

## INTERIM REPORT 1 JANUARY–31 MARCH 2007

- **Net sales rose 26% during the first quarter to SEK 1,286 million (1,020). Of the increase, 10 percentage points were attributable to acquisitions, while currency effects reduced the increase by 1 percentage point.**
- **Operating profit before amortisation of intangible assets (EBITA) rose 60% to SEK 139 million (87), and the EBITA margin was 10.8% (8.5%).**
- **Profit after tax rose 56% to SEK 89 million (57).**
- **Earnings per share for the period were SEK 2.23 (1.42).**
- **The return on operating capital was 37.1% (32.9%).**

### **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 OMX Nordic Exchange in Stockholm.

*Figures in parentheses pertain to the first three months of 2006.*

## NET SALES AND EARNINGS, ETC.

Incoming orders during the first three months of the year amounted to SEK 1,425 million (1,121), an increase of 27%, of which 11 percentage points pertained to acquired companies and -1 percentage point to currency effects.

Net sales rose 26% during the first quarter of 2007, to SEK 1,286 million (1,020). Of the increase, acquired companies accounted for 10 percentage points and currency movements for -1 percentage point. The gross margin was 33.0% (33.5%). Of the business areas, Flow Technologies had the strongest growth in net sales compared with the first quarter of 2006, gaining 32%. This was partly due to higher demand for the business area's products and partly to completed acquisitions.

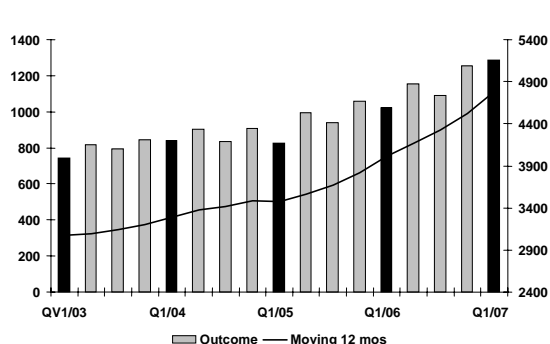
Operating profit before amortisation of intangible assets (EBITA) amounted to SEK 139 million (87), an increase of 60%, with a strengthening of the EBITA margin by 2.3 percentage points, to 10.8% (8.5%). The stronger EBITA margin was mainly an effect of higher growth in net sales during the quarter than overheads. Net financial items totalled SEK -7 million (-4). Profit after tax rose 56% to SEK 89 million (57).

The return on operating capital for the last 12 months increased to 37.1% (32.9%). Interest-bearing net debt increased by SEK 82 million to SEK 537 million (455), and the net debt/equity ratio was 53.9% (59.2%).

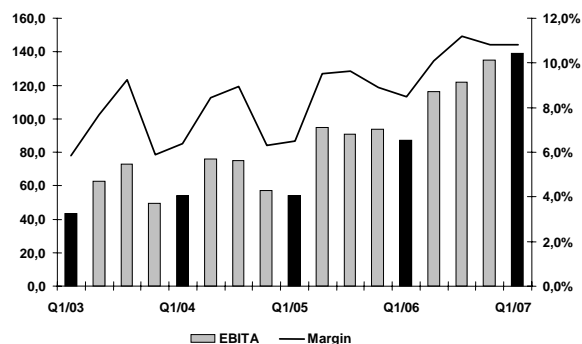
Financial development SEK million	2007	2006	Change	2006/2007	2006
	Jan.-March	Jan.-March	Jan.-March 07/06	April-March	Jan.-Dec.
Net sales	<b>1,286</b>	1,020	26.1%	<b>4,782</b>	4,516
Sales growth, %	<b>26.1</b>	23.1	3.0% <sup>1)</sup>	<b>17.4</b>	18.1
EBITA, SEK million	<b>139</b>	87	59.8%	<b>512</b>	460
EBITA margin, %	<b>10.8</b>	8.5	2.3% <sup>1)</sup>	<b>10.7</b>	10.2
Profit after financial items, SEK million	<b>124</b>	79	57.0%	<b>461</b>	416
Profit after tax, SEK million	<b>89</b>	57	56.1%	<b>332</b>	300
Earnings per share, SEK million	<b>2.23</b>	1.42	56.1%	<b>8.30</b>	7.50
Return on operating capital, %	<b>37.1</b>	32.9	4.2% <sup>1)</sup>	<b>37.1</b>	36.9
Net debt/equity ratio, %	<b>53.9</b>	59.2	-5.3% <sup>1)</sup>	<b>53.9</b>	53.0

1) Change in percentage points.

Net sales, SEK million



EBITA, SEK million



## OVERVIEW OF BUSINESS AREA DEVELOPMENT

### **Engineering & Equipment**

*Engineering & Equipment offers customised niche products, design solutions, aftermarket service and special processing. Products consist primarily of hydraulics, automotive workshop equipment, flow products and transmission products.*

Net sales rose 27% during the first quarter, to SEK 443 million (350). Of the increase, acquired companies accounted for 3 percentage points and currency movements for -2 percentage points. EBITA increased by 92%, to SEK 48 million (25), corresponding to an EBITA margin of 10.8% (7.1%). The improved EBITA margin is attributable primarily to a limited increase in overheads in relation to the increase in net sales.

### **Flow Technology**

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

Net sales, which totalled SEK 241 million in the first quarter of 2006, rose 32% during the period to SEK 318 million. Of the increase, acquisitions accounted for 14 percentage points and currency movements for -1 percentage point. EBITA reached SEK 27 million (17), corresponding to an EBITA margin of 8.5% (7.1%). The positive effects of the higher volume were reduced by a higher share of sales of products and projects with lower margins.

The companies Axvalves and SAV Danmark Trading were acquired during the period. ES Hydagent, for which an acquisition agreement was reached in 2006, is included in the Group as from 1 January 2007.

### **Industrial Components**

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

Net sales amounted to SEK 225 million (189), an increase of 19%, of which acquisitions accounted for 10 percentage points and currency movements for -1 percentage point. EBITA was SEK 26 million (18), and the EBITA margin reached 11.6% (9.5%). The margin improvement can be credited primarily to growth in net sales, which was achieved with a limited cost increase.

### **Special Products**

*Special Products offers specially manufactured niche products, design solutions, aftermarket service and assembly, and special processing. Products include temperature sensors, special plastics, tool holders, electrical components, industrial springs and high pressure valves.*

Net sales rose 25% during the quarter, to SEK 307 million (245). Of the increase, acquisitions accounted for 16 percentage points and currency movements for -1 percentage point. EBITA reached SEK 50 million (37), and the EBITA margin increased by 1.2 percentage points, to 16.3% (15.1%). The margin improvement can be credited primarily to a lower increase in costs compared with the rise in net sales.

## FINANCIAL POSITION

Shareholders' equity amounted to SEK 997 million (769), and the equity ratio was 37% (38%).

Cash and cash equivalents amounted to SEK 138 million (115). In addition, the company has SEK 368 million (196) in unutilised credit facilities. Interest-bearing net debt after deductions for cash and cash equivalents amounted to SEK 537 million (455). The net debt/equity ratio was 54% (59%).

The lower equity ratio and increase in net debt are mainly attributable to completed acquisitions.

## CASH FLOW

Cash flow from operating activities was SEK 15 million (-8) and was affected by a higher need of working capital as a result of growth in business volume. Cash flow after net investments in tangible assets (excluding company acquisitions) was SEK 4 million (-24).

## CAPITAL EXPENDITURES AND DEPRECIATIONS

The Group's net capital expenditures (excluding company acquisitions) totalled SEK 11 million (16). Depreciation of tangible assets totalled SEK 14 million (12). Capital expenditures in company acquisitions amounted to SEK 43 million (20).

## EMPLOYEES

The number of employees was 1,808 (1,578) at the end of the period. Approximately 190 employees have been added through acquired companies during the last twelve months.

## ACQUISITIONS

The Group has completed the following company acquisitions, which are being consolidated in 2007 for the first time.

### Acquisitions completed

Month acquired	Acquisition	Business area	Sales/SEK million*	No. employees*
January	ES Hydagent AB	Flow Technology	60	20
February	Axelvalves AB SAV Danmark Trading A/S	Flow Technology Flow Technology	36 65	5 26
<b>Total</b>			161	51

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

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

## ACQUISITIONS AFTER THE END OF THE REPORTING PERIOD

An agreement has been signed to purchase all of the shares in the technology sales company Sigurd Sørum AS. The company is a well-known supplier in the Norwegian market with a broad product programme of valves, couplings and instruments. Customers are primarily in the process industry, as well as in the oil, gas and offshore industries.

Sigurd Sørum has annual sales of approximately SEK 60 million and will be consolidated in the Flow Technology business area as from 1 April 2007.

## 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 (0) during the first quarter. The parent company's capital expenditures in non-current assets amounted to SEK 0 million (0). The number of employees on 31 March was 8 (7).

## ACCOUNTING PRINCIPLES

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

Indutrade prepares its financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

The principles of consolidation applied in this interim report are the same as those described in Indutrade's 2006 Annual Report under the section "Accounting principles and notes".

Stockholm, 26 April 2007

Johnny Alvarsson  
President and CEO

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

This report will be presented via a conference call tomorrow, Friday, 27 April, at 10 a.m., and can be followed online at the following link:

<https://www.anywhereconference.com/?Conference=108161773&PIN=943239>

Participants are welcome to call on tel. +46-8-506 269 30 (in Sweden) or +44 207 108 6303 (in the UK).

### **Further information**

For further information, please contact:

Johnny Alvarsson, President and CEO, phone +46-(0)70 589 17 95.

### **Financial calendar**

The interim report for the period January–June 2007 will be published on 2 August 2007.

The interim report for the period January–September 2007 will be published on 25 October 2007.

## **INDUTRADE CONSOLIDATED INCOME STATEMENT**

SEK million	2007	2006	2006/2007	2006
	Jan.-March	Jan.-March	April-March	Jan.-Dec.
Net sales	<b>1,286</b>	1,020	4,782	4,516
Cost of goods sold	<b>-862</b>	-678	-3,211	-3,027
<b>Gross profit</b>	<b>424</b>	342	1 571	1 489
Development costs	<b>-4</b>	-3	-16	-15
Selling costs	<b>-224</b>	-207	-852	-835
Administrative expenses	<b>-63</b>	-50	-218	-205
Other income and expenses	<b>-2</b>	1	-1	2
<b>Operating profit</b>	<b>131</b>	83	484	436
Net financial items	<b>-7</b>	-4	-23	-20
<b>Profit after financial items</b>	<b>124</b>	79	461	416
Tax	<b>-35</b>	-22	-129	-116
<b>Net profit for the period attributable to equity holders of the parent</b>	<b>89</b>	57	332	300
Amortisation of intangible assets	<b>-8</b>	-4	-28	-24
Depreciation of tangible assets	<b>-14</b>	-12	-56	-54
Operating income before amortisation/impairment of intangible assets (EBITA)	<b>139</b>	<b>87</b>	<b>512</b>	<b>460</b>
Earnings per share for the period <sup>1)</sup>	<b>2.23</b>	1.42	8.30	7.50

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

### **Revenues and expenses reported directly against equity**

Actuarial gains/losses	<b>0</b>	0	10	10
Exchange rate differences on foreign operations	<b>16</b>	-2	1	-17
Tax on items reported directly against equity	<b>0</b>	0	-5	-5
	<b>16</b>	-2	6	-12
Net profit for the period	<b>89</b>	57	332	300
<b>Total reported revenues and expenses for the period</b>	<b>105</b>	55	338	288

### **BUSINESS AREAS**

SEK million	Net sales			EBITA				
	2007 Jan.- March	2006 Jan.- March	2006/07 April- March	2006 Jan.- Dec.	2007 Jan.- March	2006 Jan.- March	2006/07 April- March	2006 Jan.- Dec.
Engineering & Equipment	<b>443</b>	350	1 669	<b>1,576</b>	<b>48</b>	25	169	<b>146</b>
Flow Technology	<b>318</b>	241	1 150	<b>1,073</b>	<b>27</b>	17	103	<b>93</b>
Industrial Components	<b>225</b>	189	834	<b>798</b>	<b>26</b>	18	86	<b>78</b>
Special Products	<b>307</b>	245	1,156	<b>1,094</b>	<b>50</b>	37	192	<b>179</b>
Parent Company and Group items	<b>-7</b>	-5	-27	<b>-25</b>	<b>-12</b>	-10	-38	<b>-36</b>
<b>Indutrade Group</b>	<b>1,286</b>	1,020	4,782	<b>4,516</b>	<b>139</b>	87	512	<b>460</b>

## **KEY DATA**

	<b>2007</b>	2006	2006/2007	2006
	<b>Jan.-March</b>	Jan.-March	April-March	Jan.-Dec.
Net sales, SEK million	<b>1,286</b>	1,020	4,782	4,516
Sales growth, %	<b>26.1</b>	23.1	17.4	18.2
EBITA, SEK million	<b>139</b>	87	512	460
EBITA margin, %	<b>10.8</b>	8.5	10.7	10.2
Operating capital, SEK million	<b>1,534</b>	1,224	1,534	1,365
Return on operating capital, % (12 months)	<b>37.1</b>	32.9	37.1	36.9
Interest-bearing net debt, SEK million	<b>537</b>	455	537	473
Net debt/equity ratio, %	<b>53.9</b>	59.2	53.9	53.0
Equity ratio, %	<b>36.6</b>	37.5	36.6	37.4

## **KEY RATIOS PER SHARE**

Earnings per share, SEK	<b>2.23</b>	1.42	8.30	7.50
Equity per share, SEK	<b>24.93</b>	19.23	24.93	22.30
Cash flow from operating activities per share, SEK	<b>0.38</b>	-0.20	7.20	6.63

## **INDUTRADE CONSOLIDATED BALANCE SHEET**

	<b>2007</b>	2006	2006
SEK million	<b>31 March</b>	31 March	31 Dec.
Goodwill	<b>293</b>	210	265
Other intangible assets	<b>229</b>	103	183
Tangible assets	<b>333</b>	294	327
Financial assets	<b>34</b>	30	25
Inventories	<b>809</b>	640	719
Accounts receivable, trade	<b>779</b>	592	679
Other current assets	<b>112</b>	68	69
Cash and cash equivalents	<b>138</b>	115	119
<b>Total assets</b>	<b>2,727</b>	<b>2,052</b>	<b>2,386</b>
Equity	<b>997</b>	769	892
Non-current interest-bearing liabilities	<b>461</b>	305	356
Non-current noninterest-bearing liabilities	<b>159</b>	62	123
Current interest-bearing liabilities	<b>214</b>	265	236
Accounts payable, trade	<b>456</b>	331	398
Other current noninterest-bearing liabilities	<b>440</b>	320	381
<b>Total equity and liabilities</b>	<b>2,727</b>	<b>2,052</b>	<b>2,386</b>

## CHANGE IN GROUP EQUITY

SEK million	2007	2006	2006
	Jan.-March	Jan.-March	Jan.-Dec.
<b>Opening equity</b>	<b>892</b>	714	714
Dividend	-	-	-110 <sup>1)</sup>
Actuarial pension effects	-	-	10
Tax effect on actuarial pension effects	-	-	-5
Translation differences	<b>16</b>	-2	-17
Net income for the period	<b>89</b>	57	300
<b>Closing equity</b>	<b>997</b>	769	892
The number of shares at the end of the reporting period and average number of shares	40,000	40,000	40,000

1) SEK 2.75 per share.

## INDUTRADE CONSOLIDATED CASH FLOW STATEMENT

SEK million	2007	2006	2006/07	2006
	Jan.-March	Jan.-March	April-March	Jan.-Dec.
Cash flow from operating activities before change in working capital	<b>99</b>	53	415	369
Change in working capital	<b>-84</b>	-61	-127	-104
<b>Cash flow from operating activities</b>	<b>15</b>	-8	288	265
Net capital expenditures in non-current assets	<b>-11</b>	-16	-52	-57
Company acquisitions	<b>-43</b>	-20	-180	-157
Change in other financial assets	<b>0</b>	-	0	0
<b>Cash flow from investing activities</b>	<b>-54</b>	-36	-36	-214
Net borrowings	<b>56</b>	42	79	65
Dividend payout	-	-	-110	-110
<b>Cash flow from financing activities</b>	<b>56</b>	42	42	-45
Cash flow for the period	<b>17</b>	-2	25	6
Cash and cash equivalents at start of period	<b>119</b>	117	115	117
Exchange rate differences	<b>2</b>	0	-2	-4
<b>Cash and cash equivalents at end of period</b>	<b>138</b>	115	138	119



## ACQUISITIONS

### Acquisitions during first quarter of 2007

All of the shares have been acquired in ES Hydagent AB, Axelvalves AB and SAV-Danmark Trading A/S. ES Hydagent, which designs and sells hydraulic systems for mobile industrial solutions, has annual sales of approximately SEK 60 million. Axelvalves is one of Scandinavia's leading suppliers of industrial valves to the process industry in Eastern Europe, with own brands. Annual sales amount to approximately SEK 36 million. SAV-Danmark Trading A/S is a well established technology sales company with a broad product programme of couplings and valves in the heating and plumbing segments, and annual sales of approximately SEK 65 million. ES Hydagent is consolidated as from 1 January 2007, while Axelvalves and SAV-Danmark Trading are consolidated as from 1 February 2007. The companies are included in the Flow Technology business area.

### Acquired assets in ES Hydagent AB, Axelvalves AB and SAV-Danmark Trading A/S Preliminary acquisition calculation

SEK million			
<hr/>			
Purchase price, incl. earn-out payment		77	
<hr/>			
	Book value	Market value adjustment	Market value
<b>Acquired assets</b>			
Goodwill	0	21	21
Agencies, trademarks, customer lists, licences, etc.	0	48	48
Tangible assets	4	0	4
Financial assets	8	0	8
Inventories	35	0	35
Other current assets	25	0	25
Cash and cash equivalents	12	0	12
Deferred tax liability	0	-13	-13
Interest-bearing loans	-17	0	-17
Other operating liabilities	-46	0	-46
	<b>21</b>	<b>56</b>	<b>77</b>

Agencies, trademarks, customer lists, licences, etc. will be amortised over a period of 10 years.

Cash flow impact	
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Purchase price, excl. earn-out payment	42
Cash and cash equivalents in acquired companies	-12
Earn-out payments pertaining to previous years' acquisitions	13
	<b>43</b>

**Effect of completed acquisitions**

SEK million		Net sales	EBITA
Company	Business area	Jan.-March	Jan.-March
Gedvelop AB, Spinova AB and Damalini AB	Special Products	42	6
ES Hydagent AB, Axelvalves AB and SAV-Danmark Trading A/S	Flow Technology	34	2
Tribotec AB	Industrial Components	19	3
PRP-Plastic Oy	Engineering & Equipment	9	2
<b>Effect on Group</b>		<b>104</b>	<b>13</b>
Acquisitions completed in 2006		70	11
Acquisitions completed in 2007		34	4
<b>Effect on Group</b>		<b>104</b>	<b>14</b>

If the acquired units had been consolidated as from 1 January 2007, net assets for the period January through March would have amounted to SEK 1,293 million, while EBITA would have remained unchanged.

**Acquisitions after the end of the reporting period**

An agreement has been signed to purchase all of the shares in the technology sales company Sigurd Sørum AS. The company is a well-known supplier in the Norwegian market with a broad product programme of valves, couplings and instruments. Customers are primarily in the process industry, as well as in the oil, gas and offshore industries. Sigurd Sørum has annual sales of approximately SEK 60 million and will be consolidated in the Flow Technology business area as from 1 April 2007.

## DEFINITIONS

Earnings per share	Net profit for the period divided by the average number of shares outstanding
EBITA	Operating profit before amortisation of intangible assets
EBITA margin	EBITA as a percentage of net sales for the period
Equity ratio	Shareholders' equity as a percentage of total assets
Intangible assets	Goodwill, licences, patents, trademarks, etc.
Interest-bearing net debt	Interest-bearing liabilities, incl. pension liability less cash and cash equivalents
Net capital expenditures	Purchases less sales of intangible and tangible assets, excluding those 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
Return on operating capital	EBITA as a percentage of average operating capital
Tangible assets	Buildings, land, machinery and equipment