

INTERIM REPORT 1 JANUARY – 31 MARCH 2006

- **Net sales during the first quarter rose 23% to SEK 1,020 million (828).**
- **Operating income before amortisation of intangible fixed assets (EBITA) rose 64% to SEK 87 million (53), and the EBITA margin was 8.5% (6.4%).**
- **Income after tax rose 63% to SEK 57 million (35).**
- **Earnings per share for the period were SEK 1.42 (0.88).**
- **The return on operating capital was 33% (27%).**

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 O-List.

Comparison figures in parentheses pertain to the first three months of 2005.

NET SALES AND EARNINGS

Net sales increased during the first three months of 2006 by 23%, to SEK 1,020 million (828), including acquisitions, SEK 92 million and positive currency effects, SEK 18 million. The gross margin increased by 0.7 percentage points to 33.5%, mainly due to a lower share of project orders with low margins in relation to other sales. Of the Group's business areas, Special Products had the strongest development compared with the same period a year ago, mainly due to the acquisition of the Hanwel Group in June 2005.

Incoming orders during the first three months totalled SEK 1,121 million (888). Adjusted for acquired units, the increase was SEK 131 million.

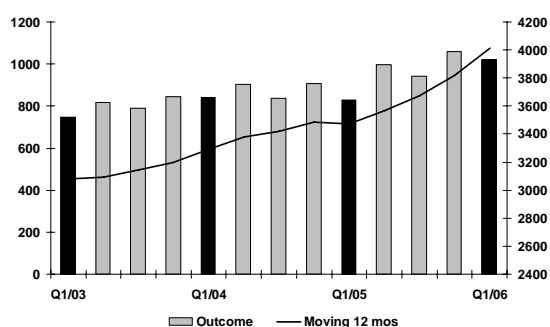
Operating income before amortisation of intangible fixed assets (EBITA) amounted to SEK 87 million (53). The operating margin before amortisation of intangible fixed assets (EBITA margin) increased to 8.5% (6.4%). The acquisition of Hanwel Europe B.V. had a favourable effect on the Group's EBITA margin. Net financial items amounted to SEK -4 million (-2), while tax on income for the period is calculated at SEK -22 million (-15). Income after tax rose 63% to SEK 57 million (35).

The return on operating capital for the past 12 months increased to 33% (27%). Interest-bearing net debt increased by SEK 197 million, to SEK 455 million (259), and the net debt/equity ratio was 59% (35%).

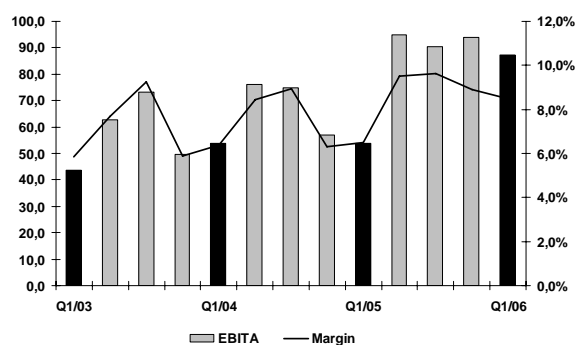
Financial development SEK million	2006 Jan.-March	2005 Jan.-March	Change Jan.-March 06/05	2005 Jan.-Dec.
Net sales	1,020	828	23.1%	3,822
Sales growth, %	23.1	-1.5	24.6% ¹⁾	9.6
EBITA, SEK million	87	53	64.1%	333
EBITA margin, %	8.5	6.4	2.1% ¹⁾	8.7
Income after financial items, SEK million	79	50	58.0%	309
Income after tax, SEK million	57	35	62.9%	222
Earnings per share, SEK	1.42	0.88	62.9%	5.55
Return on operating capital, %	32.9	26.7	6.2% ¹⁾	31.5
Net debt/equity ratio, %	59.2	34.5	24.7% 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 14% during the first quarter, to SEK 350 million (307). Of this increase, 3 percentage points pertained to currency movements, 4 percentage points to organic growth and 7 percentage points to acquired companies. EBITA for the quarter was SEK 25 million (22), corresponding to an EBITA margin of 7.1% (7.2%).

Flow Technology

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

Net sales amounted to SEK 241 million (201), an increase of 20%, of which 3 percentage points pertained to acquired companies. EBITA was SEK 17 million (10), and the EBITA margin was 7.1% (4.9%). The improved EBITA margin can be credited primarily to a stronger gross margin.

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 15% to SEK 189 million (164). Acquired companies accounted for 2 percentage points of this increase. EBITA was SEK 18 million (11), corresponding to an EBITA margin of 9.5% (6.7%). The margin improvement is mainly attributable to the effect of cost-cutting measures taken prior to September 30, 2005.

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 52% to SEK 245 million (161). Currency movements accounted for 3 percentage points of this increase, while the acquisition of the Hanwel companies in June 2005 accounted for 39 percentage points. EBITA reached 37% (17%), and the EBITA margin was 15.1% (10.6%). The improved margin can be credited to strong margins in the acquired companies and to favourable margin development for the existing companies.

FINANCIAL POSITION

Shareholders' equity amounted to SEK 769 million (747), and the equity ratio was 38% (44%).

Cash and cash equivalents totalled SEK 115 million (119). In addition, the company has SEK 196 million (110) in unutilised credit facilities. Interest-bearing net debt after deductions for cash and cash equivalents amounted to SEK 455 million (259). The net debt/equity ratio was 59% (35%).

The lower equity ratio and the increase in net debt are mainly attributable to acquisitions carried out and the dividend payout in 2005, Group contributions, and repayment of the shareholder contribution to AB Industrivärden prior to Indutrade's listing on the stock market.

CASH FLOW

Cash flow from operating activities was SEK -8 million (28) 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 -24 million (21).

CAPITAL EXPENDITURES AND DEPRECIATION

The Group's net capital expenditures (excluding company acquisitions) was SEK 16 million (7). Depreciation of tangible fixed assets totalled SEK 12 million (10). Capital expenditures in company acquisitions amounted to SEK 20 million (0).

EMPLOYEES

The number of employees was 1,578 (1,441) at the end of the period. Approximately 100 employees were added through acquired companies during the last 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. employees*
January	Puwimex Oy Robota AB	Engineering & Equipment	60 53	10 20
February	Suomen Putkisto Tarvike Oy (SPT)	Engineering & Equipment	8	4

*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 quarterly report.

ACQUISITIONS AFTER THE END OF THE REPORTING PERIOD

In April an agreement was reached on the acquisition of Gedvelop AB. The company manufactures instruments for gas flow measurement and has annual sales of approximately SEK 35 million. Gedvelop's products are sold primarily to customers outside Sweden. Gedvelop will be consolidated starting on 1 May 2006.

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 (2) during the quarter. The parent company's capital expenditures in tangible fixed assets amounted to SEK 0 million (1). The number of employees on 31 March was 7 (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, 27 April 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

Interim report for the period January-June 2006 – 2 August 2006

Interim report for the period January-September 2006 – 30 October 2006

INDUTRADE CONSOLIDATED INCOME STATEMENT

SEK million	2006	2005	2005
	Jan.-March	Jan.-March	Jan.-Dec.
Net sales	1,020	828	3,822
Cost of goods sold	-678	-556	-2,582
Gross income	342	272	1,240
Development costs	-3	-3	-12
Selling costs	-207	-175	-725
Administrative expenses	-50	-41	-182
Other income and expenses	1	-1	3
Operating income	83	52	324
Net financial items	-4	-2	-15
Income after financial items	79	50	309
Tax	-22	-15	-87
Net income for the period, attributable to equity holders of the parent*	57	35	222
Amortisation of intangible fixed assets	-4	-1	-9
Depreciation of tangible fixed assets	-12	-10	-49
Operating income before amortisation/impairment of intangible fixed assets (EBITA)	87	53	333
Earnings per share for the period¹⁾	1.42	0.88	5.55

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

Statement of recognized income and expense

Actuarial gains/losses	0	0	-30
Exchange rate differences on foreign operations	-2	4	14
Tax on itmes reported directly against shareholders' equity	0	0	9
	-2	4	-7
Net income for the period	57	35	222
Total reported income and expense for the period	55	39	215

BUSINESS AREAS

SEK million	Net sales			EBITA		
	2006	2005	2005	2006	2005	2005
	Jan.- March	Jan.- March	Jan.- Dec.	Jan.- March	Jan.- March	Jan.- Dec.
Engineering & Equipment	350	307	1393	25	22	133
Flow Technology	241	201	966	17	10	67
Industrial Components	189	164	680	18	11	50
Special Products	245	161	805	37	17	108
Parent company and Group items	-5	-5	-22	-10	-7	-25
Indutrade Group	1,020	828	3822	87	53	333

KEY DATA

	2006	2005	2005
	Jan.-March	Jan.-March	Jan.-Dec.
Net sales, SEK million	1,020	828	3,822
Sales growth, %	23.1	-1.5	9.6
EBITA, SEK million	87	53	333
EBITA margin, %	8.5	6.4	8.7
Operating capital, SEK million	1,224	1,006	1,124
Return on operating capital, % (12 mos)	32.9	26.7	31.5
Interest-bearing net debt, SEK million	455	259	410
Net debt/equity ratio, %	59.2	34.5	57.4
Equity ratio, %	37.5	43.9	36.9

KEY PER-SHARE DATA ¹⁾

Earnings per share, SEK	1.42	0.88	5.55
Shareholders' equity per share, SEK	19.23	18.68	17.85
Cash flow from operating activities per share, SEK	-0.20	0.70	8.05

1) Based on 40,000,000 shares, which corresponds to the number of shares outstanding on 31 March 2006.

INDUTRADE CONSOLIDATED BALANCE SHEET

	2006	2005	2005
SEK million	31 March	31 March	31 Dec.
Goodwill	210	157	210
Other intangible fixed assets	103	14	88
Tangible fixed assets	294	276	287
Financial fixed assets	30	19	31
Inventories	640	580	615
Accounts receivable, trade	592	470	532
Other current assets	68	66	53
Cash and cash equivalents	115	119	117
Total assets	2,052	1,701	1,933
Shareholders' equity	769	747	714
Long-term interest-bearing liabilities	305	174	411
Long-term noninterest-bearing liabilities	62	25	48
Current interest-bearing liabilities	265	112	116
Interest-bearing liabilities to Group companies	-	92	-
Accounts payable, trade	331	279	322
Other current noninterest-bearing liabilities	320	272	322
Total shareholders' equity and liabilities	2,052	1,701	1,933

CHANGE IN GROUP EQUITY

SEK million	2006 Jan.-March	2005 Jan.-March	2005 Jan.-Dec.
Opening shareholders' equity	714	708	708
Repayment of shareholder contribution	-	-	-159
Dividend	-	-	-50
Actuarial pension effects	-	-	-21
Translation differences	-2	4	14
Net income for the period	57	35	222
Closing shareholders' equity	769	747	714

INDUTRADE CONSOLIDATED CASH FLOW STATEMENT

SEK million	2006 Jan.- March	2005 Jan.- March	2005 Jan.- Dec.
Cash flow from operating activities before change in working capital	53	55	303
Change in working capital	-61	-27	19
Cash flow from operating activities	-8	28	322
Net capital expenditures in fixed assets	-16	-7	-41
Company acquisitions and divestments	-20	-	-148
Change in other financial fixed assets	-	-	-8
Cash flow from investing activities	-36	-7	-197
Net borrowings	42	1	192
Dividend payout, Group contribution and shareholder contribution	-	-	-301
Cash flow from financing activities	42	1	-109
Cash flow for the period	-2	22	16
Cash and cash equivalents at start of period	117	97	97
Exchange rate differences	0	0	4
Cash and cash equivalents at end of period	115	119	117

ACQUISITIONS

Acquisitions during the first quarter of 2006

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 million.

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) were acquired. 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.

Acquired assets in Puwimex Oy, Suomen Putkisto Tarvike Oy and Robota AB

SEK million

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

Acquired assets	Book value	Market value adjustment	Market value
Agencies, trademarks, customer lists, licences, etc.	-	19	19
Tangible fixed assets	1	-	1
Inventories	18	-	18
Other current assets	9	-	9
Cash and cash equivalents	6	-	6
Deferred tax liability	-2	-5	-7
Other operating liabilities	-11	-	-11
	21	14	35

Agencies, trademarks, customer lists, licences, etc., will be amortised over a 5-year period.

Acquisitions have affected cash flow during the first quarter by SEK -20 million.

Effect on Group during first quarter of 2006 of acquisitions made after the first quarter of 2005

SEK million		Net sales	EBITA
Company	Business area	Jan.-March	Jan.-March
Hanwel Europe B.V.	Special Products	63	14
Satron Instrument Process & Project AB	Flow Technology	5	0
Saniflex AB	Industrial Components	2	0
Puwimex Oy, Suomen Putkisto Tarvike Oy and Robota AB	Engineering & Equipment	22	0
Effect on Group		92	14

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	Includes goodwill, licences, patents, and trademarks, among other things
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