

INTERIM REPORT 1 JANUARY – 30 JUNE 2006

SECOND QUARTER

- **Net sales during the second quarter rose 16% to SEK 1,151 million (995).**
- **Operating income before amortisation of intangible fixed assets (EBITA) rose 22% to SEK 116 (95), and the EBITA margin was 10.1% (9.5).**
- **Income after tax rose 13% to SEK 76 million (67).**
- **Earnings per share for the quarter were SEK 1.91 (1.67).**

FIRST HALF OF THE YEAR

- **Net sales for the first six months rose 19% to SEK 2,171 million (1,823). Of this increase, 12 percentage points accounted for acquisitions and currency effects.**
- **Operating income before amortisation of intangible fixed assets (EBITA) rose 37% to SEK 203 (148), and the EBITA margin was 9.4% (8.1).**
- **Income after tax rose 30% to SEK 133 million (102).**
- **Earnings per share for the quarter were SEK 3.33 (2.55).**
- **The return on operating capital was 29.9% (25.3%).**

Figures in parentheses pertain to the corresponding period in 2005.

NET SALES AND EARNINGS, ETC.

April–June 2006

Incoming orders during the quarter totalled SEK 1,238 million (1,017), an increase of 22%.

The Group's net sales during the second quarter rose 16% to SEK 1,151 million (995). Of this increase, 12 percentage points referred to companies acquired after 30 June 2005. The gross margin decreased during the period by 0.3 percentage points to 32.6%.

Operating income before amortisation of intangible fixed assets (EBITA) amounted to SEK 116 million (95). The operating margin before amortisation of intangible fixed assets (EBITA margin) rose to 10.1% (9.5). Incoming orders, net sales and income for the quarter were adversely affected by the fact that there were 8% fewer sales days than in the second quarter of 2005. Compared with the first quarter of 2006, the number of sales days in the second quarter was 11% fewer.

January–June 2006

Incoming orders during the period totalled SEK 2,359 million (1,905), an increase of 24%. Adjusted for acquired units and currency effects, the increase amounted to SEK 263 million, corresponding to 14%.

Net sales during the first six months of the year increased by 19% to SEK 2,171 million (1,823). Including acquisitions, the total was SEK 215 million, and including positive currency effects, SEK 17 million. The gross margin rose during the period by 0.2 percentage points to 33.0%. Special Products was the business area that had the strongest performance compared with the year-earlier period, due mainly to the acquisition of the Hanwel Group in June 2005. Industrial Components also reported a strong trend, primarily owing to the increase in demand compared with the year-earlier period, and to the effects of the reduction in the level of overhead achieved prior to 30 September 2005.

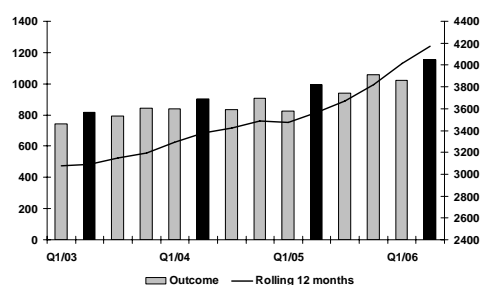
Operating income before amortisation of intangible fixed assets (EBITA) amounted to SEK 203 million (148). The operating margin before amortisation of intangible fixed assets (EBITA margin) rose to 9.4% (8.1). The acquisition of the Hanwel Group and the development in the Industrial Components business area had a favourable effect on the Group's EBITA margin. Net financial items was negative in an amount of SEK 9 million (neg: 5), while tax on income for the period was estimated to be negative in an amount of SEK 52 million (neg: 39). Income after tax rose 30% to SEK 133 million (102).

The return on operating capital for the past 12 months increased to 30% (25). Interest-bearing net debt increased by SEK 48 million to SEK 662 million (614), and the net debt/equity ratio was 91% (103).

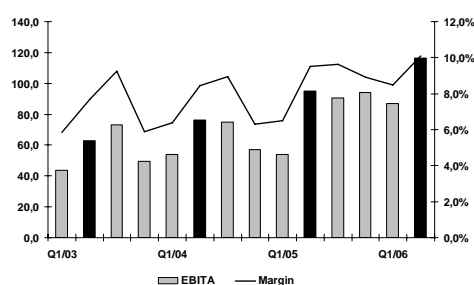
Financial development	2006	2005	2006	2005	Change	2005
SEK million	Apr.–June	April–June	Jan.–June	Jan.–June	Jan.– June 06/05	Full-yr.
Net sales	1151	995	2171	1823	19.1%	3 822
Sales growth, %	15.7	10.2	19.1	4.5	14.6% ¹⁾	9.6
EBITA, SEK million	116	95	203	148	37.2%	333
EBITA margin, %	10.1	9.5	9.4	8.1	1.3% ¹⁾	8.7
Income after financial items, SEK million	106	91	185	141	31.2%	309
Income after tax, SEK million	76	67	133	102	30.4%	222
Earnings per share, SEK	1.91	1.67	3.33	2.55	30.4%	5.55
Return on operating capital, %	29.9	25.3	29.9	25.3	4.6% ¹⁾	31.5
Net debt/equity ratio, %	90.7	103.4	90.7	103.4	-12.7% ¹⁾	57.4

1) Change in percentage points.

Net sales, SEK million



EBITA, SEK million



DEVELOPMENT IN BRIEF BY BUSINESS AREA

Engineering & Equipment

Engineering & Equipment offers customised niche products, design solutions, after-market service and special processing. The products consist primarily of hydraulics, equipment for automotive workshops, flow products and transmissions.

Net sales rose 13% during the first six months of the year, to SEK 763 million (678). Of this increase, 1 percentage point pertained to currency movements, 3 percentage points to organic growth and 9 percentage points to acquired companies. EBITA for the first two quarters was SEK 60 million (64), corresponding to an EBITA margin of 7.9% (9.4).

The decline in the EBITA margin is partly attributable to a displacement of net sales toward companies with a lower margin and partly to a lower margin in acquired companies. During the period, income was charged with the move to a new warehouse shared by four companies in the business area, which will result in more cost-effective inventory management in the future.

There were four acquisitions during the period: Puwimex Oy, Robota AB, Suomen Putkisto Tarvike Oy and PRP-Plastic Oy.

Flow Technology

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

Net sales in the first six months of the year amounted to SEK 513 million (466), an increase of 10%, of which 2 percentage points pertained to acquired companies. During the same period, EBITA amounted to SEK 40 million (31), and the EBITA margin reached 7.8% (6.6), due to the low percentage of project deliveries.

Industrial Components

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

Net sales rose 16% during the first six months of the year, to SEK 395 million (339). Of this increase, 4 percentage points referred to companies acquired. EBITA for the period was SEK 41 million (24), corresponding to an EBITA margin of 10.4% (7.1). The margin improvement is mainly attributable to the effect of cost-cutting measures taken prior to 30 September 2005.

TriboTec AB was acquired during the period.

Special Products

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

Net sales rose 46% during the first six months of the year, to SEK 512 million (350). Of this increase, currency movements accounted for 1 percentage point of this increase, while acquired companies accounted for 38 percentage points. During the period, EBITA reached SEK 79 million (43) and the EBITA margin was 15.4% (12.3). The improved margin can be credited to strong margins in the acquired companies and to favourable development for the existing companies.

Gedvelop AB and Spinova AB were acquired during the first half of the year.

FINANCIAL POSITION

Shareholders' equity amounted to SEK 728 million (594), and the equity ratio was 31% (31).

Cash and cash equivalents totalled SEK 109 million (64). In addition, the company has SEK 158 million (103) in unutilised credit facilities. Interest-bearing net debt after deductions for cash and cash equivalents amounted to SEK 662 million (614). The net debt/equity ratio at the end of the period was 91% (103).

The higher net debt is primarily attributable to completed acquisitions.

CASH FLOW

Cash flow from operating activities was SEK 29 million (86) and was affected by a greater need for working capital as a result of the growth in business volume. Cash flow after net investments in tangible fixed assets (excluding company acquisitions) was SEK 1 million (70).

CAPITAL EXPENDITURES AND DEPRECIATION

The Group's net capital expenditures (excluding company acquisitions) was SEK 28 million (16). Depreciation of tangible fixed assets totalled SEK 26 million (23). Capital expenditures in company acquisitions amounted to SEK 128 million (142).

EMPLOYEES

The number of employees was 1,691 (1,510) at the end of the period. Approximately 160 employees were added through acquired companies during the past twelve months.

ACQUISITIONS

The Group has carried out the following company acquisitions, which are being consolidated in 2006 for the first time.

Acquisitions completed

Month acquired	Acquisition	Business area	Sales/SEK million*	No. of employees*
January	Puwimex Oy Robota AB	Engineering & Equipment	60	10
			53	20
February	Suomen Putkisto Tarvike Oy (SPT)	Engineering & Equipment	8	4
April	Gedevelop AB	Special Products	35	7
June	PRP-Plastic Oy Spinova AB TriboTec AB	Engineering & Equipment	27	33
		Special Products	60	52
		Industrial Components	70	20

*Annual sales and number of employees at the time of acquisition.

Further information on the completed company acquisitions can be found on page 9 of this interim report.

PARENT COMPANY

The main function of Indutrade AB is to take responsibility for business development, major acquisitions, financing, management and analysis. The Parent Company's sales, which consist exclusively of inter-company invoicing of services, amounted to SEK 0 million (4) during the first half of the year. The Parent Company's capital expenditures in tangible fixed assets amounted to SEK 1 million (1). The number of employees on 30 June was 8 (7).

ACCOUNTING PRINCIPLES

This interim report for the Indutrade Group has been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34.

The principles of consolidation applied in this interim report are the same as those described in Indutrade's 2005 Annual Report under the section "Accounting principles and notes".

Stockholm, 2 August 2006

Johnny Alvarsson
President and CEO

This report has not been reviewed by the company's auditors.

Further information

For further information, please contact:

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Financial calendar

The interim report for the period January–September 2006 will be published on 30 October 2006. The year-end report for 2006 will be published on 13 February 2007.

Indutrade in brief

Indutrade markets and sells components, systems and services with a high-tech content to industrial customers in selected niches. The Group creates value for its customers by structuring the value chain and increasing the efficiency of its customers' use of technological components and systems. For the Group's suppliers, value is created through the offering of an efficient sales organisation with high technical expertise and solidly developed customer relations. Indutrade's business is distinguished by the following factors, among others:

- High-tech products for recurring needs
- Growth through a structured and tried-and-tested acquisition strategy
- A decentralised organisation characterised by an entrepreneurial spirit

The Group is structured into four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products. Indutrade is listed on the Stockholm Stock Exchange's O-List.

INDUTRADE CONSOLIDATED INCOME STATEMENT

SEK million	2006 April– June	2005 April– June	2006 Jan.– June	2005 Jan.– June	2005 Jan.– Dec.
Net sales	1 151	995	2 171	1 823	3 822
Cost of goods sold	-776	-668	-1 454	-1 224	-2 582
Gross income	375	327	717	599	1 240
Development costs	-3	-3	-6	-6	-12
Selling costs	-208	-184	-415	-359	-725
Administrative expenses	-54	-45	-104	-86	-182
Other income and expenses	1	-1	2	-2	3
Operating income	111	94	194	146	324
Net financial items	-5	-3	-9	-5	-15
Income after financial items	106	91	185	141	309
Tax	-30	-24	-52	-39	-87
Net income for the period, attributable to equity holders of the Parent Company*	76	67	133	102	222
Amortisation of intangible fixed assets	-5	-1	-9	-2	-9
Depreciation of tangible fixed assets	-14	-13	-26	-23	-49
Operating income before amortisation/ impairment of intangible fixed assets (EBITA)	116	95	203	148	333
Earnings per share for the period¹⁾	1.91	1.67	3.33	2.55	5.55

1) Net income for the period divided by 40,000,000 shares.
There is no dilutive effect.

Statement of recognised income and expense

Actuarial gains/losses	0	0	0	-31	-30
Exchange-rate differences on foreign operations	-7	4	-9	15	14
Tax on items reported directly against shareholders' equity	0	0	0	9	9
	-7	4	-9	-7	-7
Net income for the period	76	67	133	102	222
Total reported income and expense for the period	69	71	124	95	215

BUSINESS AREAS

SEK million	Net sales					EBITA				
	2006 April– June	2005 April– June	2006 Jan.– June	2005 Jan.– June	2005 Jan.– Dec	2006 April– June	2005 April– June	2006 Jan.– June	2005 Jan.– June	2005 Jan.– Dec
Engineering & Equipment	413	371	763	678	1393	35	41	60	64	133
Flow Technology	272	265	513	466	966	23	21	40	31	67
Industrial Components	206	175	395	339	680	23	14	41	24	50
Special Products	267	189	512	350	805	42	26	79	43	108
Parent Company and Group items	-7	-5	-12	-10	-22	-7	-7	-17	-14	-25
Indutrade Group	1151	995	2171	1823	3822	116	95	203	148	333

KEY DATA

	2006	2006	2005	2005
	Jan.-June	Jan.-Mar.	Jan.-June	Jan.-Dec.
Net sales, SEK million	2171	1 020	1823	3 822
Sales growth, %	19.1	23.1	4.5	9.6
EBITA, SEK million	203	87	148	333
EBITA margin, %	9.4	8.5	8.1	8.7
Operating capital, SEK million	1389	1 224	1 208	1124
Return on operating capital, % (12 months)	29.9	32.9	25.3	31.5
Interest-bearing net debt, SEK million	662	455	614	410
Net debt/equity ratio, %	90.9	59.2	103.4	57.4
Equity ratio, %	31.3	37.5	31.0	36.9

KEY PER-SHARE DATA ¹⁾

Earnings per share, SEK	3.33	1.42	2.55	5.55
Shareholders' equity per share, SEK	18.20	19.23	14.85	17.85
Cash flow from operating activities per share SEK	0.73	-0.20	2.15	8.05

1) Based on 40,000,000 shares, which corresponds to the number of shares outstanding on 30 June 2006.

INDUTRADE CONSOLIDATED BALANCE SHEET

SEK million	2006	2005	2005
	30 June	30 June	31 Dec.
Goodwill	258	240	210
Other intangible fixed assets	167	47	88
Tangible fixed assets	333	283	287
Financial fixed assets	30	30	31
Inventories	663	619	615
Accounts receivable, trade	670	566	532
Other current assets	89	68	53
Cash and cash equivalents	109	64	117
Total assets	2 319	1 917	1 933
Shareholders' equity	728	594	714
Long-term interest-bearing liabilities	394	309	411
Long-term noninterest-bearing liabilities	114	30	47
Current interest-bearing liabilities	377	369	116
Accounts payable, trade	333	305	322
Other current noninterest-bearing liabilities	373	310	323
Total shareholders' equity and liabilities	2 319	1 917	1 933

CHANGE IN GROUP EQUITY

SEK million	2006 Jan.-June	2005 Jan.-June	2005 Jan.-Dec.
Shareholders' equity	714	708	708
Repayment of shareholder contribution	-	-159	-159
Dividend	-110	-50	-50
Actuarial pension effects	-	-22	-21
Translation differences	-9	15	14
Net income for the period	133	102	222
Closing shareholders' equity	728	594	714

INDUTRADE CONSOLIDATED CASH FLOW STATEMENT

SEK million	2006 Jan.-June	2005 Jan.-June	2005 Jan.-Dec.
Cash flow from operating activities before change in working capital	147	139	303
Change in working capital	-118	-53	19
Cash flow from operating activities	29	86	322
Net capital expenditures in fixed assets	-28	-16	-41
Company acquisitions and divestments	-128	-142	-148
Change in other financial assets	7	-7	-8
Cash flow from investing activities	-149	-165	-197
Net borrowings	224	343	192
Dividend payout, Group contribution and shareholder contribution	-110	-301	-301
Cash flow from financing activities	114	42	-109
Cash flow for the period	-6	-37	16
Cash and cash equivalents at start of period	117	97	97
Exchange-rate differences	-2	4	4
Cash and cash equivalents at end of period	109	64	117

ACQUISITIONS

Acquisitions during the first half of the year

In November 2005 an agreement was signed on the acquisition of 100% of the shares in Puwimex Oy, with possession taking place on 1 January 2006. Puwimex is a technology sales company in the area of pump technology with annual sales of approximately SEK 60 M.

On 1 January 2006, 100% of the shares in Robota AB were acquired, and on 1 February 100% of the shares in Suomen Putkisto Tarvike Oy (SPT). Robota, with annual sales of approximately SEK 53 million, sells products and customised solutions for water and drainage. SPT sells products and services in leak detection, with annual sales of approximately SEK 8 million.

In April 2006, the company acquired 100% of the shares in Gedvelop AB, which sells precision instruments and systems for measuring flows and temperatures, primarily in the glass industry. Its annual net sales amount to approximately SEK 35 million.

In June, 100% of the shares in each of the following companies were acquired: PRP-Plastic Oy, Spinova AB and TriboTec AB.

PRP-Plastic manufactures different types of plastic products for the process industry – for example, coatings, cisterns, components and pipe systems – and has annual net sales of approximately SEK 27 million. Spinova is one of Sweden's leading manufacturers of customer-adapted coil springs and wire details. The products are used as components in hydraulic systems, locks, entrance doors, pumps, HVAC applications, and parts of components of equipment for the food industry. Its annual net sales amount to approximately SEK 60 million. TriboTec delivers chemical engineering products in the areas of corrosion protection, lubrication and bonding technology. Its customers are mainly in general mechanical engineering and in the automotive industry and its suppliers. Its annual net sales amount to approximately SEK 70 million.

Assets acquired in Puwimex Oy, Suomen Putkisto Tarvike Oy, Robota AB, PRP-Plastic Oy, Gedvelop AB, Spinova AB and TriboTec AB.

SEK million

Purchase price, including supplemental purchase price	198		
Acquired assets	Book value	Market value adjustment	Market value
Goodwill	-	51	51
Agencies, trademarks, customer lists, licences etc.	4	85	89
Tangible fixed assets	39	3	42
Inventories	47	-	47
Other current assets	41	-	41
Cash and cash equivalents	30	-	30
Deferred tax liability	-7	-24	-31
Interest-bearing loans	-15	-	-15
Other operating liabilities	-56	-	-56
	83	115	198

Agencies, trademarks, customer lists, licences, etc., will be amortised over 5–10 years.

Acquisitions have affected cash flow for the second quarter by SEK 108 million, and for the first six months, by SEK 128 million.

Effect on Group during first six months in 2006 of acquisitions made after the first six months of 2005

SEK million		Net sales		EBITA	
Company	Business area	April– June	Jan.– June	April– June	Jan.– June
Hanwel Europe B.V., Gedvelop AB and Spinova AB	Special Products	73	136	17	31
Satron Instrument Process & Project AB	Flow Technology	1	6	-1	-1
Saniflex AB, Tribotec AB and Colly A/S	Industrial Components	13	15	2	2
Puwimex Oy, PRP Plastic Oy, Suomen Putkisto Tarvike Oy and Robota AB	Engineering & Equipment	36	58	4	4
Effect on the Group		123	215	22	36

DEFINITIONS

Return on operating capital	EBITA as a percentage of average operating capital
EBITA	Operating income before amortisation of intangible fixed assets
EBITA margin	EBITA as a percentage of net sales for the period
Intangible fixed assets	Goodwill, agencies, trademarks, customer lists, licences and leases
Tangible fixed assets	Buildings, land, machinery and equipment
Net capital expenditures	Purchases less sales of intangible and tangible fixed assets, excluding items included in acquisitions and divestments of subsidiaries and operations
Net debt/equity ratio	Interest-bearing net debt divided by shareholders' equity
Operating capital	Interest-bearing net debt and shareholders' equity
Earnings per share	Net income for the period divided by the average number of shares outstanding
Interest-bearing net debt	Interest-bearing liabilities, incl. pension liability less cash and cash equivalents
Equity ratio	Shareholders' equity as a percentage of total assets