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# YEAR-END REPORT 1 JANUARY – 31 DECEMBER 2005

## QUARTER

- **Net sales in the fourth quarter increased by 17 percent to SEK 1,059 (907) million.**
- **Operating income before amortization of intangible fixed assets (EBITA) increased by 59 percent to SEK 94 (59) million, while the EBITA margin was 8.9 (6.5) percent.**
- **Income after tax increased by 82 percent to SEK 60 (33) million.**
- **Earnings per share amounted to SEK 1.50 (0,83).**

## FULL YEAR

- **Net sales for the year increased by 10 percent, five percent of that from acquisitions, to reach SEK 3,822 (3,486) million.**
- **Operating income before amortization of intangible fixed assets (EBITA) increased by 26 percent to SEK 333 (264) million, while the EBITA margin was 8.7 (7.6).**
- **Income after tax increased by 32 percent to SEK 222 (168) million.**
- **Earnings per share amounted to SEK 5.55 (4.20).**
- **Return on operating capital amounted to 31.5 (26.0) percent.**
- **The board of directors proposes dividend distribution of SEK 2.75 per share.**
- **On October 5, 2005, Indutrade was listed on the O list of the Stockholm Stock Exchange.**

*All sums relating to 2004 in this report have been adjusted according to IFRS and are comparable with 2005 results. Figures in parentheses are 2004 figures.*

## NET SALES AND EARNINGS

### 4th Quarter, 2005

Incoming orders during the quarter amounted to SEK 1,037 (896) million, an increase of 16 percent. The group's net sales during the fourth quarter of 2005 rose 17 percent compared to the same period in 2004, totalling SEK 1,059 (907) million. The rise was primarily due to greater demand for the group's products compared to Q4 of the previous year, but also to the positive effects of acquisitions made during the year. Acquisitions and currency changes affected net sales positively by SEK 57 and SEK 33 million, respectively, during the fourth quarter.
Income before interest, tax and amortisation (EBITA) amounted to SEK 94 (59) million. The earnings margin before interest, tax and amortisation (EBITA margin) rose by 2.4 percentage points to reach 8.9 (6.5) percent.

### Full Year 2005

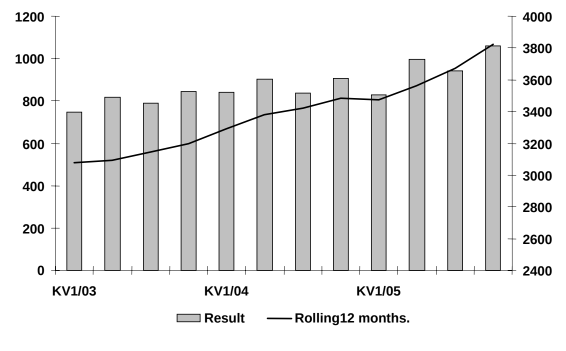
Incoming orders amounted to SEK 3,860 (3,542) million, corresponding to an increase of 9 percent. Net sales in 2005 increased by 10 percent to SEK 3,822 (3,486) million. Of this increase, 5 percentage points came from acquired companies, and 1 percentage point came from positive currency changes. All business areas have developed well; however, Engineering & Equipment experienced the strongest development.
EBITA amounted to SEK 333 (264) million, an increase of 26 percent. Consequently, the EBITA margin was strengthened by 1.1 percent to 8.7 (7.6) percent, primarily owing to the positive development of Engineering & Equipment. The acquisition of Hanwel Europe B.V during the year contributed to the improvement in margin. The financial net result amounted to SEK -15 (-13) million.
Profit after tax increased by SEK 54 million to SEK 222 (168) million, corresponding to a per-share profit of SEK 5.55 (4.20).

Return on operating capital amounted to 31.5 (26.0) percent. Interest-bearing net liability rose during the year by SEK 128 million to SEK 410 (282) million, mainly as a result of dividends distributed in the spring of 2005, but also owing to acquisitions made during the year. The net debt/equity ratio amounted to 57 (40) percent.

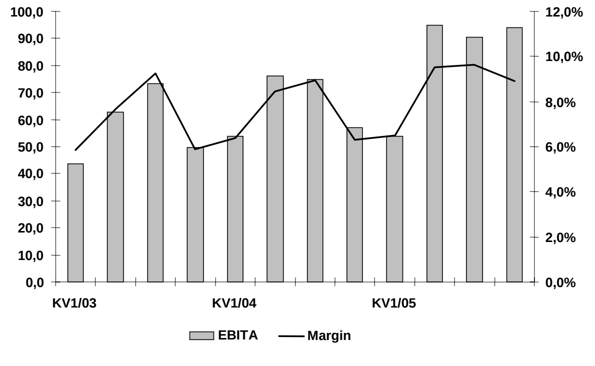
| **Financial Development**<br>SEK M | **2005**<br>**Oct-Dec** | 2004<br>Oct-Dec | Change<br>Q4 05/04 | **2005**<br>**Jan-Dec** | 2004<br>Jan-Dec | Change<br>Jan-Dec<br>05/04 |
|---|---|---|---|---|---|---|
| Net sales | **1059** | 907 | 16.8% | **3 822** | 3486 | 9.6% |
| Growth in sales, % | **16.8** | 7.5 | 9.3%[1)] | **9.6** | 9.0 | 0.6%[1)] |
| EBITA, SEK M | **94** | 59 | 59.3% | **333** | 264 | 26.1% |
| EBITA margin, % | **8.9** | 6.5 | 2.4%[1)] | **8.7** | 7.6 | 1.1% [1)] |
| Income after financials, SEK M | **84** | 51 | 64.7% | **309** | 243 | 27.2% |
| Income after tax, SEK M | **60** | 33 | 81.8% | **222** | 168 | 32.1% |
| Earnings per share, SEK | **1.50** | 0.83 | 81.8% | **5.55** | 4.20 | 32.1% |
| Return, operating capital %, rolling 12 months | **31.5** | 26.0 | 5.5%[1)] | **31.5** | 26.0 | 5.5% [1)] |
| Net debt/equity ratio, % | **57.4** | 39.8 | 17.6%[1)] | **57.4** | 39.8 | 17.6% [1)] |

1) Change in percentage points.

### Net sales, SEK M




### EBITA, SEK M



## DEVELOPMENT IN BRIEF BY BUSINESS AREA

### Engineering & Equipment

*Engineering & Equipment offers customized niche products, design solutions, after-market service and special processing. The products are primarily flow products, hydraulics, equipment for automotive workshop and transmissions.*

Net sales for 2005 totalled SEK 1,393 (1,238) million, an increase of 13%, mainly owing to strong demand on the Finnish market. EBITA rose by 30 percent to reach SEK 133 (102) million. The EBITA margin increased to 9.5 (8.2) percent as a result of the increase in net sales.

### Flow Technology

*Flow Technology offers components and systems for the automatic management, control and fupervision of flows. The products mainly comprise valves, pumps and measurement and analytical instruments.*

Net sales, which in 2004 totalled SEK 869 million, rose 11 percent to SEK 966 million as a result of greater demand for products from this business area. EBITA reached SEK 67 (53) million, corresponding to an EBITA margin of 6.9 (6.1) percent. The improved EBITA margin is a result of the increase in net sales.

### 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, e.g., fasteners, filters, adhesives and cutting tools.*

Net sales totalled SEK 680 (668) million, an increase of only 2 percent, as a result of slightly poor demand at the start of the year. EBITA reached SEK 50 (49) million, and the EBITA margin reached 7.3 (7.3) percent.

### Special Products

*Special Products offers specially manufactured niche products, design solutions, after-market service and assembly, as well as special processing. The products include temperature sensors, special plastics, tool holder and electrical component.*

Net sales increased by 10 percent over the year to SEK 805 (735) million, mainly as a result of the acquisition of Hanwel Europe B.V. EBITA reached SEK 108 (91) million, and the EBITA margin strengthened by 1 percentage point to reach 13.4 (12.4) percent, influenced mainly by a positive contribution from the acquired companies.

## FINANCIAL POSITION

Shareholders' equity totalled SEK 714 (708) million, and the equity/assets ratio was 37 (43) percent.

Cash and cash equivalents totalled SEK 117 (97) million. In addition, there were unutilized credit facilities of SEK 243 (111) million. Interest-bearing net loan liabilities after deductions for cash and cash equivalents amounted to SEK 410 (282) million. The net debt/equity ratio amounted to 57 (40) percent.

The lower equity ratio and the higher net loan liability are explained by disbursed dividends, payment of a group contribution and repayment of shareholder contributions to AB Industrivärden prior to its listing on the stock market, which totalled SEK 301 million. The increase in the net loan liability was also influenced by the acquisition of Hanwel Europe B.V. In the spring, the parent company established an overdraft facility with a SEK 200 million limit and took out a loan for SEK 130 million.

## CASH FLOW

Cash flow from operating activities totalled SEK 322 (267) million. Cash flow after net investments in property, plants and equipment, excluding company acquisitions, amounted to SEK 281 (243) million.

## INVESTMENTS AND DEPRECIATION

The group's net investments, excluding company acquisitions, totalled SEK 41 (24) million. Depreciation of property, plants and equipment amounted to SEK 49 (41) million. Investments in company acquisitions totalled SEK 148 (14) million.

## PERSONNEL

At the end of the period, the number of employees totalled 1,534 (1,422). A total of 80 new staff members joined the company in connection with acquisitions made during the year. The average number of staff during the year was 1,510 (1,415).

## ACQUISITIONS

In November, agreements were signed on the acquisition of all shares in Puwimex Oy and Saniflex AB. Puwimex is a technology sales company active in the area of pump technology and with annual net sales of approx. SEK 60 million.
Saniflex provides hose and pipe couplings, as well as instruments to the Nordic processing industry and brings a net sales of approx. 10 million. Saniflex will be consolidated beginning December 1, 2005, and Puwimex, beginning January 1, 2006.

**Acquisitions completed in 2005**

| Acquisition Mo. | Acquisition | Business Area | Sales/ SEK M* | No. Employees* |
|---|---|---|---|---|
| June | Hanwel Europe B.V. | Special Products | 171 | 61 |
| September | Satron Instruments Process & Project AB | Flow Technology | 41 | 7 |
| November | Puwimex Oy<br>Saniflex AB | Engineering & Equipment<br>Industrial Components | 60<br>10 | 10<br>6 |

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

## PARENT COMPANY

The main responsibilities of Industrade AB are to attend to business development, greater acquisition, financing, management and analysis. The parent company's sales, which consisted exclusively of intercompany invoicing of services, amounted to SEK 5 (8) million for the year. The parent company's investments in property, plants and equipment amounted to SEK 1 (0) million. The number of employees at December 31 totalled 7 (6).

## EVENTS AFTER CLOSE OF FISCAL YEAR

In January, an agreement was signed on the acquisition of all stocks in Robota AB. Robota sells products and customer-tailored solutions for water and drainage. Its annual sales is SEK 53 million.

On February 1, an agreement was signed on the acquisition of all stock in Suomen Putkisto Tarvike Oy (SPT). SPT sells products and services in the field of leak detection and has sales of SEK 8 million.

Both companies fall under the business area Engineering & Equipment.

**ACCOUNTING PRINCIPLES**

Since of January 1, 2005, Indutrade compiles its financial reports in accordance with International Financial Reporting Standards (IFRS) in the format adopted by the European Union (EU). The directive provides that all EU companies listed on a stock exchange must apply IRFS in their consolidated financial statements. The interim report for the first half of 2005 was the first report the company submitted compliant with IAS 34, Interim Financial Reporting. Until that time, Indutrade had applied the recommendations and pronouncements of the Swedish Association for the Development of Generally Accepted Accounting Principles (*Redovisningsrådet*). The transition to IFRS is reported in accordance with IFRS 1, and, therefore, the transition date is January 1, 2004, because IFRS is also applied for the comparison year 2004.

When applying IFRS 1, certain exceptions to retroactive application are permitted, and Indutrade has decided the following:

- To apply IFRS 3, Business Combinations, in a forward-looking manner as of the transition date of January 1, 2004.
- To reset translation differences to zero according to IAS 21, Effects of Changes in Foreign Exchange Rates.
- To apply IAS 39, Financial Instruments: Recognition and Measurement, from January 1, 2005.

The accounting standards with the greatest influence on Indutrade's accounting are IFRS 3, Business Combinations, and IAS 19 regarding Employee Benefits. In addition, IAS 17 regarding the reporting of Financial Leasing has a certain effect on the accounting.

IFRS 3 prescribes, for instance, that planned amortization of goodwill is no longer accepted. Instead, an impairment is posted if the reported value is greater than the highest net sales value and a present value of future cash flow and calculated residual value. Impairment testing must be done regularly, at least once a year, and is to be charged to profit, as needed (IAS 36); otherwise the goodwill value remains unchanged. For fiscal year 2004, income is affected positively in the amount of SEK 27 million net, as a result of the reversal of goodwill amortization in connection with the adoption of IFRS 3 and taking into account any impairment needed.

For Indutrade, IAS 19 primarily affects pension reporting and initially, on implementation on January 1, 2004, influenced shareholders' equity (after consideration of deferred tax) by net SEK -15 million. In addition, from the start of 2004 Indutrade had exercised the possibility of reporting the total effect of actuarial gains and losses relating to pensions directly against equity capital, in consideration of deferred tax and payroll tax.
Until December 31, actuarial losses negatively affected shareholders' equity by SEK 34 million.

Financial leasing agreements, mostly regarding automobiles, that were previously reported as operational leasing are now recorded as financial leasing according to IAS 17. The change impacts assets, as well as interest-bearing liabilities by approx. SEK 30 million and requires a reclassification of leasing fees as depreciation and financial expense.

In accordance with IAS 39, the market value of financial derivatives is assessed 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 some extent. Indutrade does not intend to apply hedge accounting, which can lead to a certain amount of volatility in both income statement and balance sheet. Such volatility does not affect the group's cash flow. At the end of December 2005, the group had open foreign exchange contracts for the equivalent of SEK 4 million in order to reduce the future currency risk in GBP and 19 million in USD. The market assessment of these contracts has resulted in a negative effect on profits in the order of SEK 0.6 million.

Other new standards have had only a marginal or no effect on the Indutrade group's earnings and financial position.

Indutrade is exposed to an exchange risk on conversion of non-Swedish subsidiaries' net assets to the group currency, i.e., the Swedish krona. In 2005 the group's shareholders' equity has been positively effected by SEK 14 million.

The effects of the above accounting recommendations on Indutrade's accounting, earnings and financial position, both initially in 2004 and continuously for fiscal years 2004 and 2005, as well as other changes in accounting principles resulting from the adoption of IFRS, are shown on pages 7-12 of this interim financial report.

## OTHER INFORMATION

### Initial listing of Indutrade

Until October 5, Indutrade was a wholly owned subsidiary of AB Industrivärden. In later April of 2005, Industrivärden's board of directors made the decision to diversify ownership and to introduce Indutrade on the stock market, which it did on October 5, 2005, when the company was listed on the Stockholm Stock Exchange's O list.

### Incentive program

Indutrade's board of directors, together with Industrivärden, decided to establish an incitement program aimed at key employees in Indutrade. The aim of the program is to encourage management's long-term participation in and commitment to the company. The program expires on June 30, 2010.

29 key employees have acquired, in all, 157,600 shares and 268,800 call options issued by AB Industrivärden. Indutrade pays, over a four year period, a bonus to the employees participating in the program representing 40 percent of the invested amount. The total cost to the company will be approximately SEK 7 million, SEK 1.7 million of which were reflected negatively in 2005 results and SEK 1.3 million will affect profits each year for the next four years.

### Dividend distribution

The board of directors proposes dividend distribution of SEK 2.75 per share, corresponding to SEK 110 million. The proposed distribution is in line with Indutrade's distribution policy of distributing over time at least 50 percent of profit after tax.

Stockholm, February 13, 2006

Johnny Alvarsson
President and CEO

**Auditors' Examination Report**
We have conducted a general examination of the year-end report for Indutrade AB (publ) for the period ended December 31, 2005, in accordance with the recommendation issued by FAR (the Swedish Institute of Authorized Public Accountants).

A general examination is limited to discussion with the Company's employees and to an analytical examination of financial information and thus provides a lesser degree of certainty than an audit. We have not performed an audit of this year-end report and thus have not issued an audit opinion.

Nothing has come to our attention that indicates that the interim report does not fulfil the requirements for interim reports as prescribed in the Swedish Annual Accounts Act and IAS 34.

Stockholm, February 13, 2006

Öhrlings PricewaterhouseCoopers AB
Ulf Pernvi
Authorized Public Accountant

**Further information**
For further information, please contact:
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**Financial calender**
The 2005 annual report will be published in April 2006.
A general meeting of shareholders is to be held in Stockholm on April 27, 2006.
An interim financial report for January-March 2006 will be submitted on April 27, 2006.
An interim financial report for January-June 2006 will be submitted on August 2, 2006.
An interim financial report for January-September 2006 will be submitted on October 30, 2006.

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

- High-tech products for repeat needs
- Growth through a structured and tried-and-tested acquisition strategy
- Decentralized organization characterized by entrepreneurship

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

## INDUTRADE GROUP CONSOLIDATED INCOME STATEMENT

| SEK M | **2005 Oct-Dec** | 2004 Oct-Dec | **2005 Jan-Dec** | 2004 Jan-Dec |
|---|---|---|---|---|
| Net sales | **1 059** | 907 | **3 822** | 3 486 |
| Cost of goods sold | **-719** | -624 | **-2 582** | -2 367 |
| **Gross income** | **340** | 283 | **1 240** | 1 119 |
| Development costs | **-3** | -3 | **-12** | -11 |
| Selling costs | **-202** | -185 | **-725** | -677 |
| Administrative expenses | **-50** | -40 | **-182** | -175 |
| Other operating income and expenses | **6** | 0 | **3** | 0 |
| **Operating income** | **91** | 55 | **324** | 256 |
| Net financial items | **-7** | -4 | **-15** | -13 |
| **Income after financial items** | **84** | 51 | **309** | 243 |
| Tax | **-24** | -18 | **-87** | -75 |
| **Net income for the period*** | **60** | 33 | **222** | 168 |
| Amortization of intangible fixed assets | **-3** | -2 | **-9** | -6 |
| Impairment of intangible fixed assets | **-** | -2 | **-** | -2 |
| Depreciation of tangible fixed assets | **-13** | -11 | **-49** | -41 |
| Operating income before amortization of Intangible fixed assets (EBITA) | **94** | 59 | **333** | 264 |
| | | | | |
| *Effect of the introduction of IFRS on net income | | | | |
| Reported income according to former accounting principles | | 29 | | 141 |
| Effect of fact that goodwill is no longer amortized: | | | | |
| Cost of goods sold | | 4 | | 20 |
| Selling costs | | 2 | | 9 |
| Effect of goodwill impairment | | -2 | | -2 |
| Income for the period according to IFRS | | 33 | | 168 |
| | | | | |
| Earnings per share for the period [1)] | 1,50 | 0,83 | 5,55 | 4,20 |

1) Net income for the period divided by 40,000,000 shares.
There will be no dilution effect.

### BUSINESS AREAS

| **SEK M** | **Net Sales** | | | | **EBITA** | | | |
|---|---|---|---|---|---|---|---|---|
| | **2005 Oct-Dec** | 2004 Oct-Dec | **2005 Jan-Dec** | 2004 Jan-Dec | **2005 Oct-Dec** | 2004 Oct-Dec | **2005 Jan-Dec** | 2004 Jan-Dec |
| Engineering & Equipment | **390** | 331 | **1393** | 1238 | **39** | 22 | **133** | 102 |
| Flow Technology | **253** | 215 | **966** | 869 | **12** | 4 | **67** | 53 |
| Industrial Components | **184** | 179 | **680** | 668 | **14** | 11 | **50** | 49 |
| Special Products | **237** | 188 | **805** | 735 | **36** | 26 | **108** | 91 |
| Parent Company and Group Items | **-5** | -6 | **-22** | -24 | **-7** | -4 | **-25** | -31 |
| **Indutrade Group** | **1059** | 907 | **3822** | 3486 | **94** | 59 | **333** | 264 |

**KEY DATA**

| | **2005 Jan-Dec** | 2005 Jan-Sep | 2005 Jan-Jun | 2005 Jan-Mar | 2004 Jan-Dec |
|---|---|---|---|---|---|
| Net sales, SEK M | **3 822** | 2 763 | 1 823 | 828 | 3 486 |
| Growth in sales, % | **9.6** | 7.1 | 4.5 | -1,25 | 9.0 |
| EBITA,SEK M | **333** | 239 | 148 | 53 | 264 |
| EBITA margin, % | **8.7** | 8.7 | 8.1 | 6.4 | 7.6 |
| Operating capital, SEK M | **1 124** | 1 216 | 1 208 | 1 006 | 990 |
| Return on operating capital, % (12 months) | **31.5** | 26.4 | 25.3 | 26.5 | 26.0 |
| Interest-bearing net debt, SEK M | **410** | 566 | 614 | 259 | 282 |
| Net debt/equity ratio, % | **57.4** | 87.1 | 103.4 | 34.7 | 39.8 |
| Equity ratio, % | **36.9** | 33.3 | 31.0 | 43.9 | 43.3 |
| **KEY DATA PER SHARE [1])** | | | | | |
| Income per share, SEK | **5.55** | 4.05 | 2.55 | 0.88 | 4.20 |
| Shareholders’ equity per share, SEK | **17.85** | 16.25 | 14.85 | 18.68 | 17.70 |
| Cash flow from operating activities per share, SEK | **8.05** | 3.68 | 2.15 | 0.70 | 6.68 |

[1)] Based on 40,000,000 shares, which corresponds to the number of shares outstanding at December 31, 2005.

## INDUTRADE GROUP CONSOLIDATED BALANCE SHEET

| SEK M | **2005 Dec 31** | 2004 Dec 31 |
|---|---|---|
| Goodwill | **210** | 156 |
| Other intangible fixed assets | **88** | 15 |
| Tangible fixed assets | **287** | 277 |
| Financial fixed assets | **31** | 18 |
| Inventories | **615** | 556 |
| Accounts receivable | **532** | 461 |
| Other current assets | **53** | 56 |
| Cash and cash equivalents | **117** | 97 |
| **Total assets** | **1 933** | 1 636 |
| | | |
| Shareholders’ equity | **714** | 708 |
| Long-term interest-bearing liabilities | **411** | 175 |
| Long-term noninterest-bearing liabilities | **47** | 24 |
| Current interest-bearing liabilities | **116** | 112 |
| Interest-bearing liabilities toward group companies | - | 92 |
| Account payable | **322** | 263 |
| Other current noninterest-bearing liabilities | **323** | 262 |
| **Total shareholders’ equity and liabilities** | **1 933** | 1 636 |

## CHANGE IN GROUP EQUITY

| SEK M | **2005 Jan-Dec** | 2004 Jan-Dec |
|---|---|---|
| Opening shareholders' equity according to former accounting principles | **-** | 688 |
| Effect of new accounting principles [1)] | - | -15 |
| **Opening shareholders' equity** | **708** | 673 |
| Repayment of shareholder contributions | **-159** | -50 |
| Dividends | **-50** | - |
| Group contributions paid | **-** | -92 |
| Tax effect on group contributions paid | **-** | 26 |
| Actuarial pension effects | **-30** | -19 |
| Tax effect on actuarial pension effects | **9** | 6 |
| Translation differences | **14** | -4 |
| Net income for the period | **222** | 168 |
| **Closing shareholders' equity** | **714** | 708 |

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

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

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

## INDUTRADE GROUP'S CONSOLIDATED CASH FLOW STATEMENT

| SEK M | **2005 Jan-Dec** | 2004 Jan-Dec |
|---|---|---|
| Cash flow from operating activities before change in working capital | **303** | 251 |
| Change in working capital | **19** | 16 |
| **Cash flow from operating activities** | **322** | 267 |
| Net investment in fixed assets | **-41** | -24 |
| Company acquisitions and divestments | **-148** | -14 |
| Change in other financial fixed assets | **-8** | 2 |
| **Cash flow from investment activities** | **-197** | -36 |
| Net borrowing | **192** | -157 |
| Paid-out dividend group contribution and shareholder contribution | **-301** | -144 |
| **Cash flow from financing activities** | **-109** | -301 |
| **Cash flow for the period** | **16** | -70 |
| Cash and equivalents at beginning of period | **97** | 168 |
| Exchange-rate differences | **4** | -1 |
| **Cash and equivalents at end of period** | **117** | 97 |

## ACQUISITIONS

On June 27, 2005 the Dutch subsidiary Hitma B.V. acquired all shares in the Dutch technology group Hanwel Europe B.V. Hanwel´s four companies work primarily in the areas of flow technology, customer-specific ceramic components and pipe systems. The companies' main markets are in the process, chemical and energy industries. Hanwel is a part of the Indutrade Group from July 1, 2005 and included in Business Area Special Products. Goodwill is assignable to good profitability in the acquired operation. Other intangible assets will be depreciated over 10 years.

Satron Instruments Process & Project AB was acquired in September and Saniflex AB in November 2005. Satron's operations comprise sales in the electronic measurement and control equipment sector for the global process industry and specialize in paper and pulp. The company was consolidated from October 1 as a part of Business Area Flow Technology.

Saniflex AB is a supplier of hose and pipe components as well as instruments to the Nordic process industry. Saniflex is a part of Business Area Industrial Components from December 1, 2005. Other intangible assets will be depreciated over 5 years.

**Impact on the Group 2005**

| MSEK | Net sales | | EBITA | |
|---|---|---|---|---|
| | Oct-Dec | Jan -Dec | Oct-Dec | Jan-Dec |
| Hanwel Europe B.V. | 49 | 93 | 11 | 20 |
| Satron Instruments Process & Project AB and Saniflex AB | 6 | 6 | 0 | 0 |
| **Impact on the Group** | **55** | **99** | **11** | **20** |

**Acquired assets in Hanwel Europe B.V.**

| MSEK | |
|---|---|
| **Acquisition cost and cash flow effects** | |
| Acquisition cost | -134 |
| Transaction costs | -2 |
| **Total acquisition cost** | **-136** |

| Acquired assets | Booked value | Market value adjustment[1)] | Market value |
|---|---|---|---|
| Goodwill | 38 | 13 | 51 |
| Other intangible fixed assets | - | 70 | 70 |
| Tangible fixed assets | 5 | 4 | 9 |
| Inventories | 26 | - | 26 |
| Other current assets | 31 | - | 31 |
| Deferred tax liability | - | -22 | -22 |
| Other current liabilities | -29 | - | -29 |
| **Total net assets** | **71** | **65** | **136** |

1) The market valuation has been changed in relation to the preliminary valutation.

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

| MSEK | |
|---|---|
| **Acquisition cost incl earn out** | **-9** |

| Acquired assets | Booked value | Market value adjustment | Market value |
|---|---|---|---|
| Other intangible fixed assets | - | 8 | 8 |
| Tangible fixed assets | 0 | - | 0 |
| Inventories | 3 | - | 3 |
| Other current assets | 12 | - | 12 |
| Deferred tax liability | - | -2 | -22 |
| Other current liabilities | -12 | - | -12 |
| **Total net assets** | **3** | **6** | **9** |

## 2004 ANNUAL ACCOUNTS RECALCULATED ACCORDING TO IFRS

| SEK M<br>**Consolidated balance sheet** | Note | According to YR 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 | **-** |
| Long-term interest-bearing liabilities | 2,3,5 | 50 | 125 | **175** |
| Long-term noninterest-bearing liabilities | 5 | - | 24 | **24** |
| Current interest-bearing liabilities | | 112 | - | **112** |
| Interest-bearing liabilities to Group companies | | 92 | - | **92** |
| Current noninterest-bearing liabilities | | 525 | - | **525** |
| **Total shareholders' equity and liabilities** | | 1 573 | 63 | **1 636** |

**Note 1**

| | |
|---|---|
| Effect of goodwill no longer being amortized continuously (IFRS 3) | 29 |
| Effect of goodwill impairment (IAS 36) | -2 |
| | 27 |

**Note 2**

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

**Note 3**

| | |
|---|---|
| Effect of actuarial losses on pension liability (IAS 19) | 19 |
| Deferred income tax asset attributable to actuarial losses | 6 |

**Note 4**

| | |
|---|---|
| Effect of goodwill no longer being amortized continously | 29 |
| Effect of goodwill impairment | -2 |
| Effect of actuarial losses on pension liability | -19 |
| Deferred income tax asset attributable to actuarial losses | 6 |
| | 14 |

**Note 5**

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

## OPENING BALALANCE JAN 1, 2004, RECALCULATED ACCORDING TO IFRS

| SEK M<br>**Consolidated balance sheet** | Note | According to YR 2003 | Adjustment According to IFRS | According to IFRS 2004-01-01 |
|---|---|---|---|---|
| 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 noninterest-bearing liabilities | 4 | - | 39 | **39** |
| Current interest-bearing liabilities | | 94 | - | **94** |
| Interest-bearing liabilities to Group companies | | 94 | - | **94** |
| Current noninterest-bearing liabilities | | 467 | - | **467** |
| **Total shareholders' equity and liabilities** | | 1 665 | 34 | **1 699** |

**Note 1**

| | |
|---|---|
| Effect of financial leasing being booked as a fixed asset and interest-bearing liability (RR 6:99) | 27 |

**Note 2**

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

**Note 3**

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

**Note 4**

| | |
|---|---|
| Pension liability reclassified to long-term interest-bearing liabilities | 58 |
| Provisions for taxes and other provisions are reclassified as long-term noninterest-bearing liabilities | 39 |
| | 97 |

**DEFINITIONS**

| | |
|---|---|
| Return on operating capital | EBITA as a percentage of average operating capital |
| EBITA | Operating income before amortization of intangible fixed assets |
| EBITA margin | EBITA as a percentage of net sales for the period |
| Intangible fixed assets | Such assets as goodwill, licenses, patents, trademarks |
| Tangible fixed assets | Buildings, land, machinery and equipment. |
| Net investments | Purchases minus sales of intangible assets and tangible fixed assets, excluding items included in the acquisition and divestment of subsidiaries and operations |
| Net debt/equity ratio | Interest-bearing net indebtedness divided by shareholder’s equity |
| Operating capital | Interest-bearing net indebtedness and shareholders’ equity |
| Income per share | Net income for the period divided by the number of shares outstanding |
| Interest-bearing net debt | Interest-bearing liabilities, including pension liability minus cash and cash equivalents |
| Equity ratio | Shareholders’ equity as a percentage of total assets |