6	-4	–	–
	-6	-4	0	0
Other operating income/expenses	3	0	0	0

NOTE 5 AVERAGE NUMBER OF EMPLOYEES

	2005		2004	
	No. employees	Of whom Women	No. employees	Of whom Women
Parent company	7	4	9	3
Subsidiaries in Sweden	610	142	593	135
Total Sweden	617	146	602	138
Subsidiaries, outside Sweden				
Denmark	122	15	116	14
Finland	441	89	435	90
The Netherlands	137	29	76	22
Norway	19	1	18	1
Germany	74	24	75	26
Other	100	21	93	22
Total outside Sweden	893	179	813	175
Group total	1,510	325	1,415	313

The parent company's board of directors is composed of one woman and seven men. There are no women on the subsidiaries' boards of directors or in the parent company's or subsidiaries' management.

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

	2005			2004		
	Wages, salaries	Social security costs	Pension expenses	Pay and other remuneration	Social expenses	Pension expenses
Parent company	10	6	3	10	9	5
Subsidiaries in Sweden	234	113	35	216	106	29
Total Sweden	244	119	38	226	115	34
Subsidiaries outside Sweden						
Denmark	66	5	4	60	4	4
Finland	170	41	30	157	38	30
The Netherlands	44	13	7	31	15	6
Norway	9	3	1	8	2	0
Germany	31	6	–	32	6	–
Other	12	3	1	11	3	0
Total outside Sweden	332	71	43	299	68	40
Group total	576	190	81	525	183	74

Of the parent company's pension expenses, SEK 1 (3) million concern the board of directors and president. The corresponding amount for the group is SEK 13 (14) million.

Wages, salaries and other remuneration by country and by employee category

	2005				2004			
	Board and CEO	whereof bonus and the like	Other employees		Board and CEO	Bonus and the like	Other employees	
Parent company	5	1	5		4	0	6	
Subsidiaries in Sweden	21	3	213		18	1	198	
Total Sweden	26	4	218		22	1	204	
Subsidiaries outside Sweden								
Denmark	5	0	61		4	0	56	
Finland	13	2	157		13	1	144	
The Netherlands	2	0	42		2	0	29	
Norway	1	0	8		1	0	7	
Germany	2	1	29		2	1	30	
Other	3	0	9		2	0	9	
Total outside Sweden	26	3	306		24	2	275	
Group total	52	7	524		46	3	479	

Total sick leave in the parent company in 2005 was 286 hours of 12,513 hours in all, i.e., 2.29 (1.87) per cent of the total number of work hours. Sick leave in 2005 constituted short-term absence. The previous year, 0.49 per cent was long-term absence, i.e., sick leave for more than 60 consecutive days, and 1.38 per cent was short-term absence.

Salaries and remuneration to key staff members

Principles

The chairman and the members of the board of directors receive remuneration that is determined by the meeting of general shareholders. According to the decision of the shareholders' meeting, the chairman of the board receives remuneration of SEK 300,000. To each of the other members of the board, remuneration of SEK 150,000 is paid. No remuneration is paid, however, to members who are employed in companies belonging to the Indutrade group. Furthermore, no special remuneration is paid for committee work.

Remuneration to the Company president and other senior executives consists of fixed salaries, variable remuneration (with the exception of one of the other senior executives, who is not entitled to variable remuneration), other benefits and pension. "Other senior executives" refers to the five people holding positions such as vice president, chief financial officer (CFO) and business area presidents. The senior executives employed in subsidiaries receive their remuneration from their respective subsidiaries. For the president in the parent company, variable remuneration is maximized to six months' salaries, i.e., 50% of fixed salaries.

For other senior executives, variable remuneration is maximized to between 25 and 35 per cent of fixed salaries. Variable remuneration is related to the change in the group's net income or to the net income in the respective business unit. The pension age for the president is 65.

In addition to pension benefits provided for by law, Indutrade must pay pension premiums corresponding to 30 per cent of the fixed salaries, but no more than the amount that is tax deductible for the company. The president is entitled, within the said cost framework and after the approval of the chairman of the board, to decide on a pension scheme.

Other senior executives are entitled to pension benefits in the amount of 21 per cent of fixed salaries, on average. The pension age is 65. Future employment in Indutrade is not a condition for earned pension benefits.

Terms of termination

In the event of termination on the part of the company, the president is entitled to 24 months' notice, with retention of employment benefits. In case of resignation on the part of the president, the latter must give six months' advance notice. For other senior executives, termination by the respective company calls for notice of between 12 and 24 months, depending on the employee's age. The remuneration paid during the notice period is not deducted from other income.

Incentive scheme

The Board of Directors of Indutrade has, in cooperation with Industrivärden AB, implemented an incentive scheme aimed specifically at Indutrade's senior executives. The purpose of the scheme is to promote long-term commitment and participation among the management group in the Company. The scheme will run through June 30, 2010.

29 senior executives have acquired, in all, 157,600 shares at market value and 268,800 call options issued by Industrivärden AB.

Indutrade pays a total of 40 per cent of the invested amount to those executives who participate in the incentive scheme. The total cost for the Company will be approximately MSEK 7. MSEK 1.7 of this was reported in the net income for 2005 and MSEK 1.3 will be reported in the net income for each year over the next four years.

Remuneration and other benefits, 2005:

	Fixed pay/ board remuneration	Variable remuneration ²⁾	Other benefits	Pension premiums	Other remuneration	Total
'000 SEK						
Board chairman	300	–	–	–	–	300
Other board members ¹⁾	900	–	–	–	–	900
President	2,470	1,499	81	741	–	4,791
Other senior executives	7,013	1,348	298	1,477	–	10,136
Total	10,683	2,847	379	2,218	–	16,127

¹⁾ Board remuneration of SEK 150,000 per board member. By shareholder meeting decision, no board remuneration was paid to members who were employed in companies within the Indutrade group.

²⁾ Incl. compensation for senior executives participating in the above mentioned incentive programme.

Remuneration and other benefits, 2004:

	Fixed pay/ board remuneration	Variable remuneration	Other benefits	Pension premiums	Other remuneration	Total
'000 SEK						
Board chairman ¹⁾	–	–	–	–	–	–
Other board members ¹⁾	200	–	–	–	50	250
President ²⁾	400	153	15	120	–	688
Former president ³⁾	918	546	110	7	–	1,581
Other senior executives	6,593	800	314	4,790 ⁴⁾	1,512 ⁴⁾	14,008
Total	8,111	1,499	439	4,917	1,562	16,527

¹⁾ Board remuneration of SEK 50,000 per board member. Other remuneration includes a consulting fee to board member Michael Bertorp. By shareholder meeting decision, no board remuneration was paid to members who were employed in companies within the Industrivärden Group.

²⁾ The current president took over the position on 1 November 2004, at which time the previous president stood down. For the current president, variable remuneration is based on net income developments in the group. The variable remuneration for 2004 corresponded to 38 per cent of the fixed pay.

³⁾ The company's cost for the previous president's fixed pay was reduced in 2004 through previous pension reserves being dissolved (former president stepped down at age 67). Of paid-out fixed pay in 2004 of SEK 2,531 thousand, SEK 1,613 thousand had already been recorded as a cost the previous year.

⁴⁾ Pension premiums and other compensation to other senior executives includes severance pay to persons who left their jobs (total SEK 4,604 thousand, including pension premiums of SEK 3,092 thousand and other remuneration of SEK 1,512 thousand).

NOTE 7 DEPRECIATION AND AMORTIZATION

Depreciation and amortization on tangible and intangible assets are recorded in the following functions in the amounts of:

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Cost of goods sold	20	13	–	–
Development expenses	0	–	–	–
Sales expenses	27	24	–	–
Administrative expenses	11	9	1	0
	58	46	1	0
Cost of goods sold (pertaining to goodwill impairment)	–	2	–	–
	58	48	–	–

NOTE 8 OPERATIONAL RENT/LEASING AGREEMENTS

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Leasing fees posted for the year:	52	57	2	5
Future agreed lease agreements				
Maturity: 1 year	60	55	3	7
Maturity: 2 years	48	36	3	9
Maturity: 3 years	37	24	3	8
Maturity: 4 years	31	14	3	8
Maturity: 5 years	16	13	3	9
Maturity: 6 years –	14	34	19	34
Total future agreed lease agreements	206	176	34	75

The operational lease agreements of both the parent company and the group primarily concern building space.

As of 1 July 2005, the parent company and five of the group's subsidiaries have rented space in the building Malax 3 in Akalla from group company Colly Company AB, which, in turn, has leased the building from Fastighetsaktiebolaget Raseborg.

Previously, the parent company rented the entire building directly from Fastighetsaktiebolaget Raseborg, and the space that the parent company did not use was sublet to five subsidiaries.

As of 1 January 2005, the majority of the group's automobiles have been reported as financial leasing, in accordance with IFRS. These were previously reported as operational leasing, which means that leasing fees for 2004 are included in the comparison table.

NOTE 9 FINANCIAL INCOME

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Interest	3	4	11	12
Currency translation differences	3	–	3	–
	6	4	14	12
Of which, concerning group companies:				
Interest	–	–	11	10

NOTE 10 FINANCIAL EXPENSES

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Interest expenses, bank loan	-12	-12	-10	-9
Interest expenses, pension obligations	-5	-4	–	–
Interest expenses, financial leasing	-1	0	0	0
Total interest expenses	-18	-16	-10	-9
Currency translation differences	-2	–	-2	-2
Other	-1	-1	-1	-1
	-21	-17	-13	-12
Of which, concerning group companies in the Indutrade group:				
Interest			-1	–

NOTE 11 INCOME FROM SHARES IN GROUP COMPANIES

	PARENT COMPANY	
	2005	2004
Dividends from subsidiaries	96	112
Group contributions	129	30
Write-down of subsidiary shares	–	-43
	225	99

NOTE 12 TAX

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Tax expense				
Current tax	-88	-76	-27	–
Deferred tax	1	1	0	0
	-87	-75	-27	0

The group's tax expenses comprise 28.1 (30.9) per cent of the group's net income before tax. The difference between the reported tax expense and expected tax expense is explained below.

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Income before tax	309	243	193	67
Weighted average tax based on national tax rates (group 28.5%, 30.0% resp. Parent company 28.0%)	-88	-73	-54	-19
Tax effect of:				
Non-deductible other expenses/ non-taxable income	1	1	27	19
Tax attributable to previous period	0	-2	0	–
Tax loss carried forward	0	-1	0	–
	-87	-75	-27	0
	28,1%	30,9%	14,0%	0,0%

Deferred tax liabilities in temporary differences not estimated total SEK 0 (1) million.

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Deferred tax liability				
Intangible assets	23	1	–	–
Buildings and land	14	12	–	–
Fixtures and equipment	6	5	0	0
Current assets	-1	-4	–	–
Untaxed reserves	–	2	–	–
Pension obligations	-21	-11	–	–
Accrued income and prepaid expenses	-1	-1	0	0
	20	4	0	0
Of which, deferred tax claim	-23	-11	–	0
Of which, deferred tax liabilities	43	15	0	–

In applying IFRS, Indutrade utilised the option to offset the total effect of actuarial gains and losses regarding pensions directly against shareholders' equity in consideration of deferred tax. At the close of 2005, the deferred tax claim for this was SEK 15 million.

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Deferred tax liability 1 January	4	18	0	0
Deferred tax liabilities on transition to IAS 19	–	-7	–	–
Deferred tax liabilities attributable to actuarial losses	-9	-6	–	–
Deferred tax attributable to acquisitions	24	0	–	–
Deferred tax liability in income statement	-1	-1	0	0
Exchange differences	2	–	–	–
Deferred tax liability at 31 December	20	4	0	0

NOTE 13 REMUNERATION TO AUDITORS

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Remuneration for auditing work				
Öhrlings PricewaterhouseCoopers	7	6	1	1
Other audit firms	0	0	–	–
Total remuneration for auditing work	7	6	1	1
Remuneration for other work				
Öhrlings PricewaterhouseCoopers	2	1	1	–
Other audit firms	0	0	–	–
Total remuneration for other work	2	1	1	–
Total	9	7	2	1

Auditing work includes examination of the annual report and bookkeeping, as well as the board's and president's administration, other work which the company's auditor is responsible for performing and consultation or other representation brought about by observations in connection with such examination or implementation of such other work. Everything else is other work.

NOTE 14 INTANGIBLE FIXED ASSETS

	GROUP				
	Goodwill	Agencies, trademarks, customer lists, licenses etc.	Rental rights etc	Active dev. work	Total intangible fixed assets
At Jan. 1 2004					
Acquisition value	167	20	4	–	191
Accumulated depreciation, amortisation and write-downs	–	-17	-3	–	-20
Residual value	167	3	1	–	171
Jan. 1 – Dec. 31 2004					
Opening residual value	167	3	1	0	171
Exchange differences	0	2	-1	–	1
Investments for the period	–	2	–	1	3
Corporate acquisitions	–	4	–	–	4
Reclassifications	-9	9	0	–	0
Sales and scrap	–	0	–	–	0
Depreciation and amortisation (note 7)	–	-6	–	–	-6
Write-downs (note 7)	-2	–	–	–	-2
Closing residual value	156	14	0	1	171
At Dec. 31 2004					
Acquisition value	158	56	0	1	215
Accumulated depreciation, amortisation and write-downs	-2	-42	0	–	-44
Residual value	156	14	0	1	171
Jan. 1 – Dec. 31 2005					
Opening residual value	156	14	0	1	171
Exchange differences	3	0	0	–	3
Investments for the period	–	4	0	–	4
Corporate acquisitions	51	79	–	–	130
Sales and scrap	0	0	–	-1	-1
Depreciation and amortisation (note 7)	–	-9	0	–	-9
Closing residual value	210	88	0	0	298
At Dec. 31 2005					
Acquisition value	212	141	0	1	354
Accumulated depreciation, amortisation and write-downs	-2	-53	0	-1	-56
Residual value	210	88	0	0	298

Opening value of goodwill is recorded, according to IFRS, as acquisition value less accumulated amortisation. In 2004 goodwill was written down by SEK 2 million, due to impairment.

A summary of the distribution of goodwill at segment level follows below:

	2005	2004
Engineering & Equipment	97	94
Flow Technology	29	29
Industrial Components	2	2
Special Products	82	31
Indutrade Group	210	156

NOTE 15 TANGIBLE FIXED ASSETS

	GROUP				
	Buildings, land	Machinery	Inventory	New acquisitions	Total tangible fixed assets
At Jan. 1 2004					
Acquisition value	213	82	334	13	642
Accumulated depreciation, amortisation and write-downs	-67	-49	-233	0	-349
Residual value	146	33	101	13	293
Jan. 1 – Dec. 31 2004					
Opening residual value	146	33	101	13	293
Exchange differences	–	–	-3	–	-3
Investments for the period ¹⁾	–	7	35	–	42
Corporate acquisitions	–	2	–	–	2
Reclassifications	–	–	1	–	1
Carried over from new plants	13	–	–	-13	0
Sales and scrap	–	-1	-17	–	-18
Depreciation and amortisation (note 7)	-7	-7	-26	–	-40
Closing residual value	152	34	91	0	277
At Dec. 31 2004					
Acquisition value	226	91	326	0	643
Accumulated depreciation, amortisation and write-downs	-74	-57	-235	–	-366
Residual value	152	34	91	0	277
Jan. 1 – Dec. 31 2005					
Opening residual value	152	34	91	0	277
Exchange differences	2	0	3	–	5
Investments for the period ¹⁾	5	10	35	4	54
Corporate acquisitions	4	4	2	–	10
Reclassifications	–	-2	2	–	0
Sales and scrap	-3	-1	-6	–	-10
Depreciation and amortisation (note 7)	-7	-8	-34	–	-49
Closing residual value	153	37	93	4	287
At Dec. 31 2005					
Acquisition value	237	100	349	4	690
Accumulated depreciation, amortisation and write-downs	-84	-63	-256	0	-403
Residual value	153	37	93	4	287

The inventory item includes leasing objects that the group has according to financial leasing agreements in the following amount:

	2005
Acquisition value – capitalised financial leasing	41
Accumulated depreciation and amortisation	-8
Residual value	33

¹⁾ Of total investments in tangible fixed assets, MSEK 51 (30) have impacted the cash flow, while MSEK 3 (12) are investments financed through financial leasing.

The taxation value for Swedish properties totalled MSEK 63 (63), MSEK 49 (49) of which concerned buildings and MSEK 14 (14) concerned land. The corresponding amount carried over for the Swedish properties totalled MSEK 91 (97).

PARENT COMPANY	2005	2004
Opening acquisition value	3	3
Investments for the period	1	–
Sales and scrap	0	–
Closing accumulated acquisition value	4	3

NOTE 15 CONTINUED

PARENT COMPANY	2005	2004
Opening depreciation and amortisation	-1	-1
Depreciation and amortisation for the period	-1	–
Sales and scrap	0	–
Closing accumulated depreciation and amortisation	-2	-1
Residual value	2	2

NOTE 16 SHARES AND PARTICIPATIONS

Parent company's direct holding of shares and participations in subsidiaries

Company name/reg. no	City	Share	No.	Book value
Gustaf Fagerberg Holding AB, 556040-9087	Gothenburg	100%	100,000	17
Bengtssons Maskin AB, 556037-8670	Arlöv	100%	2,000	14
D-Comp Sverige AB, 556506-7948	Stockholm	100%	1,000	1
C&M Plast AB, 556554-3856	Malmö	100%	1,000	0
GEFA Processtechnik GmbH, Germany	Dortmund	100%	–	25
Colly Company AB, 556193-8472	Stockholm	100%	30,000	30
ETP Transmission AB, 556158-5398	Linköping	100%	20,000	21
AB Novum, 556296-6126	Helsingborg	100%	5,000	7
Indutrade A/S, Denmark	Glostrup	100%	167,443	45
Hitma B.V., Netherlands	Uithoorn	100%	3,502	32
Indutrade Sweden AB, 556364-7469	Stockholm	100%	1,000	185
Indutrade Oy, Finland	Helsingfors	100%	42,000	48
Tecla Garage Equipm. AB, 556606-8747	Stockholm	100%	1,000	0
Saniflex AB, 556441-5882	Stockholm	100%	2,500	3
Total				428

Group's holding of shares and participations in other companies

	City	Equity investment, %	Voting share, %	No.	Book value
Finish phone stock/shares	Finland	–	–	1,546	0
Nevas Golf (Golf Exclusive Oy)	Finland	–	–	2	0
SN-Kiinnike Oy	Finland	33	33	33	0
Honkakoli	Finland	–	–	18	1
Elisa Communications	Finland	–	–	5,429	1
Other		–	–	–	1
Total					3

Shares and participations

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Opening acquisition value	2	2	951	951
Purchase / Capital injection	–	–	3	–
Company purchase	1	–	–	–
Closing acc. acquisition value	3	2	954	951
Opening write-ups	–	–	8	8
Closing acc. write-ups	–	–	8	8
Opening write-downs	–	–	-534	-491
Write-downs for the period	–	–	–	-43
Closing acc. write-downs	–	–	-534	-534
Book value	3	2	428	425

NOTE 17 OTHER LONG-TERM RECEIVABLES

	GROUP	
	2005	2004
Deposits	2	2
Other items	3	3
	5	5

Other items primarily concerns capital insurances where reported value is the same as real value. The maturity dates of these primarily depend on the pension times for the individuals who are insured.

NOTE 18 INVENTORY

	GROUP	
	2005	2004
Inventory is divided in the following categories:		
Raw materials and consumables	69	48
Work in progress	29	25
Finished goods and products for resale	517	483
	615	556

At the close of 2005, total accumulated write-downs were SEK 68 [59] million. Of the inventory's cost, 18.7 per cent is valued at net selling price.

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Prepaid rent	4	5	–	2
Prepaid leasing fees	1	1	–	–
Prepaid service and maintenance fees	3	4	0	0
Prepaid insurance fees	3	2	0	–
Other items	12	9	1	0
	23	21	1	2

NOTE 20 CHANGE IN SHAREHOLDERS' EQUITY

	ATTRIBUTABLE TO SHAREHOLDERS				
	Share capital	Other contr. capital	Trans-lation difference	Retained earnings	Total equity
Shareholders' equity 1 January 2004	25	209	0	439	673
Paid-out shareholders' contributions	–	-50	–	–	-50
Paid out group contribution	–	–	–	-92	-92
Tax effect on paid out group contributions	–	–	–	26	26
Actuarial loss	–	–	–	-19	-19
Tax on items posted directly in or transferred from equity	–	–	–	6	6
Translation differences	–	–	-4	–	-4
Net income for the year	–	–	–	168	168
Shareholders' equity 31 December 2004	25	159	-4	528	708
Bonus issue	15	–	–	-15	0
Paid-out shareholders' contributions	–	-159	–	–	-159
Dividends paid out	–	–	–	-50	-50
Actuarial loss	–	–	–	-30	-30
Tax on items posted directly in or transferred from equity	–	–	–	9	9
Translation differences	–	–	14	–	14
Net income for the year	–	–	–	222	222
Shareholders' equity 31 December 2005	40	0	10	664	714

	PARENT COMPANY			
	Share capital ¹⁾	Statu-tory reserve	Retained earnings	Total equity
Change in shareholders' equity				
Shareholders' equity at 1 January 2004	25	5	465	495
Paid-out shareholder contribution	–	–	-50	-50
Net income for the year	–	–	67	67
Shareholders' equity at 31 December 2004	25	5	482	512
Bonus issue	15	–	-15	0
Paid-out shareholder contribution	–	–	-159	-159
Dividends	–	–	-50	-50
Net income for the year	–	–	166	166
Shareholders' equity at 31 December 2005	40	5	424	469

¹⁾ As per 31 December 2005, share capital totalled 40,000,000 shares, with a quoted value of SEK 1.

NOTE 21 INTEREST BEARING LIABILITIES

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Utilised overdraft facilities	83	8	80	3
Loans with term of under 1 year	21	104	19	99
Future leasing engagements for financial leasing	33	30	0	–
EUR loans with maturity 2007-2010	259	50	259	50
	396	192	358	152

Financial leasing agreements regarding automobiles are reported as financial leasing according to IFRS, which results in an increase in both assets and liabilities by MSEK 33. Of liabilities, MSEK 12 are reported as short-term and MSEK 21 as long-term, of which MSEK 15 fall due in 2007 and MSEK 6 fall due in 2008. In 2004 financial leasing commitments were reported as long-term debt.

Externally granted sums of overdraft facilities total MSEK 326 (119) in the group and MSEK 249 (49) in the parent company. These will be renegotiated during the year.

	GROUP/PARENT COMPANY			
	Book value		Fair value	
Maturity date for long-term EUR loans:	2005	2004	2005	2004
Amount in MEUR				
Maturity: 2007	13,0	–	13,0	–
Maturity: 2008	7,5	5,5	7,7	5,7
Maturity: 2009	2,0	–	2,0	–
Maturity: 2010	5,0	–	5,0	–
Total long-term borrowing in MEUR	27,5	5,5	27,7	5,7
Corresponding amount in MSEK	259	50	261	51

Effective interest on balance sheet date:	SEK	EUR	DKK	NOK
Overdraft facility, %	2,40	–	3,20	6,40
Bank loan, %	–	2,79	–	–

The amount concerns both the group and the parent company. The fair value of long-term debt at fixed interest (4 MEUR) has been calculated at current value, with the difference between loan interest of 4.51 per cent and market interest of 3.2 per cent. Other loans have variable interest. Indutrade has entered into a loan agreement whereby the bank may terminate the loan if certain key figures are not achieved. The loan totalled MSEK 80 at the end of the year.

NOTE 22 PENSION LIABILITIES

In accordance with IAS 19, Employee Benefits, an actuary has calculated, at Indutrade's request, the group's pension obligations and the amount to be set aside regularly for pensions for group employees. The pension plans in the Indutrade Group have both defined benefit plans and defined contribution pension plans.

Defined benefit plans

Pension plans include an old-age pension, a sickness pension and a family pension. There furthermore exists in the group the PRI plans in Sweden and defined benefit plans in the Netherlands. The obligations are distributed as follow:

Obligation's distribution	
PRI plans	76
Defined benefit plans, Netherlands	52
Total defined benefit plans	128
Other pension obligations	3
Total	131

Defined contribution pension plans

Pension plans include an old-age pension, a sick pension and a family pension. Premiums are paid regularly throughout the year to individual legal entities. The size of the pension premium is based on the employee's pay level, and the cost of the premium is recorded regularly over the income statement. According to a statement from the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, a commitment is secured through insurance in

Alecta, and regarding old-age pensions and family pensions for salaried workers in Sweden, a defined benefit plan covering multiple employers. For 2005, Indutrade does not have access to the information that would permit it to report this plan as a defined benefits plan, which is why it is reported as a defined pension contribution plan instead. The annual fees for pension insurance taken out with Alecta total approximately MSEK 12. The degree of consolidation for Alecta was 128.5 in December 2005.

Actuarial gains and losses, including payroll taxes in Sweden are offset directly against equity. The group's plan assets, MSEK 137, consist of investments with insurance companies, primarily in bonds. Pension obligations are non-breacheable.

	GROUP 2005		GROUP 2004	
	Sweden	Netherlands	Sweden	Netherlands
Presumptions re. calculation of pension obligations				
Discount interest, %	3.90	4.25	5.00	5.00
Expected return on plan assets, %	–	5.00	–	5.00
Future pay increases, %	3.00	2.00	3.00	2.25
Expected inflation, %	1.80	2.00	2.00	2.00
Future pension increases, %	1.80	2.00	2.00	2.00
Personnel turnover, %	0	Age-dependent	0	Age-dependent
Expected remaining work time for employees, avg. (yrs.)	18.8	13.9	18.0	11.5

	2005	2004
Amount reported in balance sheet		
Current value of consolidated obligations	189	150
Fair value of plan assets	-137	-119
	52	31
Current value of unfunded obligations	76	64
	76	64
Net liability, defined benefit plans, in balance sheet	128	95
Current value of pension obligations at beginning of year	214	195
Pension costs	11	7
Interest costs	11	10
Pension disbursements	-7	-7
Corporate acquisitions	3	–
Actuarial losses	29	10
Exchange differences	4	-1
Current value of pension obligations at end of year	265	214
Plan assets at start of year	119	115
Return on administrative assets	6	6
Payments from employees	1	1
Payments from company	9	11
Pension payments	-5	-4
Corporate acquisitions	3	–
Actuarial losses	0	-9
Exchange differences	4	-1
Plan assets at end of year	137	119
Net liability at start of year	95	80
Net cost reported in income statement	15	10
Pension disbursements	-2	-3
Payments from company	-9	-11
Actuarial losses	29	19
Currency translation difference for foreign plans	0	0
Net liability at end of year	128	95

Experience-based adjustments of some MSEK 4 are made in the 2005 pension obligation and MSEK 0 in the plan assets.

	GROUP 2005			GROUP 2004		
	Defined benefit plans	Defined pension contribution plans	Total	Defined benefit plans	Defined pension contribution plans	Total
Amount reported in income statement						
Costs concerning service in the current period	10	71	81	6	68	74
Interest on obligations	11	–	11	10	–	10
Expected return on plan assets	-6	–	-6	-6	–	-6
Net cost reported in income statement	15	71	86	10	68	78
included in sales expenses	6	57	63	3	51	54
included in administrative expenses	4	14	18	3	13	16
included in financial items	5	–	5	4	–	4

Anticipated payments from company to pension schemes amount to MSEK 11 for 2006.

NOTE 23 OTHER LONG-TERM LIABILITIES, NON INTEREST-BEARING

	GROUP	
	2005	2004
Guarantee obligations	1	1
Additional purchase sum	4	8
Total	5	9

The sale involves the acquisition of Satron and Saniflex. If they fall due, they will so in 2008-2009.

NOTE 24 ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Accrued personnel-related expenses	119	105	4	7
Other	35	31	2	1
Total	154	136	6	8

NOTE 25 ACQUISITIONS OF SUBSIDIARIES

Acquisitions 2004

In 2004 acquisitions were made of Granaths Hårdmetall AB in Huddinge and Landis&Gyr agencies in Finland.

Acquisitions 2005

The Dutch subsidiary Hitma B.V. acquired all shares in the Dutch technology group Hanwel Europe B.V. on 27 June 2005. Hanwel joined the group per 1 July 2005 in the business area Special Products. Hanwel's four companies are primarily active in the technology areas flow technology, customer-specific ceramics and piping systems. The company's primary markets are the processing, chemistry and energy industries. The acquisition is a natural step in the further development of Indutrade's technology and market areas.

Customer lists and agencies for the three trading companies have been valued at a year's contribution margin and have been recognized in the balance sheet as agencies, trademarks, customer lists, licenses etc. and are amortised over 10 years. For those companies that manufacture their own products, customer lists and trademarks have been valued at discounted future cash flow. The assumptions on which the calculations are based are a reduction of 10 percent of the annual income and discount interest of 17.5 per cent. The trademark has been valued with a presumption of 1 per cent royalty discounted to 15.5 per cent interest. Goodwill is fully attributable to the manufacturing company HP Valves and is motivated by positive profitability.

Satron Instruments Process & Projects AB was acquired in September 2005. The company was consolidated on 1 October 2005 in the business area Flow Technology. Satron's activities consist of sales in the area of electronic measurement and control equipment for the global processing industry, with specialisation in paper and cellulose.

Saniflex was acquired in November 2005, becoming part of the Industrial Components business area per 1 December 2005. The company is a supplier of hose and pipe couplings and instruments to the Nordic processing industry. Customer lists and agencies for these smaller acquisitions have been estimated at a year's contribution margin and have been consolidated as agencies, trademarks, customer lists, licenses etc., and are amortised over 5 years.

Effect on group in 2005	INCOME		OPERATING INCOME	
	Oct-Dec	Jan-Dec	Oct-Dec	Jan-Dec
Hanwel Europe B.V.	49	93	9	17
Satron Instruments Process & Project AB and Saniflex AB	6	6	0	0
Effect on group	55	99	9	17

Had the group consolidated the acquired units from 1 January 2005, net income would have totalled MSEK 3,929 and operating income MSEK 331.

Acquired assets in Hanwel Europe B.V., MSEK

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

Acquired assets	Book value	Market value adjustment ¹⁾	Market value
Goodwill	38	13	51
Agencies, trademarks customer lists, licenses etc.	-	70	70
Tangible fixed assets	5	4	9
Inventories	26	-	26
Other current assets	31	-	31
Deferred tax liability	-	-22	-22
Other operating expenses	-29	-	-29
Total net assets	71	65	136

¹⁾ The market value has changed as follows in relation to preliminary estimates:

Goodwill	-29
Agencies, trademarks customer lists, licenses etc.	36
Property, plants and equipment	1
Deferred tax liability	-12
Other operating expenses	4

Acquired assets in Satron Instruments Process & Project AB and Saniflex AB

Purchase price, incl. additional purchase price **-9**

Acquired assets	Book value	Market value adjustment	Market value
Agencies, trademarks customer lists, licenses etc.	-	8	8
Tangible fixed assets	0	-	0
Inventories	3	-	3
Other current assets	12	-	12
Deferred tax liability	-	-2	-2
Other operating expenses	-12	-	-12
	3	6	9

Effect on cash flow, MSEK

Acquisition cost Hanwel Europe B.V.	136
Acquisition cost Satron and Saniflex	9
Acquisition cost Satron and Saniflex not paid	-4
Paid-out additional purchase price regarding Kontram Oy	7
	148

Acquisitions after the end of the financial year

November 2005 saw the signing of an agreement on the acquisition of Puwimex Oy, with effect per 1 January 2006. Puwimex is a technology sales company in the area of pumping technology and with annual income of approximately MSEK 60.

Robota AB, which sells products and customised solutions for water and wastewater, was acquired on 1 January. Annual sales are approximately MSEK 53.

Suomen Putkisto Tarvike Oy (SPT), which sells products and services in the area of leakage detection and has income of approx. MSEK 8, was acquired on 1 January.

Acquired assets in Puwimex Oy, Suomen Putkisto Tarvike Oy and Robota AB. Preliminary acquisition calculation

Purchase price, incl. additional purchase price **35**

Acquired assets	Carrying amount	Market value adjustment	Market value
Agencies, trademarks customer lists, licenses etc.		19	19
Tangible fixed assets	1	-	1
Inventories	18	-	18
Other current assets	9	-	9
Cash and cash equivalents	5	-	5
Deferred tax liability	-1	-5	-6
Other operating expenses	-11	-	-11
	21	14	35

Agencies, trademarks, customer lists, licenses etc., will be written off over 5 years.

NOTE 26 ASSETS PLEDGED

	GROUP	
	2005	2004
For own liabilities		
Real estate mortgages	2	1
Assets subject to lien	33	30
Capital insurance	3	–
	38	31
For own contingent liability		
Other	1	1
	1	1
Total assets pledged	39	32

Financial leasing agreements regarding automobiles are reported as financial leasing according to IFRS, which results in an increase in both assets, liabilities and assets pledged by MSEK 33 (30).

NOTE 27 CONTINGENT LIABILITIES

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Contingent liabilities for subsidiaries PRI obligations	–	–	60	26
Other contingent liabilities	2	2	14	5
Total	2	2	74	31

NOTE 28 CASH FLOW FROM OPERATIONS

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Net income for the period	222	168	166	67
Adjustments for:				
tax	87	75	27	0
amortisation of intangible fixed assets	9	6	0	0
depreciation of tangible fixed assets	49	40	1	0
write-downs of goodwill	–	2	–	–
write-downs of stock in subsidiaries	–	–	–	43
gain/loss on sale of tangible fixed assets	-4	0	–	–
net change in other provisions	-6	-8	0	–
financial income	-6	-4	-14	-12
financial expenses	21	17	13	12
dividend income etc.	–	–	-225	-142
Total adjustments	150	128	-198	-99
Changes in working capital:				
inventories	-15	11	–	–
customer and other receivables	-16	-35	-139	3
supplier and other payables	50	40	-80	-18
Total changes in working capital	19	16	-219	-15
Cash flow from operating activities	391	312	-251	-47

NOTE 29 COSTS DISTRIBUTED BY COST CATEGORY

	GROUP		PARENT COMPANY	
	2005	2004	2005	2004
Amortisation, depreciation / write-downs	-58	-48	-1	0
Costs of remuneration to employees	-766	-708	-17	-19
Finished goods	-1,675	-1,553	–	–
Raw materials and consumables	-105	-77	–	–
Rent	-51	-50	-2	-5
Marketing costs	-40	-40	-1	-1
Travel expenses	-67	-58	-1	-1
Other expenses	-739	-696	-16	-9
Total expenses	-3,501	-3,230	-38	-35

NOTE 30 TRANSACTIONS WITH ASSOCIATES/AFFILIATES

Purchases and sales in the group have only occurred in limited numbers and scope. Investment in and borrowing from group companies has occurred on market terms. The previous year's debt for group contributions fell due on 30 April and was interest-free until then. As of 1 July 2005, the parent company and five of the group's subsidiaries have rented space in the building Malax 3 in Akalla from group company Colly Company AB, which, in turn, has leased the building from Fastighetsaktiebolaget Raseborg AB, a subsidiary of Industrivärden AB. Previously, the parent company rented the entire building directly from Fastighetsaktiebolaget Raseborg AB, and the space that the parent company did not use was sublet to five subsidiaries. The lease agreement is effective through to 31 December 2012. If the agreement is not terminated within two years of expiration, the lease term shall be prolonged by five years each time. Colly Company bears the cost of operation and maintenance, as well as property tax attributable to the property. Rent for 2005 was MSEK 7 and is adjusted annually based on changes in the consumer price index.

NOTE 31 2004 ANNUAL ACCOUNTS CONVERTED ACCORDING TO IFRS

The transition to IFRS is reported in accordance with IFRS 1, Note 31. This means that the date of transition is January 1, 2004 as the comparative figures for 2004 have also been adjusted to the same standards. In applying IFRS, certain exceptions from the retroactive application are permitted, and Indutrade has chosen as follows:

- to apply IFRS 3, Business combinations, from the transition date of 1 January 2004.
- To set translation differences to zero on the transition date, in accordance with IAS 21, Effects of Changed Exchange Rates.
- To apply IAS 39, Financial Instruments: Recognition and Measurement beginning 1 January 2005.

The accounting standards with the greatest effect on Indutrade's reporting are:

- IFRS 3 Business combinations
- IAS 19 Employee benefits

Application of IFRS 3 has led to a change in the accounting principles for goodwill. The following shall apply until 31 December 2003:

- goodwill was amortised in a linear manner over a period of between five and ten years.
- goodwill was assessed in consideration of any write-down needs per balance sheet date.

In accordance with the provisions in IFRS 3, the following applies:

- The group finished amortising goodwill on 1 January 2004.
- Accumulated amortisation per 31 December 2003 was eliminated through a corresponding reduction in the acquisition cost for goodwill.
- As of financial year 2004, goodwill will be tested each year for any write-down needs. Such tests will even be conducted at shorter intervals if there is an apparent need for write-downs.

NOTE 31 CONTINUED

IAS 19 primarily concerns, for Indutrade, pension reporting and initially per implementation on 1 January 2004 affected equity (after consideration of deferred tax) by MSEK -15 net. Furthermore, Indutrade decided from the start of 2004 to offset the total effect of actuarial gains and losses regarding pensions directly against shareholders' equity in consideration of deferred tax and payroll tax. Until 31 December 2005, actuarial losses offset equity by MSEK 34 net.

Financial leasing agreements primarily concerning automobiles that previously were reported as operational leasing, are reported in accordance with IAS 17 as financial leasing. The changes affect both assets and interest-bearing liabilities and involve reclassification of leasing fees for amortisation and financial expenses.

In accordance with IAS 39, financial derivatives are market valued regularly. The group ensures purchases in foreign currencies primarily through sales in the same currency as the purchase currency and through currency clauses. Forward exchange is used to a certain extent. Indutrade does not intend to apply hedging, which can give rise to some volatility in both the income statement and the balance sheet. Such volatility does not impact the group's cash flow.

Group income statement	Note	According to Annual Report 2004	Adjustment according to IFRS	According to IFRS 2004
Net sales		3,486	–	3,486
Cost of goods sold	1	-2,385	18	-2,367
Gross profit		1,101	18	1,119
Development expenses		-11	–	-11
Sales expenses	1	-686	9	-677
Administrative expenses		-175	–	-175
Other operating income		4	–	4
Other operating expenses		-4	–	-4
Operating income		229	27	256
Financial income		4	–	4
Financial expenses		-17	–	-17
Earnings after financial items		216	27	243
Tax		-75	–	-75
Net income or loss for the period		141	27	168

Note 1

Effect of goodwill is no longer amortised regularly (IFRS 3):

–cost of goods sold				20
–sales expenses				9
–impairment of intangible fixed assets (IAS 36)				-2
				27

Group balance sheet	Note	According to Annual Report 2004	Adjustment according to IFRS	According to IFRS 2004
Intangible fixed assets	1	144	27	171
Tangible fixed assets	2	247	30	277
Other financial fixed assets	3	12	6	18
Inventories		556	–	556
Accounts receivable		461	–	461
Other current assets		56	–	56
Cash and cash equivalents		97	–	97
Total assets		1,573	63	1,636
Shareholders' equity	4	694	14	708
Provisions	3,5	100	-100	0
Long-term interest-bearing liabilities	2,3,5	50	125	175
Long-term non-interest-bearing liabilities	5	–	24	24
Short-term interest-bearing liabilities		112	–	112
Interest-bearing debt to group companies		92	–	92
Short-term non interest-bearing liabilities		525	–	525
Total equity and liabilities		1,573	63	1,636

Note 1

Effect of goodwill is no longer amortised regularly (IFRS 3)	29
Effect of impairment of intangible fixed assets (IAS 36)	-2
	27

Note 2

Effect of financial leasing being recorded as fixed asset and interest-bearing liability (RR 6:99)	30
--	----

Note 3

Effect of actuarial losses on pension liabilities (IAS 19)	19
Deferred tax liabilities attributable to actuarial losses	6

Note 4

Effect of goodwill no longer being amortised regularly (IFRS 3)	29
Effect of amortisation of goodwill	-2
Effect of actuarial losses on pension liabilities	-19
Deferred tax liabilities attributable to actuarial losses	6
	14

Note 5

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

Opening balance 1/1/2004 recalculated according to IFRS

Group balance sheet	Not	According to Annual Report 2003	Adjustment according to IFRS	According to IFRS 1/1/2004
Intangible fixed assets		171	–	171
Tangible fixed assets	1	266	27	293
Other financial fixed assets	2	13	7	20
Inventories		567	–	567
Accounts receivable		422	–	422
Other current assets		58	–	58
Cash and cash equivalents		168	–	168
Total assets		1,665	34	1,699
Shareholders' equity	3	688	-15	673
Provisions	4	97	-97	–
Long-term interest-bearing liabilities	1,2,4	225	107	332
Long-term non-interest-bearing liabilities	4	–	39	39
Short-term interest-bearing liabilities		94	–	94
Interest-bearing debt to group companies		94	–	94
Short-term non interest-bearing liabilities		467	–	467
Total shareholders' equity and liabilities		1,665	34	1,699

Note 1

Effect of financial leasing being recorded as a fixed asset and interest-bearing liability (RR6:99)	27
---	----

Note 2

Effect of implementation of pension reporting (RR 29)	22
Deferred tax liabilities attributable to implementation of pension reporting	7

Note 3

Effect of implementation of pension reporting (RR 29)	-22
Deferred tax liabilities attributable to implementation of pension reporting	7
	-15

Note 4

Pension liabilities are reclassified as Long-term interest-bearing liabilities	58
Provisions for taxes and other provisions are reclassified as long-term non interest-bearing liabilities	39
	97

AUDITORS' REPORT

To the annual meeting of the shareholders of Indutrade AB (publ)

Corporate identity number 556017-9367

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the president of Indutrade AB (publ) for the year 2005. The board of directors and the president are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. 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 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 president and significant estimates made by the board of directors and the president 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 president. We also examined whether any board member or the president 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 and the group'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 IFRSs 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 meeting of shareholders 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 president be discharged from liability for the financial year.

Stockholm March 8, 2006

Öhrlings PricewaterhouseCoopers AB

Ulf Pernvi

Authorized Public Accountant

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

On July 1, 2005, the Swedish code for corporate governance (the Code) came into force. The Code is based on the principle of 'comply or explain.' This means that companies that apply the Code may choose not to comply with certain regulations. However, if they do so, they must report their reasons in each case. On October 5, 2005, Indutrade was listed on the O-List of the Stockholm Stock Exchange, but does not formally come under the Code. The Company is working towards a gradual implementation of the Code, however, and intends to introduce and apply relevant sections of the Code in conjunction with the 2006 Annual General Meeting, in respect of summons and information for the Annual General Meeting. The Company intends to apply the Code in full no later than by the end of 2006, unless there are any specific reasons that justify not applying the Code. This corporate governance report should be read against the background of a gradual implementation of the Code.

At the end of 2005, Indutrade was complying with the majority of the rules and regulations in the Code, with the exceptions specified and explained separately in this report (circumstances prior to October 5, 2005 are thus not taken into account).

DIVISION OF RESPONSIBILITIES

The responsibility for the management and control of the Group is shared between the shareholders at the Annual General Meeting, the Board, its elected committees and the CEO in accordance with the Swedish Companies Act, other legislation and directives, current regulations for listed companies, the Articles of Association and the Board's own internal control instruments.

SHAREHOLDERS

In April 2005, Industrivärden decided that its wholly-owned subsidiary Indutrade should be listed on the Stockholm Stock Exchange through the sale of about 65 per cent of the shares in the Company. Indutrade was listed on the Stockholm Stock Exchange on October 5, 2005 and at year-end Indutrade had 6,165 shareholders. At year-end, the ten largest owners controlled 65.3 per cent of the share capital. Industrivärden's share of this rose to 37.1 percentage points. The amount of shares owned by Swedish legal entities, including institutions such as insurance companies and funds, was 75.7 per cent of share capital and voting rights at the end of the year. Foreign investors owned about 13.3 per cent of share capital and voting rights.

ARTICLES OF ASSOCIATIONS

Under the Articles of Association, Indutrade is a public company whose business is to "carry on trade connected with imports and exports of machinery, raw materials, finished products,

intermediate goods and industrial necessities, as well as manufacturing primarily in the plastics, mechanical and chemicals industries, as well as any other business compatible therewith." At an Annual General Meeting, there is no limitation on the number of votes for represented shares.

The board shall consist of a minimum of three and a maximum of eight members, who are elected annually at the Annual General Meeting. Summons to an Annual General Meeting must be issued no earlier than six weeks and no later than four weeks before the meeting. Summons to an extraordinary general meeting, at which a change in the Articles of Association will not be dealt with, must be issued no earlier than six weeks and no later than two weeks before the meeting. Summons must be announced in the Post and National newspapers and in Dagens Nyheter.

ANNUAL GENERAL MEETING

The Annual General Meeting is Indutrade's highest decision-making body. At the Annual General Meeting, which is held within six months of the end of each financial year, the income statement and balance sheet are determined, decisions are reached about dividends, the Board is elected and, when necessary, auditors are elected and their fees decided, other statutory business is dealt with and decisions are made concerning proposals from the Board and shareholders.

All shareholders who are entered in the Company's list of shareholders on a stipulated record date and who have notified their intention to participate in time are entitled to attend the meeting and exercise their voting rights in proportion to their existing holding of shares. Shareholders may be represented by proxy. More information about the 2006 Annual General Meeting can be found on the inside cover of this report.

Summons to the Annual General Meeting on April 27, 2006, is due to be published in the daily press and on Indutrade's website on March 27, 2006. The summons will include a detailed agenda for the meeting, including proposals for dividend payments and election of the Board and auditors, as well as the proposed fee for the Board of Directors, including how the fee is to be divided between the chairman and other members of the Board, and also auditors' fees.

Considering the composition of the shareholder group and what is economically justifiable, Indutrade does not believe it is warranted to provide the shareholders with a long-distance link up with the Annual General Meeting or simultaneous interpretation of the proceedings.

ANNUAL GENERAL MEETING 2005 AND EXTRAORDINARY GENERAL MEETINGS

On the date of the Annual General Meeting, April 20, 2005, Indutrade was a wholly-owned subsidiary of Industrivärden.

Industrivärden was represented at the meeting by Anders Nyrén, who was also appointed Chairman.

The meeting decided:

- to adopt the income statement and balance sheet for the Company and the Group
- that the unappropriated earnings should be dealt with in accordance with the recommendation of the Board of Directors and the President
- to elect Johnny Alvarsson, Michael Bertorp, Jan Carlborg, Eva Färnstrand, Bengt Kjell, Curt Källströmer, Anders Nyrén and Gunnar Tindberg as Board Members.

At the subsequent statutory meeting, Anders Nyrén was appointed Chairman of the Board.

At an extraordinary general meeting on June 1, 2005, the meeting decided:

- that the number of Board members should be eight for the period up to the next Annual General Meeting
- that the Chairman should receive a fee of SEK 300,000 and other members of the Board receive SEK 150,000 each (no fees are paid to employees of companies within the Indutrade Group)
- to elect Owe Andersson as a Board member to replace Jan Carlborg
- that the Company should be a public company
- to adopt new Articles of Association
- to approve the Board's proposed change to the allocation of earnings with an additional dividend of MSEK 50
- that a Nomination Committee should be appointed to nominate candidates for election to the Board at the 2006 Annual General Meeting. The Nomination Committee must include representatives from the largest shareholders and the Chairman of the Nomination Committee must be a representative from the largest shareholder. The names of the members of the Nomination Committee shall be announced no later than six months prior to the Annual General Meeting.

At the Board meeting on July 3, Bengt Kjell was elected Chairman of the Board as from July 4.

At an extraordinary general meeting on August 26, 2005, the meeting decided:

- to change the Articles of Association with regard to the size of share capital and introduce a record day provision
- to approve the Board's proposal for a bonus issue
- to implement the proposed dividend of shares
- to authorise the Board to reach a decision to issue new shares, not exceeding four million shares in total.

BOARD MEMBERS

The Board of Directors, as elected by the General Meeting, consists of eight members, including the CEO. Indutrade has not set any specific age limit for its Board members. Nor has it set any time limit for how long a member may sit on the Board.

All Board members were re-elected at the 2005 Annual General Meeting. At an extraordinary general meeting on June 1, Owe Andersson was elected to replace Jan Carlborg.

Chairman Bengt Kjell is Vice President of Industrivärden. Anders Nyrén is President and CEO of Industrivärden. Curt Källströmer has been Vice President of Handelsbanken. Eva Färnstrand is Site Manager at Södra Cell Mönsterås. Gunnar Tindberg has been President of Indutrade. Michael Bertorp has been Vice President of Svenska Cellulosa Aktiebolaget. Owe Andersson is the President and CEO of Mekonomen. Johnny Alvarsson is the President and CEO of Indutrade.

The Board's current work is presented on page 60.

Other executives participate in Board meetings to present reports when necessary.

All Board members, except for Johnny Alvarsson and Gunnar Tindberg, are independent in relation to Indutrade. Curt Källströmer, Eva Färnstrand, Michael Bertorp and Owe Andersson are independent from Indutrade's major shareholders. Only one member of the Board, Johnny Alvarsson, has an operational position in the Company.

WORK OF THE BOARD

Each year, the Board establishes a formal plan that governs the work of the Board and its internal division of duties including the committees, decision-making procedure within the Board, meeting procedure and duties of the Chairman. The Board of Directors has also issued instructions for the President and instructions on financial reporting to the Board. In addition, the Board has adopted a number of policies.

The Board is responsible for the Company's organisation and for the administration of its affairs. This means the Board must ensure that the organisation is suited to its purpose and established in such a way that its accounts, administration of funds and financial circumstances in general are governed in a satisfactory way. The Board is also responsible for ensuring that the Company has satisfactory internal controls and continually reviews how the Company's internal control systems work. The Board is also responsible for deciding on plans and goals for developing and following up the Board's strategies. The Board continually monitors the work of the President and the operational management team.

In accordance with the current work plan, the Board shall convene for four meetings each year, in addition to the statutory meeting, and on any other occasions when the situation demands.

During 2005, the Board met on ten occasions, not including the statutory meeting. Indutrade's flotation on the Stock Exchange meant that the Board met more frequently during the year. Apart from the flotation, the main business of the Board in 2005 was concerned with strategy and goal planning, and corporate acquisitions. Further information can be found in the Directors' Report on pages 32–34.

CHAIRMAN'S ROLE

The Chairman organises and leads the work of the Board so that this is carried out in compliance with the Swedish Companies Act, other legislation and directives, current regulations for listed companies (including the Code) and the Board's own internal control instruments. The Chairman monitors business activities by maintaining regular contact with the President and ensuring that the other Board members are provided with satisfactory information and facts for making decisions. The Chairman is also responsible for making sure an annual assessment of the Board's work is conducted and that the Nomination Committee is notified of the assessment results. The Chairman represents the Company in ownership matters.

Remuneration Committee

The Board has appointed a Remuneration Committee whose work is to propose revised remuneration to the President for approval by the Board. The Committee decides on remuneration for the other senior executives and draws up proposals for incentive programmes. The Remuneration Committee comprises the Chairman of the Board, Bengt Kjell, and Board member, Michael Bertorp.

Audit Committee

The Board has also appointed an Audit Committee. This comprises all of the Board members, with the exception of the President. The duties of the Audit Committee are to examine the Company's procedures for risk management, governance and control and financial reporting. The Committee maintains continuous contact with the Company's auditor to ensure that internal and external accounting satisfies requirements and to discuss the scope and direction of the auditing work. The auditors normally report their observations to the Audit Committee in connection with the audit of the nine-month accounts and the audit of the year-end accounts.

Nomination Committee

At an extraordinary General Meeting in June 2005, it was decided that a Nomination Committee should be appointed to nominate candidates for election to the Board at the 2006 Annual General Meeting. The Nomination Committee shall include rep-

resentatives of the largest shareholders. The chairman of the Nomination Committee shall be a representative of the largest shareholder. The Chairman of the Board shall be a member of the Nomination Committee. According to the decision of the General Meeting, it is the responsibility of the Chairman to contact the largest shareholders to appoint a Nomination Committee. The names of the members of the Nomination Committee shall be announced no later than six months prior to the Annual General Meeting.

The Nomination Committee for the 2006 Annual General Meeting comprises:

- Carl-Olof By, Industrivärden, Chairman of the Nomination Committee
- Fredrik Lundberg, L E Lundbergföretagen
- Peter Rudman, Nordea Fonder
- Robert Vikström, Handelsbankens Pensionsstiftelse och Handelsbankens Pensionskassa
- Jan Andersson, Robur Fonder
- Bengt Kjell, Chairman of the Board for Indutrade

The Nomination Committee met on three occasions. It reviewed the work of the Board over the past year and proposed the re-election of Bengt Kjell, Curt Källströmer, Eva Färnstrand, Gunnar Tindberg, Michael Bertorp, Owe Andersson and Johnny Alvarsson and the election of Ulf Lundahl. Anders Nyrén had indicated that he did not wish to be re-elected. A more detailed presentation of the Board is given on page 60.

The Nomination Committee is also responsible for the appointment of auditors. Öhrlings PricewaterhouseCoopers AB was elected at the Annual General Meeting in 2002 as the Company's auditors until the close of the Annual General Meeting in 2006. The Nomination Committee recommended the re-election of Öhrlings PricewaterhouseCoopers AB as auditors for the period up to the close of the Annual General Meeting in 2010.

Attendance at Board, committee and Nomination Committee meetings

Board members Anders Nyrén and Eva Färnstrand were not in attendance at two of the Board's meetings last year. Otherwise, all members have attended all the meetings held by the Board, committees and Nomination Committee.

OPERATING ACTIVITIES

The President is responsible for the administration of Indutrade's affairs, which are managed by the Company's management group. The President's right to make decisions concerning investments and financing is governed by the rules of the Board.

President and Vice President

The President, Johnny Alvarsson, has been employed at Indutrade since 2004. From 2001 to 2004, he was President of Elektronikgruppen, 1988 to 2000 President of Zeteco AB and from 1975 to 1987 he held various managerial positions at Ericsson. The President holds 25,000 shares in Indutrade and 100,000 call options issued by Industrivärden.

The Vice President, Kaj Österlund, is responsible for the Engineering & Equipment business area and has been President of Indutrade Oy since 1995. Between 1990 and 1995, he was President of Lining Oy and from 1987 to 1990 he was sales and marketing director at Grönblom Oy. The Vice President does not hold shares in Indutrade.

REMUNERATION TO THE BOARD MEMBERS AND SENIOR EXECUTIVES

Remuneration to the senior executives comprises fixed salaries and usual employment benefits, plus pension benefits and an incentive programme that covers shares and purchase options issued by Industrivärden. Remuneration for 2005 to the Board and senior executives and details of the incentive programme are presented in Note 6 on pages 45–46.

At the 2006 Annual General Meeting, the Board will report which principles the Board applies for determining remuneration to corporate management. Under the Swedish Companies Act, the Board is responsible for the appointment of a President and for decisions on remuneration. The Board considers that

this procedure, which has long been the standard procedure, should be applied in the future as well and will not be submitting the matter to the decision of the 2006 Annual General Meeting. This means the responsibility for the President and company management will rest completely, as it has to date, with the Board and will not be transferred in any part to the Annual General Meeting.

AUDITORS

At the 2002 Annual General Meeting, Öhrlings PricewaterhouseCoopers AB was appointed as the Company auditor for the period extending to the close of the Annual General Meeting for 2006.

The auditors maintain regular contact with the Chairman of the Board, the Audit Committee and senior management.

The principal auditor has been authorised public accountant Ulf Pernvi.

In 2005, Öhrlings PricewaterhouseCoopers had a total of 90 audit assignments in companies listed on the Stockholm Stock Exchange. Six of these were conducted in collaboration with another firm of accountants. Auditors' fees are presented in Note 13 on page 47.

AUDIT

The Corporate Governance Report has not been examined by the company's auditors.

INTERNAL CONTROL REPORT

With reference to a statement by the Swedish Corporate Governance Board on December 15, 2005, this internal controls report is limited to a description of how the internal control is organised.

The internal control system is guaranteed by having a good control environment in Indutrade's organisation. The control environment comprises the organisation's operating processes, current regulations and control and review procedures. Indutrade has a simple organisational structure with a clear division of roles. Decision-making routes and responsibilities are defined through internal instructions, the finance manual, regulations and policies decided by the Board.

Systematic control activities ensure that the organisation

works in accordance with established rules. These include the authorisation of expenses in accordance with an authorisation plan and investment activities within the set limits of the investment policy. Control activities are carried out by staff different to those performing the tasks. The external auditors examine the consolidated financial accounts with regard to internal control, accounting and reporting. A review report is published in the accounts for the quarter ending on June 30 and in the end of year report.

AUDIT

The internal control report has not been examined by the Company's auditors.

BOARD OF DIRECTORS



Bengt Kjell

Born: 1954

Education: Degree from the School of Economics, Stockholm

Chairman since: 2005

Board member since: 2002

Executive Vice President: Industrivärden.

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

Previous experience: Authorised public accountant, senior partner at Navet, manager at Corporate Finance Securum.

Number of shares: 30,133



Anders Nygrén

Born: 1954

Education: MBA, U.S. MBA

Chairman: 2001–2005

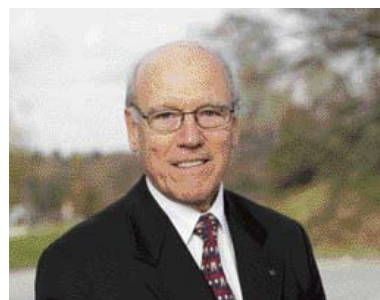
Board member since: 2001

President and CEO of: Industrivärden

Other board assignments: Vice Chairman of Svenska Handelsbanken. Board member of Sandvik, SCA, Skanska, SSAB, Isaberg Rapid, Ernströmgruppen, Studieförbundet Näringsliv och Samhälle. Chairman of the Swedish Association of Exchange-listed Companies and the Swedish Association for Best Practice in the Securities Market.

Previous experience: Skanska, Vice President, Director of economy and finance, Nordbanken, Director with responsibility for bank management of Markets and Corporate Finance, Securum, Vice President, Director of economy and finance, OM International, President, STC Venture, President.

Number of shares: 0



Curt Källströmer

Born: 1941

Education: General Certificate of Education and School of Economics. Advanced level degree in banking.

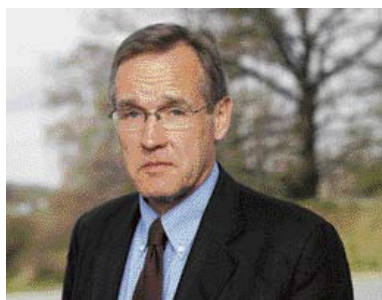
Board member since: 2002

Head of the Chairman's Office at: Handelsbanken.

Other board assignments: Chairman of Stads-hypotek and Handelsbanken Bofondförvaltning. Vice Chairman of Handelsbankens Pensionsstiftelse, Pensionskassan i Handelsbanken and Personalstiftelsen i Handelsbanken. Board member of Stockholmsmässan, Thomas Concrete Group, SBC Bostadscentrum, SBC mark AB and Umeå School of Business and Economics.

Previous experience: Vice President of Handelsbanken. Manager of Regionbanken Mellansverige and Norra Norrland, Handelsbanken.

Number of shares: 400



Michael Bertorp

Born: 1949

Education: LLB

Board member since: 2003

Other board assignments: Board member of Handelsbanken Fonder and SPP Fonder.

Previous experience: Vice President of Svenska Cellulosa Aktiebolaget.

Number of shares: 1,800



Eva Färnstrand

Born: 1951

Education: M.Sc. in Chemistry, Royal Institute of Technology

Board member since: 1998

Site Manager: Södra Cell Mönsterås

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

Previous experience: President of Tidningstryckarna Aftonbladet Svenska Dagbladet. Business Area Manager for Tidningspapper, SCA Graphic Sundsvall. Market Manager for business area Tidningspapper, SCA Graphic Sundsvall.

Number of shares: 200



Owe Andersson

Born: 1942

Education: MBA, School of Business and Economics

Board member since: 2005

President and CEO of: Mekonomen

Other board assignments: Chairman of Nordic Vikings Group, Mekonomen Grossist, Mekonomen Detaljist, Bileko Konsult, Mekonomen Norge AS and Mekonomen Danmark AS. Board member of HK Investment.

Previous experience: President and CEO of Mekonomen since 2000.

Number of shares: 1,400



Gunnar Tindberg

Born: 1938

Education: Engineering and economics

Board member since: 1980

Previous experience: President of Indutrade 1978–2004.

Number of shares: 2,100



Johnny Alvarsson

Details on the next page.

MANAGEMENT GROUP



Johnny Alvarsson

Born: 1950

President and CEO

Employed since: 2004

Education: M.Sc., Management Training

Previous experience: President of Elektronikgruppen. President of Zeteco. Various managerial positions at Ericsson.

Number of shares: 25,000

Number of options: 100,000



Kaj Österlund

Born: 1954

Executive Vice President of Indutrade

President of Engineering & Equipment business area

Employed since: 1990

Education: Licentiate of Technology

Previous experience: President of Indutrade Oy, President of Lining Oy, Sales and marketing manager for Grönblom Oy.

Number of shares: 0

Number of options: 0



Olof Paulsson

Born: 1949

President of Industrial Components

business area

Employed since: 1983

Education: Tech. College Engineer, B.Sc.

in Market Economics

Previous experience: President of Colly Company, President of Colly Filtreringsteknik, President of Colly Components, Divisional manager for Colly Company.

Number of shares: 6,200

Number of options: 18,000



Björn Lindström

Born: 1948

Vice President of Industrial Components

business area

Employed since: 1976

Education: Helsinki High School. Machine Technology, Technical College Helsinki, IFL.

Previous experience: President of Oy Colly Company, President of Vipmek Oy, Area Manager of Oy Colly Company.

Number of shares: 0

Number of options: 0



Peter Eriksson

Born: 1953

President of Flow Technology business area

Employed since: 1995

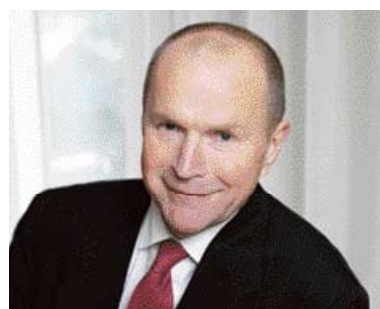
Education: Tech. College Engineer

B.Sc. in Market Economics, IFL.

Previous experience: President of Indutrade Flödesteknik Grupp, President of Alnab, Sales Manager for Alnab.

Number of shares: 16,000

Number of options: 36,000



Olle Olofsson

Born: 1948

Director of Economy and Finance

Employed since: 2006

Education: Commercial College

Previous experience: Director of Economy and Finance for Arcorus, Zeteco and Bromma Conquip.

Number of shares: 6,617

Number of options: 18,000

Maansähkö Oy

Olarinluoma 12
FIN-02200 Espoo
Tel: +358 9 8866 4700
Fax: +358 9 8866 4798
www.maansahko.fi

Oy Maanterä Ab

Keinumäenkuja 2
P.O. Box 70
FIN-01511 Vantaa
Tel: +358 290 06 130
Fax: +358 290 06 1130
www.maanterä.fi

Pinteco Oy

Petikontie 20
FIN-01720 Vantaa
Tel: +358 290 06 210
Fax: +358 290 06 1210
www.pinteco.fi

Puwimex Oy

Louhostie 4
FIN-04300 Tuusula
Tel: +358 9 275 00 55
www.puwimex.fi

Suomen Putkisto Tarvike Oy

Vaihtotie 9
FI-33470 Ylöjärvi
Tel: +358 3 348 4688
Fax: +358 3 348 4699
www.sptoy.com

Oy Tecalemit Ab

Hankasuontie 13
P.O. Box 78
FIN-00391 Helsinki
Tel: +358 290 06 200
Fax: +358 290 06 1200
www.tecalemit.fi

Oy Teollisuusapu Ab

Kirkniementie 6
FIN-08800 Kirkniemi
Tel: +358 19 340 231
Fax: +358 19 340 247
www.teollisuusapu.fi

Vipmek Oy

Hankasuontie 3 A
P.O. Box 104
FIN-00391 Helsinki
Tel: +358 290 06 140
Fax: +358 290 06 1140
www.vipmek.fi

YTM-Industrial Oy

Petikontie 20
FIN-01720 Vantaa
Tel: +358 290 06 230
Fax: +358 290 06 1230
www.ytm.fi

Warla Trade Oy

Petikontie 20
FIN-01720 Vantaa
Tel: +358 290 06 180
Fax: +358 290 06 1180
www.warlatrade.fi

DENMARK**Colly Company A/S**

Avedøreholmen 84
P.O. Box 1911
DK-2650 Hvidovre
Tel: +45 36 77 63 00
Fax: +45 36 77 44 51
www.colly.dk

Diatom A/S

Avedøreholmen 84
P.O. Box 1911
DK-2650 Hvidovre
Tel: +45 36 77 36 00
Fax: +45 36 77 36 33
www.diatom.dk

Gustaf Fagerberg A/S

Kornmarksvej 8-10
Postboks 267
DK-2605 Brøndby
Tel: +45 43 29 02 00
Fax: +45 43 29 02 02
www.fagerberg.dk

Granzow A/S

Ejby Industrivej 26
DK-2600 Glostrup
Tel: +45 43 20 26 00
Fax: +45 43 20 26 99
www.granzow.dk

NORWAY**Elmeko AS**

Bærumsveien 375
Postboks 80
NO-1306 Bærum Post-terminal
Tel: +47 67 57 22 70
Fax: +47 67 57 22 80
www.elmeko.no

Colly AS

Holmaveien 20
Postboks 81
NO-1314 Vøyenenga
Tel: +47 67170025
Fax: +47 67170030

Fagerberg Norge a.s.

Pancoveien 28
Postboks 536
NO-1624 Gressvik
Tel: +47 69 355 530
Fax: +47 69 355 531
www.fagerberg.no

GPA A/S

Verkstedsveien 23
P.O. Box 427
NO-1401 Ski
Tel: +47 64 85 68 00
Fax: +47 64 85 68 01
www.gpa.no

NETHERLANDS**Aluglas B.V.**

Johan Enschedeweg 21
P.O. Box 268
NL-1420 AG Uithoorn
Tel: +31 297 514 620
Fax: +31 297 514 634
www.aluglas.nl

Hanwel Europe B.V.

Parallelstraat 50
P.O. Box 309
NL-7570 AH Oldenzaal
Tel: +31 541 858 500
Fax: +31 541 858 501
www.hanwel.com

HP Valves BV

Kleibultweg 69
P.O. Box 151
NL-7570 AD Oldenzaal
Tel: +31 541 519 555
Fax: +31 541 522 045
www.hpvalves.com

Gimex technische keramiek b.v.

Oudenhof 18
P.O. Box 220
NL-4190 CE Geldermalsen
Tel: +31 345 574 255
Fax: +31 345 574 866

HITMA B.V.

Anton Philipsweg 1
P.O. Box 175
NL-1420 AD Uithoorn
Tel: +31 297 514 614
Fax: +31 297 514 777
www.hitmagroep.nl

BELGIUM**N.V.Hanwel Belgium S.A.**

Industriezone TTS – Zone B
Winninglaan 15
BE-9140 Temse
Tel: +32 371 103 53
Fax: +32 371 105 79

GERMANY**GEFA Processtechnik GmbH**

Germaniastraße 28
Postfach 700110
DE-44371 Dortmund
Tel: +49 231 61 00 90
Fax: +49 231 61 00 980
www.gefa.com

ESTONIA**AS Industek**

Kadaka tee 131
EE-12915 Tallinn
Tel: +372 666 2800
Fax: +372 666 2801
www.industek.ee

AS Tecalemit

Kadaka tee 131
EE-12915 Tallinn
Tel: +372 666 2820
Fax: +372 666 2821
www.tecalemit.ee

LATVIA**SIA Indutek LV**

Biekensalas iela 6
LV-1004 Riga
Tel: +371 7 804 949
Fax: +371 7 804 948
www.indutek.lv

SIA Tecalemit

Biekensalas iela 6
LV-1004 Riga
Tel: +371 7 804 940
Fax: +371 7 804 941
www.tecalemit.lv

LITHUANIA**UAB Industek**

Verkiu street 29-6
LT-09108 Vilnius
Tel: +370 5 2700 225
Fax: +370 5 2700 227
www.industek.lt

UAB Tecalemit

Zirmunu street 139
LT-09108 Vilnius
Tel: +370 5 236 3665
Fax: +370 5 236 3664
www.tecalemit.lt

RUSSIA**ZA O Indutek STP**

Tsvetochnaya street 16, office 4
RU-196084 St. Petersburg
Tel: +7 812 326 9500
Fax: +7 812 326 9501

ZA O Tecalemit STP

Tsvetochnaya street 16, office 4
RU-196084 St. Petersburg
Tel: +7 812 380 2114
Fax: +7 812 380 2115

ANNUAL GENERAL MEETING

ANNUAL GENERAL MEETING

Time and place

The Annual General Meeting will be held on Thursday, April 27, 2006, at 5.00 p.m. in Stora Hörsalen at Garnisonen Konferens, Karlavägen 100. The doors will open at 4.00 p.m. and registration will take place until 5.00 p.m., when the doors will close.

Who is entitled to participate?

Shareholders wishing to participate in the Annual General Meeting must be entered in the copy of the register of shareholders made by VPC AB (the Swedish Securities Register Centre) on April 21, 2006, and must notify the Company of their intention to participate no later than 4.00 p.m. on Friday, April 21, 2006.

How do I become recorded in the register of shareholders?

Shareholders who have registered their shares in their own name at VPC are automatically entered in the register of shareholders. Shareholders whose shares are registered in the names of trustees must have their shares re-registered temporarily in their own names in plenty of time before April 21 to be eligible to participate in the Annual General Meeting.

How do I notify the Company?

The Company may be notified as follows:

- by post to the following address: Indutrade, Box 6044, 164 06 Kista, attn. Hannelore Söderberg
- by phone +46 (0)8 703 03 00
- by fax +46 (0)8 752 79 39
- via our website www.indutrade.se

When notifying the Company, the following information should be provided:

- name
- personal ID (social security no.) or company registration number
- address and telephone number.

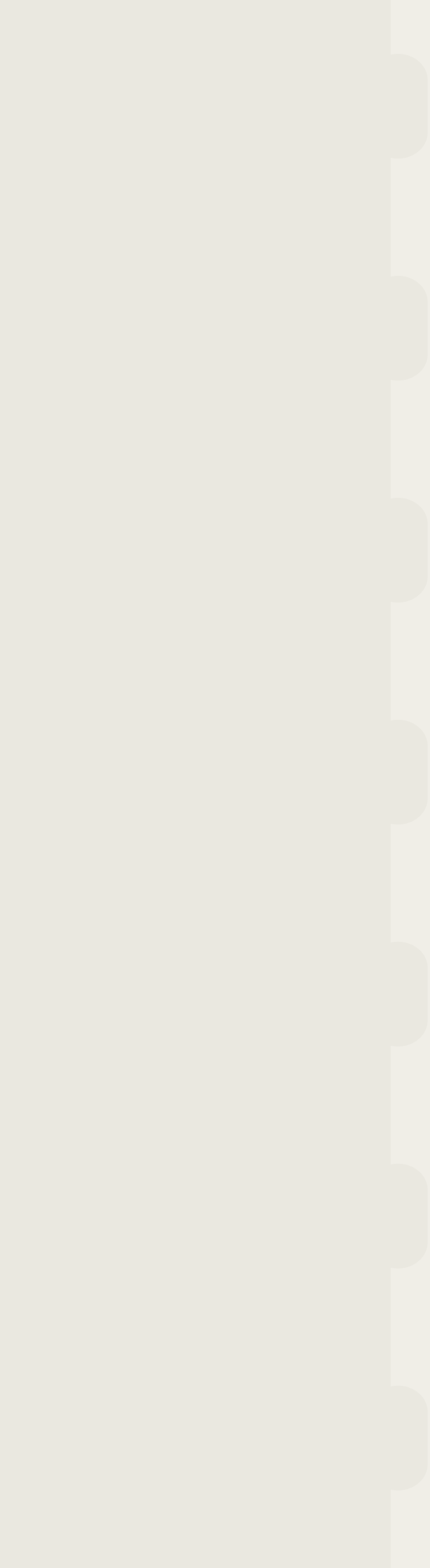
Notification must be received by the Company no later than 5.00 p.m. on Friday, April 21, 2006.

Representatives

Shareholders may exercise their right to attend the Annual General Meeting through representation by proxy. Shareholders who wish to be represented by proxy are requested to submit a written power of attorney in plenty of time before the meeting to the Company at the above address. Proxies and representatives for legal entities should also submit a certified copy of the registration or authorisation documents prior to the Annual General Meeting.

REPORT DATES

Interim report, Jan 1–Mar 31, 2006	April 27, 2006
Interim report, Jan 1–June 30, 2006	Aug 2, 2006
Interim report, Jan 1–Sep 30, 2006	Oct 30, 2006



Text and production: Indutrade in collaboration with Hallvarsson & Halvarsson.

Graphic design and layout: Meze Design.

Cover photo and photo of the Board and Management: Magnus Skoglöf.

Repro and print: Wassberg + Skottetryck 2006.



Indutrade AB
Box 6044
SE-164 06 Kista
Tel. +46 8 703 03 00
Fax +46 8 752 79 39
www.indutrade.se