

Investment AB Latour (publ) Annual Report 2006



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# Annual General Meeting

## Time and location

The Annual General Meeting will be held Tuesday 8 May 2007, 5:00 p.m. at the Radisson SAS Scandinavia Hotel, Södra Hamngatan 59, Gothenburg, Sweden.

## Participation

Shareholders who desire to participate in the Annual General Meeting must be recorded in the registered list of shareholders managed by VPC AB by Wednesday, 2 May 2007, and submit a notice of intention to participate to Latour at the latest on Wednesday, 2 May 2007 by 3:00 p.m.

## Notice of participation

The notice of intention to participate may be submitted to Investment AB Latour, Box 336, SE-401 25 Gothenburg, or Investment AB Latour, Box 7158, SE-103 88 Stockholm, by telephone +46 31-89 17 90 or +46 8-679 56 00, or on Latour's website [www.latour.se](http://www.latour.se).

## Registration

Shareholders who have their shares held in the name of a nominee must arrange in sufficient time before 2 May 2007 to have the nominee temporarily register their shares in their own name in order to be able to participate in the proceedings at the Annual General Meeting.

## Dividend

The board of directors recommends a dividend in the amount of SEK 8.50 per share to the Annual General Meeting. The dividend record date suggested is Friday, 11 May 2007. If the Annual General Meeting decides according to this recommendation, the dividend is expected to be sent from VPC on Wednesday, 16 May 2007 to those who are registered in the share register on the record date.

# Information dates

|            |                               |
|------------|-------------------------------|
| 2007-05-03 | Interim report per 2007-03-31 |
| 2007-05-08 | Annual General Meeting        |
| 2007-08-23 | Interim report per 2007-06-30 |
| 2007-11-08 | Interim report per 2007-09-30 |

## Latour at a glance

- Group profit after tax totalled SEK 1,119 m (709), which corresponds to SEK 25.61 (16.20) per share.
- The Latour share's net worth amounted to SEK 323 (249) on 31 December 2006, an increase of 30 percent.
- The value of Latour's investment portfolio rose by 21 percent.
- Operating profit in the industrial and trading companies totalled SEK 710 m (342). Adjusted for acquisitions and divestitures profit amounted to SEK 410 m, an increase for comparable units in profits by 41 percent.
- Proposed dividends are SEK 8.50 (7.00) per share.
- The total yield on the Latour share amounted to 41 percent during 2006 and 85 percent during the latest five year period, 2002–2006.
- There were a number of acquisitions and divestitures within the industrial and trading operations.

## Business areas



Automotive



Hand Tools



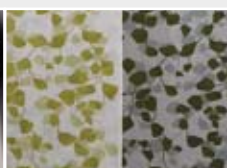
Hydraulics



Air Treatment



Machinery Trading



Textiles



Engineering Technology

## Investment portfolio



Assa Abloy



Elanders



Fagerhult



Munters



OEM



Securitas



Securitas Direct



Securitas Systems



Sweco

## Latour – an active and long-term owner

### Latour's vision

Latour will be the obvious choice for long-term and safe investments.

### Latour's core values

- Long-term
- Professional
- Development

### Latour's business concept

Latour's business concept is to be an active and long-term owner that manages and develops its investment portfolio. We are more interested in long-term, good business deals than quick profits. Considerable business expertise and creativity combined with good morals and ethics will develop our wholly owned industrial and trading operations.

### Latour's long-term goals based on six perspectives

1. Create profitability and profits for the owners
2. Develop the companies in the Group
3. Create interest in the stock market by being an interesting placement
4. Generate and facilitate business
5. Attract sought after personnel
6. Contribute to public welfare by being socially responsible

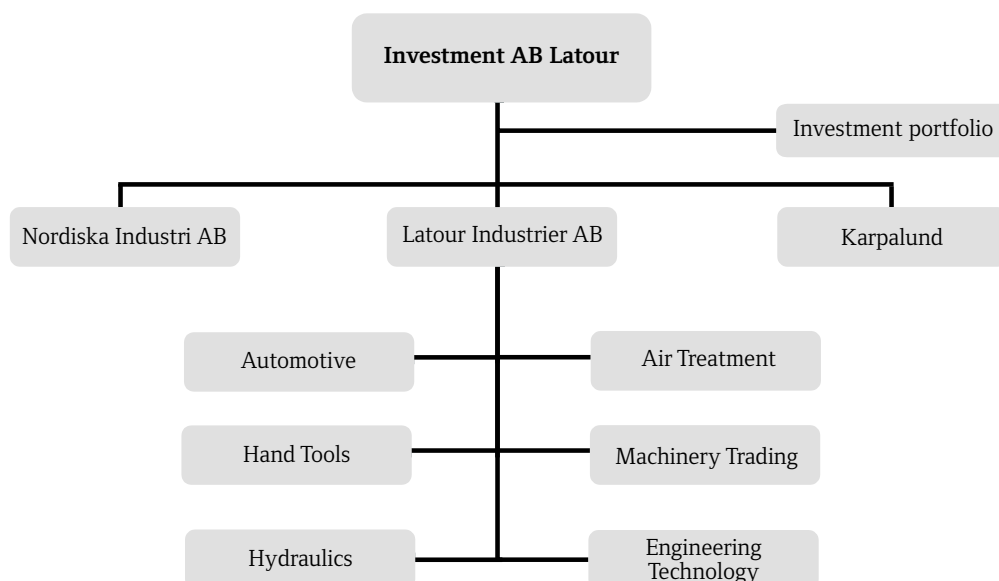
Latour is a mixed investment company with wholly owned industrial and trading operations. On 31 December 2006 the company, which is quoted on the Stockholm Stock Exchange Large Cap list, had a market value of SEK 12.3 bn. In 2006 the Latour share rose by 37 percent compared to the Stockholm Stock Exchange index which rose by 24 percent. Since the start of the company in 1985 the value of SEK 1,000 invested in Latour has grown to around SEK 160,000.

The market value of Latour's investment portfolio on 31 December 2006 was SEK 11.7 bn, an increase in value of 21 percent. Our investment portfolio is made up solely of holdings where we hold at least ten percent of the voting rights.

The wholly owned industrial and trading operations consist of seven business areas that together employ more than 3,000 people: Automotive, Hand Tools, Hydraulics, Air Treatment, Machinery Trading, Textiles and Engineering Technology. The combined turnover of these business areas in the current structure is SEK 5.7 bn. As of 2007 Textiles is no longer a business area.

### Sales increased in keeping with targeted goals

Latour's financial goals are for the industrial and trading operations to have an annual growth in total turnover of at least ten percent, an operating margin that exceeds ten percent of turnover and a return on operating capital that surpasses 20 percent.



Last year's good business climate in combination with our strategic investments resulted in an increase in turnover in keeping with targeted goals in all the business areas, with the exception of Textiles. The total turnover for the entire industrial and trading operations grew by SEK 461 m, which is an increase of ten percent compared with 2005.

The total operating profit amounted to SEK 710 m, which is an increase of 108 percent from the previous year. Four of the seven business areas, Hydraulics, Air Treatment, Machinery Trading and Engineering Technology managed to improve their operating margins. Only two business areas, Air Treatment and Engineering Technology surpassed their operating margin goals. The return on operating capital was, on the average, 24 percent.

#### Industrial and trading operations will double in size

Our vision is that industrial and trading operations within five years will double in turnover to approximately SEK 10 bn. At the same time the Group aims to concentrate operations to fewer but larger units. The Filters business area was divested in 2006 and our intention is to in time sell the Textiles business area as well.

#### The most important acquisitions/divestitures in the industrial and trading operations 2006

During the year acquisitions have been made that increased industrial and trading operations turnover by some SEK 370 m. Capital gains from sold units amounted to SEK 282 m. Below follows a review of the most important events during the year:

- The **Automotive** business area received a very good supplement last spring through the acquisition of HordaGruppen which has a turnover of SEK 175 m and 160 employees. Above all it contributed expertise and production capacity in specially manufactured plastic and rubber. The acquisition also brought a number of new customers to the business area.
- The **Engineering Technology** business area strengthened the section Gaskets & Sealings through the acquisition of Brickpack AB, which has a strong position on the OEM market. Brickpack AB has a turnover of SEK 75 m and 54 employees.
- The **Hydraulics** business area supplemented its operations during the year through the acquisition of JMS Systemhydraulik, which improved competitive capacity

through its ability to offer full-service solutions in hydraulics. The company has a turnover of SEK 155 m and 57 employees.

- The largest single acquisition, Snickers Workwear, entailed a near doubling of the turnover in the **Hand Tools** business area. Snickers Workwear has a turnover of SEK 450 m, 300 employees and will be a very valuable complement to the business area's other brands Hultafors and WIBE.
- The entire **Filters** business area with a total turnover of SEK 200 m was sold to the Camfil Farr Group. Capital gains amounted to SEK 149 m.
- The operations' property in Alingsås was sold in connection with the divestiture of Filters to a Norwegian fund which was founded and is managed by Ness, Risan & Partners AS (NRP) for SEK 220 m. Capital gains amounted to SEK 132 m.

#### Developments in the investment portfolio

Latour's investment portfolio continues to be dominated by Securitas, Assa Abloy and Sweco. Latour is the largest owner in these companies. During the year the following changes have been made in the investment portfolio:

- Our holding in Munters increased by 250,000 shares and is now at 3,650,000, which corresponds to 14.8 percent of all shares. This is a total investment of SEK 671 m.
- 212,000 class A shares and 309,000 class B shares were acquired in the technique trading company OEM International, corresponding to 6.9 percent of the capital for a total of SEK 99 m.
- All shares in NEA were sold, entailing capital gains of SEK 166 m.
- Some Fagerhult shares were sold at a profit of SEK 4 m.

The total profit from portfolio management and associated companies for the year amounted to SEK 555 m.

#### Prospects for 2007

The continued boom is expected to lead to a good business climate for several of Latour's business areas during 2007 as well. Therefore the forecast for all of them, with the exception of Textiles, is positive turnover and profit developments during the year. The work to restructure the industrial and trading operations to fewer but larger units will continue to be highly prioritised.

## Comments by the Chief Executive Officer

When I summarise 2006 one thing stands out, the restructuring work we have done in the wholly owned industrial and trading operations that has proceeded according to plan. This year's endeavours, which I want to thank all our employees for, mean that we have taken a further leap in concentrating our business at the same time we increased our turnover and improved profitability.

This was the single most important event of the year. Naturally a great deal more has taken place that is of interest for our shareholders, customers, employees and others. I will touch on some of these occurrences in my comments together with a future perspective. Others will be presented in the other texts in the Annual Report.

### Important events in the investment portfolio

Latour invests in listed companies where it is possible through active ownership to do good and thereby contribute to long-term value creation. This is why the portfolio is focused on a limited number of holdings where we own more than ten percent of the voting rights.

A number of important events have occurred in 2006. The first one I would like to mention is the distribution of Securitas Systems and Securitas Direct. These are two very interesting businesses that were given the chance to step out into the light. The values in both operations become much more visible than when they were a part of Securitas.

Another major event was the successful sales of our holding in NEA to Segulah Alfa, which is well-suited to develop NEA advantageously for the company and its employees.

We also have a new addition in the form of OEM International AB, one of Northern Europe's leading companies trading in industrial components and systems. During the year we also sold our unlisted holdings in ProstaLund and Bravida.

An essential part of Latour's work is to ensure that companies have managements with the right prerequisites to realise adopted strategies. In 2006 Munters, Sweco and Securitas were all about to recruit new CEOs and we are happy that, together with the other major owners, we succeeded in recruiting Lars Engström as CEO of Munters, Mats Wäppling as CEO of Sweco and Alf Göransson as CEO of Securitas.

Globalisation had a considerable effect on several of the companies in the portfolio in 2006. This can be seen



Jan Svensson

in, among others, Fagerhult, which began manufacturing in China and Assa Abloy, which is restructuring its international units to better utilise its cost and framework advantages not to mention Elanders which follows its customers abroad to places like China. Internationalisation has also left a significant imprint on the wholly owned industrial and trading operations during the year, for example in the Hydraulics business area, which last autumn established a smaller business in China.

### Important events in the wholly owned industrial and trading operations

During the year we have continued to restructure the wholly owned industrial and trading operations in keeping with our long-term intentions to concentrate on fewer and larger business areas in well known industries, preferably with the right qualifications for international expansion. The results are excellent. Growth was 13 percent adjusted for acquisitions and divestitures and profitability improved. The divestitures, among them the entire Filters business area, have been economically advantageous and led to new owners contributing new values to the companies which is beneficial to all involved – not least the employees.

During the year we have made a number of significant acquisitions as well. One of these is Snickers Workwear AB, which has a turnover of SEK 450 m with a good profit and is one of the leading European

brands in work wear. The purpose of the acquisition is to broaden the range of the Hand Tools business area with products that have the same end user and go through the same distribution and logistics network.

Another important acquisition is Brickpack AB which fits in perfectly with our plan to structure the Engineering Technology business area in three sections: Gaskets & Seals, Lock Components and Automation.

The acquisition of JMS Systemhydraulik AB is also worth mentioning. The purchase of JMS, which delivers hydraulic systems and components to primarily Swedish industrials, means that the Hydraulics business area can offer system solutions within hydraulics – which is sought after by industry. Thanks to this acquisition the Hydraulics business area now has a turnover of more than a billion Swedish crowns.

Refinement produces good results. Since 2003 we have shown an organic growth of around SEK 1.1 bn, which is the equivalent of to eight percent annually. At the same time we have sold operations with a combined turnover of SEK 900 m and acquired companies that together have a turnover of SEK 1.4 bn. The current business structure in the industrial and trading operations would have, if it had existed during all of 2006, had a turnover of SEK 5,688 m with an operating margin of more than eight percent. Particularly satisfying is that restructuring and growth has taken place with steadily improved profitability.

### The results of investments in 2006

Investments in 2006 have produced good results. Consolidated profit after net financial items amounted to SEK 1,232 m (792). The board therefore proposes that the dividend is raised to SEK 8.50 (7.00), which is a dividend yield of SEK 3.0 (3.4) percent calculated at the rate at the end of the accounting period.

Return on equity was 11 (9) percent. At the same time the share price rose by 37 (26) percent, which can be compared to the Stockholm Stock Exchange index which rose by 24 percent. The total return for the year was 41 (29) percent. Since the company started in 1985 the total return on investments has been 16,800 percent, which can be compared with the Stockholm Stock Exchange which according to MSCI Sweden rose by 2,650 percent in the same period.

Of the total consolidated profit of SEK 1,119 m the

wholly owned industrial and trading operations generated SEK 710 m (of which SEK 282 m is profit from divested units) or 63 percent. They also represent 28 percent of Latour's total net worth.

This is cause for reflection on how we value our wholly owned industrial and trading companies compared to the stock exchange's valuation of similar companies. In the table on page ten that shows the Latour share's net worth, the industrial and trading companies have been valued at a P/e ratio 12 times operating profit after standard tax (28 percent). This results in a total value of SEK 4.0 bn. In the operating profit that is the basis of the calculation, SEK 462 m, is the latest full-year profit from the companies which have been acquired during the year, while profits from the divested companies have been eliminated. An alternative evaluation of the companies could be based on an EBIT-multiple. Such a multiple should be in the 8–10 range, which indicates a value of SEK 3.7–4.6 bn for the wholly owned industrial and trading companies.

The above calculation is based on debt free companies without interest charges. However, the companies could have a total borrowing level of approximately SEK 1 bn without stretching any key ratios. This would generate interest charges of some SEK 40 m, which would leave a profit of SEK 304 m after standard tax. Provided that the value of the companies is SEK 4.0 bn this is the equivalent of a P/e ratio of 13, which is a conservative valuation in comparison with similar companies.

At the same time such a change in the capital structure would provide the Latour Group with SEK 1 bn in liquid funds that, without affecting the wholly owned industrial and trading companies' valuation, would allow for acquisitions and other profitable investments in line with the company's strategies.

### Comprehensive challenges in the coming year

From an overall perspective the following challenge is still the foremost challenge this year as well: to continue to perform effectively as active owners, the role we have historically been so successful at. One of our advantages is that Latour is an excellent combination of a small and large company. We have the strength and structure of a large company but the entrepreneurship and proximity to decision-making that usually characterises small companies – and which is a major factor in our success.

We also have a long-term perspective that permeates everything we do. This culture has proven to be of great importance when we, for instance, acquire companies since this makes it attractive to belong to Latour.

Another challenge is to continue restructuring the industrial and trading operations. We have improved profitability in the industrial and trading operations through positive efforts but also thanks to a good business cycle. The challenge is to make sure that we at least consolidate this higher level of profitability to prepare for weaker business cycles. The focus in this work is to make intelligent acquisitions, preferably internationally, that can strengthen our existing business and then integrate these acquisitions well. We also need to work hard to reduce tying up capital, primarily in stock and accounts receivable, as well as making the value we create for customers more visible so that we can raise price levels – measures that combined generate higher operating margins.

This should be seen in light of the fact that, above all, larger industrial customers put enormous pressure on subcontractors to continually increase efficiency and on top of that they negotiate longer credit times and lower price levels – in order to finance their own operations.

#### **Prospects for 2007**

The strong business cycle is expected to continue throughout 2007 where the construction business, for example, shows no sign of slowing down. This, in

combination with the fine condition of our businesses, underlies our belief that the coming year will be a positive one.

As previously announced Loomis AB will be hived off from Securitas during 2007. Loomis has long been specialised in handling cash and currently offers a top distribution network that handles cash in the USA and Western Europe. Naturally the goal here is to bring into light the assets that give Securitas and Loomis a higher combined value than before the division.

The goal in our wholly owned operations is to efficiently integrate acquired operations, for example Snickers Workwear and JMS, and continue our structural work in keeping with the established plan.

Globalisation will continue to significantly affect our operations. It creates both business opportunities and augments competition and it will entail interesting challenges for the management in all our companies. In my opinion we are well prepared to take on these challenges and I am convinced this will lead to a strong development of the Latour share.



Jan Svensson  
Chief Executive Officer



## Latour's history in summary

**–1984** The company AB Hevea, which will later become Latour, is a part of the Skrinet Group.

**1985** Hevea receives a new principal owner in the form of the Douglas family through companies. The company takes on its current operations and strategy. Hevea acquires 95 percent of the Securitas Group, 31 percent of Almedahls-Dalsjöfors, 25 percent of Trelleborg and 15 percent of Pharos and increases its ownership in Forsinvest to 30 percent. Boliden is one of its larger holdings with five percent of its capital. Holdings in Finans AB Nyckeln, SSRS Holding AB and Civic Fondkommission AB are sold.

**1986** The Boliden block is sold to Trelleborg. Instead Hevea becomes the largest owner in Trelleborg with 19 percent. The holding in Almedahls-Dalsjöfors is sold and exchanged for a 30 percent ownership in the Almedahls Group. The holdings in Forsinvest and Pharos are sold.

**1987** Name change from AB Hevea to Investment AB Latour. Minor changes in the investment portfolio.

**1988** The Almedahls Group is listed and acquires AB Fagerhult – name change to Almedahl-Fagerhult AB. The Securitas Group doubles its profit and acquires several other companies, among them Assa AB. The number of Latour shares grows eightfold through a split and a bonus issue.

**1989** Ownership in Almedahl-Fagerhult increases from 20 to 26 percent of the capital. Ownership in Trelleborg decreases from 17 to 16 percent of the capital.

**1990** Ownership in Securitas amounts to 63.5 percent. Ownership in Almedahl-Fagerhult increases from 26 to 38 percent of the capital.

**1991** Securitas is listed. Latour becomes a pure investment company. Offer of redemption of every tenth Latour share. Latour's ownership in Securitas amounts to 43 percent.

**1992** Latour acquires, together with Hagströmer & Qviberg AB, control over Investment AB Öresund. After that Latour acquires more than ten percent of Hagströmer & Qviberg. Decrease in holdings in Trelleborg and Hasselfors. Directed new issue in Securitas. Latour makes an offer for Almedahl-Fagerhult.

**1993** Latour acquires Almedahl-Fagerhult and becomes a mixed investment company. At the same time the holding in Hagströmer & Qviberg increases to 22 percent. Latour sells the most of its

holding in Trelleborg AB and converts all its convertibles to shares in Securitas, which gives the company control over 32 percent of the capital and 41 percent of the votes.

AB Sigfrid Stenberg is acquired.

**1994** Latour contributes to creating Europe's largest lock group by building Assa Abloy. Latour acquires the industrial group Swegon, Nobex AB (Nord-Lock AB) and Aneta AB.

**1995** The industrial group Swegon becomes wholly owned. Offer of voluntary redemption of every fourth Latour share in exchange for one share in Securitas, Assa Abloy and Hagströmer & Qviberg.

**1996** Ownership in Securitas amounts to 16 percent and in Assa Abloy to nine percent. Acquisition of Eurobend AB and AS Knappehuset.

**1997** Distribution of Fagerhult and Säkl. Acquisition of 16 percent of the capital in Sweco and 10 percent of the capital in Piren.

**1998** Latour carries out a share split 5:1. Ownership in Fagerhult is 29 percent.

**1999** Increased ownership in Fagerhult, NEA, Piren and Sweco.

**2000** Sales of holdings in Piren and BT Industrier. Buyback of Latour shares.

**2001** Acquisition of Dayco Automotive (Autotube). Buyback and redemption of Latour shares.

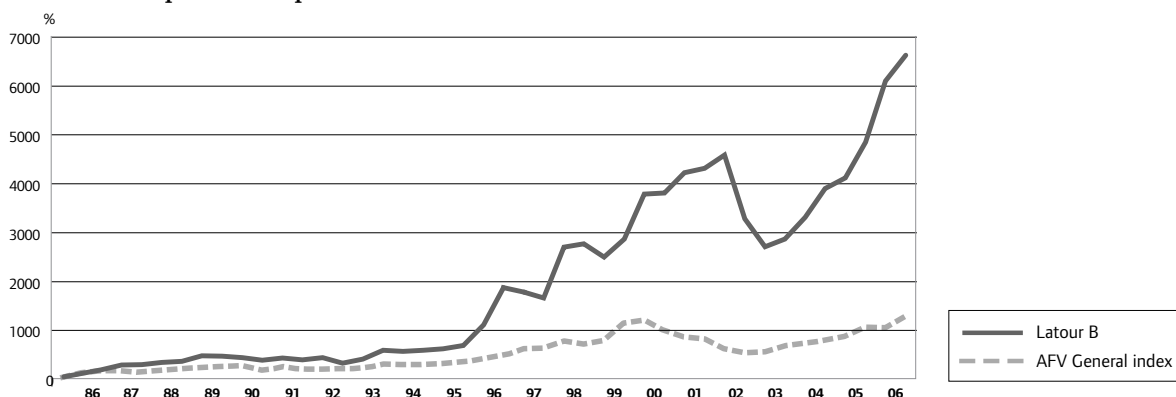
**2002** Acquisition of shares in Drott.

**2003** Acquisition of folding ruler operations in Germany and Romania. Liquidation of Marieholms Yllefabriks AB and Oy Almedahl. Sales of Stig Wahlström AB. Acquisition of shares in Munters corresponding to five percent of the capital. Increased holdings in Elanders, Fagerhult and Sweco.

**2004** Reorganisation of the wholly owned industrial and trading operations from three to eight business areas. The Hydraulics business area acquires Näsström System AB (Specma Component AB) and WiroArgonic AB. Increased holdings in Assa Abloy, Munters, Securitas and Sweco. Divestiture of holdings in Hexagon, Holmen, Hufvudstaden and Getinge.

**2005** Hand Tools business area acquires Wibe Stegar. Crafts operations in Almedahls are sold. Almedahl-Kinna and Holma-Helsinglands are sold.

### Historic share price development



## Investment portfolio 2006-12-31

| Share                             | Number     | Market value<br>SEKm | Listed price <sup>1)</sup><br>SEK | Acquisition<br>value SEKm | Share of<br>votes, % | Equity<br>interest, % |
|-----------------------------------|------------|----------------------|-----------------------------------|---------------------------|----------------------|-----------------------|
| Assa Abloy A <sup>2)</sup>        | 6,746,425  | 1,004                | 149                               | 786                       |                      |                       |
| Assa Abloy B                      | 19,000,000 | 2,827                | 149                               | 414                       | 16                   | 7                     |
| Elanders                          | 1,355,000  | 195                  | 144                               | 275                       | 11                   | 16                    |
| Fagerhult <sup>3)</sup>           | 4,069,500  | 604                  | 149                               | 290                       | 32                   | 32                    |
| Munters                           | 3,650,000  | 1,153                | 316                               | 671                       | 15                   | 15                    |
| OEM International A <sup>2)</sup> | 212,000    | 40                   | 189                               | 40                        |                      |                       |
| OEM International B               | 309,000    | 58                   | 189                               | 59                        | 11                   | 7                     |
| Securitas A <sup>2)</sup>         | 4,000,000  | 423                  | 106                               | 344                       |                      |                       |
| Securitas B                       | 23,090,000 | 2,443                | 106                               | 306                       | 12                   | 7                     |
| Securitas Direct A <sup>2)</sup>  | 4,000,000  | 86                   | 22                                | 53                        |                      |                       |
| Securitas Direct B                | 23,090,000 | 499                  | 22                                | 47                        | 12                   | 7                     |
| Securitas Systems A <sup>2)</sup> | 4,000,000  | 111                  | 28                                | 87                        |                      |                       |
| Securitas Systems B               | 23,090,000 | 640                  | 28                                | 78                        | 12                   | 7                     |
| Sweco A <sup>3)</sup>             | 238,788    | 59                   | 245                               | 7                         |                      |                       |
| Sweco B <sup>3)</sup>             | 5,905,000  | 1,556                | 264                               | 163                       | 25                   | 36                    |
| <b>Total</b>                      |            | <b>11,698</b>        |                                   | <b>3,620</b>              |                      |                       |

<sup>1)</sup> Latest market price paid.

<sup>2)</sup> Class A shares in Assa Abloy, OEM International, Securitas, Securitas Direct and Securitas Systems are unlisted. In this table they have been given the same listing price as corresponding class B shares.

<sup>3)</sup> Shown as associated companies in the balance sheet.

## Net change in Latour's investment portfolio 2006

| Increase                          | Total shares | Decrease  | Total shares |
|-----------------------------------|--------------|-----------|--------------|
| Elanders                          | 55,000       | Fagerhult | 35,000       |
| Munters                           | 250,000      | NEA       | 2,215,000    |
| OEM International A               | 212,000      |           |              |
| OEM International B               | 309,000      |           |              |
| Securitas B                       | 1,590,000    |           |              |
| Securitas Direct A <sup>1)</sup>  | 4,000,000    |           |              |
| Securitas Direct B <sup>1)</sup>  | 23,090,000   |           |              |
| Securitas Systems A <sup>1)</sup> | 4,000,000    |           |              |
| Securitas Systems B <sup>1)</sup> | 23,090,000   |           |              |
| Sweco A                           | 1,220        |           |              |

<sup>1)</sup> Shares in Securitas Direct and Securitas Systems have been obtained through distribution from Securitas.

## Value development and risk

In order to assess the risk that a given investment has involved, the volatility of different classes of assets can be compared. High volatility indicates a greater variation in the underlying asset and thus greater risk. The stock exchange has on the whole a lower volatility than individual shares since it reflects a large number of shares.

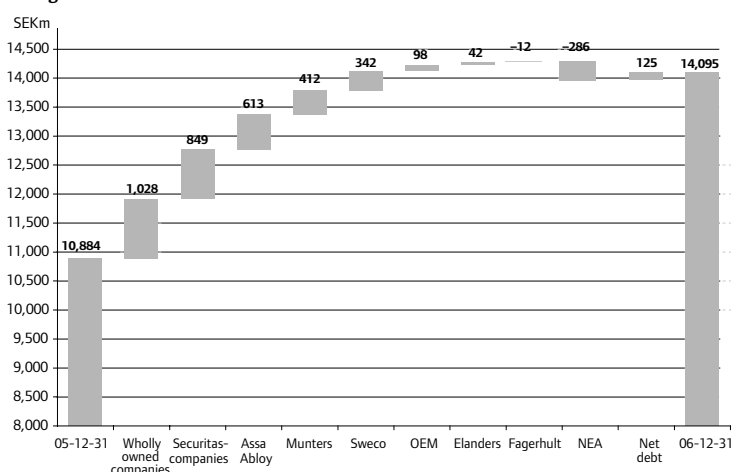
|                                    | 2006                   |              | 2005                   |              | 2004                   |              |
|------------------------------------|------------------------|--------------|------------------------|--------------|------------------------|--------------|
|                                    | Return % <sup>1)</sup> | Volatility % | Return % <sup>1)</sup> | Volatility % | Return % <sup>1)</sup> | Volatility % |
| Latour B                           | 37                     | 19           | 26                     | 16           | 28                     | 31           |
| Investment portfolio <sup>2)</sup> | 21                     | 22           | 19                     | 14           | 20                     | 19           |
| Securitas B                        | 18                     | 29           | 16                     | 22           | 18                     | 31           |
| Assa Abloy B                       | 19                     | 31           | 10                     | 21           | 33                     | 25           |
| OMXSPI                             | 24                     | 18           | 33                     | 11           | 18                     | 14           |

Source: The Stockholm Stock Exchange and Latour

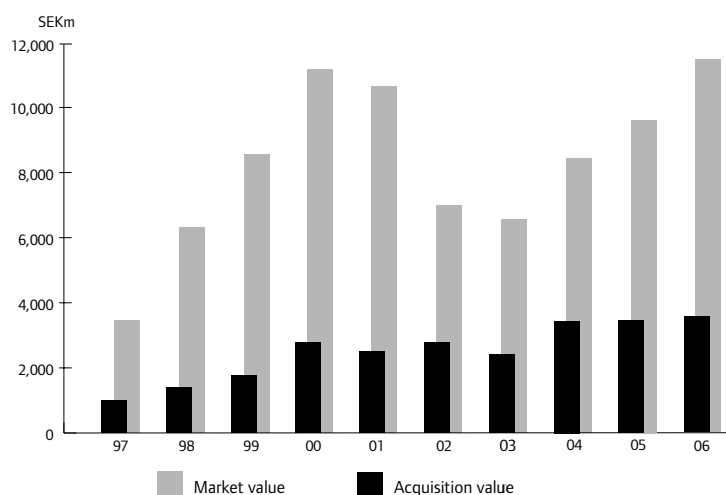
<sup>1)</sup> Exclusive dividends.

<sup>2)</sup> Volatility for the investment portfolio is based on holdings per 31 December.

### Change of value in net worth



### Investment portfolio's acquisition and market value



## Latour share

| Data per share (SEK)                 | 2006               | 2005       | 2004              | 2003 <sup>6)</sup> | 2002 <sup>6)</sup> |
|--------------------------------------|--------------------|------------|-------------------|--------------------|--------------------|
| Profit after tax <sup>2)</sup>       | 25.61              | 16.20      | 22.86             | 7.65               | 8.54               |
| Net worth <sup>1) 3)</sup>           | 323                | 249        | 187               | 154                | 156                |
| Listed price 31 December             | 281                | 204        | 162               | 127                | 141                |
| Listed price as percent of net worth | 87%                | 86%        | 87%               | 82%                | 90%                |
| Equity <sup>3)</sup>                 | 250                | 199        | 171 <sup>7)</sup> | 60                 | 61                 |
| Dividends paid                       | 8.50 <sup>4)</sup> | 7.00       | 6.00              | 6.00               | 7.10               |
| Direct yield                         | 3.0%               | 3.4%       | 3.7%              | 4.7%               | 5.0%               |
| Investment portfolio direct yield    | 2.3% <sup>5)</sup> | 2.7%       | 2.1%              | 2.8%               | 2.8%               |
| P/e ratio                            | 11                 | 13         | 7                 | 17                 | 17                 |
|                                      |                    |            |                   |                    |                    |
| Total outstanding shares             | 43,700,000         | 43,700,000 | 43,700,000        | 43,820,000         | 44,570,000         |
| Average number of outstanding shares | 43,700,000         | 43,700,000 | 43,745,738        | 44,179,178         | 45,088,108         |
| Bought back shares                   | 120,000            | 120,000    | 120,000           | 4,203,800          | 3,453,800          |
| Average number of bought back shares | 120,000            | 120,000    | 4,278,062         | 3,844,622          | 2,716,300          |

<sup>1)</sup> The investment portfolio is recorded at market value and operating subsidiaries at a return equivalent to P/e 12.

<sup>2)</sup> Calculated as an average number of outstanding shares.

<sup>3)</sup> Calculated on the number of outstanding shares on the balance date.

<sup>4)</sup> Proposed dividends.

<sup>5)</sup> Calculated on proposed dividends.

<sup>6)</sup> Not recalculated according to IFRSs.

<sup>7)</sup> According to IAS 39 per 2005-01-01.

Definitions: See note 47.

## Net worth of the Latour share

|                                      | SEK m         | 2006-12-31<br>SEK/share <sup>1)</sup> | SEK m         | 2005-12-31<br>SEK/share <sup>1)</sup> |
|--------------------------------------|---------------|---------------------------------------|---------------|---------------------------------------|
| Operating subsidiaries <sup>2)</sup> | 3,983         | 91                                    | 2,955         | 67                                    |
| Assa Abloy                           | 3,831         | 88                                    | 3,218         | 74                                    |
| Elanders                             | 195           | 4                                     | 153           | 3                                     |
| Fagerhult                            | 604           | 14                                    | 616           | 14                                    |
| Munters                              | 1,153         | 27                                    | 741           | 17                                    |
| NEA                                  | –             | –                                     | 286           | 7                                     |
| OEM International                    | 98            | 2                                     | –             | –                                     |
| Securitas                            | 2,866         | 66                                    | 3,353         | 77                                    |
| Securitas Direct                     | 585           | 13                                    | –             | –                                     |
| Securitas Systems                    | 751           | 17                                    | –             | –                                     |
| Sweco                                | 1,615         | 37                                    | 1,273         | 29                                    |
| Other assets                         | 130           | 3                                     | 120           | 3                                     |
| Liabilities                          | –1,716        | –39                                   | –1,831        | –42                                   |
| <b>Net worth</b>                     | <b>14,095</b> | <b>323</b>                            | <b>10,884</b> | <b>249</b>                            |

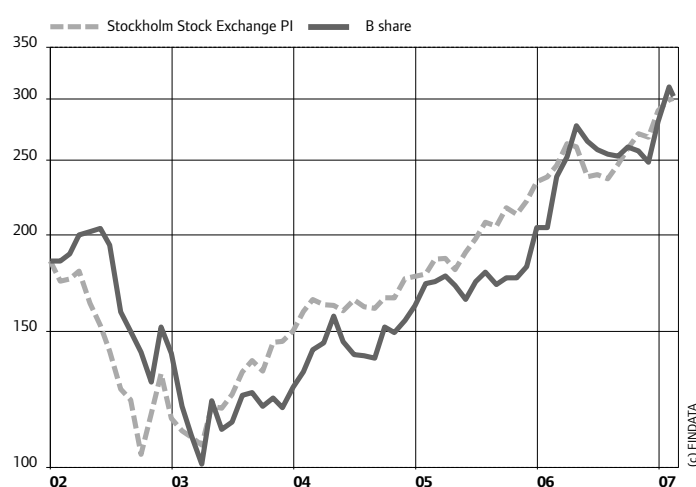
<sup>1)</sup> Calculated on the number of outstanding shares.

<sup>2)</sup> Operating subsidiaries are valued at a return equivalent to P/e 12 calculated on the operating profit of each year charged with standard tax of 28 percent.

## Price trends in the Latour share

2006 was another year with climbing share prices. The Latour class B share increased in value by 37 percent excluding dividends, which was better than the Stockholm Stock Exchange's broad index, OMXSPI, which increased by 24 percent. The highest price of a Latour class B share was SEK 296.50 and the lowest was SEK 200.

### Price development for the Latour share



## Share turnover

Trading in Latour shares continues to grow. The increase can be explained by a general increase in trading on the Stockholm Stock Exchange as well as the liquidity promoting measure taken in the beginning of 2005 when an agreement was reached with Hagströmer & Qviberg for a liquidity guarantee.

| Trading in Latour B                          | 2006   | 2005  | 2004  |
|--|--------|-------|-------|
| Average number of traded shares/business day | 10,581 | 8,499 | 6,163 |
| Average trading per business day, SEK '000   | 2,670  | 1,498 | 898   |
| Average value per closing, SEK '000          | 127    | 87    | 69    |
| Number of shares per closing                 | 504    | 500   | 474   |
| Number of closings per business day          | 21     | 17    | 13    |

Source: Stockholm Stock Exchange

## The ten largest owners 2006-12-31

| Shareholder  | Number<br>A shares | Number<br>B shares | % share<br>capital | Number<br>of votes | %<br>of votes |
|--|--------------------|--------------------|--------------------|--------------------|---------------|
| Gustaf Douglas, family and companies                           | 7,800,000          | 25,365,000         | 75.7               | 103,365,000        | 80.0          |
| Bertil Svensson, family and companies                          | 447,300            | 495,670            | 2.1                | 4,968,670          | 3.8           |
| Fredrik Palmstierna, family and companies                      | 600,720            | 219,730            | 1.9                | 6,226,930          | 4.8           |
| Roburs Funds   |                    | 584,750            | 1.3                | 584,750            | 0.4           |
| Bank of New York   |                    | 376,250            | 0.9                | 376,250            | 0.3           |
| SEB Sverige Småbolagsfond                                      |                    | 334,000            | 0.8                | 334,000            | 0.3           |
| Göran Sundblad, family and foundation                          | 11,755             | 309,340            | 0.7                | 426,890            | 0.3           |
| The Fourth Swedish National Pension Fund                       |                    | 251,600            | 0.6                | 251,600            | 0.2           |
| Riddarhusets Funds   |                    | 200,000            | 0.5                | 200,000            | 0.2           |
| Didner & Gerge Aktiefond                                       |                    | 190,000            | 0.4                | 190,000            | 0.2           |
| Other shareholders (6,587)<br>(of 6,620 shareholders in total) | 630,637            | 5,883,248          | 14.8               | 12,189,618         | 9.4           |
| Investment AB Latour, share buyback                            |                    | 120,000            | 0.3                | 120,000            | 0.1           |
|  | <b>9,490,412</b>   | <b>34,329,588</b>  | <b>100.0</b>       | <b>129,233,708</b> | <b>100.0</b>  |

The company's share capital is owned 75.7 percent by the principal shareholder with family and companies. Other board members own 1.9 percent. Swedish institutional investors own 7.5 percent of share capital. Foreign ownership accounts for 2.2 percent.

| Type of share                 | Total shares      | %            | Number of votes    | %            |
|-------------------------------|-------------------|--------------|--------------------|--------------|
| Class A (10 votes)            | 9,490,412         | 21.7         | 94,904,120         | 73.4         |
| Class B (1 vote)              | 34,329,588        | 78.3         | 34,329,588         | 26.6         |
| <b>Total number of shares</b> | <b>43,820,000</b> | <b>100.0</b> | <b>129,233,708</b> | <b>100.0</b> |

## Ownership structure 2006-12-31

| Size of holding | Number of shareholders | Number of A shares | Number of B shares | % of capital | % of votes   |
|-----------------|------------------------|--------------------|--------------------|--------------|--------------|
| 1 – 500         | 4,581                  | 47,476             | 870,258            | 2.1          | 1.0          |
| 501 – 1,000     | 995                    | 39,817             | 754,339            | 1.8          | 0.9          |
| 1,001 – 5,000   | 838                    | 156,395            | 1,605,627          | 4.0          | 2.5          |
| 5,001 – 10,000  | 97                     | 85,229             | 618,504            | 1.6          | 1.1          |
| 10,001 – 15,000 | 35                     | 45,045             | 381,065            | 1.0          | 0.6          |
| 15,001 – 20,000 | 10                     | 34,235             | 151,244            | 0.4          | 0.4          |
| 20,001 –        | 64                     | 9,082,215          | 29,948,551         | 89.1         | 93.5         |
| <b>Total</b>    | <b>6,620</b>           | <b>9,490,412</b>   | <b>34,329,588</b>  | <b>100.0</b> | <b>100.0</b> |

## Five year overview (SEK m)

|  | 2006                | 2005  | 2004  | 2003 <sup>1)</sup> | 2002 <sup>4)</sup> |
|--|---------------------|-------|-------|--------------------|--------------------|
| <b>Parent company</b>                      |                     |       |       |                    |                    |
| Dividends received                         | 256                 | 223   | 167   | 182                | 191                |
| Dividends paid                             | 371 <sup>1)</sup>   | 306   | 262   | 263                | 315                |
| Equity/debt ratio                          | 84%                 | 63%   | 61%   | 62%                | 53%                |
| Adjusted equity/debt ratio <sup>2)</sup>   | 95%                 | 84%   | 80%   | 82%                | 79%                |
| <b>Investment portfolio</b>                |                     |       |       |                    |                    |
| Change in investment portfolio value       | 21%                 | 19%   | 20%   | 3%                 | -34%               |
| Stockholm Stock Exchange                   | 24%                 | 33%   | 18%   | 30%                | -37%               |
| Investment portfolio's market value        | 11,698              | 9,640 | 8,261 | 6,645              | 6,913              |
| Surplus value                              | 8,078               | 6,219 | 4,852 | 4,337              | 4,302              |
| Sales of listed shares                     | 389                 | 252   | 1,428 | 778                | 491                |
| Capital gains                              | 224                 | 203   | 863   | 116                | 235                |
| Purchase and subscription of listed shares | 364                 | 60    | 1,666 | 348                | 303                |
| <b>Industrial and trading operations</b>   |                     |       |       |                    |                    |
| Invoiced sales                             | 5,313               | 4,852 | 4,434 | 4,169              | 4,287              |
| (of which foreign)                         | 2,359               | 2,271 | 2,115 | 1,964              | 2,035              |
| Operating profit                           | 710                 | 342   | 242   | 173                | 186                |
| Capital employed                           | 2,013               | 1,458 | 1,405 | 1,730              | 1,794              |
| Balance sheet total                        | 3,315               | 2,505 | 2,351 | 2,583              | 2,676              |
| Number of employees                        | 3,171               | 2,973 | 3,117 | 2,971              | 3,001              |
| Return on capital employed                 | 25.2% <sup>5)</sup> | 24.2% | 15.8% | 10.1%              | 10.6%              |
| Operating margins                          | 7.7% <sup>5)</sup>  | 7.0%  | 5.5%  | 4.1%               | 4.3%               |
| <b>Group</b>                               |                     |       |       |                    |                    |
| Return on equity                           | 11%                 | 9%    | 14%   | 13%                | 14%                |
| Return on total capital                    | 10%                 | 10%   | 11%   | 8%                 | 9%                 |
| Equity/debt ratio                          | 78%                 | 76%   | 52%   | 49%                | 46%                |
| Adjusted equity/debt ratio <sup>3)</sup>   | 80%                 | 78%   | 73%   | 72%                | 69%                |
| Adjusted equity <sup>3)</sup>              | 12,467              | 9,862 | 8,208 | 6,976              | 7,022              |
| Net debt/equity ratio <sup>3)</sup>        | 13%                 | 16%   | 23%   | 25%                | 30%                |

<sup>1)</sup> Proposed dividend based on the number of outstanding shares as of 2007-02-26.

<sup>2)</sup> Including surplus value in investment portfolio.

<sup>3)</sup> Including surplus value in associated companies.

<sup>4)</sup> Not recalculated according to IFRSs.

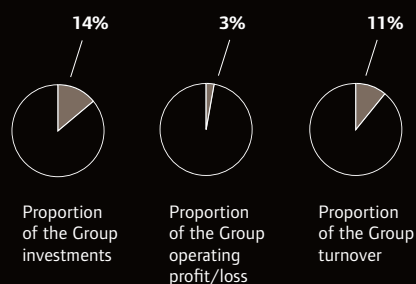
<sup>5)</sup> Not including capital gains from divestitures of subsidiaries.

Definitions: See note 47.

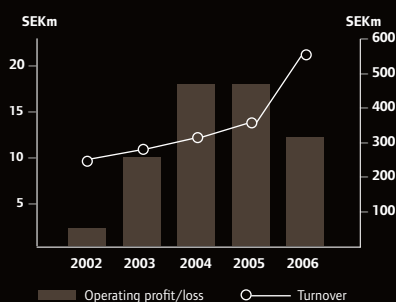
## COMPANIES IN THE BUSINESS AREA:

Autotube AB

Autotube HordaGruppen AB

PROPORTION OF THE GROUP INVESTMENTS,  
OPERATING PROFIT/LOSS AND TURNOVER:

## TURNOVER AND OPERATING PROFIT/LOSS:



## TURNOVER AND OPERATING PROFIT/LOSS:

| (SEKm)                             | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------------------------|------|------|------|------|------|
| Turnover                           | 561  | 363  | 312  | 290  | 257  |
| (of which export)                  | 160  | 86   | 61   | 59   | 55   |
| Operating profit/loss              | 12   | 18   | 18   | 10   | 2    |
| Working capital                    | 247  | 143  | 128  | 129  | 134  |
| Investments                        | 16   | 26   | 12   | 9    | 6    |
| Operation margins, percent         | 2.1  | 4.8  | 5.8  | 3.4  | 0.8  |
| Return on working capital, percent | 4.9  | 12.3 | 14.2 | 7.8  | 1.5  |
| No. of employees                   | 443  | 284  | 278  | 258  | 254  |

## Automotive Business Area



**Sven-Olov Libäck**  
Automotive Business Area Manager

**Business concept**

Automotive's business concept is to meet the needs of the automotive industry for moulded conduits and pipes with high technological competence in air and fluid distribution.

**Goals and goal achievement**

The business area Automotive's overriding financial goals are to annually achieve:

- increased turnover by at least 10 percent
- an operating margin exceeding 6 percent
- a return on working capital exceeding 20 percent

Autotube AB achieved their targets for 2006. The organic growth for Autotube AB was, for example 20 percent, primarily due to the increased demand for trucks and growth within the sales for moulded conduits for cars. The newly acquired company Autotube HordaGruppen AB did not reach their financial targets, start-up problems with new products and a partially new process affected the operating margin negatively.

**Market 2006: Increased demand from truck manufacturers**

The most important group of customers are European manufacturers of trucks, busses and cars as well as system suppliers to these producers. The five largest customers generate around three quarters of the turnover. Automotive is a "preferred supplier" to several of the main customers in heavy vehicles.

The international vehicle industry grew somewhat during 2006. This was due to a large extent to developments in Asia, where China and India are the engines, and the large demand for new vehicles. Automotive's customers are in the foremost vanguard and market leaders in their respective global markets.

The demand for pipe systems is growing, mainly because of increased demands on emissions, fuel economy and cooling in vehicles.

Parallel to this is an increasing price press, much of it because of increased production capacity in low cost countries. In addition, there is a desire to use lighter materials, preferably plastic. The price press in the business area is significant, demanding considerable investments to continually implement new technology and further rationalisations.

Among the leading competitors are some large global players who have production in low cost countries. They are large organisations with good size advantages in production. At the same time their size leads to limited flexibility with quick changes in the market's demands.

Automotive's market share in Sweden is estimated to 35 percent. This makes the business area a market leader.

**Market forecast for 2007: Continued growth for truck manufacturers**

Car manufacture looks to remain the same during 2007 compared with 2006.



Truck manufacture is expected to increase; primarily due to growing world trade and the resulting need for transportation. At the same time raw material prices are rising and the price press will continue.

### Operations: The three most important events in 2006

1. *Supplementary acquisition.* Autotube HordaGruppen AB was acquired during the spring of 2006. The company primarily contributes know-how and production capacity in polymer material. In addition, the acquisition contributes to a broader customer base.
2. *Growth in AC systems.* Furthermore, during 2006 production of pipes accelerated after the breakthrough into the market in 2005. This means that the business area has taken yet another step into more complicated production with higher demands on quality and added value.
3. *The work for change achieved the desired result.* The third important event during the year was the improvement work accomplished in the factory at Ulricehamn. This has led to better quality, delivery reliability, efficiency and profitability, naturally with greater customer satisfaction as well.

### Geographical expansion continues

Automotive customers have the strongest brands in their respective markets. They demand the highest quality, speed, service and competitive prices. Automotive responds to all of this via customer focus, a high level of know-how and state-of-the-art equipment in their production units. A large part of production is in Sweden, whilst certain assembly is in Eastern Europe.

Success has meant that the company can expand its geographical market. From previously working solely in the

Scandinavian market the Automotive business area during the past year has successfully delivered to customers in other parts of Europe, mainly in England, Germany and France. This trend has continued during 2006. Exports make up 28 percent of sales and are expected to increase in 2007 and onward.

The sales growth has meant that more employees have been needed at production tops. This has sometimes been handled by temporarily hiring personnel.

The business area has a well developed system for continually developing existing products to better respond to the customers requirements. One of the more concentrated developments during 2006 was the creation of our own verified concept for AC pipes. In addition to this, the business area in collaboration with the newly acquired HordaGruppen developed a product with a built-in muffler for heavy vehicles and production start is planned for 2007.

The employees' considerable competence is one of our success factors, which is why we have education plans to secure

this continued high level. Automotive meets the highest certificating standards required within the automotive industry, e.g. ISO TS 16949 and Ford Q1. We have the same ambitions when it comes to healthcare. The employees receive an allowance for physical fitness activities which has turned out well – sick leave is lower than targets.

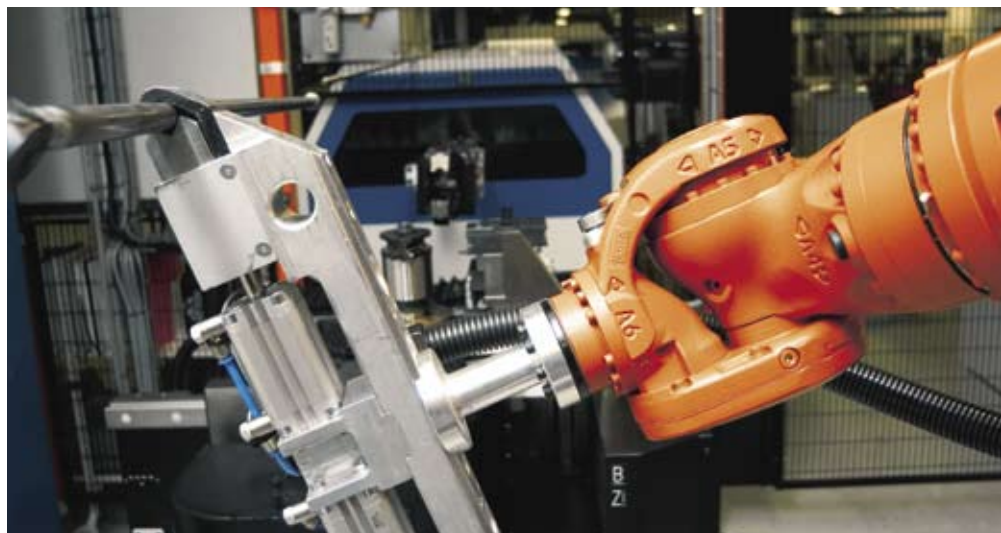
### Challenges for 2007

During 2007 the Automotive will intensify product and production development to be able to continue to offer high added value products at competitive prices. Parallel to this the successful penetration of the market in Central Europe will continue, especially concerning the automotive industry.

Work to raise the profit level in Autotube HordaGruppen AB will intensify.

During 2007 certain customers are expected to change models which in the short-term, during the changeover, can reduce sales to these customers.

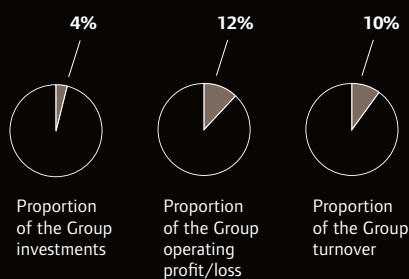
Nonetheless all the measures taken are expected to result in increased growth.



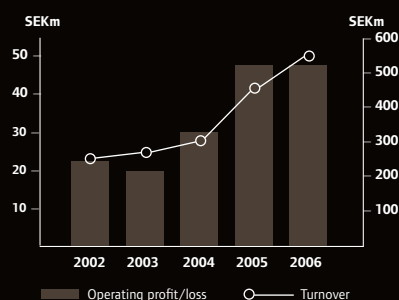
*Continual technical renewal and increased automation is needed to meet the international competition from, among others, low cost countries.*

Hultafors AB  
 TA Ljungberg Patent AB  
 Wibe Stegar AB  
 Hultafors OY, Finland  
 Hultafors Norway AS  
 Hultafors Denmark AS  
 Hultafors Präsident GmbH, Germany  
 Hultafors U.M.I. S.R.L., Romania  
 Snickers Workwear AB  
 Snickers Intellectual Property AB  
 Snickers Workwear Logistics BV,  
 The Netherlands  
 Skillers Workwear NA Inc, USA  
 Snickers Production SIA Latvia, Latvia  
 Snickers Original NV, Belgium  
 Tradewear Ltd, Ireland  
 Snickers Original SIA, Latvia  
 Snickers Original GmbH, Germany

PROPORTION OF THE GROUP INVESTMENTS,  
 OPERATING PROFIT/LOSS AND TURNOVER:



TURNOVER AND OPERATING PROFIT/LOSS:



TURNOVER AND OPERATING PROFIT/LOSS:

| (SEKm)                                | 2006 | 2005 | 2004 | 2003 | 2002 |
|---------------------------------------|------|------|------|------|------|
| Turnover                              | 545  | 462  | 299  | 268  | 255  |
| (of which export)                     | 301  | 249  | 168  | 146  | 124  |
| Operating profit/loss                 | 48   | 48   | 30   | 20   | 23   |
| Working capital                       | 191  | 175  | 110  | 101  | 78   |
| Investments                           | 4    | 17   | 8    | 22   | 12   |
| Operation margins,<br>percent         | 8.8  | 10.3 | 10.2 | 7.5  | 9.0  |
| Return on working<br>capital, percent | 25.0 | 27.1 | 27.6 | 19.8 | 29.5 |
| No. of employees                      | 375  | 374  | 335  | 282  | 198  |

## Hand Tools Business Area



**Bo Jägnefält**  
 Hand Tools Business Area Manager

### Business Concept

Hand Tools' business concept is to be a complete supplier of functional work equipment of the highest quality to professional craftsmen.

### Goals and goal achievement

The Hand Tools business area's overriding financial goals are to annually achieve:

- increased turnover by at least 10 percent
- an operating margin exceeding 10 percent
- a return on working capital exceeding 20 percent

All the targets were achieved during 2006. The organic growth amounted to 15 percent mainly because of a general strong

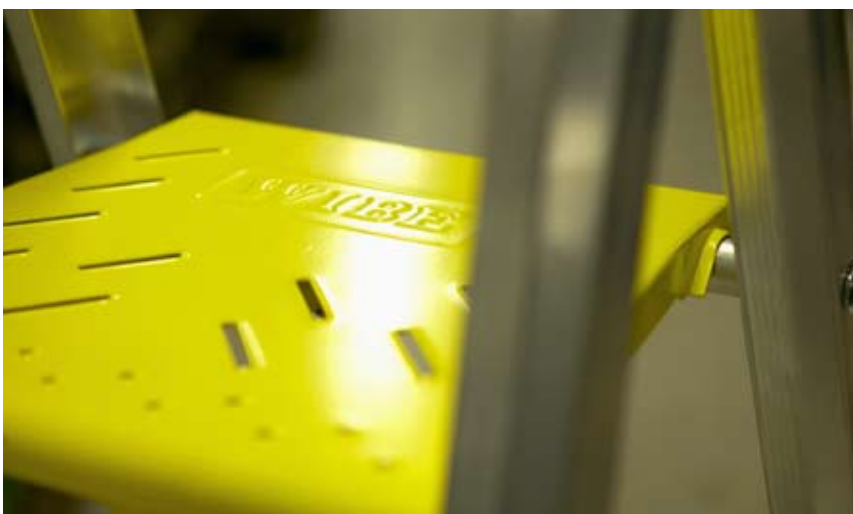
demand in the construction market but also due to the successful launch of new products. The operating margin for 2006 was slightly less than the previous year. This was in part due to costs for the company's move to Rumania and in part due to a general price press on the market.

### Market 2006:

#### Strong construction market

In terms of sales the previous year was very good in most of the Hand Tools markets. At the same time the competition intensified in the area of distribution.

Concentration and internationalisation in distribution continues at a high pace and new "own" brands are devel-



1,500 tons of aluminium was used to manufacture the entire Wibe Stegar product range in 2006.

oping. Next to their own brands the distribution section has chosen to sell leading brands. This development also means that the larger chains' purchasing processes become more and more centralised, which means that it is essential to be in the right position in order to be chosen as a leading brand. The Hand Tool brands of Hultafors and Wibe ladders have a strong position in the Nordic region and are represented in all leading Nordic chains.

Hand Tools operates foremost in the Nordic market and it has therefore a market leading position there. Our market share is still small on other European markets, worth in total some SEK 30 bn. Larger competitors are global players like Snap-on/Bacho, Stanley Tools and Irwin Industrial Tools.

The end users of Hand Tools products are craftsmen with high demands on the products' quality and functionality.

Increased competition and internationalisation led to pressed prices during 2006. Parallel to this the cost of raw materials like wood and aluminium increased. Hand Tools could not compensate completely by raising prices during 2006.

#### **Market forecast for 2007:**

##### **Continued positive development**

We believe the Nordic construction market will develop positively even in 2007 and that demand will be on the level of 2006. The acquisition of Snickers Workwear is expected to lead to a doubling in turnover. At the same time we see a continued increase in raw material costs and pressed prices.

#### **Operations: The most important events in 2006**

*1. Strategic acquisition.* The most signifi-



*The Hand Tools business area manufactures 80 kilometres of folding rules every day.*

cant event, the acquisition of Snickers Workwear, didn't come until the end of the year. It brought with it a whole new business area and in the wink of an eye doubled turnover. The acquisition entails synergies in the marketing and sales organisation in the Nordic region and has at the same time given Hand Tools a platform for expansion in Europe.

*2. A late production move.* Red tape with authorities caused a delay in the strategically important move from Eskilstuna to China by 12 months.

#### **Several unique products will contribute to our continued expansion**

By moving the production to Rumania and China, that latter is planned for 2007, the Hand Tools business area will have well spread production and a competitive wage cost structure. The sales company is present in all of the Nordic

countries and Germany. The business area uses importers in other countries.

To ensure a continued strong position in the market successful product development in close cooperation with craftsmen is essential.

According to a customer survey that was made during the year Hand Tools had the highest points in several areas, among them, craftsmen feel the companies in Hand Tools are sensitive and innovative, with first class products.

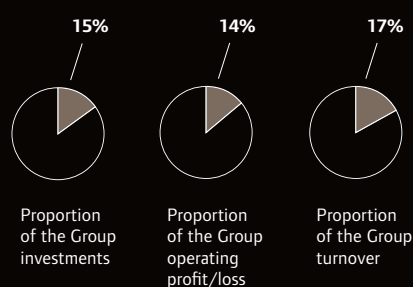
Absence through sickness is less than three percent in Sweden and this is taken as a sign of a good working environment. Major efforts are made to achieve the same level of well-being within the foreign plants.

#### **Challenges for 2007**

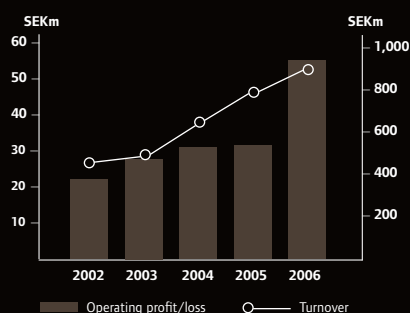
Focus in 2007 is to successfully integrate Snickers Workwear in operations while we continue to be well prepared for

## COMPANIES IN THE BUSINESS AREA:

Specma Hydraulic AB  
Eurobend AB  
JMS Systemhydraulik AB  
Specma Component AB  
Specma Hydraulic i Övik AB  
WiroArgonic AB  
Hymat OY, Finland

PROPORTION OF THE GROUP INVESTMENTS,  
OPERATING PROFIT/LOSS AND TURNOVER:

## TURNOVER AND OPERATING PROFIT/LOSS:



## TURNOVER AND OPERATING PROFIT/LOSS:

| (SEKm)                             | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------------------------|------|------|------|------|------|
| Turnover                           | 893  | 798  | 645  | 500  | 467  |
| (of which export)                  | 258  | 253  | 247  | 204  | 186  |
| Operating profit/loss              | 56   | 32   | 31   | 28   | 22   |
| Working capital                    | 331  | 278  | 273  | 191  | 205  |
| Investments                        | 17   | 18   | 15   | 8    | 7    |
| Operation margins, percent         | 6.2  | 4.1  | 4.8  | 5.6  | 4.7  |
| Return on working capital, percent | 16.7 | 11.6 | 11.2 | 14.7 | 10.7 |
| No. of employees                   | 618  | 529  | 509  | 375  | 349  |

## Hydraulics Business Area



**Mats Lundgren**  
Hydraulics Business Area Manager

**Business Concept**

The Hydraulics business area develops, manufactures and markets specialised conduction systems for hydraulics to Nordic industry. We also offer a broad range of hydraulic, pneumatic and conduction components. Operations focus on four areas: Component, OEM, Commercial Vehicle and Industry & Marine.

**Goals and goal achievement**

The Hydraulics business area's overriding financial goals are to annually achieve:

- increased turnover by at least 10 percent
- an operating margin exceeding 7 percent
- a return on working capital exceeding 20 percent

The result for 2006 was largely in line with targets. Profitability has increased compared with 2005. This is partly due to increased quality demands from customers, which is positive for the Hydraulics business area because we have positioned ourselves as a supplier of quality products.

**Market 2006: Customers put greater demand on quality**

The market for hydraulics is judged to have grown by approximately five percent during 2006. Increased investments in infrastructure and the increase in international trade are the two strongest driving forces behind the growth. This contributes to the increasing globalisa-

tion of the hydraulic market and larger OEM customers establishing themselves where the end customers are. During 2006 it became clear that OEM customers change suppliers despite the good business cycle. This is a new trend that benefits Hydraulics since the change, to a large extent, occurs because of greater demands on quality. One tangible trend is that customers are imitating the working methods in the automotive industry. They are looking for partnerships and strive to use standard hydraulic components to keep costs down.

Another trend is integration in the distribution chain in after sales where both the manufacturer and dealers are active. The manufacturers strive to sell through their own shops at the same time as larger dealers acquire smaller dealers and build larger chains. The hydraulic group is actively partaking in this structure change through establishing the SlangSnabben® concept in Finland and Denmark.

The most important customer groups are among manufactures of contractor machines and trucks such as Volvo, Kalmar, Dynapac, Scania and Ålö. The five largest customers represent 40 percent of turnover.

Amongst our direct competitors are four global manufacturers with a broad product range. These companies are large and have significant size advantages but at the same time have



challenges ahead concerning their ability to quickly change to meet the customers' requirements. In the Nordic market Dacke Hydraulik is a serious competitor. All together, the five largest competitors answer for approximately 50 percent of the turnover on the Swedish market. The market share for the Hydraulics business area is around 25 percent.

#### **Market forecast for 2007:**

##### **Growth is expected to continue**

The market is expected to continue to grow along the line of the growth in 2006, especially in Eastern Europe and Asia. During 2007 the price press is expected to continue and the demand for international presence will increase. The Hydraulics business area's establishment of a smaller assembly plant in Shanghai should be seen as one of several steps towards keeping in step with these trends.

#### **Operations: The three most important events in 2006**

1. *Complementary acquisition.* JMS was acquired during 2006. This increases our competitive capacity thanks to our ability to offer complete total solutions within hydraulics.
2. *Geographic expansion for SlangSnabben®.* During 2006 the chain concept, SlangSnabben®, was launched to handle the after sales market in Finland and Denmark as well. Twelve units were opened in Finland and one in Denmark. In total there were 85 SlangSnabben® in the chain at the end of 2006.
3. *Strategic customer.* During 2006 we established a global cooperation with Kalmar, one of the world's leading manufacturers of trucks that deliver to, among others, large ports worldwide. Kalmar is also one of JMS Systemhydraulik's biggest customers.

#### **Competitive advantages through know-how and flexibility**

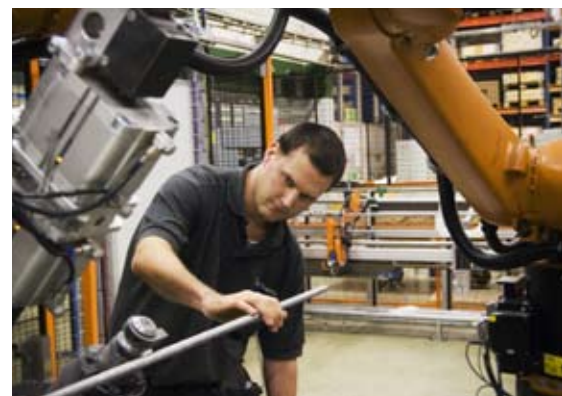
Hydraulics' customers are global players with high growth targets and quality as their main means of competition. This means high demands on Hydraulics when it comes to technical know-how, logistic solutions and flexibility.

The companies within the business area complement each other well and can therefore satisfy OEM customers' total requirements for hydraulic solutions. During the year further investments have been made in modern production machines, among them an efficient lathe for manufacturing couplings at our unit in Våxtorp. The business area is certified according to ISO 9001 and ISO 14001.

Steering servo systems and cab-tipping systems for the truck industry are two products that stand for a significant part of turnover. In the future income from complete hydraulic systems is expected to increase as a result of the acquisition of JMS and continued efficient product development.



*JMS's hydraulic engineering plant in Borås is a leading manufacturer of marine hydraulic aggregates to the expanding shipping industry.*



*With Eurobend's new robot cell for servo steering the Hydraulics business area is creating new business in the truck industry.*

The business area has a history of successful and cost effective development projects. A typical example is the unique production process for the end forming of hydraulic pipes to high pressure hoses. Product development during 2006 has been directed towards development of new hoses with improved properties concerning their bending radius and ability to handle bigger differences in temperature.

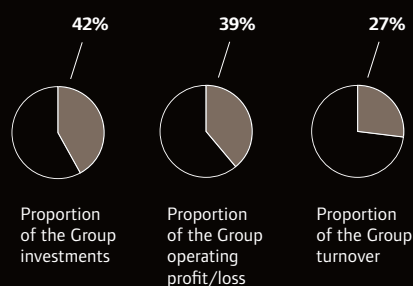
Demands on employee competence are high, which is why every employee has an individual development plan where further education plays an important part. Employees also receive a contribution for physical fitness activities, something that together with a good company culture, has led to a lower level of absence due to sickness than the three percent target for 2006.

#### **Challenges for 2007**

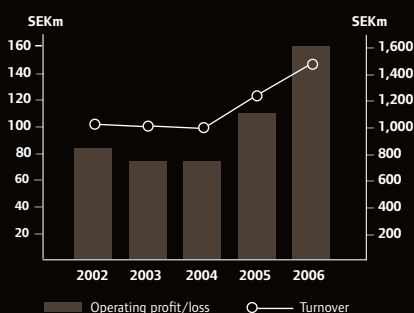
The outlook for 2007 is good. Turnover is expected to grow and our ambition is to further increase margins. Another ambition is to take another step in to other geographical markets in Europe. The company will therefore continue the ongoing work with raising productivity and efficiency.

## COMPANIES IN THE BUSINESS AREA:

Swegon AB  
 Swegon AS, Norway  
 Swegon AS, Denmark  
 Oy Swegon AB, Finland  
 Swegon GmbH, Germany  
 Swegon GmbH, Austria  
 Swegon Ltd, England  
 Swegon S.á.r.l., France  
 Swegon SA, Switzerland  
 Swegon Sp. z o.o, Poland

PROPORTION OF THE GROUP INVESTMENTS,  
OPERATING PROFIT/LOSS AND TURNOVER:

## TURNOVER AND OPERATING PROFIT/LOSS:



## TURNOVER AND OPERATING PROFIT/LOSS:

| (SEKm)                             | 2006  | 2005  | 2004  | 2003  | 2002  |
|------------------------------------|-------|-------|-------|-------|-------|
| Turnover                           | 1,445 | 1,244 | 1,068 | 1,078 | 1,116 |
| (of which export)                  | 902   | 740   | 619   | 618   | 648   |
| Operat. profit/loss                | 159   | 114   | 74    | 75    | 83    |
| Working capital                    | 324   | 289   | 275   | 250   | 292   |
| Investments                        | 48    | 33    | 29    | 17    | 16    |
| Operation margins, percent         | 11.0  | 9.1   | 7.0   | 7.0   | 7.4   |
| Return on working capital, percent | 49.0  | 39.3  | 27.1  | 30.0  | 28.4  |
| No. of employees                   | 834   | 786   | 747   | 788   | 820   |

## Air Treatment Business Area



**Mats Holmqvist**  
 Air Treatment Business Area Manager

**Business concept**

The business concept for the Air Treatment business area is to supply well thought-out system solutions, comprising air treatment aggregates and mounted components that together create a good indoor climate.

**Goals and goal achievement**

The Air Treatment business area consists of the parent company Swegon and a number of sales companies in Scandinavia and the rest of Europe. The Air Treatment business area's overriding financial goals are to annually achieve:

- increased turnover by at least 10 percent
- an operating margin exceeding 10 percent
- a return on working capital exceeding 20 percent

All the goals were achieved in 2006. High demand in all markets led to the increase in turnover by 16 percent, and with 50 percent return on working capital, targets were in fact surpassed.

**Market 2006: Demanding users create growing business opportunities**

Stringent requirements from the authorities and demanding consumers make the Nordic countries leaders in air conditioning and ventilation. The market, that basically follows the building trade's development, normally grows in Europe on an average of 2–4 percent annually. The figure for Eastern Europe is higher.

2006 was an exceptionally good year and was characterised by a high demand in all our markets. With a market share of 30 percent in Sweden and around 15 percent in the rest of the Nordic region, Swegon is the market leader in this area. In other parts of Europe, Swegon's natural growth area, our market share is around three percent.

Swegon – the result of merging of the companies PM-Luft and Stifab Farex – has in just two years created a reputation in the market as a reliable supplier and a leading product developer with a high level of service and good products. In the transformation from a manual to a more industrial thinking that started in the construction market, Swegon is one of the leading players in its field.

Our customers are primarily in the installation trade, but sanitary consultants, architects, builders and property owners are other important groups with influence over the construction process and are therefore vital to consider in marketing.

Through higher productivity during the year the company has been able to compensate for the hefty increases in raw material prices.

**Market forecast for 2007: Continued strong construction sector**

An anticipated strong Nordic construction market during 2007 as well is good for Swegon's continued business opportunities. In the rest of Europe the company's

market share is for the moment so small that results here are mainly dependant on our own efforts and less on the business cycle.

Last year's challenge in the form of rising raw material prices and a general price press on the market will most likely continue to be challenges in 2007 as well. Successful new products will most likely be copied by the competition.

#### Operations: The three most important events in 2006

1. *Handling volume growth successfully.* A general very high demand put greater pressure on production. For example, the unit in Kvänum had a 44 percent higher production rate during the years last four months compared with the previous year – a challenge that could be handled through increased machine capacity and shift work.
2. *Unlike everyone else.* Swegon has gone its own way and avoided producing similar products and systems like everyone else's. Through a conscious investment in series production of unique products and components, the company has during the year had a breakthrough for this strategy and considerably strengthened our position on the market.



*In the Air Treatment business area we are in the process of getting all employees to focus on the customer.*

3. *A new product with large growth potential in Arvika.* The comfort module for supplying cold air that has been developed in Arvika is a good example of Swegon's new industrial thinking. The product sold for SEK 40 m during the start up year and is expected to increase to SEK 70–80 m during 2007.

#### In the vanguard with system solutions

Swegon manufactures, markets and sells air treatment aggregates, air born and water born climate systems together with acoustic products for all types of buildings, with the exception of houses, via its own sales companies and partners in 27 European countries.

With ideas and solutions inspired by, among others, the automotive industry, the company strives to be a forerunner in its trade and thus take part in the rationalisation of the construction process. Through an active dialogue with the major construction companies Swegon becomes involved at an early stage of the construction process and can thereby actively contribute to a financially comprehensive perspective and therewith find the most profitable solution for the customer.

To be successful in our work with the industrial work method, we are consciously working to plant a new long-term and more efficient mindset internally in the company. This concerns everything from product development to production, sales, marketing and distribution. The idea is to be able to offer unique total solutions that provide advantages for the customer. Close cooperation between the three factories' development centres is therefore of utmost importance.

Swegon has production facilities in Kvänum (air conditioning units), Tomelilla (air born climate systems) and Arvika (water born climate systems and acoustic products). The industrial work method



*The well-known GOLD aggregate is assembled industrially; every size is assembled on its line with well developed aids at every station.*

has more or less influenced all three of these factories.

To be able to grow in Europe Swegon increased its marketing activities considerably during 2006. Apart from much more exposure in the trade press the "Swegon Air Academy" was founded. It is a forum for spreading knowledge and experience.

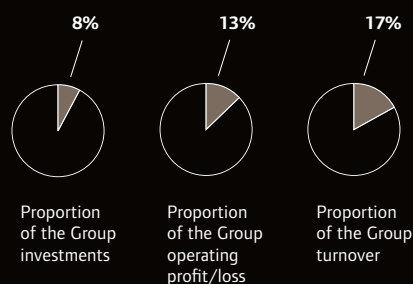
A large number of sales people have been hired, mainly in Europe. To help them get started as quickly as possible we have invested more in education.

#### Challenges for 2007

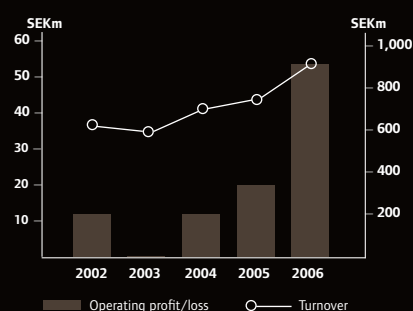
Continued growth in all markets, not least of all in Europe, is the biggest challenge for 2007, and for the next three years after that. The plan is to double our total turnover by 2010 compared to results in 2005. We call it the growth project "Go for 2". The strategy is directed at growth in all business areas through, for example, a powerfully expanded sales organisation in Europe, together with a broader product range. The growth will primarily be organic but acquisitions are also planned. Turnover is also expected to reach the growth target of 10 percent in 2007.

## COMPANIES IN THE BUSINESS AREA:

AB Sigfrid Stenberg  
 Carstens AB  
 KMU AB  
 MaskinCentrum i Örnsköldsvik AB  
 Mekana AB  
 Woodtechnique Verktygssystem AB  
 Flextek AS, Denmark  
 Granaths Hårdmetal AS, Denmark  
 Machine Trading Team OY, Finland

PROPORTION OF THE GROUP INVESTMENTS,  
OPERATING PROFIT/LOSS AND TURNOVER:

## TURNOVER AND OPERATING PROFIT/LOSS:



## TURNOVER AND OPERATING PROFIT/LOSS:

| (SEKm)                             | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------------------------|------|------|------|------|------|
| Turnover                           | 928  | 735  | 720  | 602  | 632  |
| (of which export)                  | 240  | 213  | 205  | 171  | 160  |
| Operat. profit/loss                | 53   | 20   | 12   | 0    | 12   |
| Working capital                    | 191  | 176  | 193  | 184  | 167  |
| Investments                        | 9    | 11   | 8    | 7    | 14   |
| Operation margins, percent         | 5.7  | 2.7  | 1.6  | 0.0  | 1.9  |
| Return on working capital, percent | 27.6 | 11.3 | 6.1  | 0.0  | 7.2  |
| No. of employees                   | 255  | 235  | 236  | 231  | 228  |

## Machinery Trading Business Area



**Sonny Schön**  
 Machinery Trading Business Area Manager

**Business Concept**

The Machinery Trading business area's basic business concept is to contribute to higher productivity in companies in the woodworking and engineering industries with machines, tools, maintenance and other services.

**Goals and goal achievement**

The Machinery Trading business area's overriding financial goals are to annually achieve:

- increased turnover by at least 10 percent
- an operating margin exceeding 6 percent
- a return on working capital exceeding 20 percent

The result for 2006 shows that we more than met the turnover target, the operating margin was just under and the return on working capital exceeded the target.

**Market 2006: Strong development and higher competitive capacity**

The Machinery Trading business area operates mainly in machinery, tools, necessities and maintenance services in Sweden, Denmark and Finland.

The market is mature and price competition is substantial.

The general industrial cycle is one of the strongest driving forces in our trade. The rate of investment increases noticeably during a good business cycle, especially for larger machines. Development in the automotive industry has a strong influence

on the engineering industry. The construction business cycle has the greatest effect on demand in operations directed towards the woodworking industry.

Machinery Trading meets several of its competitors in their respective geographical markets as well as within their operating areas. There is still a traditional local structure based on family businesses but the tendency is increasingly towards regional companies with more to offer. During the last few years increasing internationalisation has also contributed to a higher presence of larger, global manufacturers.

An important event was a change in the general attitude to relocating production. Companies have begun to understand that production in high cost countries close to the user has several important advantages if manufacturing is so rational that it counteracts the disadvantage of higher wages.

Our market share for the business area varies depending on the operating area and geographical market. Our market share is largest in the machine operations where it can lie between 10 and 30 percent depending on the operation and geographical market. Within the tough competitive market for tools to the engineering industry our market share is, however, lower.

**Market forecast for 2007: Continued strong industrial cycle**

The industrial cycle is expected to remain



strong during 2007. The demand within service and maintenance is expected to increase more than during 2006.

### Operations: The three most important events during 2006

#### 1. Strong positioning across the board.

The business area has increased its market shares in all areas where reliable statistics are available. In addition, this growth has also occurred with good cost control.

#### 2. New people in several leading positions.

New managers have been appointed in the central treasury and finance function, two subsidiary companies and two of the profit centres in the parent company.

#### 3. Increased investment in the tools operations aimed at the Swedish engineering industry. A new profit centre "Metal Tools" has been created with greater resources and new management.

### The after sales market is increasingly important

The Machinery Trading business area's biggest customer group in the engineering industry is made up of sub-contractors from, for example, the automotive and

wind power industry. Customers to the woodworking industry are manufacturers of construction related products such as kitchen and bathroom fittings, windows, doors and flooring. There are a great many customers and every customer contributes to a small slice of the total turnover.

Characteristic for customers' investment decisions is a demand for high quality and rationalisation of their production. Therefore they require that we have good technical expertise. A high service level and a complete spare parts offer are two other major success factors, especially for those customers who have high capacity usage in their machine park, which would make a production stop particularly costly.

The business area is organised to meet this type of demand. Working with service and maintenance are a step in this direction. The business area has therefore chosen to build long-term relationships with a limited number of their best suppliers instead of using a large number of agencies, which is normal for companies attempting to expand in the trade. The strategy is to limit the number of suppliers at the top end which allows



*Increasingly demanding customers take for granted machine equipment with high precision and advanced steering.*

the business area to maintain a high level of competence around its products and offer after sales capacity at a high level. The investment in service and maintenance is a choice of direction that also aims to make the business area less sensitive to business cycles.

The business area strives to create a good working environment where physical fitness is rewarded. In addition to the knowledge that is gained through contact with leading manufacturers, each employee has a personal development plan where their competence profile and educational needs are followed up. The work gave good results in 2006 when sick leave was less than one percent.

### Challenges for 2007

Our ambition is to further reduce business cycle sensitivity and thereby increase stable profitability. A step in this direction is to increase the part of the total turnover that is generated by tools and the after sales market.

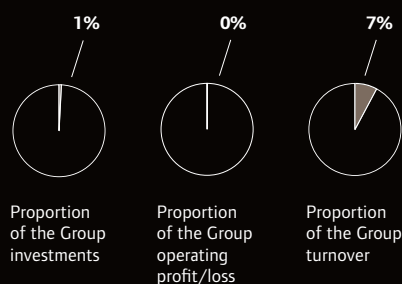
Order taking during the year has been higher than the turnover and the order stock at the beginning of 2007 is approximately 60 percent higher than at the same time in 2006. This means that the business area has the prerequisites to further develop positively towards our stated financial targets.



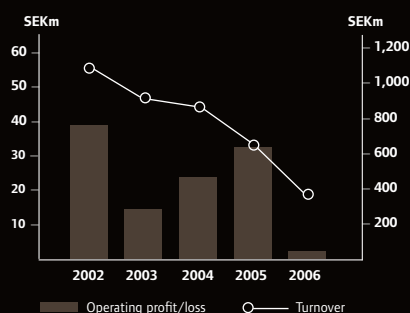
*Creating new and efficient tooling solutions will become more important for the business area's growth and profitability.*

## COMPANIES IN THE BUSINESS AREA:

Almedahls AB  
FOV Fabrics AB  
OY Almedahl AB, Finland

PROPORTION OF THE GROUP INVESTMENTS,  
OPERATING PROFIT/LOSS AND TURNOVER:

## TURNOVER AND OPERATING PROFIT/LOSS:



## TURNOVER AND OPERATING PROFIT/LOSS:

| (SEKm)                             | 2006 | 2005 | 2004 | 2003 | 2002  |
|------------------------------------|------|------|------|------|-------|
| Turnover                           | 381  | 642  | 854  | 919  | 1,039 |
| (of which export)                  | 275  | 483  | 618  | 656  | 747   |
| Operat. profit/loss                | 2    | 32   | 23   | 14   | 39    |
| Working capital                    | 178  | 403  | 459  | 476  | 514   |
| Investments                        | 1    | 2    | 8    | 25   | 77    |
| Operation margins, percent         | 0.7  | 5.0  | 2.6  | 1.5  | 3.8   |
| Return on working capital, percent | 1.6  | 8.0  | 4.9  | 2.9  | 7.6   |
| No. of employees                   | 251  | 332  | 595  | 650  | 724   |

## Textiles Business Area



**Göran Holm**  
Textiles Business Area Manager

**Business concept**

The Textiles business area develops, manufactures and markets products for two market segments.

- Textiles for the public spaces and home décor through Almedahls AB
- High-tech textiles for use in industry and ready-made wear through FOV Fabrics AB

**Goals and goal achievement**

The Textiles business area's overriding financial goals are to annually achieve:

- increased turnover by at least 10 percent
- an operating margin exceeding 6 percent
- a return on working capital exceeding 20 percent

The financial targets were not achieved during 2006, primarily due to the volume reductions stemming from continued restructuring in the form of divestitures and reductions, for instance, in the product area airbag fabric.

**Market 2006: Customers make higher demands on design and technical quality**

The market for textiles is international and fragmented. There are thousands of competitive manufacturers of textiles all over the world and even more customers in the form of home textiles retailers and manufacturers in industries that need textiles as raw material.

Textiles is characterised by the fact that many of our competitors are in the

category volume producers where the series manufactured are large and prices are pressed. The segment that Textiles business area operates in is characterised to a high degree by innovation and design and there are fewer producers. Apart from a high level of innovation and design a high degree of flexibility and short lead times in production is also essential.

Among the most important customers in textiles for public spaces and home décor are architects and interior designers together with chains and independent shops in home textiles.

A transition is taking place from traditional home décor shops to interior design shops, which puts higher demands on good design.

The most important group of customers in textiles for industry and ready-made wear are well-reputed manufacturers of clothes for sports and leisure. Their foremost requirements are high technical quality and short lead times from order to delivery.

Taking into consideration the high degree of fragmentation in the market it is difficult to make a fair judgement of market shares. The business area has a strong position within certain segments, for example, in curtains for use in public places and in highly technological textiles for the manufacture of sport and leisure clothes.

**Market forecast for 2007: Growth in the business area segment**

Growth is expected to continue in public

spaces and home décor as a consequence of the high level of activity in construction and home interior design. Good growth is anticipated in highly technological textiles for industry and ready-made wear within the segment that requires excellent quality and a high level of innovation as well as where short lead times are in demand.

### Operations: The three most important events in 2006

#### 1. Continued divestitures according to plan.

During 2006 Almedahls Alingsås that sells work wear and textiles to the hotel, restaurant and care sector was sold as well as the property in Alingsås.

#### 2. Phasing out the manufacture of airbag fabric continues according to plan.

During 2005 airbag fabric stood for 54 percent of turnover at FOV Fabrics, which manufactures airbag fabrics. During 2006 the equivalent share was 44 percent.

#### 3. Stronger relationships with customers working with public spaces.

During the year measures were taken to strengthen relationships with architects and interior designers that work with the public spaces.

### Focus on restructuring, design and product development

The Textiles business area's foremost



*Design is an important feature in products from Almedahls.*

strength is its commercially successful design and high level of innovation in product development. Both factors create unique competitive advantages and are good prerequisites for higher added value.

In the segment highly technological textiles for industry and ready-made wear, the business area has a strong position amongst the leading European manufacturers of sport and leisure clothes such as W.L. Gore.

The company has a strong position as a design company in textiles for public spaces and home décor. Our ambition is to strengthen our position in relationship to the middlemen and the end consumers. On top of this the business area will actively contribute to the current change in retail transformations to a greater number of design boutiques.

A stable source of income with a lesser added value is the so-called licensed products where well-known cartoon characters are printed on, for example, sheets and hand towels.

During 2006 the restructuring work from 2005 continued according to plan and mainly revolved around phasing out airbag fabrics. The motivation for this is

that the market for airbag fabric has reached a high level of maturity with tremendous price competition resulting in declining profitability.

During the year the number of employees dropped from 332 to 232 as a result of the restructuring work. The employees in the business area have a high level of expertise, especially when it comes to design and production techniques. To maintain this level employees have an individual development plan. Employees receive a contribution for physical fitness pursuits. During the year absence due to sickness was in total 7.7 percent.

### Challenges for 2007

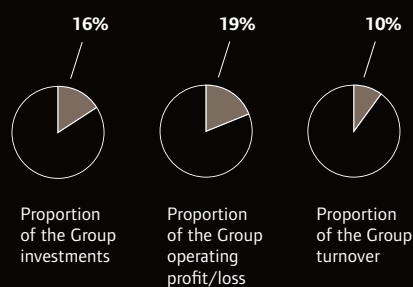
After the sales of Almedahls AB in the beginning of February 2007 the Textiles business area will encompass FOV Fabrics.

The air bag fabric phase out will continue during the year at the same time product development will intensify in the areas with the greatest competitive advantages, such as sports and leisure wear. Further measures to reduce costs will also be taken in 2007.

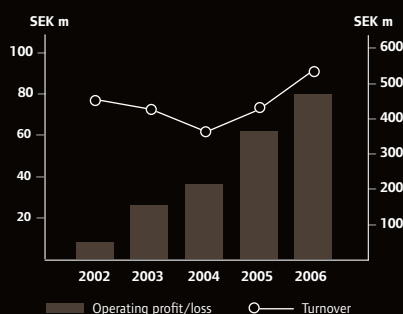


## COMPANIES IN THE BUSINESS AREA:

Specma AB  
 Brickpack AB  
 Nord-Lock AB  
 Specma AS, Norway  
 Nord-Lock Ltd, England  
 Nord-Lock France, France  
 Nordlock Inc., USA  
 Nord-Lock Oy, Finland

PROPORTION OF THE GROUP INVESTMENTS,  
OPERATING PROFIT/LOSS AND TURNOVER

## TURNOVER AND OPERATING PROFIT/LOSS:



## TURNOVER AND OPERATING PROFIT/LOSS:

| (SEK m)                            | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------------------------------|------|------|------|------|------|
| Turnover                           | 538  | 436  | 372  | 434  | 454  |
| (of which export)                  | 201  | 157  | 116  | 94   | 108  |
| Operat. profit/loss                | 80   | 61   | 37   | 25   | 7    |
| Working capital                    | 162  | 132  | 109  | 117  | 148  |
| Investments                        | 18   | 17   | 6    | 8    | 6    |
| Operation margins, percent         | 14.8 | 14.0 | 10.0 | 5.8  | 1.5  |
| Return on working capital, percent | 49.2 | 46.2 | 34.3 | 21.4 | 4.7  |
| No. of employees                   | 350  | 280  | 256  | 257  | 299  |

## Engineering Technology Business Area



**Per Englund**  
 Engineering Technology Business Area Manager

**Business concept**

The Engineering Technology business area is made up of several smaller operating areas, each one with its own business concept and business model. The common denominator is that our customers are in the manufacturing industry and that every offer has substantial added value.

**Goals and goal achievement**

The Engineering Technology business area's overriding financial goals are to annually achieve:

- increased turnover by at least 10 percent
- an operating margin exceeding 10 percent
- a return on working capital exceeding 20 percent

The financial targets were more than met in 2006 as a result of continuing successes primarily in our three core areas; Lock Components, Gaskets & Seals and Automation.

**Market 2006: Products with a high technical content are in demand**

The good business cycle for the manufacturing and construction business contributed to positive growth. The exception was the sections related to maintenance in process industries, where extremely high capacity utilisation has meant that several planned stops for maintenance were moved forward.

The market for Lock Components

continues to show positive development, the need for safe locking for bolted joints. This is where the Engineering Technology business area, through Nord-Lock, has a unique product that excels those of our competitors. In 2006, as well as over the last years, growth has been more than 20 percent annually.

The market for Gaskets & Seals contains many different products that are required in relatively small quantities. This, in turn, requires very flexible production. The business can be split up into an OEM section with a broad customer base and an after sales section which focuses on process industry. Demand grew amongst OEM customers as a result of the positive business cycle and after sales was more stable.



*Operating area Gaskets & Seals contributes to energy conservation and reduced emissions in process industries.*



The demand for Automation was good. The growing market received further help from the current industrial cycle. Automation contributes to lowered costs per manufactured unit in industry and to ensuring quality in manufacturing processes. In addition the need for international partners is increasing as large industrial companies transfer centrally determined production processes to their factories all over the world.

The business area's market is fragmented and this is why it is difficult to estimate our market share. Nonetheless, the Engineering Technology business area is without a doubt one of the leaders in all its core areas.

#### **Market forecast for 2007: Continued good growth**

The market forecast for our three main areas Lock Components, Gaskets & Seals and Automation continues to be good. This is due to high demand for the business area's unique products and a continued good industry cycle.

#### **Operations: The three most important events in 2006.**

- 1. Focused operations.* During the year steps were taken towards more focused operations in the three prioritised areas; Lock Components, Gaskets & Seals and Automation.
- 2. Concentration required divestments.* Specma Drives and Elkapsling were sold during the year. Concentration will continue during 2007. Specma Machines, which is a trading company, will be transferred to the Machinery Trading business area.
- 3. Focusing required supplementary acquisitions as well.* Gaskets & Seals were fortified through the acquisition of Brickpack AB, which has a strong position in the OEM market. The company's

turnover increased by over 20 percent in 2006.

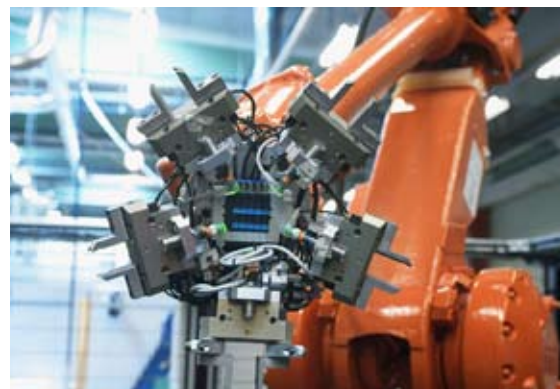
#### **Focus on three growth areas**

The business area is characterised, with the exception of Automation, by many relatively small customers. Together the five largest customers, spread over all the operating areas, represent 10 percent of turnover.

Lock Components represents the business area in almost 30 countries through Nord-Lock and 90 percent of turnover comes from export sales. During the year sales companies were started in the Czech Republic and Poland and a representation office in Dalian, China, is taking form. Continuous product development creates new applications and market segments.

Through Gaskets & Seals the business area has good opportunities to augment turnover among OEM customers, where demand is currently high. The business area is market leader in after sales, which creates a good platform for geographical expansion. Growth is expected to be both organic and through acquisitions.

At the beginning of 2007 Automation was strengthened through the acquisition of AVT Industrietechnik AB in Alingsås. Together with Specma Automation they make a leading player in the area, which offers customised equipment for automated machine servicing, material handling and assembly – everything from small production cells to complete production lines. The company has expertise



*Industry's growing need to ensure quality raises the demand for manufacturing robots and other automation products.*

in several important automation areas and unusually high degree of added value for the trade.

The objective is to grow through continued ability to undertake complicated projects and to follow the Swedish export industry out into the world. SKF, Autoliv and Haldex are examples of such projects.

The expertise of our employees is a prerequisite to success which is why we have individual development plans. Physical fitness is rewarded and has contributed to very little sick leave, less than 3.5 percent during 2006.

#### **Challenges for 2007**

During 2007 focus will be directed towards continued development of the three core areas according to the plan established by the business area. Our operations are well positioned – a good indication that both growth and profitability targets will be met.



*The Nord-Lock washer – a lock component with unique qualities – is marketed in more than 30 countries.*

## Portfolio company ASSA ABLOY AB

### A Group moving rapidly along

With over 150 companies in more than 40 countries and a global market share of about 10 percent, the Group is the strongest global player in the lock industry. ASSA ABLOY is represented all over the world, in mature and developing markets and it has a leading position in most of Europe, North America and Australia.

ASSA ABLOY estimates the entire security market to more than EUR 200 bn and developments are primarily driven by the global trend towards higher security. The Group is one of the leaders in the rapidly growing field of electromechanical locks in, for instance, identification, automatic doors and hotel security.

Since its formation in 1994, the ASSA ABLOY Group has grown from a regional company with 4,700 employees to an international Group with 31,000 employees and a turnover of SEK 31.1 bn. As the world's leading lock Group, ASSA ABLOY offers a broader range of products than any other company on the market.

### Development during 2006

2006 was a very good year for ASSA ABLOY with the highest organic growth in the company's history and a substantial improvement in profits. Organic growth was nine percent. A number of supplementary acquisitions contributed a further three percent to turnover which amounted to SEK 31,137 m, an increase of 12 percent compared with 2005. Operating profit, not including structuring expenses, increased by 17 percent to SEK 4,771 m (4,078). ASSA ABLOY's strong development is based on the good financial growth in the most important markets in Europe and North America as well as its success in fast growing segments such as electromechanical locks, passage control, automatic doors and identification technology. The acquisition of, among others, Fargo Electronics and Adams Rite shows the enormous acquisition potential still available on the market.

### Development in the five divisions

Division EMEA has developed very well during the year with a strong organic growth of eight percent and substantially improved profits. Our work to gather all the sales organisations under the trademark ASSA ABLOY has turned out well and sales have grown. A large part of restructuring has affected EMEA leading to the transfer of manufacturing of vital products such as cylinders and lock housings to specialised factories in Eastern Europe and China.

Division Americas had a very successful year with organic growth of 10 percent, which was clearly better than the largest competitors on the American market. The investment in a common sales organisation and more work to specification to stimulate demand has proven highly successful. Working with the Lean Concept which is being implemented in all production throughout the Group has come a long way in the Americas and significantly contributed to the improved profits. Integration of the acquisitions Adams Rite and Baron Metal went well and led to growth in sales and profit.

Division Asia Pacific had a weak development in 2006 with four percent in organic growth and lower profits. Sales in Asia developed well with intensive growth on the Chinese market. Demand in the vital housing market in Australia and New Zealand was, however, weak. The division's profitability was charged with the hefty rise in the prices of raw materials. Nonetheless, profitability improved successively during the year. Continued structural changes that include moving production from Australia and New Zealand and raising prices are expected to improve profitability.

2006 was a very successful year for division Global Technologies with continued strong organic growth of 12 percent. Major investments were made in marketing and product development with a number of new



Every year in Jukkasjärvi, some 20 miles north of the Polar circle, the ICEHOTEL is constructed of primarily ice and snow. Besam was contracted to produce a system for the hotel's main entrance.

products and greater presence in China, India and Brazil. This is expected to contribute to continued rapid growth in 2007. A reorganisation was carried out in the business unit ITG to increase focus on customer segments. During the year an extensive transfer of production to China and Malaysia was initiated. The division has also acquired VisionCard and Fargo Electronics. Fargo gave the Group a leading global position in the rapidly growing segment of issuing cards securely.

Division Entrance Systems' organic growth was 11 percent by increasing market shares. Growth was particularly good in the markets in the US and Asia.

The division continued to acquire supplementary service companies. The development of new products accelerated during the year and a number of exciting new products will be launched in 2007.

### Future development

The Group's fastest growing operations in electromechanical locks, access control systems and identification technology and automatic doors make up around 30 percent of turnover. These are by nature more global in character, which means we will intensify our efforts to sell our products under the ASSA ABLOY trademark and consolidate the sales organisation.

The rate of acquisitions accelerated in 2006 and during the second half of the year reached around five percent in additional revenues. ASSA ABLOY will continue to acquire companies to bring in new technology, strengthen its geographic presence in, for instance, Asia or to complement existing operations.

New products are the most important source of organic growth and therefore product development intensified during the year with an increase in the num-



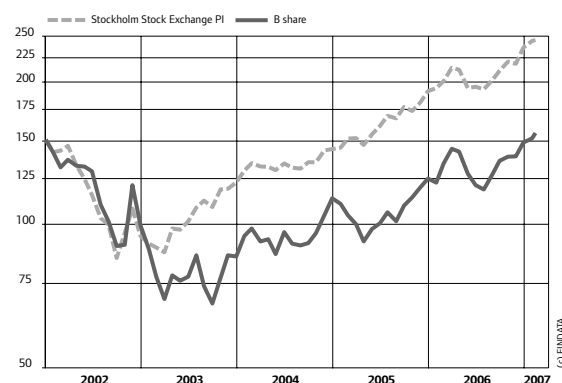
ASSA ABLOY Wangli Security Products is a major player on the Chinese market with its security solutions for doors and locks and it has delivered over 2,000 doors to Wuxi Swan Lake.

ber of electromechanical engineers and the expansion of development resources in low cost countries. Group product development was further reinforced in the area of electronic cylinders, RFID technology as well as in Hi-O.

Through close collaboration with our customers ASSA ABLOY strives to design products that create added value in different customer segments. An example is Future-lab where we conduct customer surveys over the Internet. It has proven to be an efficient way to quickly map customer preferences and a good aid in hitting the mark for new products.

### Shares

The ASSA ABLOY share is listed on the Stockholm Stock Exchange Large Cap list. During 2006 the share price of ASSA ABLOY's B share rose from SEK 125 to SEK 149 per share. Latour's holding at the end of the year was valued at SEK 3,831 m.



| (SEK m)                          | 2006   | 2005   |
|----------------------------------|--------|--------|
| Sales                            | 31,137 | 27,802 |
| Profit after tax                 | 1,756  | 2,613  |
| Proposed dividend per share, SEK | 3.25   | 3.25   |
| Share price 31 December, SEK     | 149    | 125    |
| Latour's share of equity, %      | 7      | 7      |
| Latour's voting share, %         | 16     | 16     |

## Portfolio company AB Fagerhult

The Fagerhult Group, with around 1,600 employees, is the largest lighting group in the Nordic region and a leader in Europe. The Group designs, manufactures and markets professional lighting systems for public areas and has a range of products for interior design. We have sales companies in Sweden, Norway, Denmark, Finland, Great Britain, the Netherlands, Germany, Estonia, Poland, Russia, Spain, France and China. The Group has manufacturing units in Habo, Örnsköldsvik, Varberg, Falkenberg, Borås and Åhus in Sweden, Manchester in England and Suzhou in China. The Group is comprised of Fagerhults Belysning, Ateljé Lyktan, Belid, Fagerhult Retail, LampGustaf Inredning, Elenco, ELC and Whitecroft Lighting and has a turnover of close to SEK 2.2 bn.

### Financial year 2006

In 2006 the Group took further steps along the strategic road initiated in 2004. Our international presence was strengthened through continued expansion in China, acquisitions in France and sales companies in Spain and Poland. From having been a major manufacturer of lighting solutions in Sweden the Group has now taken on a larger role, primarily in the European market.

We are one of the market's major players in Great

Britain through Whitecroft. 2006 was the first whole year with Whitecroft in the Fagerhult Group. The company is integrating well and we see opportunities for further synergies.

Eclairage Conseil Lyonnais (ECL) in France was acquired at the end of the year. ECL concentrates its activities to retail lighting. This opens up opportunities for Fagerhult Retail to grow, particularly in Southern Europe.

The need for greater efficiency and competitive capacity had consequences for the unit in Örnsköldsvik. The decision was made in December to shut down operations and relocate them to our facilities in Habo, Sweden and Suzhou, China.

Demand during the year has been good in most of the markets where the Group is active. Organic growth has been greatest in Sweden, Great Britain, Holland, Australia and France while the other markets reported turnover on par with the previous year. Group net turnover in 2006 amounted to SEK 2,162 m, which is an increase of 23 percent compared to 2005.

Profit after net financial items has, before the cost of shutting down operations in Örnsköldsvik, decreased by SEK 2.9 m to SEK 105.2 m. Included in profits for the previous year were capital gains from the sales of the shares in Tryckta i Markaryd AB of SEK 3.4 m. One-off costs attributable to the closure have thereafter charged profits by SEK 22.5 m, primarily for costs concerning personnel and moving. The unit in China is growing and has shown positive monthly results the entire second half of the year.

### Business areas

#### *Professional Lighting*

The business area comprises sales of interior lighting for public premises such as offices, schools, hospitals and industries.

Net turnover amounted to SEK 1,489 m compared with SEK 1,118 m from the previous year. Operating profit was SEK 105.5 m (92.8) and operating margin 7.1 (8.3) percent. Whitecroft represented SEK 307 m of the increase in turnover.

#### *Retail Lighting*

The business area comprises sales of lighting systems, light sources and service to retail outlets.

Net turnover amounted to SEK 313 m compared with SEK 306 m the previous year. Sales outside of Sweden continue to grow. Operating profit has dropped dramati-



*Electric fittings from the range in the business area Exterior Lighting.*



cally compared to 2005 and was SEK -2.9 m (10.9), i.e. a reduction of SEK 13.8 m. After the first half of the year the drop was SEK 19 m. During the second half of the year the negative trend was broken and profits for that period amounted to SEK 6.7 m, which is SEK 5 m better than the previous year.

#### *Exterior Lighting*

The business area comprises sales of outdoor products used to light buildings, parks, recreational areas, paths and more.

Net turnover amounted to SEK 127 m compared with SEK 107 m the previous year. Operating profit doubled to SEK 6.6 m (3.3) and the operating margin increased by 5.2 (3.1) percent.

#### *Interior Design Lighting*

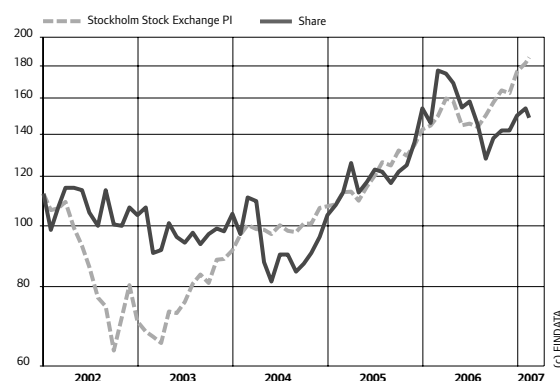
The business area comprises lighting for hotels, conference facilities, public premises and homes.

Net turnover amounted to SEK 233 m compared with SEK 229 m the previous year. Operating profit was SEK 8.2 m, which is an improvement of SEK 0.8 m and the operating margin improved to 3.5 (3.3) percent.

#### **Prospects for 2007**

The acquisition of Whitecroft at the end of 2005 has during 2006 led to continued internationalisation and substantially boosted Group turnover. The acquisition of ECL in France will, together with continued investments in internationalisation among them the newly opened office in Poland, further strengthen the Group on the international market.

The business cycle indicates continued favourable developments and good growth in the construction sector.



*Electric fittings from the range in the business area retail lighting.  
Photograph: Örjan Henriksson*

Fagerhult's operations come in late in the business cycle and market conditions are therefore good, even when the business cycle begins to slow down. Large investments are being made worldwide in shopping malls, stores and increased brand name profiling, which contributes to a strong market for retail lighting systems. In addition, EU's energy directive that regulates energy consumption in housing and public environments will also add to a positive development for the trade in the years to come.

#### **Shares**

The Fagerhult share is listed on the Stockholm Stock Exchange Small Cap list. The share price in 2006 fell from SEK 150 to SEK 149. Latour's holding at the end of the year was valued at SEK 604 m.

| (SEK m)                          | 2006  | 2005  |
|----------------------------------|-------|-------|
| Sales                            | 2,162 | 1,759 |
| Profit after tax                 | 58    | 76    |
| Proposed dividend per share, SEK | 3.75  | 3.50  |
| Share price 31 December, SEK     | 149   | 150   |
| Latour's share of equity, %      | 32    | 32    |
| Latour's voting share, %         | 32    | 32    |

## Portfolio company Securitas AB

Securitas has, through organic growth and acquisitions the past 20 years, grown to be a world leader in security. The Group is now organised into two specialised divisions for guarding solutions; Security Services North America and Security Services Europe and a specialised division for valuables transport services – Loomis. The previous divisions in Securitas, Securitas Systems and Securitas Direct were distributed to shareholders on 29 September 2006 and were listed as separate companies on the Stockholm Stock Exchange. During the second half of 2007 distribution is planned for the valuables transport business, which is in the process of changing names to Loomis, followed by listing on the stock market. The Securitas Group, after distribution of Loomis, will be completely focused on guarding services, primarily in Europe and North America.

### Group development

Organic growth in the Group was 6 (4) percent with an operating margin of 5.9 (6.1) percent. Pre-tax profits increased by, for comparable items, four percent with a stable cash flow corresponding to the Group goal of 75-80 percent of adjusted profit/loss.

### Securitas focused on three main areas in 2006:

- Distribution and listing of Securitas Systems and Securitas Direct
- Loomis for valuables transport services has become a

separate legal entity within Securitas and will be listed in the second half of 2007

- The creation of new Executive Management for Securitas – Alf Göransson was appointed new Chief Executive Officer and President on 5 March 2007

In addition to these three main areas business in all the divisions has been reinforced. Organic growth has improved with constant profitability. Each division has a stable organisation and management and good positions for the future. During 2006 write-downs totalling SEK 2,060 m were a result of developments in various contingent liabilities.

### Divisions

#### *Security Services USA*

Organic growth in 2006 was 5 (4) percent with an operating margin of 5 (5) percent.

2006 was a positive year in both organic sales growth and operating margins.

Key ratios such as new sales and our contract portfolio showed better development than in the previous year. The organisation and operations of the division have been stable. During 2006 the successful work on increasing efficiency in operations and achieving uniformity in how services are carried out has continued.

Confirmation that the business in North America would keep and expand its contract with General Motors in the USA and Europe came in the beginning of August. The total value of the contract is approximately USD 800 m over a five-year period starting 1 January 2007.

#### *Security Services Europe*

Organic growth in 2006 was 7 (5) percent with an operating margin of 7.1 (7.5) percent.

The new organisation in Security Services Europe was implemented in 2005. In 2006 Mobile Services and Alarm Surveillance were established as separate businesses. As of January 2007 the European guarding services consist of Security Services Europe, specialised stationary guarding services for large customers including Airport Security, Mobile Services for small and middle-sized customers and Alarm Surveillance for electronic surveillance of homes and businesses.

In July 2006 Securitas in Sweden won a contract



with the Civil Aviation Administration to provide security solutions and technical support to Arlanda and Bromma airports in Stockholm. The total value of the contract is around SEK 1,000 m over a five-year period and starts on 1 February 2007.

#### Cash Handling Services

Organic growth in 2006 was 5 (2) percent with an operating margin of 7.3 (7.2) percent.

Cash Handling Services provide services for transporting cash, maintenance of ATMs and cash management. Our goal is to increase our share of maintenance and cash management services, which currently amounts to 34 percent of the division's total sales. At the end of 2006 the division began to change its name and brand to Loomis, which will be the common brand for all operations in Europe and the USA.

Håkan Ericson became the CEO in September 2006 and the division is now focused on daily operations and preparations for listing on the stock exchange, which is planned for the second half of 2007. Cal Murri, previously regional manager for the Western Region in the USA, was made head of all American operations. Loomis became a separate legal entity within the Securitas Group at the end of 2006.

In accordance with a proposal by the nominating committee in Securitas AB Jacob Palmstierna was appointed by the board of Securitas AB as the new chairman of the separate Loomis board. He will start in April 2007.

#### Acquisitions 2006

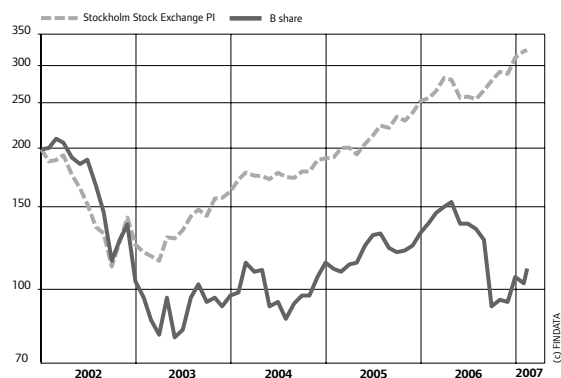
Securitas acquired guarding operations in Europe and USA during 2006 that led to, among other things, new



establishment in Turkey and continued expansion in Spain.

#### Shares

The Securitas share is listed on the Stockholm Stock Exchange Large Cap. During 2006 the share price rose from SEK 92 to SEK 106 per share. The share price is calculated for Securitas without Securitas Systems and Securitas Direct. Latour's holding at the end of the year was valued at SEK 2,866 m.



| (SEK m)                          | 2006   | 2005                |
|----------------------------------|--------|---------------------|
| Sales                            | 60,523 | 58,201              |
| Profit after tax                 | 852    | 2,714 <sup>1)</sup> |
| Proposed dividend per share, SEK | 3.10   | 3.50 <sup>1)</sup>  |
| Share price 31 December, SEK     | 106    | 90                  |
| Latour's share of equity, %      | 7      | 7                   |
| Latour's voting share, %         | 12     | 12                  |

<sup>1)</sup> Including Securitas Systems and Securitas Direct.

## Portfolio company Securitas Direct AB

Securitas Direct is a leading service company that offers homeowners and smaller companies high quality security services based on a standardised range of alarm surveillance products. The platform for Securitas Direct's success is strong focus on growth, scalable concepts and well developed network of local entrepreneurs.

Securitas Direct's offer contains several stages in a value chain consisting of burglary alarms, installation and service, handling alarm signals in alarm centrals and following up alarms with some kind of action.

Securitas Direct is active in every stage of the chain except apprehension where guards or the police step in.

### Goals and strategies

#### Operative goals

- Annual net growth in our customer portfolio of over 20 percent
- Customer departures shall be less than six percent annually
- Repayment time for investments in new customers shall be less than four years
- Operating margin of 8–10 percent

#### Dividend Policy

Based on Securitas Direct's targeted growth goals the board believes the company's cash flow should be reinvested in operations. For this reason no dividends can be anticipated in the next few years.

### Greater focus on sales

More than 90 percent of Securitas Direct's new sales are generated through the company's own market prospecting and new customer searches, either through its own sales corps or via partners. Complementary sales channels, such as alliances with construction, telecom and insur-



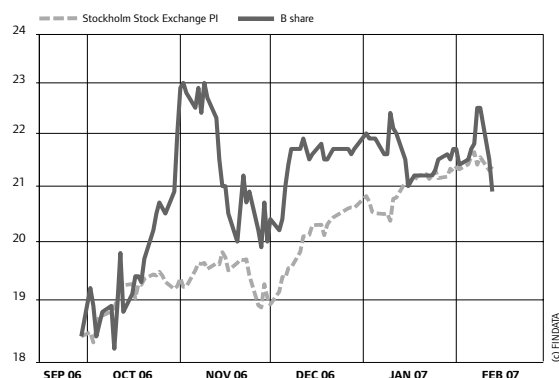
ance companies represent a small part of sales today but are expected to grow in the future. The best part of sales in the Nordic market is through partners while most of sales in the Iberia and Central markets are generated by Securitas Direct's own sales corps.

### Markets with growth potential

Securitas Direct's potential markets in Europe consist of around 170 million homes and 30 million smaller businesses. The number of alarms containing some kind of monitoring and action-taking is estimated at 7–8 million, which means a market penetration of around four percent in Europe. Annual market growth is estimated at 600,000 to 700,000 net subscriptions. The level of penetration in the American market is some 20 percent. The low level of penetration on the European market provides for long-term growth.

### Shares

The B share was listed on 29 September 2006 on the Stockholm Stock Exchange Mid Cap list. Latour's holding at the end of year was worth SEK 585 m.



| (SEK m)                          | 2006 | 2005 |
|----------------------------------|------|------|
| Sales                            | 866  | 725  |
| Profit after tax                 | 36   | 30   |
| Proposed dividend per share, SEK | –    | –    |
| Share price 31 December, SEK     | 22   | –    |
| Latour's share of equity, %      | 7    | –    |
| Latour's voting share, %         | 12   | –    |

## Portfolio company Securitas Systems AB

On 29 September 2006 Systems was hived off the Securitas Group and listed on the Stockholm Stock Exchange. Juan Vallejo, previously division manager, was made CEO and President, Peter Ragnarsson was named CFO and Melker Schörling became chairman of the board.

### Business concept

Systems offers and integrates innovative IT based security and surveillance solutions to companies and organisations with a high risk and rapid growth. Customers are found in marketing segments such as bank and finance, industry, defence, healthcare and retail. The security systems are integrated and protect the customer's employees as well as premises and production. Systems takes total responsibility for the customer's security. Based on thorough risk analyses Systems offers solutions that provide added value and minimise disruptions in the customer's operative activities. These security solutions allow the customer to control their risk environment in a time and cost efficient system. Systems services are based on modern technology and include access control, video surveillance and burglary and fire protection.

### Markets

The market for security systems is very fragmented and immature. A large section of the market consists of smaller, local companies. The market for security system integrators and security installers is estimated in total at SEK 250 bn in Europe and the US. This market is expected to grow on the average of 6–8 percent annually.

### Systems, a globally present player

Systems has subsidiaries in 17 countries. These subsidiaries traditionally work with comprehensive system deliver-



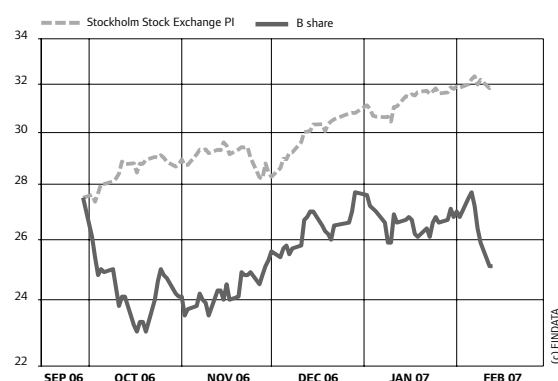
ies rather than installations or with product distribution. Operations in the different countries have during the past few years developed towards becoming complete integrators of security systems. Systems currently has around 5,000 employees and is organised in two geographic segments – US/UK/Ireland and Mainland Europe.

Mainland Europe consists of the European market not including UK/Ireland. The market is still to a large extent fragmented and few actors have the ability to coordinate installations and service in all of Europe. Systems customers in Mainland Europe are primarily found in the bank, retail and industry segments.

The Anglo-Saxon market consisting of US/UK/Ireland has been dominated historically by larger product companies where local players do the installations for the end customer. Systems customers in US/UK/Ireland are primarily found in the bank, retail and healthcare segments.

### Shares

The B share was listed on 29 September 2006 on the Stockholm Stock Exchange Mid Cap list. Latour's holding at the end of year was worth SEK 751 m.



| (SEK m)                          | 2006  | 2005  |
|----------------------------------|-------|-------|
| Sales                            | 6,370 | 5,805 |
| Profit after tax                 | 376   | 371   |
| Proposed dividend per share, SEK | 0.40  | –     |
| Share price 31 December, SEK     | 28    | –     |
| Latour's share of equity, %      | 7     | –     |
| Latour's voting share, %         | 12    | –     |



## Portfolio company Munters AB

### Controlling and adjusting air humidity – the foundation of Munters' operations

Munters is a global player in humidity regulation with services and products for restoration of damage from flooding and fires as well as dehumidification, dewing and air cooling. Our business concept is to be a global service and application oriented, niche company for air treatment based on dehumidification and dewing. Munters has its own units in 30 countries with more than 50 percent global market shares in some market segments. Growth is primarily created through broadening our range of services and selling products with more functions. Our largest customers are in the insurance, food and pharmaceutical industries.

Munters' operations are divided into three divisions – Dehumidification, Moisture Control Systems (MCS) and HumiCool.

### Dehumidification

Dehumidification offers products and complete solutions for controlling air humidity and indoor climates. Keeping air humidity constant and low prevents rust, mould, frost and bacterial growth. This increases the efficiency of our customers' production processes and stock management while improving product quality,



sustainability and hygiene. Dehumidification in combination with cooling creates an ideal indoors climate. Customers are offered a controlled indoor climate no matter whether they are located in a warm and humid or a cold and dry climate. The prioritised market segments in Dehumidification are food and pharmaceutical industries.

### Moisture Control Services

Moisture Control Services, MCS, works with services for restoration of damage from flooding and fires as well as temporary climate control. The service concept in MCS is based on dehumidification and restoration after fire and flooding damage instead of rebuilding. The product area offers a broad range of services from limiting water damage in residential properties, to rental of dehumidifiers to industrial customers. Using dehumidification and restoration after fire and flooding damage instead of rebuilding saves insurance companies time and resources.

### HumiCool

HumiCool offers products and systems that create a controlled indoor climate.

Evaporative cooling is in demand in warm countries and dewing is required in dry and cold countries in order to better indoor environments. The technology is used in many different applications. For instance, climate systems make it possible to grow vegetables and flowers

or rear chickens in a tailor-made climate. An even and well controlled indoors climate contributes to increasing productivity in our customers' operations.

### Strategy

The group's strategy to reach our long-term goals consists of positioning the business so that we can best take advantage of global marketing trends and organisational structures. In addition, Munters will invest in developing modular and flexible platforms.

Integration forward is a vital concept in Munters and a goal of the Group is to make supplementary strategic acquisitions. Purchasing, manufacturing and product development will be global and coordinated in the product divisions Dehumidification and Humicool.

Munters is expanding its manufacturing and sales resources on the Asian market.

### Financial goals

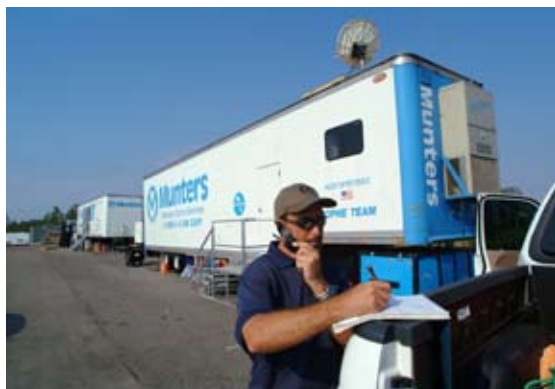
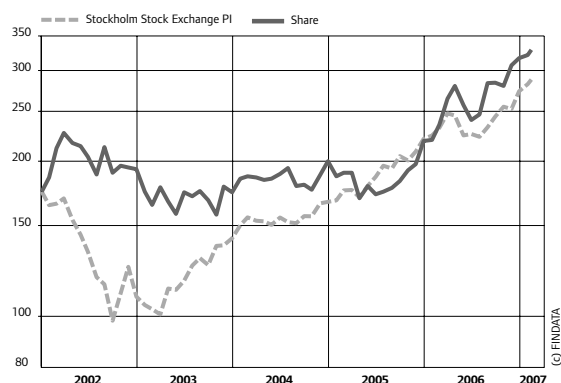
Group financial goals are that over a business cycle turn-over will grow 10 percent annually with an operating margin of 10 percent as well as a capital turnover rate of three times.

### Dividend policy

Munters dividend policy is that dividends shall correspond to approximately half of the average profit after tax, measured over a period of several years.

### Shares

The Munters share is listed on the Stockholm Stock Exchange Mid Cap list. During 2006 the share price rose from SEK 218 to SEK 316. Latour's holding at the end of the year was valued at SEK 1,153 m.



| (SEK m)                          | 2006  | 2005  |
|----------------------------------|-------|-------|
| Sales                            | 5,712 | 5,130 |
| Profit after tax                 | 328   | 252   |
| Proposed dividend per share, SEK | 6.75  | 5.50  |
| Share price 31 December, SEK     | 316   | 218   |
| Latour's share of equity, %      | 15    | 14    |
| Latour's voting share, %         | 15    | 14    |

## Portfolio company Elanders AB

Elanders is the leading infomedia group in the Nordic region. Based on graphic production, we supply publication solutions for all kinds of information to industrials, trading and service companies, publishers and the public sector. The Group has 1,500 employees and operates 15 companies in seven countries. Turnover in 2006 was SEK 2 bn, of which some 38 percent was generated outside of Sweden. Elanders has two business areas: Infologistics, which focuses on comprehensive solutions for customer needs throughout the publication chain (Master Vendor® Concept), and User Manuals which specialises in delivering user information to mobile telephones and other consumer electronics.

### Operations 2006

During 2006 Elanders continued to concentrate their operation in six chosen customer segments; Automotive, Directories, Publishing, Industry & Trade, the Public Sector and the Service Sector.

During the year operations in China started up and the other User Manuals units in Poland and Hungary showed positive results. Infologistics in Sweden and England also developed positively during the year. The operation for manufacturing telephone directories in Kungsbacka continued to have problems during the year and showed a loss of SEK 32 m.

During January 2007 the operations in Kungsbacka were sold which led to costs for write-downs etc. in the annual accounts for 2006 of SEK -151m. With this Elanders left the segment Directories and the business area Infoprint ceased to exist.

In January the Group signed an agreement for the acquisition of Sommer Corporate Media in Waiblingen near Stuttgart in Germany for around EUR 31 m. The company has a turnover of approximately EUR 32 m and is one of



Germany's leading suppliers of product and user information to industrial and service companies. The acquisition is expected to have a positive effect on the result for 2007. Together with the acquisition the Board of Elanders proposed a Rights issue of approximately SEK 150 m with a price of SEK 110 where every sixth share gives the right to subscribe a new share.

### Forecast for 2007

Continued increase in turnover together with improved profits, not including costs for write-downs etc. attributable to the operations in Kungsbacka is anticipated in 2007.

### Shares

The Elanders share is listed on the Stockholm Stock Exchange Small Cap list. During 2006 the price of the Elanders B share rose from SEK 118 to SEK 144. Latour's holding at the end of the year was valued at SEK 195 m.



| (SEK m)                          | 2006  | 2005  |
|----------------------------------|-------|-------|
| Sales                            | 1,988 | 1,953 |
| Profit after tax                 | -49   | 78    |
| Proposed dividend per share, SEK | 2.50  | 2.50  |
| Share price 31 December, SEK     | 144   | 118   |
| Latour's share of equity, %      | 16    | 16    |
| Latour's voting share, %         | 11    | 10    |



## Portfolio company SWECO AB

SWECO is the leading consultancy firm in the Nordic region and offers comprehensive expertise in technology, the environment and architecture. The concrete result of SWECO's work is clean air and water, beautiful and practical housing and workplaces, roads and bridges that make traffic safer and shorten journeys, efficient, profitable and environmentally adapted production. Our home market is the Nordic region. We also have extensive international operations particularly focused on Eastern Europe, Asia, Africa, the Middle East and Latin America.

### Growth with excellent profitability

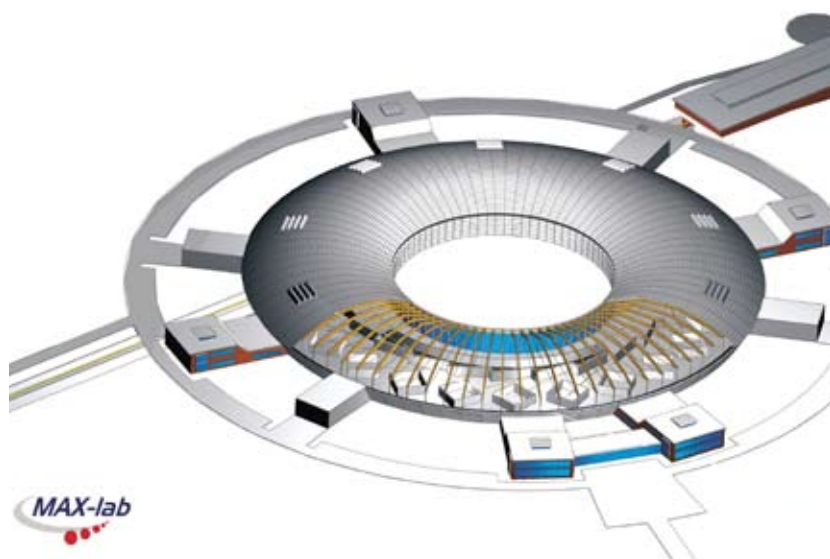
2006 was a record year with intensive growth and a high level of profitability. The operating margin increased to 9.3 percent and operating profit amounted to SEK 361.9 m, a 33 percent increase.

We further strengthened our position on our home market in the Nordic region, primarily in the area of energy. During the year SWECO's expansion eastward was extensive. SWECO is now the largest technique consultant company in Lithuania and Estonia.

At the close of the year SWECO had about 4,200 employees and a turnover of approximately SEK 3.9 bn. SWECO has subsidiaries in eight countries and currently runs projects in 75 countries. About 50 percent of our turnover comes from assignments outside of Sweden. All in all 24,000 projects were carried out for 7,000 customers.

### Operations

SWECO's customers are active in a great number of market segments including manufacturing, processing, environment, energy, construction, property and transportation. Around 60 percent of our customers come



*The MaxLab is being planned at the University of Lund, a synchrotron light laboratory of world class performance quality. SWECO's construction concept proposal is a circular building with optimal natural daylight where administration offices can be connected to the main building when new premises are needed.*

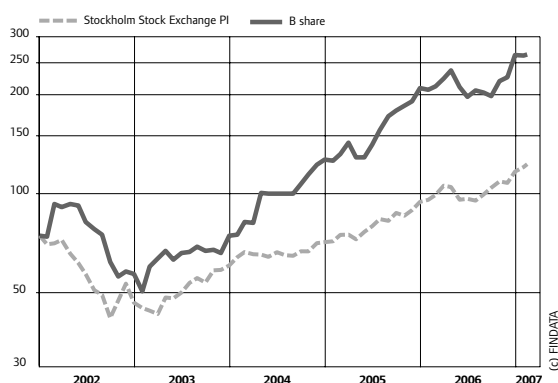
from the private sector and 40 percent from the public sector. International customers outside of the Nordic region include industrials, contractors, power companies, governments or government agencies.

### Prospects for 2007

SWECO's ambition is to continue growing with profitability by fortifying market positions in the Nordic region and develop our operations in Eastern Europe. SWECO's services are in great demand and bright prospects for 2007 are forecasted.

### Shares

The SWECO share is listed on the Stockholm Stock Exchange Mid Cap list. During 2006 the share price of B shares rose from SEK 208 to SEK 264. Latour's holding at the end of the year was valued at SEK 1,615 m.



| (SEK m)                          | 2006             | 2005  |
|----------------------------------|------------------|-------|
| Sales                            | 3,895            | 3,372 |
| Profit after tax                 | 258              | 274   |
| Proposed dividend per share, SEK | 16 <sup>1)</sup> | 5.50  |
| Share price 31 December, SEK     | 264              | 208   |
| Latour's share of equity, %      | 36               | 36    |
| Latour's voting share, %         | 25               | 25    |

<sup>1)</sup> of which redemption will be SEK 8.50

## Portfolio company OEM International AB

OEM International is one of Europe's leading industrial trading companies in components and systems. The Group consists of 23 operating units with operations in 10 countries.

The Group is divided into four business groups:  
 OEM Automatic – Components for industrial automation  
 OEM Electronics – Appliance and circuit board components, EMC/microwave components  
 Cyncrona – Production systems and components for electronics production  
 Development – Bearings and bearing solutions, seals and pumps

### Record-breaking year

2006 was a record-breaking year for OEM. Profits amounted to SEK 91 m, which is an all-time high for the Group.

The operative units have developed well at the same time the divestiture of JMS Systemhydraulik generated capital gains of SEK 80 m.

### Acquisitions in the Czech Republic

The Czech company EIG Spol. s.r.o. was acquired in April. The company works with automation components and has 12 employees. Turnover is approximately SEK 25 m with around SEK 4.5 m in profits. Our plan is to develop the business with a broader range of products and more customer service. The acquisition opens up a new, interesting market and creates opportunities to expand in the Czech Republic and Slovakia.

### Further development of the concept

Each business group has continued to develop during the year, which has reinforced our competitive capacity and augmented stability. We will continue to work with this, one measure will be to increase the mobility of employees



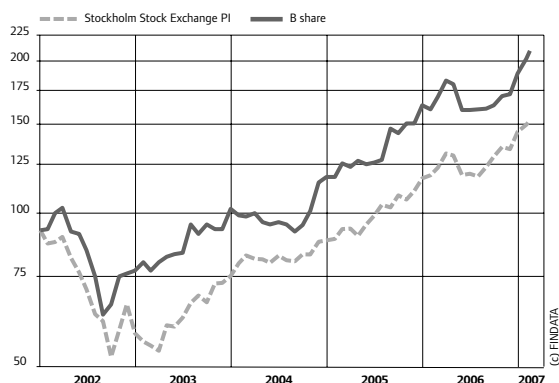
between different countries. Our ability to enter into new geographical markets increases as our operations grow stronger.

### Continued focus on acquisitions

A single company was acquired during the year which was lower than the Group's goal. This is in part due to the fact that more of our resources than planned worked with the development of our existing operations and in part because the possible acquisitions we reviewed did not have enough potential or they did not fit in with our business. Acquisitions are still an important part of our expansion strategy and during 2007 activities on this front will increase.

### Shares

The B share is listed on the Stockholm Stock Exchange Small Cap list. The B share price rose from SEK 164 to SEK 189. The value of Latour's holding was valued at SEK 98 m.



| (SEK m)                          | 2006               | 2005  |
|----------------------------------|--------------------|-------|
| Sales                            | 1,450              | 1,366 |
| Profit after tax                 | 91                 | 82    |
| Proposed dividend per share, SEK | 8.50 <sup>1)</sup> | 7.00  |
| Share price 31 December, SEK     | 189                | 164   |
| Latour's share of equity, %      | 7                  | –     |
| Latour's voting share, %         | 11                 | –     |

<sup>1)</sup> not including redemption share SEK 20.00

# The Annual Accounts 2006

*The Board of Directors and Chief Executive Officer of Investment AB Latour (publ) herewith present the Annual Report and the consolidated annual accounts for 2006.*

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## Board of Directors' Report 2006

### GROUP

Investment AB Latour's investment portfolio was valued at SEK 11,698 m at the end of the year. The portfolio holding accounts are reported on page 8 in the Annual Report. The largest holdings in terms of value are Assa Abloy AB and Securitas AB. Companies in which Latour's voting share is equal to or exceeds 20 percent are reported as associated companies according to the equity method. This category includes AB Fagerhult and Sweco AB, which are part of the investment portfolio on page 8 but are also reported as participation in associated companies in the consolidated balance sheet.

In addition, Latour has shares in about 50 wholly-owned operating companies that are organised into seven business areas. These are described on pages 14–27. Group operations are run by Latour's subsidiary Nordiska Industri AB and trading with shares and securities is handled by another subsidiary, Karpalunds Ångbryggeri AB.

### Changes in the Group

The following companies were acquired in 2006.

| <i>Company</i> | <i>Annual turnover</i> | <i>Business areas</i>  |
|----------------|------------------------|------------------------|
| HordaGruppen   | SEK 175 m              | Automotive             |
| Brickpack      | SEK 75 m               | Engineering Technology |
| JMS            | SEK 155 m              | Hydraulics             |
| Snickers       | SEK 450 m              | Hand Tools             |

Since most of the acquisitions have taken place at the end of the year the acquired companies have had an insignificant effect on profit.

The following companies were divested in 2006.

| <i>Company</i>     | <i>Annual turnover</i> | <i>Business areas</i>  |
|--------------------|------------------------|------------------------|
| Almedahls Alingsås | SEK 60 m               | Textiles               |
| Specma Drives      | SEK 40 m               | Engineering Technology |
| Elkapsling         | SEK 75 m               | Engineering Technology |
| IF Luftfilter      | SEK 200 m              | Filters                |

In addition the Group's property in Alingsås containing Almedahls Alingsås and IF Luftfilter operations was sold.

Further information regarding acquisitions and divestitures is found in note 42–43.

### Events after the balance sheet date

The shares in Almedahls AB were sold during the

first quarter of 2007. The company's turnover in 2006 amounted to SEK 94 m.

AVT Industriteknik AB was acquired in the Engineering Technology business area. The company sells automated robot solutions and has a turnover of SEK 50 m. Together with Specma Automation turnover will amount to SEK 130 m.

### Invoiced sales and profits

Net sales for the Group totalled SEK 5,313 m (4,852), of which foreign sales was 44 percent (47).

The Group's overall profit after financial items and tax was SEK 1,119 m (709). The operating subsidiaries reported an operating profit of SEK 710 m (342), of which SEK 282 m (10) refer to capital gains from the divestiture of subsidiaries. Profits from portfolio management totalled SEK 384 m (367) before financial items. Profit from participation in associated companies totalled SEK 171 m (133).

Net financial items totalled SEK –33 m (–50). Profit after financial items totalled SEK 1,232 m (792).

Tax on profits for the year was SEK –113 m (–83) of which SEK –132 m was actual tax and SEK 19 m was deferred tax.

### Liquidity and financial position

The Group's liquid assets totalled SEK 166 m (138). Interest-bearing liabilities, excluding pension liabilities, totalled SEK 1,647 m (1,565), of which SEK 1,634 m (1,557) matures in less than one year. The Group's pension liabilities totalled SEK 131 m (129). Cash flow from current operations in the operating subsidiaries was SEK 421 m (327) and after investments SEK 323 m (196).

The reported equity ratio was 78 percent (76) while the adjusted equity ratio, after consideration of surplus value in associated companies, amounted to 80 percent (78). The net debt/equity ratio, adjusted for surplus value in associated companies, totalled 13 percent (16).

### Personnel

The average number of employees in the Group was 3,173 (2,975), of which 511 (493) were employed abroad. Information concerning wages and remuneration as well as the allocation of the number of employees is given in note 9.

### Investments

The operating subsidiaries' investments in tangible assets totalled SEK 239 m (170) of which SEK 163 m (127) was machinery and SEK 21 m (22) was vehicles and SEK 55 m (21) buildings. Of the investments made during the year SEK 103 m (22) was fixed assets in newly acquired companies. Investments in intangible assets in connection with acquisitions amounted to SEK 426 m (41).

### Currency exposure

The subsidiaries' sales and purchases in foreign currencies are balanced through the Group's joint financial function. On the balance sheet date there were forward covered sales totalling SEK 272 m. Currency hedging amounted to SEK 61 m not including currency hedging through currency clauses in major import deals. With the exception of net sales in Norwegian crowns, which totalled about NOK 300 m, there is a relatively good balance between purchases and sales in foreign currency. Information concerning Group financial risk exposure is given in note 32.

### Board work during 2006

The board consisted of eight members elected by the Annual General Meeting in 2006. A presentation of the board of directors appears on page 82. The Group's chief financial officer was the secretary of the board. During 2006 the board held four regular meetings and one telephone meeting.

At two of these meetings the board discussed the Group's budget and subsequent forecasts. The board also discussed issues concerning portfolio investments, acquisitions and divestitures of subsidiaries and adopted the investment framework applicable to the wholly owned subsidiaries. The company's auditors attended and expressed their views at two board meetings, one concerning the annual accounts and one in connection with a report from an audit of current accounting and internal control.

The board is responsible for the company's organisation and management and makes regular assessments of the parent company's and the Group's financial position. The board has adopted written rules of procedure, which regulate, among other things, the number of board meetings, matters to be put before the board, financial reporting and instructions for the CEO.

It was deemed important that all board members be informed directly of the outcome of the auditors' work and any comments and conclusions they arrive at. For this reason, it was resolved that the board as a whole should act as the auditing committee.

The Annual General Meeting of 2006 decided to appoint a nominating committee consisting of the principal shareholder and representatives for two other major owners.

Pursuant to an agreement with the affected labour unions, starting 2005, the Group's employee representation will participate in Latour Industrier AB, which is the parent company to the wholly owned trading and industrial subsidiaries. For this reason there are no employee representatives on the board of Investment AB Latour.

### Guidelines for remuneration to senior officers

At the Annual General Meeting 2006 the following guidelines were adopted.

Remuneration to the chief executive officer and other senior officers consists of wages, variable remuneration and pension. Other senior officers are Group management and business area managers. The variable remuneration is based on targeted goals and amounts to between 25-75 percent of basic wages. The retirement age for the chief executive officer is 62, after which pension makes up 60 percent of basic wages for three years. The retirement age for all other senior officers is 65.

### Environmental impact

The Latour Group runs operations required to have permits according to the Environmental Act in four of the Group's subsidiaries. The companies obliged to seek permits and submit reports are active in textile manufacturing and production in the engineering industry. Environmental impact is through emissions into the atmosphere and discharge into municipal purification plants. These emissions are not considered significant. All affected companies have the permits necessary for their operations.

### Share buyback and share conversion

The total number of registered shares in circulation at the end of 2006 were 43,820,000. Of these 120,000 class A shares have been previously bought back at an average price of SEK 141. These shares have then been

converted to class B shares. As these shares bear no entitlement to dividends, they are not included in the total number for the proposed profit distribution.

Under the conversion clause in the articles of association owners of class A shares have the right to convert them to class B shares. During the year 574,430 class A shares were converted to class B shares.

### PARENT COMPANY

The parent company, Investment AB Latour, administers the Group's investment portfolio and is the parent company of the Group.

Profit for the year after tax totalled SEK 469 m (378).

Shares were purchased for SEK 364 (67) m and sold for SEK 478 (252) m.

During the year 35,000 shares in Fagerhult were sold at a profit of SEK 4 m. Redemption of 6,142,568 shares in Sweco generated capital gains of SEK 54 m. After a public procurement procedure the entire holding in NEA was sold with capital gains of SEK 166 m.

The holding in ProstaLund was sold. Due to previous write-downs the sales generated capital gains of SEK 7 m. The holding in Bravida was also sold, resulting in a capital loss of SEK 5 m.

55,000 shares in Elanders, 250,000 shares in Munters, 521,000 shares in OEM and 1,590,000 B shares in Securitas were purchased. After Securitas' distribution

of shares in Securitas Direct and Securitas Systems the investment portfolio contains the same amount of shares in the new holdings as it did in Securitas.

Capital gains on the sale of shares totalled SEK 224 m (203) and received dividends from listed companies amounted to SEK 256 m (223).

Administration costs have been kept low this year as well. They were in total SEK 12 m, which corresponds to around 0.1 percent of the value of the investment portfolio.

The reported equity ratio was 84 percent (63) while the adjusted equity ratio, taking into account surplus value in the investment portfolio, was 95 percent (84).

### Proposed dividends and profit distribution

The board of directors proposes that the Annual General Meeting resolves to pay a dividend of SEK 8.50 (7.00) per share. The total proposed dividends amount to SEK 371.5 m.

### PROSPECTS FOR 2007

A continued strong economy will make it possible to show good results for the companies in the Group's business areas. Holdings in the investment portfolio inspire confidence and reflect well run and consolidated companies. All in all, this makes for continued positive development in the Latour share.

## Proposed disposition of profits

The board is of the opinion that the proposed dividend is justifiable with regard to the demands that operations impose on the size of equity taking into consideration the scope and risks of the business and with regard to the company's and Group's financial strength, liquidity and overall position.

No amount in the parent company's equity on the balance date stemmed from assets and liabilities valued at fair value according 4 Capital 14a § of the Annual Accounts Act.

Group equity includes changes in value amounting to the net sum of SEK 6,360 m.

The following profits are at the disposal of the shareholders' meeting:

|                     |                  |
|---------------------|------------------|
| Retained profits    | 2,660.9 Mkr      |
| Profit for the year | <u>469.0 Mkr</u> |
|                     | 3,129.9 Mkr      |

The number of shares entitling the holder to receive dividends totalled 43,700,000 on 13 March 2007, which does not include bought-back shares. The board and the chief executive officer propose that the profits be disposed of in the following manner:

|   |                    |
|---|--------------------|
| To shareholders, a dividend of SEK 8.50 per share |                    |
| which totals                                      | 371.5 Mkr          |
| To be carried forward                             | <u>2,758.4 Mkr</u> |
|   | 3,129.9 Mkr        |

The income statement and balance sheet will be presented to the Annual General Meeting on 2007-05-08 for adoption.

Gothenburg, 13 March 2007

Gustaf Douglas  
Chairman

Anders Böös

Elisabeth Douglas

Eric Douglas

Bo Eveborn

Fredrik Palmstierna

Jan Svensson

Caroline af Ugglas

Our Independent Accountants' Report was given 21 March 2007.

Öhrlings PricewaterhouseCoopers AB

Lennart Wiberg

Olof Enerbäck

## Quarterly data

| SEK m  | Q 1    | Q 2    | 2006<br>Q 3 | Q 4    | Full-year | Q 1   | Q 2   | 2005<br>Q 3 | Q 4    | Full-year |
|--|--------|--------|-------------|--------|-----------|-------|-------|-------------|--------|-----------|
| <b>INCOME STATEMENT</b>                                |        |        |             |        |           |       |       |             |        |           |
| Net turnover   | 1,286  | 1,318  | 1,207       | 1,502  | 5,313     | 1,192 | 1,274 | 1,079       | 1,307  | 4,852     |
| Cost of goods sold                                     | -957   | -999   | -912        | -1,130 | -3,998    | -920  | -962  | -795        | -973   | -3,650    |
| <b>Gross profit</b>                                    | 329    | 319    | 295         | 372    | 1,315     | 272   | 312   | 284         | 334    | 1,202     |
| Sales costs  | -168   | -166   | -145        | -175   | -654      | -156  | -157  | -140        | -171   | -624      |
| Administration costs                                   | -63    | -64    | -50         | -73    | -250      | -68   | -66   | -56         | -66    | -256      |
| Other operating income                                 | 16     | 295    | 17          | 28     | 356       | 15    | 22    | 13          | 25     | 75        |
| Other operating costs                                  | -12    | -10    | -12         | -23    | -57       | -13   | -11   | -13         | -17    | -55       |
| <b>Operating profit</b>                                | 102    | 374    | 105         | 129    | 710       | 50    | 100   | 88          | 105    | 342       |
| Profit/loss from participation in associated companies | 38     | 80     | 18          | 35     | 171       | 18    | 32    | 33          | 50     | 133       |
| Profit/loss from portfolio management                  | -2     | 207    | 6           | 173    | 384       | 5     | 376   | 10          | -25    | 367       |
| <b>Profit before financial items</b>                   | 138    | 661    | 129         | 337    | 1,265     | 73    | 508   | 131         | 130    | 842       |
| Financial income                                       | 1      | 4      | 0           | 7      | 12        | 2     | 2     | 2           | 0      | 6         |
| Financial costs  | -10    | -11    | -11         | -13    | -45       | -17   | -16   | -14         | -9     | -56       |
| <b>Profit after financial items</b>                    | 129    | 654    | 118         | 331    | 1,232     | 58    | 494   | 119         | 121    | 792       |
| Taxes  | -27    | -38    | -14         | -34    | -113      | -12   | -24   | -21         | -26    | -83       |
| <b>Profit for the year</b>                             | 102    | 616    | 104         | 297    | 1,119     | 46    | 470   | 98          | 95     | 709       |
| <b>KEY RATIOS</b>                                      |        |        |             |        |           |       |       |             |        |           |
| Earnings per share (SEK)                               | 2.33   | 14.10  | 2.38        | 6.80   | 25.61     | 1.05  | 10.73 | 2.24        | 2.17   | 16.20     |
| Adjusted equity ratio                                  | 81%    | 80%    | 80%         | 80%    | 80%       | 72%   | 74%   | 75%         | 78%    | 78%       |
| Adjusted equity  | 11,259 | 10,342 | 11,008      | 12,467 | 12,467    | 7,999 | 8,371 | 8,669       | 9,862  | 9,862     |
| Substance value  | 12,651 | 11,719 | 12,558      | 14,095 | 14,095    | 8,502 | 8,673 | 9,407       | 10,884 | 10,884    |
| Substance value per share (SEK)                        | 290    | 268    | 287         | 323    | 323       | 195   | 198   | 215         | 249    | 249       |
| <b>TURNOVER</b>  |        |        |             |        |           |       |       |             |        |           |
| Automotive   | 124    | 159    | 114         | 164    | 561       | 90    | 97    | 73          | 103    | 363       |
| Filters  | 48     | -      | -           | -      | 48        | 43    | 61    | 45          | 52     | 201       |
| Hand Tools   | 126    | 134    | 144         | 141    | 545       | 106   | 116   | 119         | 121    | 462       |
| Hydraulics   | 229    | 228    | 193         | 243    | 893       | 202   | 218   | 170         | 208    | 798       |
| Air Treatment  | 327    | 372    | 334         | 412    | 1,445     | 273   | 317   | 310         | 344    | 1,244     |
| Machinery Trading                                      | 206    | 191    | 209         | 322    | 928       | 173   | 175   | 154         | 233    | 735       |
| Textiles   | 117    | 100    | 87          | 77     | 381       | 220   | 181   | 108         | 133    | 642       |
| Engineering Technology                                 | 117    | 140    | 132         | 149    | 538       | 93    | 114   | 107         | 122    | 436       |
| Eliminations   | -8     | -6     | -6          | -6     | -26       | -8    | -5    | -7          | -9     | -29       |
|  | 1,286  | 1,318  | 1,207       | 1,502  | 5,313     | 1,192 | 1,274 | 1,079       | 1,307  | 4,852     |
| <b>OPERATING PROFIT/LOSS</b>                           |        |        |             |        |           |       |       |             |        |           |
| Automotive   | 8      | 2      | -3          | 5      | 12        | 4     | 8     | 1           | 5      | 18        |
| Filters  | 1      | -      | -           | -      | 1         | 0     | 8     | 4           | 5      | 17        |
| Hand Tools   | 8      | 10     | 16          | 14     | 48        | 7     | 14    | 17          | 10     | 48        |
| Hydraulics   | 16     | 14     | 8           | 18     | 56        | 8     | 10    | 4           | 10     | 32        |
| Air Treatment  | 27     | 42     | 42          | 48     | 159       | 13    | 27    | 38          | 36     | 114       |
| Machinery Trading                                      | 11     | 4      | 12          | 26     | 53        | 3     | -1    | 7           | 11     | 20        |
| Textiles   | 8      | -1     | 1           | -6     | 2         | 7     | 11    | 3           | 11     | 32        |
| Engineering Technology                                 | 19     | 19     | 22          | 20     | 80        | 14    | 17    | 17          | 13     | 61        |
| Eliminations   | 4      | -4     | 0           | -1     | -1        | -6    | 6     | -3          | 2      | -1        |
|  | 102    | 86     | 98          | 124    | 410       | 50    | 100   | 88          | 103    | 341       |
| Capital gains from company divestitures                | 0      | 282    | -2          | 2      | 282       | 0     | 0     | 0           | 10     | 10        |
| Other items  | 0      | 6      | 9           | 3      | 18        | 0     | 0     | 0           | -9     | -9        |
|  | 102    | 374    | 105         | 129    | 710       | 50    | 100   | 88          | 104    | 342       |
| <b>OPERATING MARGINS (%)</b>                           |        |        |             |        |           |       |       |             |        |           |
| Automotive   | 6.5    | 1.3    | -2.6        | 3.0    | 2.1       | 4.8   | 8.2   | 1.4         | 4.9    | 4.8       |
| Filters  | 2.3    | -      | -           | -      | 2.3       | 0.0   | 13.1  | 8.9         | 9.6    | 8.5       |
| Hand Tools   | 6.6    | 7.5    | 11.1        | 9.9    | 8.8       | 6.3   | 12.1  | 14.3        | 8.3    | 10.3      |
| Hydraulics   | 6.9    | 6.1    | 4.1         | 7.4    | 6.2       | 3.8   | 4.6   | 2.4         | 4.8    | 4.1       |
| Air Treatment  | 8.3    | 11.3   | 12.6        | 11.7   | 11.0      | 4.6   | 8.5   | 12.3        | 10.5   | 9.1       |
| Machinery Trading                                      | 5.1    | 2.1    | 5.7         | 8.1    | 5.7       | 1.7   | -0.6  | 4.5         | 4.7    | 2.7       |
| Textiles   | 7.0    | -1.0   | 1.1         | -7.8   | 0.7       | 3.0   | 6.1   | 2.8         | 8.3    | 5.0       |
| Engineering Technology                                 | 16.4   | 13.6   | 16.7        | 13.4   | 14.8      | 14.8  | 14.9  | 15.9        | 10.7   | 14.0      |
|  | 7.9    | 6.5    | 8.1         | 8.3    | 7.7       | 4.2   | 7.8   | 8.2         | 7.9    | 7.0       |



## Consolidated income statement

| SEK m  | Note | 2006         | 2005         |
|--|------|--------------|--------------|
| Net turnover   | 3,4  | 5,313        | 4,852        |
| Cost of goods sold   |      | -3,998       | -3,650       |
| <b>Gross profit</b>  |      | <b>1,315</b> | <b>1,202</b> |
| Sales costs  |      | -654         | -624         |
| Administrative costs   |      | -250         | -256         |
| Other operating income   | 12   | 356          | 75           |
| Other operating costs  | 12   | -57          | -55          |
| <b>Operating profit</b>  | 5-11 | <b>710</b>   | <b>342</b>   |
| Profit/loss from participation in associated companies                                       | 13   | 171          | 133          |
| Profit/loss from portfolio management  | 14   | 384          | 367          |
| <b>Profit before financial items</b>   |      | <b>1,265</b> | <b>842</b>   |
| Financial income   | 15   | 12           | 6            |
| Financial costs  | 16   | -45          | -56          |
| <b>Profit after financial items</b>  |      | <b>1,232</b> | <b>792</b>   |
| Taxes  | 17   | -113         | -83          |
| <b>Profit for the year</b>   |      | <b>1,119</b> | <b>709</b>   |
| <b>Attributable to:</b>  |      |              |              |
| Parent company shareholders  |      | 1,119        | 708          |
| Minority interests   |      | 0            | 1            |
| <b>Earnings per share</b> regarding profit attributable to parent company shareholders (SEK) | 33   | 25.61        | 16.20        |

## Consolidated balance sheet

| SEK m   | Note | 2006          | 2005          |
|---|------|---------------|---------------|
| <b>ASSETS</b>                                 |      |               |               |
| <b>Fixed assets</b>                           |      |               |               |
| <i>Intangible assets</i>                      | 18   | 579           | 161           |
| <i>Tangible assets</i>                        |      |               |               |
| Buildings                                     | 19   | 230           | 297           |
| Land and land improvements                    | 20   | 31            | 33            |
| Machinery                                     | 21   | 276           | 243           |
| Equipment                                     | 22   | 140           | 127           |
| Construction in progress and advance payments | 23   | 8             | 7             |
| <i>Financial assets</i>                       |      |               |               |
| Participation in associated companies         | 25   | 679           | 703           |
| Listed shares                                 | 26   | 9,479         | 7,751         |
| Other securities held as fixed assets         | 27   | 75            | 155           |
| Deferred tax                                  | 35   | 19            | 11            |
| Other long-term receivables                   | 28   | 17            | 21            |
|   |      | <b>11,533</b> | <b>9,509</b>  |
| <b>Current assets</b>                         |      |               |               |
| <i>Inventories etc.</i>                       | 29   |               |               |
| Raw materials and consumables                 |      | 194           | 177           |
| Work in progress                              |      | 103           | 99            |
| Finished products and goods for resale        |      | 578           | 516           |
| Work on contract                              |      | 7             | 4             |
| Advance payments to suppliers                 |      | 3             | 17            |
| <i>Listed shares</i>                          | 30   | 124           | 35            |
| <i>Current receivables</i>                    |      |               |               |
| Accounts receivable                           |      | 1,082         | 776           |
| Prepaid tax                                   |      | 22            | 19            |
| Derivate instruments                          |      | 5             | –             |
| Other current receivables                     |      | 141           | 64            |
| Prepaid expenses and accrued income           |      | 63            | 60            |
| <i>Liquid assets</i>                          | 31   | 166           | 138           |
|   |      | <b>2,488</b>  | <b>1,905</b>  |
| <b>Total assets</b>                           |      | <b>14,021</b> | <b>11,414</b> |

# Consolidated balance sheet

| SEK m   | Note | 2006          | 2005          |
|---|------|---------------|---------------|
| <b>EQUITY</b>   |      |               |               |
| <i>Capital and reserves attributable to parent company shareholders</i> | 33   |               |               |
| Share capital   |      | 110           | 110           |
| Share buyback   |      | -17           | -17           |
| Other reserves  |      | 6,360         | 4,847         |
| Profit brought forward  |      | 4,472         | 3,733         |
|   |      | <b>10,925</b> | <b>8,673</b>  |
| <i>Minority interest</i>  |      | 1             | 3             |
| <b>Total equity</b>   |      | <b>10,926</b> | <b>8,676</b>  |
| <b>Liabilities</b>  |      |               |               |
| <i>Long-term liabilities</i>  |      |               |               |
| Pension obligations   | 34   | 131           | 129           |
| Deferred tax liability  | 35   | 105           | 120           |
| Other provisions  | 36   | 10            | 6             |
| Interest-bearing liabilities  | 37   | 13            | 8             |
| Non-interest-bearing liabilities  | 37   | 12            | 0             |
|   |      | <b>271</b>    | <b>263</b>    |
| <i>Current liabilities</i>  |      |               |               |
| Bank overdraft facilities   | 38   | 47            | 12            |
| Liabilities to credit institutions                                      | 32   | 1,587         | 1,544         |
| Advance payments from customers   |      | 11            | 31            |
| Accounts payable  |      | 570           | 442           |
| Tax liabilities   |      | 92            | 48            |
| Other provisions  | 36   | 5             | 7             |
| Derivative instruments  | 32   | -             | 1             |
| Other liabilities   |      | 166           | 87            |
| Accrued expenses and deferred income                                    | 39   | 346           | 303           |
|   |      | <b>2,824</b>  | <b>2,475</b>  |
| <b>Total liabilities</b>  |      | <b>3,095</b>  | <b>2,738</b>  |
| <b>Total equity and liabilities</b>                                     |      | <b>14,021</b> | <b>11,414</b> |
| Pledged assets  | 40   | 116           | 110           |
| Contingent liabilities  | 41   | 17            | 12            |

## Consolidated cash flow statement

| SEK m  | Note | 2006        | 2005        |
|--|------|-------------|-------------|
| Operating profit   |      | 710         | 342         |
| Depreciation   |      | 134         | 139         |
| Capital gains  |      | -296        | -10         |
| Adjustments for items not included in cash flow                            |      | -7          | -2          |
| Paid tax   |      | -92         | -59         |
| <b>Cash flow from current operations before changes in working capital</b> |      | <b>449</b>  | <b>410</b>  |
| <i>Change in working capital</i>   |      |             |             |
| Inventories  |      | 23          | -41         |
| Accounts receivable  |      | -186        | -114        |
| Current receivables  |      | 25          | -49         |
| Current liabilities  |      | 110         | 121         |
|  |      | <b>-28</b>  | <b>-83</b>  |
| <b>Cash flow from current operations</b>                                   |      | <b>421</b>  | <b>327</b>  |
| <i>Investments</i>   |      |             |             |
| Acquisition of subsidiaries  | 42   | -477        | -81         |
| Sales of subsidiaries  | 43   | 480         | 110         |
| Acquisition of fixed assets  |      | -135        | -147        |
| Sale of fixed assets   |      | 37          | 16          |
| <b>Cash flow from investments</b>  |      | <b>-95</b>  | <b>-102</b> |
| <i>Portfolio management</i>  |      |             |             |
| Dividends received   |      | 257         | 224         |
| Administration costs etc.  |      | -12         | -28         |
| Change in working capital  |      | -78         | -6          |
| Acquisition of listed shares etc.  |      | -593        | -72         |
| Sale of listed shares  |      | 639         | 267         |
| <b>Cash flow from portfolio management</b>                                 |      | <b>213</b>  | <b>385</b>  |
| <b>Cash flow after investments and portfolio management</b>                |      | <b>539</b>  | <b>610</b>  |
| <i>Financial payments</i>  |      |             |             |
| Interest received  |      | 8           | 8           |
| Interest paid  |      | -43         | -69         |
| Net change in borrowings   |      | -164        | -318        |
| Dividends paid   |      | -306        | -262        |
| Share buyback  |      | -           | -           |
| <b>Cash flow from financial payments</b>                                   |      | <b>-505</b> | <b>-641</b> |
| <b>Change in liquid assets</b>   |      | <b>34</b>   | <b>-31</b>  |
| Liquid funds at the beginning of the year                                  |      | 138         | 162         |
| Translation difference in liquid assets                                    |      | -6          | 7           |
| Liquid assets at the end of the year                                       | 31   | 166         | 138         |

## Change in consolidated equity

| SEK m  | Note      | Attributable to parent company shareholders |                    |                |                        | Minority interests | Total         |
|--|-----------|---|--------------------|----------------|------------------------|--------------------|---------------|
|  |           | Share capital                               | Shares bought back | Other reserves | Profit brought forward |                    |               |
| <b>Closing equity 2004-12-31</b>   | <b>33</b> | <b>110</b>                                  | <b>-17</b>         | <b>-2</b>      | <b>3,263</b>           | <b>2</b>           | <b>3,356</b>  |
| Adjustment for change in accounting principles   |           |   |                    | 4,127          |                        |                    | 4,127         |
| <b>Opening balance 2005-01-01</b>  | <b>33</b> | <b>110</b>                                  | <b>-17</b>         | <b>4,125</b>   | <b>3,263</b>           | <b>2</b>           | <b>7,483</b>  |
| Translation differences for the year   |           |   |                    | 14             |                        |                    | 14            |
| Available-for-sale financial assets:   |           |   |                    |                |                        |                    |               |
| Revaluations recognised directly in equity   |           |   |                    | 924            |                        |                    | 924           |
| Reported as profit or loss when divested   |           |   |                    | -213           | 19                     |                    | -194          |
| Cash flow hedges   |           |   |                    |                |                        |                    |               |
| Recognised directly in equity  |           |   |                    | -1             |                        |                    | -1            |
| Net investment hedges  |           |   |                    | -2             |                        |                    | -2            |
| Changes in associated companies' equity  |           |   |                    |                | 7                      |                    | 7             |
| Other  |           |   |                    |                | -2                     |                    | -2            |
| Profit for the year  |           |   |                    |                | 708                    | 1                  | 709           |
| <b>Total changes in wealth recognised directly in equity, excl. transactions with company owners</b> |           | <b>110</b>                                  | <b>-17</b>         | <b>4,847</b>   | <b>3,995</b>           | <b>3</b>           | <b>8,938</b>  |
| Dividends  |           |   |                    |                | -262                   |                    | -262          |
| <b>Closing equity 2005-12-31</b>   | <b>33</b> | <b>110</b>                                  | <b>-17</b>         | <b>4,847</b>   | <b>3,733</b>           | <b>3</b>           | <b>8,676</b>  |
| <b>Opening balance 2006-01-01</b>  | <b>33</b> | <b>110</b>                                  | <b>-17</b>         | <b>4,847</b>   | <b>3,733</b>           | <b>3</b>           | <b>8,676</b>  |
| Translation differences for the year   |           |   |                    | -13            |                        |                    | -13           |
| Available-for-sale financial assets:   |           |   |                    |                |                        |                    |               |
| Revaluations recognised directly in equity   |           |   |                    | 1,659          |                        |                    | 1,659         |
| Reported as profit or loss when divested   |           |   |                    | -136           |                        |                    | -136          |
| Cash flow hedges   |           |   |                    |                |                        |                    |               |
| Recognised directly in equity  |           |   |                    | 1              | -1                     |                    | 0             |
| Net investment hedges  |           |   |                    | 2              |                        |                    | 2             |
| Changes in associated companies' equity  |           |   |                    |                | -74                    |                    | -74           |
| Acquisition of minority interests  |           |   |                    |                | 2                      | -2                 | 0             |
| Other  |           |   |                    |                | -1                     |                    | -1            |
| Profit for the year  |           |   |                    |                | 1,119                  |                    | 1,119         |
| <b>Total changes in wealth recognised directly in equity, excl. transactions with company owners</b> |           | <b>110</b>                                  | <b>-17</b>         | <b>6,360</b>   | <b>4,778</b>           | <b>1</b>           | <b>11,232</b> |
| Dividends  |           |   |                    |                | -306                   |                    | -306          |
| <b>Closing equity 2006-12-31</b>   | <b>33</b> | <b>110</b>                                  | <b>-17</b>         | <b>6,360</b>   | <b>4,472</b>           | <b>1</b>           | <b>10,926</b> |

## Change in consolidated interest-bearing net debt

| SEK m                                  | 2006-01-01    | Change in liquid assets | Change in borrowing | Other changes | 2006-12-31    |
|--|---------------|-------------------------|---------------------|---------------|---------------|
| Interest-bearing receivables           | 20            |                         |                     | -7            | 13            |
| Liquid assets                          | 138           | 34                      |                     | -6            | 166           |
| Interest-bearing pensions              | -119          |                         |                     | -3            | -122          |
| Interest-bearing long-term liabilities | -8            |                         | -5                  |               | -13           |
| Bank overdraft facility utilised       | -12           |                         |                     | -35           | -47           |
| Interest-bearing current liabilities   | -1,545        |                         | -42                 |               | -1,587        |
| <b>Interest-bearing net debt</b>       | <b>-1,526</b> | <b>34</b>               | <b>-47</b>          | <b>-51</b>    | <b>-1,590</b> |



## Parent company income statement

| SEK m                                    | Note | 2006       | 2005       |
|--|------|------------|------------|
| Profit from portfolio management         | 14   | 476        | 385        |
| <b>Profit before financial items</b>     |      | <b>476</b> | <b>385</b> |
| Interest income and similar profit items | 15   | 41         | 36         |
| Interest costs and similar loss items    | 16   | -48        | -43        |
| <b>Profit after financial items</b>      |      | <b>469</b> | <b>378</b> |
| Taxes                                    | 17   | -          | -          |
| <b>Profit for the year</b>               |      | <b>469</b> | <b>378</b> |

## Parent company balance sheet

| SEK m                                  | Note | 2006         | 2005         |
|--|------|--------------|--------------|
| <b>ASSETS</b>                          |      |              |              |
| <b>Fixed assets</b>                    |      |              |              |
| <i>Financial assets</i>                |      |              |              |
| Participation in subsidiaries          | 24   | 241          | 241          |
| Participation in associated companies  | 25   | 461          | 470          |
| Listed shares                          | 26   | 3,159        | 2,951        |
| Other investments held as fixed assets | 27   | 26           | 114          |
| Receivables from Group companies       |      | –            | 1,221        |
|  |      | <b>3,887</b> | <b>4,997</b> |
| <b>Current assets</b>                  |      |              |              |
| <i>Current receivables</i>             |      |              |              |
| Other current receivables              |      | 91           | 6            |
| Prepaid expenses and accrued income    |      | 2            | –            |
| <i>Cash and bank balances</i>          | 31   | 8            | –            |
|  |      | <b>101</b>   | <b>6</b>     |
| <b>Total assets</b>                    |      | <b>3,988</b> | <b>5,003</b> |
| <b>EQUITY AND LIABILITIES</b>          |      |              |              |
| <b>Equity</b>                          | 33   |              |              |
| <i>Restricted equity</i>               |      |              |              |
| Share capital                          |      | 110          | 110          |
| Reserve fund                           |      | 96           | 96           |
| <i>Non-restricted equity</i>           |      |              |              |
| Profit brought forward                 |      | 2,660        | 2,588        |
| Profit for the year                    |      | 469          | 378          |
|  |      | <b>3,335</b> | <b>3,172</b> |
| <i>Provisions</i>                      |      |              |              |
| Pension obligations                    |      | 1            | 1            |
|  |      | <b>1</b>     | <b>1</b>     |
| <i>Long-term liabilities</i>           |      |              |              |
| Debts to Group companies               |      | 643          | 1,830        |
| Other non-interest-bearing liabilities |      | 8            | –            |
|  |      | <b>651</b>   | <b>1,830</b> |
| <i>Current liabilities</i>             |      |              |              |
| Other liabilities                      |      | 1            | –            |
|  |      | <b>1</b>     | <b>0</b>     |
| <b>Total equity and liabilities</b>    |      | <b>3,988</b> | <b>5,003</b> |
| <i>Pledged assets</i>                  |      |              |              |
| Pledged assets                         |      | –            | –            |
| Contingent liabilities                 | 41   | 2,104        | 2,399        |

## Parent company cash flow statement

| SEK m   | Note | 2006        | 2005        |
|---|------|-------------|-------------|
| Paid tax  |      | –           | –           |
| Current receivables   |      | –2          | 1           |
| Current liabilities   |      | 1           | –7          |
| <b>Cash flow from current operations</b>                    |      | <b>–1</b>   | <b>–6</b>   |
| <i>Portfolio management</i>                                 |      |             |             |
| Dividends received  |      | 256         | 223         |
| Administration costs etc.                                   |      | –5          | –21         |
| Acquisition of listed shares etc.                           |      | –365        | –68         |
| Sale of listed shares                                       |      | 479         | 252         |
| <b>Cash flow from portfolio management</b>                  |      | <b>365</b>  | <b>386</b>  |
| <b>Cash flow after investments and portfolio management</b> |      | <b>364</b>  | <b>380</b>  |
| <i>Financial payments</i>                                   |      |             |             |
| Interest received   |      | 41          | 36          |
| Interest paid   |      | –48         | –43         |
| Net change in borrowings                                    |      | –43         | –118        |
| Dividends paid  |      | –306        | –262        |
| <b>Cash flow from financial payments</b>                    |      | <b>–356</b> | <b>–387</b> |
| <b>Change in liquid assets</b>                              |      | <b>8</b>    | <b>–7</b>   |
| Liquid assets at the beginning of the year                  |      | 0           | 7           |
| Liquid assets at year-end                                   | 31   | 8           | 0           |

## Change in parent company equity

| SEK m                             | Share capital | Reserve fund | Profit brought forward | Total        |
|-----------------------------------|---------------|--------------|------------------------|--------------|
| <b>Opening balance 2005-01-01</b> | <b>110</b>    | <b>96</b>    | <b>2,851</b>           | <b>3,057</b> |
| Dividends                         |               |              | –262                   | –262         |
| Other                             |               |              | –1                     | –1           |
| Profit for the year               |               |              | 378                    | 378          |
| <b>Closing balance 2005-12-31</b> | <b>110</b>    | <b>96</b>    | <b>2,966</b>           | <b>3,172</b> |
| Dividends                         |               |              | –306                   | –306         |
| Profit for the year               |               |              | 469                    | 469          |
| <b>Closing balance 2006-12-31</b> | <b>110</b>    | <b>96</b>    | <b>3,129</b>           | <b>3,335</b> |

# Notes to the financial statements

(All amounts are in SEK m unless stated otherwise)

## Note 1 General information

Investment AB Latour (publ), corporate registration number 556026-3237, is a mixed investment company with a wholly owned industrial and trading business and an investment portfolio, which is concentrated to major holdings in Assa Abloy, Elanders, Fagerhult, Munters, OEM, Securitas, Securitas Direct, Securitas Systems and Sweco.

The parent company is a limited company registered in Gothenburg. The headquarters address is JA Wettergrens gata 7, Box 336, 401 25 Gothenburg, Sweden. The mother company is listed on the Stockholm Stock Exchange Large Cap list.

The board of directors and the chief executive officer have approved these consolidated accounts for publication on 13 March 2007. The Annual Report and consolidated accounts will be presented to the Annual General Meeting on 8 May 2007 for adoption.

## Note 2 Accounting principles

### Basis of preparation of the consolidated financial statements

The consolidated accounts for Investment AB Latour have been prepared in accordance with the International Financial Reporting Standards (IFRSs) published by the International Accounting Standard Board (ISAB) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the EC Commission for use in the EU. In addition, the Group has followed the Accounting Act and the Swedish Financial Accounting Standards Council Recommendation RR 30:05 Supplemental Accounting Regulations for Groups.

The consolidated accounts have been prepared according to the acquisition method except for revaluations of buildings and land, financial assets that can be sold as well as financial assets and liabilities (including derivative instruments) valued at fair value through profit or loss.

Preparing reports according to IFRSs requires using a number of estimations important from an accounting perspective. In addition, management must make some assumptions when using company accounting principles. Areas that require a high level of assumption, those that are complex or areas in which assumptions and estimations are essential to the consolidated accounts are presented in note 46.

The parent company uses the same accounting principles as the Group except in cases described below in the section "Parent company accounting principles". The deviations between the parent company's and the Group's principles are due to limitations in the ability to use IFRSs in the parent company because of the Annual Accounting Act and the Security Law as well as in certain cases for tax purposes.

### New accounting principles

#### *New accounting principles 2006*

IAS 19 has been revised concerning reporting actuarial gains and losses as well as certain information. The new rules allow companies to book actuarial gains and losses directly against equity. Latour has chosen not to use this possibility but instead books as before any actuarial gains and losses directly in the income statement.

All the standards, changes and interpretations that are valid starting in 2006 have been reviewed. Latour believes none of them will have any effect on financial reporting in the Latour Group.

#### *New accounting principles 2007*

The Group has analysed the IFRS standards and interpretations that are not yet in effect and which have not been applied in the 2006 annual accounts either. In the 2007 accounts only IFRS 7 "Financial instruments: Disclosures" and the associated changes in IAS 1 "Presentation of Financial Statements" pertain to the Group. The new rules make demands on more information concerning capital and financial instruments and risks but they have no effect on profit/loss and position.

### Consolidated accounts

#### *Subsidiaries*

The consolidated financial statements comprise the companies over which Investment AB Latour has a direct or indirect controlling influence.

Acquisition of companies is shown using the acquisition method. This entails that equity in the subsidiary at the time of acquisition, including capital in untaxed reserves, is eliminated in its entirety. Consequently, only profits arising after the point of acquisition will be included in the equity for the Group. If the group-wise acquisition value of the shares exceeds the book value of the company's net assets in the acquisition analysis, the difference is shown as goodwill of the Group. If the acquisition cost is lower than the fair value of acquired subsidiary's net assets and any contingent liabilities, the difference is recognised directly in the income statement.

Companies acquired during the year are included in the consolidated accounts with sums relating to the period after the acquisition. Profits from companies sold during the year have been included in the consolidated income statement for the period up to the point of divestiture.

Latour's foreign Group companies' assets and liabilities are converted at the exchange rate on the balance sheet date. All items in the income statement are converted at the average annual rate of exchange. Translation differences are recognised in Group equity.

Internal profits on sales between Group companies are eliminated in the annual accounts.

#### *Associated companies*

Shareholdings in associated companies, in which the Group holds at least 20 percent but less than 50 percent of voting rights or otherwise has significant influence over operational and financial management, are reported according to the equity method.

The equity method entails that the book value of shares in associated companies in the Group's accounts corresponds to the Group's participation in associated companies' equity and any residual value in group-wide surplus and undervalues. The Group's "Profit/loss from participation in associated companies" is recorded in the Group's income statement as the Group's share of associated companies' profits after tax, adjusted for any depreciation on or liquidation of acquired surplus or undervalues respectively.

In the parent company associated companies are recorded using the acquisition value method.

### Net sales

Net sales are made up of invoiced sales, excluding value-added taxes, and after deduction of discounts on goods and similar income reductions but before deductions for delivery expenses. Sales are reported after the Group has transferred to the buyer the relevant risks and benefits associated with title to the goods sold and once no right of disposal or possibility of actual control over the goods remains. Income from sales of services is reported when the service has been performed. Group sales are primarily product sales.

### Ongoing assignments

Income and costs attributable to completed services rendered or subcontracted assignments are reported as income respectively costs in relation to the stage of completion of the assignment on the balance sheet date (continuing profit/loss recognition). The stage of completion of an assignment is determined through expenditures made at balance sheet date relative to estimated overall expenditures. If a service rendered or subcontracted assignment cannot be calculated reliably, income is only reported to the extent it corresponds to expenditures that the customer will most likely pay for. An assignment likely to make a loss is immediately reported as an expense.

### Other operating income

Other operating income includes income from activities outside standard operations.

**Loan costs**

Loan costs that refer to production of an asset for which loan costs can be included in the acquisition value are activated during the period of time it takes to complete the work and prepare the asset for the use it is intended. Other loan costs are recorded when they occur.

**Inventory**

Inventory is reported at the lower of acquisition cost and net sales value, where acquisition value is calculated using the FIFO method or, alternatively, the weighted average cost if this is a good estimate of FIFO. The value of finished goods and work-in-progress includes raw materials, direct work, other direct costs and production related expenditures. Obsolescence is separately depreciated. When assessing net sales value, consideration is given to the age and turnover rate for the article in question. The change between the opening and closing provision for obsolescence for the year affects operating profits as a whole.

**Translation of foreign currency***Functional currency and report currency*

Items in the financial statements for the various units in the Group are valued in the currency used in the economy that each company primarily operates in (functional currency). Swedish crowns are used in the consolidated accounts, which is the parent company's functional and report value.

*Transactions and balance sheet items*

Transactions in foreign currency are translated to the functional currency using the exchange rate on the balance sheet date. Exchange gains and losses that are generated through payment of such transactions and from translation of monetary assets and liabilities in foreign currency at balance date rates are reported in the income statement. The exception is when the transactions are hedges that qualify for hedging accounting of cash flows or net investments where profit/loss is booked as equity.

Translation differences for non-monetary items, such as shares that are valued at fair value via profit or loss are reported as part of the fair value profit/loss. Translation differences for non-monetary items such as shares that are classified as available-for-sale financial assets are recognised as reserves for fair value in equity.

*Group companies*

The result and financial position for all Group companies (none of which have a high inflation value) that have a different functional currency than report currency are translated to the Group's report currency according to the following:

- assets and liabilities for each balance sheet is recalculated to the balance date rate,
- income and expenses for each income statement is recalculated to the average exchange rate (as long as the average rate is a reasonable approximation of the accumulated effect of the rates on the transaction date, if not income and expenses are recalculated to the rate on the transaction date), and
- all exchange differences are recorded as a separate portion of equity.

At consolidation, exchange differences arising from the translation of net investments in foreign operations, loans and other currency instruments that are identified as hedges of such investments are recognised as equity. When a foreign operation is sold such exchange differences are reported in the income statement as a part of capital gains/losses.

Goodwill and adjustments in fair value that arise when acquiring a foreign company are treated as assets and liabilities in that operation and are translated to the balance date rate.

**Tangible assets**

Buildings and land largely comprise factories, warehouses and offices. Tangible assets are booked as acquisition value less depreciation. Acquisition value includes costs directly related to the acquisition of the asset.

Costs after acquisition are added to the asset's book value or are reported as a separate asset, depending on what is most appropriate, only when it is probable that the future financial benefits that are connected to the asset will be available to the Group and the asset's acquisition value can be calculated in a reliable manner. All other forms of reparation and maintenance are reported as costs in the income statement during the period they occur.

Depreciation of assets is done on a straight-line basis according to plan down to the estimated residual value of the asset over its estimated useful life according to the following:

|                        |             |
|------------------------|-------------|
| Buildings              | 25–30 years |
| Land improvements      | 10–20 years |
| Machinery              | 5–10 years  |
| Vehicles and computers | 3–5 years   |
| Other inventory        | 5–10 years  |

Assets' residual values and useful lives are tested every balance date and adjusted as needed.

An asset's book value is immediately written down to its recovered value if the book value exceeds its calculated recovered value.

Profits and losses in divestitures are determined through a comparison between sales income and book value and are reported in the income statement. When reclassified assets are sold the sums in other reserves are transferred to profit brought forward.

**Intangible assets***Goodwill*

Goodwill is the difference between the acquisition value and the Group's share of the fair value of the acquired subsidiary's or associated company's identifiable net assets on the date of acquisition. Goodwill on the acquisition of subsidiaries is reported as intangible assets. Goodwill on the acquisition of associated companies is included in the value of the Group's share of the associated company.

Goodwill is tested annually to identify any write-down needs and is booked as acquisition value less accumulated write-downs. Profit or loss when a unit is sold includes the remaining value of the goodwill related to the divested unit.

Goodwill is allocated to cash generating units when an impairment test is carried out.

*Trademarks and licenses*

Trademarks and licenses are reported at acquisition value. Trademarks and licenses have a limited useful life and are reported at acquisition value less accumulated depreciation. Trademarks and licenses are amortised on a straight-line basis in order to spread the cost of over their estimated useful life (5–10 years).

*Software*

Acquired software licenses are capitalised on the basis of the costs generated by the purchase and start-up of the program. These costs are written off during the estimated useful life period (3–5 years).

Costs for development or maintenance of software are recognised as they occur. Costs that are closely related to production of identifiable and unique software products that are controlled by the Group and which will most likely lead to financial gains for more than a year that exceed costs, are booked as intangible assets. Included in costs that are closely related to the production of software are personnel expenses for program development and a reasonable part of related indirect costs.

Development costs for software reported as an asset is amortised over its useful life period (of not more than three years).

**Write-downs**

Assets that have an undefined useful life period are not written-down but tested annually for impairment. The value of depreciated assets is tested for impairment whenever there are indications that the carrying amount is possibly not recoverable. The asset is written-down by the amount that the book value exceeds its recoverable value. The recovery value is the higher of an asset's fair value reduced by sales costs and value in use. When testing for impairment the assets are grouped in the smallest cash-generating units.

**Research and development**

Expenses for research are recorded on an ongoing basis. Expenses for development are capitalised to the extent they are expected to yield economic benefits in the future. The booked value includes expenses for materials, direct costs for wages and indirect expenses referable to the asset in a reasonable and consistent manner. Other expenses for development are recorded in the income statement as costs as they occur. Any development



costs in the balance sheet are booked as acquisition value less accumulated depreciation and write-downs.

### Financial instruments

Financial instruments recorded in the balance sheet include accounts receivable, securities, loan receivables and derivatives. Accounts payable, any issued debt or equity instruments, loan liabilities and derivatives are recorded as liabilities and equity.

Financial instruments are initially booked at acquisition value equal to the instrument's fair value including transaction costs for all financial instruments except those categorised as Financial assets recognised at fair value via the income statement. Recognition then takes place on the basis of classification specified below.

A financial asset or liability is recorded in the balance sheet when the company becomes a party in the instrument's contractual conditions. Accounts receivable are recorded in the balance sheet when an invoice has been sent. Liabilities are recorded when an item has been delivered and a contractual obligation to pay exists, even if an invoice has not yet been received. Accounts payable are recorded when an invoice has been received.

A financial asset or a part thereof is derecognised from the balance sheet when the rights in the contract are realised, have matured or the company loses control over them. A financial liability or a part thereof is derecognised from the balance sheet when the commitment has been met or otherwise extinguished.

Acquisitions and divestitures of financial assets are booked on the date of business, which is the date the company pledges to acquire or sell the asset.

Fair value of listed financial assets is the equivalent of the asset's listed purchase price on the balance sheet date. Fair value of unlisted financial assets is determined by using valuation techniques such as recent transactions, the price of similar instruments or discounted cash flows. For further information see note 32.

Financial assets are controlled at every external reporting instance to determine whether or not there are objective indications that one or a group of financial assets should be written-down. For any equity instruments classified as Available-for-sales financial assets, there must be a significant and long decline in the fair value to under the instrument's acquisition value before it can be written-down. If the need arises to write-down an asset in the category Available-for-sales financial assets, any previously accumulated value loss recognised directly in equity is rebokooked to the income statement. Write-downs of equity instruments reported in the income statement may not later be reversed via the income statement.

Financial instruments are classified in categories based on the purpose of the acquisition of the financial instrument. Company management determines classification at the time of acquisition. The categories are as follows:

#### *Financial assets valued at fair value through profit or loss*

This category has two subgroups; financial assets held for trading and those that the company chose to initially designate to this category. A financial asset is classified in this category if the intention is to sell in the short term (for example listed shares, trading, see note 30). Derivatives are classified as financial assets held for trading if they are not used for hedge accounting. Assets in this category are recognised continuously at fair value and changes in value are recognised as profit or loss.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not derivatives nor listed on an active market. Receivables arise when the company provides money, goods and services directly to a customer without any intention to conduct trading in the receivables. This category also includes acquired receivables. Assets in this category are valued at amortised cost. Amortised cost is determined based on the compound interest calculated at the time of acquisition.

#### *Held-to-maturity investments*

These are financial assets with fixed or determinable payments with a fixed maturity date that the company intends and is able to hold to maturity. Assets in this category are valued at amortised cost. Amortised cost is determined based on the compound interest calculated at the time of acquisition. This means that surplus or undervalues as well as direct transaction costs are distributed over the lifespan of the instrument.

#### *Available-for-sale financial assets*

This category includes financial assets that have not been classified in any other category or financial assets that were designated to this category at initial recognition (for example listed shares, see note 26). Assets in this category are valued continuously at fair value and changes in value are recognised in equity. When the placement is taken from the balance sheet the cumulative gain or loss that was recognised in equity is recognised in profit or loss.

#### *Financial liabilities held for trading*

This category consists of financial liabilities held for trading as well as derivatives not used for hedging purposes. Liabilities in this category are recognised continuously at fair value and changes in value are recognised as profit or loss.

#### *Other financial liabilities*

These are financial liabilities not held for trading valued at amortised cost. Amortised cost is determined based on the compound interest calculated at the time the liability was recognised. This means that surplus or undervalues as well as direct issue costs are distributed over the lifespan of the liability.

#### *Derivative instruments used for hedging purposes*

Derivative instruments are recognised in the balance sheet on the contract date and are valued at fair value, both initially and in following revaluations. The method of recognising the profit or loss generated from revaluation is determined depending on if the derivative is identified as a hedging instrument and, if such is the case, the properties of the item hedged. The Group identifies certain derivatives as either: a hedge of a very probable forecasted transaction (cash flow hedge); or a hedge of a net investment in a foreign operation.

When a transaction is entered in to the Group documents the relationship between the hedge instrument and the hedged item as well as the purpose of risk management and strategy for taking different hedging measures. The Group also documents its assessment when initiating the hedge and continuously thereafter to see if the derivative instruments used in hedging transactions are effective in terms of evening out changes in fair value or cash flows in hedged items.

#### *Cash flow hedges*

The effective portion of changes in fair value of derivative instruments identified as cash flow hedges, and which qualify for hedge accounting, are recognised in equity.

Any ineffective portion of the changes in value is recognised directly in profit or loss.

The cumulative profit or loss in equity is recycled to the income statement in the period the hedged item affects profit/loss (e.g. when a forecasted hedged sale takes place).

When a hedging instrument matures or is sold or when the hedge no longer qualifies for hedge accounting and cumulative profits or losses relating to the hedge are recognised in equity, these profits/losses remain in equity and are recorded as income/costs at the same time the forecasted transaction is finally recorded in the income statement. When the forecasted transaction is no longer assessed as probable, the cumulative profit or loss recognised in equity is transferred directly to the income statement.

#### *Hedges of net investments*

Hedges of net investments in foreign operations are reported in a similar manner to cash flow hedges. Profit or loss attributable to the hedging instrument that relates to the effective portion of the hedge is recognised in equity, profit or loss that relates to the ineffective portion is transferred directly to the income statement.

Cumulative profit or loss in equity is recognised in the income statement when foreign operations are sold.

#### *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the value of these derivative instruments are recognised directly in profit or loss.

*Liquid assets*

Liquid assets consist of cash and immediately available balances in banks and similar institutions as well as short-term liquid investments with a term of less than three months that run no real risk of fluctuations in value.

*Financial investments*

Financial investments are either financial assets or short-term investments depending on the intention of the investment. If the maturity time or the expected holding time of the investment is longer than one year it is a financial asset, under a year it is a short-term investment.

Financial assets are either shares that belong to the category Financial assets at fair value through profit loss or Available-for-sale financial assets.

Interest-bearing securities acquired with the intention of holding them to maturity belong to the category Held-to-maturity financial assets and are valued to amortised cost.

Interest-bearing securities acquired without the intention of holding them to maturity are classified as Financial assets at fair value through profit loss or Available-for-sale financial assets.

The change in value when valuing to fair value is reported in net financial items.

*Long-term and other current receivables*

Long-term and other current receivables are receivables that arise when the company supplies money without intending to trade on the receivable rights. If the expected holding time of the receivable is longer than one year it is a long-term receivable and if it is shorter it is another receivable. These receivables belong to the category Loans and receivables.

**Taxes on income**

Recorded taxes on income include taxes to be paid or recovered for the current year, adjustments for previous years' taxes and changes in deferred taxes.

Evaluation of all tax liabilities/prepayment is made on the basis of nominal sums and in accordance with taxation rules and fixed or announced, and likely to be stipulated, tax rates.

Tax is reported in the income statement except when the underlying transaction is recognised directly against equity, in which case the tax impact is also recognised against equity.

Deferred tax is calculated using the balance sheet method on all temporary differences arising between book and taxable values for assets and liabilities.

Deferred tax credits pertaining to future tax deductions are recorded to the extent it is likely that the deduction can be set off against a surplus on future taxation.

Untaxed reserves including deferred tax liabilities are reported in legal entities.

Deferred tax is not calculated on temporary differences in participation in subsidiaries and associated companies where the date for the reversal of the temporary difference can be controlled by the Group and it is probable that the difference will not be recycled in the foreseeable future.

From a fiscal perspective, Investment AB Latour is an investment company. Profits on sales of shares are not liable to tax and losses are not deductible. The company must however declare 1.5 % of the market value of all shareholdings at the beginning of the year as standard taxable income. However this is only valid for listed shares where the share of votes is under 10 %. Dividends received are taxable and dividends paid are deductible. Interest income is taxable while administration costs and interest expenses are deductible.

**Cash flow analysis**

The cash flow analysis is drafted according to the indirect method. The cash flow recorded only includes transactions that involve payments and expenditures. Liquid assets include, besides cash and bank account balances, current financial investments with a maturity period of less than three months.

**Leasing**

Leasing is classified within the Group as either financial or operational. Leasing of fixed assets where the Group essentially faces the same risks and enjoys the same benefits as direct ownership is classified as financial leasing. The leased asset is then reported as a fixed asset and future leasing fees as interest-bearing debts. Leasing of assets where the lessor essentially retains ownership of the asset is classified as operational leasing, and

the leasing fee is expensed in a straight line over the leasing period. In the parent company all leasing contracts are reported as operational.

**Government grants**

Government grants are reported in the income statement and balance sheet when it is reasonably certain that the conditions associated with the grant will be satisfied and the grant will likely be obtained. Grants are systematically distributed in the same manner and over the same periods as the costs such grants are intended to compensate. Grants pertaining to investments in material assets have reduced the book value of the assets in question.

**Provisions**

Provisions are recorded when the Group/company has a formal or informal obligation as a consequence of an event and it is likely that resources must be expended to regulate the obligation and a reliable estimation of the amount can be made.

Provisions for warranties are based on the previous year's actual costs.

**Pensions**

The Group has several defined contribution and defined benefit pension plans. In Sweden and Norway employees are covered by defined benefit, alternatively defined contribution, pension plans. In other countries they are covered by defined contribution plans.

In defined contribution plans, the company pays fixed fees to a separate legal entity and has no obligation to pay any additional fees. Group profit is charged with costs as the benefits are earned.

In defined benefit plans, remuneration to employees and ex-employees is paid on the basis of salary at the point of retirement and the number of years of service. The Group bears the risk that the pledged remunerations will be paid.

The pension cost and the pension obligation of defined benefit plans are calculated using the Projected Unit Credit Method. The method allocates the cost for pensions at the same rate as employees carry out services for the company which increase their right to future remuneration. The calculation is made annually by independent actuaries. The company's obligations are valued at the current value of anticipated future payments by using a discounted interest rate equal to the rate on first class corporate bonds or government bonds with the same maturity period as the obligations in question. The most important actuarial assumptions are set out in note 34.

The interest cost, setting off anticipated returns against any administrative assets, is classified as a financial cost. Other expense items in the overall pension cost burden operating profit or loss.

**Contingent liabilities**

A contingent liability is reported when an obligation may result from events that have occurred and its existence is only confirmed by one or several uncertain future events or when an obligation is not recorded as a liability or provision because it is improbable that an expenditure of resources will be required to regulate it.

**Segment reporting**

The Group's operations are controlled by and organised into two principal lines of businesses, Industrial and trading operations and Portfolio management. These lines of business constitute the Group's primary segments. The secondary segments comprise geographic areas. Income, operating profits, assets and liabilities pertaining to the segments include directly attributable items together with items that can reliably be allocated to the segment in question. Non-allocated items generally comprise interest-bearing assets and liabilities, interest income and expenses, costs common to the Group and taxes.

**Parent company accounting principles**

The parent company follows the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RR 32:06 Accounting for legal entities (applied in advance). RR 32:06 requires the parent company to follow IFRS/IAS as far as possible. Differences between parent company and Group accounting principles are primarily due to the Annual Accounts Act and the Security Law and in certain cases special tax laws.

In the following cases the parent company's accounting principles do not coincide with IFRSs.

*Payments to employees/Defined benefit pensions*

The parent company's defined benefit pension plans have been calculated according to the Security Law and the Swedish Financial Supervisory Authority's regulations since this is a prerequisite for fiscal deductions.

*Financial instruments*

The parent company does not follow the valuing regulations in IAS 39. Financial assets in the parent company are valued at acquisition price with deductions for write-downs and financial current assets are valued according to the lowest value principle.

**Note 3 Segment reporting**

|   | <b>Industrial and trading operations</b> |             | <b>Portfolio management</b> |             | <b>Total</b>  |               |
|---|--|-------------|-----------------------------|-------------|---------------|---------------|
|   | <b>2006</b>                              | <b>2005</b> | <b>2006</b>                 | <b>2005</b> | <b>2006</b>   | <b>2005</b>   |
| <b>INCOME</b>   |  |             |                             |             |               |               |
| External sales  | 5,313                                    | 4,852       |                             |             | 5,313         | 4,852         |
| <b>PROFIT/LOSS</b>  |  |             |                             |             |               |               |
| <b>Operating profit</b>                                     | <b>710</b>                               | <b>342</b>  | <b>0</b>                    | <b>0</b>    | <b>710</b>    | <b>342</b>    |
| Profit/loss from participation in associated companies      |  |             | 171                         | 133         | 171           | 133           |
| Profit/loss from portfolio management                       |  |             | 384                         | 367         | 384           | 367           |
| Interest income   |  |             |                             |             | 12            | 6             |
| Interest costs  |  |             |                             |             | -45           | -56           |
| Taxes   |  |             |                             |             | -113          | -83           |
| <b>Profit for the year</b>                                  |  |             |                             |             | <b>1,119</b>  | <b>709</b>    |
| <b>OTHER INFORMATION</b>                                    |  |             |                             |             |               |               |
| Assets  | 3,353                                    | 2,626       | 10,450                      | 8,647       | 13,803        | 11,273        |
| Unallocated assets  |  |             |                             |             | 218           | 141           |
| <b>Total assets</b>   |  |             |                             |             | <b>14,021</b> | <b>11,414</b> |
| Liabilities   | 1,268                                    | 1,014       | 2                           | 2           | 1,270         | 1,016         |
| Unallocated liabilities                                     |  |             |                             |             | 1,825         | 1,722         |
| <b>Total liabilities</b>                                    |  |             |                             |             | <b>3,095</b>  | <b>2,738</b>  |
| Investments in:   |  |             |                             |             |               |               |
| tangible assets   | 239                                      | 170         | -                           | -           | 239           | 170           |
| intangible assets   | 426                                      | 41          | -                           | -           | 426           | 41            |
| Depreciation  | 134                                      | 139         | -                           | -           | 134           | 139           |
| Costs, in addition to depreciation, not matched by payments | 27                                       | 12          | 1                           | -           | 28            | 12            |

The Group's operations can be divided into two principal segments, wholly owned industrial and trading operations and portfolio management. The industrial and trading operations are organised into seven (previously eight with Filters) business areas; Automotive, Hand Tools, Hydraulics, Air Treatment, Machinery Trading, Textiles and Engineering Technology. Portfolio management consists primarily of portfolio management of long-term holdings where the Group has at least 10 % of voting rights.

Internal prices are set at cost price plus margins. In the profit/loss of the segments assets and liabilities have been included directly related items as well as items that can be reasonably and reliably allocated to a segment. Tax credits and liabilities (deferred and current) are not recognised in the assets and liabilities of a segment nor are interest-bearing assets and liabilities. All investments except current inventory and inventory of little value are included in the segments' investments in tangible and intangible assets.

## Note 4 Geographic markets

Sales are divided into geographic markets as follows:

|                                   | 2006         | 2005         |
|-----------------------------------|--------------|--------------|
| Sweden                            | 2,954        | 2,581        |
| Nordic countries excluding Sweden | 1,267        | 1,222        |
| Europe excluding Nordic countries | 978          | 950          |
| Other markets                     | 114          | 99           |
| <b>Total</b>                      | <b>5,313</b> | <b>4,852</b> |

Assets are divided into geographic markets as follows:

|                                   | 2006          | 2005          |
|-----------------------------------|---------------|---------------|
| Sweden                            | 13,298        | 10,798        |
| Nordic countries excluding Sweden | 469           | 483           |
| Europe excluding Nordic countries | 238           | 124           |
| Other markets                     | 16            | 9             |
| <b>Total</b>                      | <b>14,021</b> | <b>11,414</b> |

Investments are divided into geographic markets as follows:

|                                   | 2006       | 2005       |
|-----------------------------------|------------|------------|
| Sweden                            | 640        | 181        |
| Nordic countries excluding Sweden | 10         | 13         |
| Europe excluding Nordic countries | 14         | 16         |
| Other markets                     | 1          | 1          |
| <b>Total</b>                      | <b>665</b> | <b>211</b> |

The Group's home market is the Nordic countries, with most of production in Sweden.

## Note 5 Transactions with related parties

The Douglas family has considerable influence over Investment AB Latour. Privately and through companies, the Douglas family controls 80 % of voting rights in Latour. The family has received board representation fees of SEK 600,000. Förvaltnings AB Wasatomet, a company wholly owned by the Douglas Family has issued 43,000 call options to senior officers within the Latour Group. The options are based on market terms.

Purchasing and sales for the year between Latour Group companies was SEK 898 m (648). There were no purchases or sales with the parent company. All transactions with associated companies were based on market terms. There were no transactions with other closely related persons or companies during the year.

## Note 6 Expenses allocated per type of cost

| GROUP  | 2006         | 2005         |
|--|--------------|--------------|
| Change in the stock of finished products and works-in-progress | 29           | 14           |
| Raw materials and consumables                                  | 977          | 1,139        |
| Goods for resale   | 1,650        | 1,265        |
| Remuneration to personnel                                      | 1,323        | 1,291        |
| Depreciation   | 134          | 139          |
| Other costs  | 846          | 737          |
| <b>Total</b>   | <b>4,959</b> | <b>4,585</b> |

## Note 7 Exchange rate differences

Operating profit/loss includes exchange rate differences relating to operating receivables and liabilities as follows:

| GROUP                    | 2006     | 2005     |
|--------------------------|----------|----------|
| Net turnover             | 6        | 5        |
| Cost of goods sold       | 1        | -4       |
| Sales costs              | -1       | 2        |
| Other operating income   | 2        | 6        |
| Other operating expenses | -3       | -2       |
| <b>Total</b>             | <b>5</b> | <b>7</b> |

## Note 8 Remuneration to accountants

| GROUP                         | 2006     | 2005     |
|-------------------------------|----------|----------|
| <i>PricewaterhouseCoopers</i> |          |          |
| Auditing                      | 3        | 3        |
| Other commissions             | 1        | 1        |
| <i>Other accountants</i>      |          |          |
| Auditing                      | 0        | 0        |
| <b>Total</b>                  | <b>4</b> | <b>4</b> |

Remuneration to accountants for auditing in the parent company amounted to SEK 63,000 (63,000) and for other commissions SEK 0 (0).

## Note 9 Personnel

### Wages, other remuneration and social costs

|                | 2006                         |  | 2005                         |  |
|----------------|------------------------------|--|------------------------------|--|
|                | Wages and other remuneration | Social security contributions (of which pension costs) | Wages and other remuneration | Social security contributions (of which pension costs) |
| Parent company | 1                            | 0 (0)  | 1                            | 0 (0)  |
| Subsidiaries   | 949                          | 372 (79)   | 914                          | 375 (93)   |
| <b>Group</b>   | <b>950</b>                   | <b>372 (79)</b>  | <b>915</b>                   | <b>375 (93)</b>  |

Of the Group's pension expenses, SEK 10 m (9) relates to boards and CEOs.

### Wages and other remuneration by country and between board members and others, and employees:

|                       | 2006                           |                 | 2005                           |                 |
|-----------------------|--------------------------------|-----------------|--------------------------------|-----------------|
|                       | Board and CEO (of which bonus) | Other employees | Board and CEO (of which bonus) | Other employees |
| <i>Parent company</i> |                                |                 |                                |                 |
| Sweden                | 1 (0)                          | –               | 1 (0)                          | –               |
| <i>Subsidiaries</i>   |                                |                 |                                |                 |
| Sweden                | 28 (7)                         | 756             | 26 (5)                         | 729             |
| Denmark               | 4                              | 32              | 5                              | 34              |
| Finland               | 4                              | 48              | 3                              | 48              |
| Norway                | 3 (1)                          | 35              | 4 (1)                          | 34              |
| Germany               | 1                              | 1               | 1                              | 2               |
| Other countries       | 6 (1)                          | 31              | 5                              | 23              |
| <b>Group total</b>    | <b>47 (9)</b>                  | <b>903</b>      | <b>45 (6)</b>                  | <b>870</b>      |

Periods of notice within the Group are, depending on age and position, between 3 and 24 months.

*Continued*

Note 9, continued

## Remuneration to senior officers

### Principles

The chairman of the board and board members receive the remuneration decided by the Annual General Meeting. They are not paid extra for committee work.

Remuneration to the CEO and other senior officers consists of basic

salary, variable remuneration, other benefits and pension. Other senior officers are the members of Group management and business area managers, who report directly to the CEO.

The variable remuneration to the CEO is based on goals achieved during the year and set at a maximum of 60 % of his basic salary. Variable remuneration for other senior officers is based on profits and return on working capital. This remuneration is a maximum of 75 % of the basic salary.

### Remuneration and other benefits during 2006

| (SEK '000)                                   | Basic salary/<br>board fees | Variable<br>remuneration <sup>3)</sup> | Other<br>benefits <sup>2)</sup> | Pension<br>costs | Total  |
|--|-----------------------------|--|---------------------------------|------------------|--------|
| Chairman of the board                        | 300                         | –                                      | –                               | –                | 300    |
| Other board members (6 people) <sup>1)</sup> | 900                         | –                                      | –                               | –                | 900    |
| Chief Executive Officer                      | 2,160                       | 1,300                                  | 260                             | 728              | 4,448  |
| Other senior officers (9 people)             | 9,530                       | 3,972                                  | 545                             | 4,454            | 18,501 |

<sup>1)</sup> Other board members have received SEK 150,000 per member.

<sup>2)</sup> Other benefits concern accommodation and vehicle allowances.

<sup>3)</sup> Variable remuneration to the CEO was equal to 60 % of his basic salary and to other senior officers it ranged from 25 % to 75 % of their basic salary.

### Pensions

The CEO may retire at the age of 62, whereupon a pension of 60 % of his basic salary is paid for three years.

The retirement age for other senior officers is 65, whereupon a pension is paid according to the defined benefit ITP plan.

### Severance payment

The period of notice between the company and CEO is 12 months if given by the company. In the case of dismissal by the company the CEO will receive severance pay of 12 months salary. Severance pay is not set off against any other income. The CEO must give six months notice and does not receive severance pay.

The period of notice between the company and other senior officers varies from 6 to 24 months. In the case of dismissal by the company the senior officers receive their salary during their notice period. Senior officers must give six months' notice and do not receive severance pay.

### Preparation and decision process

The principles for setting the CEO's salary and terms of employment are determined by the board. The board has given the chairman, after contact with the remuneration committee, the assignment of reaching an agreement with the CEO. The board was then informed of the outcome of the negotiations.

Remuneration to other senior officers is determined by the CEO in consultation with the chairman of the board.

### Gender split in company management

| GROUP                     | 2006       |              | 2005       |              |
|---------------------------|------------|--------------|------------|--------------|
|                           | Men        | Women        | Men        | Women        |
| Board members             | 94%        | 6%           | 96%        | 4%           |
| Chief Executive Officers  | 100%       | 0%           | 98%        | 2%           |
| Övriga befattningshavare  | 90%        | 10%          | 81%        | 19%          |
| Total for senior officers | 91%        | 9%           | 91%        | 9%           |
| <b>PARENT COMPANY</b>     | <b>Men</b> | <b>Women</b> | <b>Men</b> | <b>Women</b> |
| Board members             | 71%        | 29%          | 71%        | 29%          |
| Chief Executive Officer   | 100%       | 0%           | 100%       | 0%           |
| Total for senior officers | 71%        | 29%          | 71%        | 29%          |

### Average number of employees

|                                   | 2006                   |                 | 2005                   |                 |
|-----------------------------------|------------------------|-----------------|------------------------|-----------------|
|                                   | Number of<br>employees | Of which<br>men | Number of<br>employees | Of which<br>men |
| <b>PARENT COMPANY</b>             |                        |                 |                        |                 |
| Sweden                            | 1                      | 100%            | 1                      | 100%            |
| <b>SUBSIDIARIES</b>               |                        |                 |                        |                 |
| Sweden                            | 2,661                  | 79%             | 2,481                  | 79%             |
| Finland                           | 143                    | 79%             | 150                    | 82%             |
| Romania                           | 93                     | 34%             | 98                     | 34%             |
| Denmark                           | 66                     | 77%             | 74                     | 80%             |
| Norway                            | 79                     | 76%             | 72                     | 72%             |
| England                           | 29                     | 79%             | 22                     | 77%             |
| Germany                           | 17                     | 65%             | 13                     | 54%             |
| Other countries                   | 84                     | 69%             | 64                     | 61%             |
| Total in subsidiaries             | 3,172                  | 77%             | 2,974                  | 77%             |
| <b>Total</b>                      | <b>3,173</b>           | <b>77%</b>      | <b>2,975</b>           | <b>77%</b>      |
| <b>OPERATING AREAS</b>            | <b>2006</b>            |                 | <b>2005</b>            |                 |
| Industrial and trading operations | 3,171                  |                 | 2,973                  |                 |
| Portfolio management              | 2                      |                 | 2                      |                 |
| <b>Total</b>                      | <b>3,173</b>           |                 | <b>2,975</b>           |                 |



## Note 10 Depreciation

Depreciation of intangible assets in the Group amounted to 5 (6) and of tangible assets to 129 (133). Depreciation is distributed per function in the income statement as follows:

| GROUP                             | 2006       | 2005       |
|-----------------------------------|------------|------------|
| <i>Trademarks, licences</i>       |            |            |
| Cost of goods sold                | 4          | 3          |
| Sales costs                       | 0          | 1          |
| Administration costs              | 1          | 2          |
| <b>Total</b>                      | <b>5</b>   | <b>6</b>   |
| <i>Buildings</i>                  |            |            |
| Cost of goods sold                | 9          | 14         |
| Sales costs                       | 2          | 2          |
| Administration costs              | 1          | 1          |
| Other operating expenses          | 3          | 3          |
| <b>Total</b>                      | <b>15</b>  | <b>20</b>  |
| <i>Land and land improvements</i> |            |            |
| Cost of goods sold                | 1          | 1          |
| <b>Summa</b>                      | <b>1</b>   | <b>1</b>   |
| <i>Machinery</i>                  |            |            |
| Cost of goods sold                | 64         | 56         |
| Sales costs                       | 2          | 1          |
| <b>Total</b>                      | <b>66</b>  | <b>57</b>  |
| <i>Equipment</i>                  |            |            |
| Cost of goods sold                | 18         | 27         |
| Sales costs                       | 12         | 10         |
| Administration costs              | 5          | 5          |
| Other operating expenses          | 12         | 13         |
| <b>Total</b>                      | <b>47</b>  | <b>55</b>  |
| <b>Total depreciation</b>         | <b>134</b> | <b>139</b> |

## Note 11 Leasing

Leasing costs for premises, machinery, computers and office equipment for the Group were 21 (26).

Future minimum leasing fees in the Group for non-cancellable operating leases fall due as follows:

| Year         | Future minimum leasing fees |
|--------------|-----------------------------|
| 2007         | 12                          |
| 2008–2011    | 26                          |
| <b>Total</b> | <b>38</b>                   |

Operating leases for rented machinery are included in the Group's fixed assets and are as follows:

| Leased fixed assets                     | Machinery |
|---|-----------|
| Accumulated acquisition value           | 10        |
| Accumulated depreciation                | –7        |
| <b>Residual value according to plan</b> | <b>3</b>  |
| <b>Depreciation for the year</b>        | <b>–3</b> |

## Note 12 Operating income and expenses

### Other operating income

| GROUP                     | 2006       | 2005      |
|---------------------------|------------|-----------|
| Capital gains on sales    | 295        | 10        |
| Income from rent          | 9          | 22        |
| Exchange rate differences | 2          | 6         |
| Other income              | 50         | 37        |
| <b>Total</b>              | <b>356</b> | <b>75</b> |

### Other operating expenses

| GROUP                     | 2006       | 2005       |
|---------------------------|------------|------------|
| Depreciation              | –15        | –16        |
| Capital gains on sales    | –10        | –          |
| Property management costs | –11        | –22        |
| Other expenses            | –21        | –17        |
| <b>Total</b>              | <b>–57</b> | <b>–55</b> |

## Note 13 Profit/loss from participation in associated companies

|   | 2006       | 2005       |
|---|------------|------------|
| Share of profit/loss for the year after tax | 113        | 122        |
| Depreciation of surpluses                   | –3         | –3         |
| Write-downs                                 | 0          | –5         |
| Net change in capital                       | –3         | 7          |
| Profit/loss from sales of participation     | 64         | 12         |
| <b>Total</b>                                | <b>171</b> | <b>133</b> |

Individual holdings have affected profit/loss as follows:

|               | 2006       | 2005       |
|---------------|------------|------------|
| AB Fagerhult  | 19         | 42         |
| Sweco AB      | 145        | 96         |
| ProstaLund AB | 7          | –5         |
| <b>Total</b>  | <b>171</b> | <b>133</b> |

## Note 14 Profit/loss from portfolio management

| GROUP                                       | 2006        | 2005        |
|---|-------------|-------------|
| <i>Profit/loss from fixed assets</i>        |             |             |
| Dividends                                   | 209         | 187         |
| Capital gains on sales                      | 160         | 191         |
| Value change in call option Sweco B         | –           | 18          |
| Write-downs                                 | –           | –17         |
| Loss from guarantee commitments             | –           | –17         |
|   | <b>369</b>  | <b>362</b>  |
| <i>Profit from current assets</i>           |             |             |
| Dividends                                   | 1           | 1           |
| Capital gains                               | 9           | 10          |
| Revaluation, booked in the income statement | 17          | 5           |
|   | <b>27</b>   | <b>16</b>   |
| Administration costs                        | –12         | –11         |
| <b>Total portfolio management</b>           | <b>384</b>  | <b>367</b>  |
| <b>PARENT COMPANY</b>                       | <b>2006</b> | <b>2005</b> |
| <i>Profit from fixed assets</i>             |             |             |
| Dividends                                   | 256         | 223         |
| Capital gains on sales                      | 225         | 203         |
| Revaluation                                 | –           | –21         |
| Loss from guarantee commitments             | –           | –17         |
|   | <b>481</b>  | <b>388</b>  |
| Administration costs                        | –5          | –3          |
| <b>Total portfolio management</b>           | <b>476</b>  | <b>385</b>  |

## Note 15 Financial income

| GROUP                                | 2006        | 2005        |
|--------------------------------------|-------------|-------------|
| Interest income                      | 8           | 5           |
| Exchange gains                       | 3           | 0           |
| Other financial income               | 1           | 1           |
| <b>Total</b>                         | <b>12</b>   | <b>6</b>    |
| <b>PARENT COMPANY</b>                | <b>2006</b> | <b>2005</b> |
| Interest income from Group companies | 39          | 35          |
| Interest income                      | 0           | 0           |
| Other financial income               | 2           | 1           |
| <b>Total</b>                         | <b>41</b>   | <b>36</b>   |

## Note 16 Financial costs

| GROUP                                | 2006        | 2005        |
|--------------------------------------|-------------|-------------|
| PRI interest                         | –5          | –7          |
| Other interest expenses              | –38         | –46         |
| Exchange losses                      | –2          | –3          |
| Other financial costs                | 0           | 0           |
| <b>Total</b>                         | <b>–45</b>  | <b>–56</b>  |
| <b>PARENT COMPANY</b>                | <b>2006</b> | <b>2005</b> |
| Interest expenses to Group companies | –48         | –43         |
| <b>Total</b>                         | <b>–48</b>  | <b>–43</b>  |

## Note 17 Tax on profit for the year

| GROUP  | 2006        | 2005       |
|--|-------------|------------|
| Current tax costs for the period                                     | –132        | –105       |
| <i>Deferred tax attributable to changes in temporary differences</i> |             |            |
| Deferred tax income  | 25          | 23         |
| Deferred tax expenses  | –6          | –1         |
| <b>Total</b>   | <b>–113</b> | <b>–83</b> |

### Difference between actual tax costs and tax cost based on applicable tax rates

| GROUP   | 2006  | 2005 |
|---|-------|------|
| Profit/loss before tax  | 1,232 | 792  |
| Tax according to applicable tax rate                          | –345  | –222 |
| Tax effect of special taxation rules for investment companies | 131   | 106  |
| Effect of associated company accounts                         | 17    | 37   |
| Tax effect of adjustment of tax costs from previous year      | 1     | 0    |
| Tax effect of non-deductible costs                            | –5    | –4   |
| Tax effect of non-taxable income                              | 92    | 3    |
| Other tax effects   | –4    | –3   |

### Tax on profit for the year according to the income statement

| PARENT COMPANY  | 2006     | 2005     |
|---|----------|----------|
| Profit/loss before tax  | 469      | 378      |
| Tax according to applicable tax rate                                | –131     | –106     |
| Tax effect of special taxation rules for investment companies       | 131      | 106      |
| <b>Tax on profit for the year according to the income statement</b> | <b>0</b> | <b>0</b> |

The applicable tax rate for the Group, as for the parent company, is 28 %. The tax rate is the same rate as in the previous year.

Investment companies are allowed a tax deduction for the dividend approved at the subsequent Annual General Meeting. Capital gains are not taxable while capital losses are not deductible. Investment companies are taxed on a standardised basis.

## Note 18 Intangible assets

| GROUP                                       | Goodwill   | Trademarks,<br>licenses | Totalt     |
|---|------------|-------------------------|------------|
| <b>Accumulated acquisition values</b>       |            |                         |            |
| Opening balance 2005-01-01                  | 112        | 26                      | 138        |
| Opening acquisition value from acquisitions | –          | 3                       | 3          |
| Acquisitions for the year                   | 32         | 9                       | 41         |
| Sales for the year                          | –1         | 0                       | –1         |
| Reclassifications                           | 1          | 0                       | 1          |
| <b>Closing balance 2005-12-31</b>           | <b>144</b> | <b>38</b>               | <b>182</b> |
| Opening balance 2006-01-01                  | 144        | 38                      | 182        |
| Opening acquisition value from acquisitions | 3          | 0                       | 3          |
| Acquisitions for the year                   | 386        | 37                      | 423        |
| Sales for the year                          | –3         | 0                       | –3         |
| Translation difference                      | 0          | 0                       | 0          |
| <b>Closing balance 2006-12-31</b>           | <b>530</b> | <b>75</b>               | <b>605</b> |
| <b>Accumulated depreciation</b>             |            |                         |            |
| Opening balance 2005-01-01                  | 0          | –11                     | –11        |
| Opening depreciation from acquisitions      | –          | –3                      | –3         |
| Depreciation for the year                   | –          | –6                      | –6         |
| <b>Closing balance 2005-12-31</b>           | <b>0</b>   | <b>–20</b>              | <b>–20</b> |
| Opening balance 2006-01-01                  | 0          | –20                     | –20        |
| Opening depreciation from acquisitions      | –          | 0                       | 0          |
| Depreciation for the year                   | –          | –5                      | –5         |
| <b>Closing balance 2006-12-31</b>           | <b>0</b>   | <b>–25</b>              | <b>–25</b> |
| <b>Accumulated write-downs</b>              |            |                         |            |
| Opening balance 2005-01-01                  | 0          | 0                       | 0          |
| Write-downs for the year                    | –1         | –                       | –1         |
| <b>Closing balance 2005-12-31</b>           | <b>–1</b>  | <b>0</b>                | <b>–1</b>  |
| Opening balance 2006-01-01                  | –1         | 0                       | –1         |
| Write-downs for the year                    | –          | –                       | 0          |
| <b>Closing balance 2006-12-31</b>           | <b>–1</b>  | <b>0</b>                | <b>–1</b>  |
| <b>Book value</b>                           | <b>529</b> | <b>50</b>               | <b>579</b> |
| <b>Recorded values</b>                      |            |                         |            |
| Per 2005-01-01                              | 112        | 15                      | 127        |
| Per 2005-12-31                              | 143        | 18                      | 161        |
| Per 2006-01-01                              | 143        | 18                      | 161        |
| Per 2006-12-31                              | 529        | 50                      | 579        |

The effect of depreciation on profit/loss is detailed in note 10. All goodwill is related to the industrial and trading operations. No need for write-downs has been identified for 2006 after testing goodwill.

### Impairment tests of goodwill

Goodwill is allocated to the Latour Group's cash generating units (CGU) identified per geographic area and business line.

The recoverable amount for a CGU is determined based on a calculation of value in use. These calculations are based on estimated future cash flows for the next 20 years, based on financial budgets approved of by management. Anticipated future investment needs are taken into consideration. The total length of the forecast period (20 years) corresponds to the average useful life of the Group's key assets. The forecasted cash flows have been present value calculated with a discount of 9 % before taxes.

### Key assumptions

#### Market shares and growth

Current market shares have been assumed valid for future periods based on previous experience and external information sources.

#### Personnel expenses

Forecasted personnel expenses are based on anticipated inflation, a certain real wage increase (historical average) and planned rationalisations in production. The forecast concurs with previous experience and external information sources.

#### Exchange rates

Exchange rates forecasts are based on current listed exchange and forward rates. The forecast concurs with external information sources.

#### Assumed variables

Discount rate of 9 % before tax

Exchange rate EUR 9.05

Exchange rate DKK 1.2135

Exchange rate NOK 1.0945

Exchange rate USD 6.87

For most of the Group's units the recoverable value surpasses book value with a good margin. Group management believes that a change in one key assumption would not, on its own, have such a significant effect that it would reduce the recoverable value to a value lower than the book value.

## Note 19 Buildings

| GROUP  | 2006        | 2005        |
|--|-------------|-------------|
| Opening acquisition value                    | 581         | 595         |
| Opening acquisition value from acquisitions  | 55          | 2           |
| Purchase                                     | 13          | 21          |
| Sales and disposals                          | -208        | -41         |
| Reclassification                             | 0           | 0           |
| Translation differences                      | -2          | 4           |
| <i>Closing acquisition values</i>            | <i>439</i>  | <i>581</i>  |
| Opening depreciation                         | -215        | -203        |
| Opening depreciation value from acquisitions | -20         | -1          |
| Sales and disposals                          | 60          | 10          |
| Depreciation for the year                    | -15         | -20         |
| Reclassification                             | 0           | 0           |
| Translation differences                      | 1           | -1          |
| <i>Closing depreciation</i>                  | <i>-189</i> | <i>-215</i> |
| Opening write-downs                          | -69         | -83         |
| Write-downs for the year                     | -           | -           |
| Sales and reversals                          | 49          | 14          |
| <i>Closing write-downs</i>                   | <i>-20</i>  | <i>-69</i>  |
| <b>Book value</b>                            | <b>230</b>  | <b>297</b>  |
| Book value of property in Sweden             | 170         | 229         |
| Taxable value of property in Sweden          | 160         | 192         |

Depreciation for the year is found in note 10.

## Note 20 Land and land improvements

| GROUP  | 2006      | 2005      |
|--|-----------|-----------|
| Opening acquisition value                    | 39        | 46        |
| Opening acquisition value from acquisitions  | 5         | -         |
| Purchases                                    | 2         | 0         |
| Sales and disposals                          | -10       | -7        |
| Translation differences                      | 0         | 0         |
| <i>Closing acquisition values</i>            | <i>36</i> | <i>39</i> |
| Opening depreciation                         | -6        | -6        |
| Opening depreciation value from acquisitions | -         | -         |
| Sales and disposals                          | 2         | 1         |
| Depreciation for the year                    | -1        | -1        |
| Translation differences                      | 0         | 0         |
| <i>Closing depreciation</i>                  | <i>-5</i> | <i>-6</i> |
| <b>Book value</b>                            | <b>31</b> | <b>33</b> |
| Book value of property in Sweden             | 27        | 26        |
| Taxable value of property in Sweden          | 27        | 30        |

Depreciation for the year is found in note 10.

## Note 21 Machinery

| GROUP                                       | 2006        | 2005        |
|---|-------------|-------------|
| Opening acquisition value                   | 883         | 790         |
| Opening acquisition value from acquisitions | 87          | 49          |
| Purchases                                   | 68          | 65          |
| Sales and disposals                         | -96         | -26         |
| Reclassification                            | 0           | 4           |
| Translation differences                     | 0           | 1           |
| <i>Closing acquisition values</i>           | <i>942</i>  | <i>883</i>  |
| Opening depreciation                        | -640        | -568        |
| Opening depreciation from acquisitions      | -45         | -32         |
| Sales and disposals                         | 85          | 23          |
| Depreciation for the year                   | -66         | -57         |
| Reclassification                            | 0           | -5          |
| Translation differences                     | 0           | -1          |
| <i>Closing depreciation</i>                 | <i>-666</i> | <i>-640</i> |
| <b>Book value</b>                           | <b>276</b>  | <b>243</b>  |

Depreciation for the year is found in note 10.

## Note 22 Equipment

| GROUP                                       | 2006        | 2005        |
|---|-------------|-------------|
| Opening acquisition value                   | 417         | 572         |
| Opening acquisition value from acquisitions | 56          | 3           |
| Purchases                                   | 58          | 64          |
| Sales and disposals                         | -72         | -229        |
| Reclassification                            | 0           | 3           |
| Translation differences                     | -4          | 4           |
| <i>Closing acquisition values</i>           | <i>455</i>  | <i>417</i>  |
| Opening depreciation                        | -290        | -400        |
| Opening depreciation from acquisitions      | -36         | -1          |
| Sales and disposals                         | 54          | 172         |
| Depreciation for the year                   | -47         | -55         |
| Reclassification                            | 0           | -3          |
| Translation differences                     | 4           | -3          |
| <i>Closing depreciation</i>                 | <i>-315</i> | <i>-290</i> |
| <b>Book value</b>                           | <b>140</b>  | <b>127</b>  |

Depreciation for the year is found in note 10.

## Note 23 Construction in progress and advance payments for fixed assets

| GROUP                          | 2006     | 2005     |
|--------------------------------|----------|----------|
| Opening acquisition value      | 7        | 11       |
| Costs expended during the year | 19       | 50       |
| Reclassification               | -18      | -54      |
| <b>Book value</b>              | <b>8</b> | <b>7</b> |

No loan costs have been capitalised in fixed assets.

## Note 24 Participations in subsidiaries

|                                  | 2006       | 2005       |
|----------------------------------|------------|------------|
| Opening acquisition value        | 241        | 241        |
| Change for the year              | –          | –          |
| <b>Closing acquisition value</b> | <b>241</b> | <b>241</b> |

| Company name                                      | Corporate registration number | Domicile           | Number of shares | Share of equity in % | Book value (SEK m) |
|---|-------------------------------|--------------------|------------------|----------------------|--------------------|
| Karpalunds Ångbryggeri AB                         | 556000-1439                   | Stockholm          | 3,600            | 97                   | 1                  |
| Latour Industrier AB                              | 556649-8647                   | Gothenburg         | 400,000          | 100                  | 49                 |
| Autotube AB                                       | 556099-2041                   | Gothenburg         | 500,000          | 100                  |                    |
| Autotube HordaGruppen AB                          | 556580-5768                   | Gothenburg         | 40,000           | 100                  |                    |
| Hultafor AB                                       | 556023-7793                   | Gothenburg         | 30,000           | 100                  |                    |
| Hultafor Oy                                       | 0664406-9                     | Finland            | 100              | 100                  |                    |
| Hultafor Norge AS                                 | 983513328                     | Norway             | 1,000            | 100                  |                    |
| Hultafor Danmark AS                               | 225241                        | Denmark            | 1,320            | 100                  |                    |
| Hultafor Präsident GmbH                           | HRB 3586                      | Germany            | –                | 100                  |                    |
| Hultafor U.M.I. S.R.L.                            | J32/572/22.11.1996            | Romania            | 78,661           | 100                  |                    |
| TA Ljungberg Patent AB                            | 556113-7760                   | Huddinge           | 1,000            | 100                  |                    |
| Wibe Stegar AB                                    | 556092-0489                   | Nässjö             | 5,000            | 100                  |                    |
| Snickers Workwear AB                              | 556365-0752                   | Sollentuna         | 349,873          | 100                  |                    |
| Snickers Intellectual Property AB                 | 556059-0654                   | Sollentuna         | 1,000            | 100                  |                    |
| Snickers Workwear Logistics BV                    | 8117646                       | The Netherlands    | 200              | 100                  |                    |
| Skillers Workwear NA Inc                          | 06-1649127                    | USA                | 1,000            | 100                  |                    |
| Snickers Production SIA Latvia                    | 40003077239                   | Latvia             | 100              | 100                  |                    |
| Snickers Original NV Belgium                      | 0444.346.706                  | Belgium            | 50               | 100                  |                    |
| Tradewear Ltd                                     | 65695194                      | Ireland            | 15,700           | 100                  |                    |
| Snickers Original SIA                             | 40003229796                   | Latvia             | 10               | 100                  |                    |
| Snickers Original GmbH                            | 147860778                     | Germany            | 50,000           | 100                  |                    |
| Specma Hydraulic AB                               | 556089-9550                   | Gothenburg         | 10,000           | 100                  |                    |
| Specma Hydraulic i Övik AB                        | 556278-7183                   | Örnsköldsvik       | 1,000            | 100                  |                    |
| Eurobend AB                                       | 556137-4041                   | Tranemo            | 1,000            | 100                  |                    |
| Hymat Oy  | 0292607-7                     | Finland            | 400              | 100                  |                    |
| JMS Systemhydraulik AB                            | 556063-2134                   | Gothenburg         | 10,000           | 100                  |                    |
| Fastighets AB Hydraulen                           | 556363-6256                   | Gothenburg         | 1,000            | 100                  |                    |
| Specma Component AB                               | 556219-2202                   | Skellefteå         | 7,500            | 100                  |                    |
| WiroArgonic AB                                    | 556362-4641                   | Malmö              | 5,000            | 100                  |                    |
| Swegon AB   | 556077-8465                   | Vara               | 400,000          | 100                  |                    |
| Swegon GmbH                                       | HRB 55388                     | Germany            | 1                | 100                  |                    |
| Swegon AS   | 247231                        | Denmark            | 5                | 100                  |                    |
| Swegon GmbH                                       | FN 229472 i                   | Austria            | –                | 100                  |                    |
| KB Söderby 1:752                                  | 916634-4441                   | Vara               |                  | 100                  |                    |
| KB Kardanen 7                                     | 916634-4516                   | Vara               |                  | 100                  |                    |
| Swegon Ltd  | 1529960                       | England            | 50,000           | 100                  |                    |
| Swegon S.ä.r.l.                                   | 409-770-195                   | France             | 1,990            | 99                   |                    |
| Swegon SA   | 48-205-4517                   | Switzerland        | 100              | 100                  |                    |
| Swegon s.r.o.                                     | 275 90 071                    | The Czech Republic | 1                | 100                  |                    |
| Swegon AS   | 933-765-806                   | Norway             | 1,500            | 100                  |                    |
| Oy Swegon AB                                      | 240.505                       | Finland            | 20,000           | 100                  |                    |
| Lewaco Trading AB                                 | 556343-3423                   | Vara               | 910              | 91                   |                    |
| Swegon Sp.z o.o                                   | 632031333                     | Poznan             | 1,454            | 100                  |                    |
| AB Sigfrid Stenberg                               | 556017-2099                   | Nässjö             | 800,000          | 100                  |                    |
| Carstens AB                                       | 556059-6776                   | Jönköping          | 18,500           | 100                  |                    |
| Flextek AS  | 17951831                      | Denmark            | 20,000           | 100                  |                    |
| Granaths Hårdmetal AS                             | 182650                        | Denmark            | 2,550            | 100                  |                    |
| Karl-Erik Karlsson Maskinunderhåll i Karlskoga AB | 556650-7181                   | Karlskoga          | 1,500            | 100                  |                    |
| Machine Trading Team OY                           | 1032222-2                     | Finland            | 100              | 100                  |                    |
| Mekana AB   | 556103-6251                   | Burlöv             | 40,000           | 100                  |                    |
| MaskinCentrum i Örnsköldsvik AB                   | 556578-8303                   | Örnsköldsvik       | 8,200            | 100                  |                    |
| Woodtechnique Finland OY                          | 745.813                       | Finland            | 510              | 100                  |                    |
| Woodtechnique Verktygssystem AB                   | 556463-2833                   | Växjö              | 2,500            | 100                  |                    |
| Gamledahls AB                                     | 556001-2600                   | Gothenburg         | 180,000          | 100                  |                    |
| Almedahls AB                                      | 556708-6949                   | Gothenburg         | 1,000            | 100                  |                    |
| Almedahl GmbH                                     | HRB 1179                      | Germany            | 500              | 100                  |                    |
| OY Almedahl AB                                    | 599.732                       | Finland            | 43               | 100                  |                    |
| Marifa Polska Sp. z o.o.                          | RHB 2994                      | Poland             | 1,000            | 100                  |                    |
| FOV Fabrics AB                                    | 556057-3460                   | Gothenburg         | 60,000           | 100                  |                    |
| Specma AB   | 556018-9754                   | Gothenburg         | 100,000          | 100                  |                    |
| Specma AS   | 988605042                     | Norway             | 100              | 100                  |                    |
| Brickpack AB                                      | 556194-2615                   | Laholm             | 200              | 100                  |                    |
| Nord-Lock AB                                      | 556137-1054                   | Åre                | 8,000            | 100                  |                    |
| Nord-Lock Ltd                                     | 4117670                       | England            | 100              | 100                  |                    |
| Nord-Lock France                                  | 439-251-901                   | France             | 1,000            | 100                  |                    |
| Nordlock Inc.                                     | 38-3418590                    | USA                | 1,000            | 100                  |                    |
| Nord-Lock Oy                                      | 0893691-1                     | Finland            | 100              | 100                  |                    |
| KB Backen Västergård 1:141                        | 916634-4490                   | Gothenburg         |                  | 100                  |                    |
| Nordiska Industri AB                              | 556002-7335                   | Gothenburg         | 840,000          | 100                  | 191                |
| PM-LUFT AB  | 556048-2118                   | Tomelilla          | 1,000            | 100                  |                    |
| Farex AB  | 556196-7802                   | Borlänge           | 1,000            | 100                  |                    |
| Stifab AB   | 556099-8832                   | Stockholm          | 1,800            | 100                  |                    |
| <b>Total book value</b>                           |                               |                    |                  |                      | <b>241</b>         |

Smaller inactive subsidiaries are not included in the specification above.

## Note 25 Participation in associated companies

| GROUP                               | 2006       | 2005       | PARENT COMPANY               | 2006       | 2005       |
|-------------------------------------|------------|------------|------------------------------|------------|------------|
| Opening book value                  | 703        | 560        | Opening book value           | 470        | 461        |
| Acquisitions during the year        | 1          | 66         | Acquisitions during the year | 1          | 30         |
| Sold during the year                | -3         | -16        | Sold during the year         | -10        | -16        |
| Profit share for the year after tax | 113        | 122        | Write-downs                  | -          | -5         |
| Dilution effect                     | -3         | 8          | <b>Closing value</b>         | <b>461</b> | <b>470</b> |
| Dividends received                  | -109       | -36        |                              |            |            |
| Depreciation of surpluses           | -3         | -3         |                              |            |            |
| Write-downs                         | -          | -5         |                              |            |            |
| Net change in capital               | -20        | 7          |                              |            |            |
| <b>Closing value</b>                | <b>679</b> | <b>703</b> |                              |            |            |

The holding in ProstaLund AB has been divested during the year.

|  | Number of<br>shares | Adjusted<br>equity <sup>1)</sup> | Share of<br>capital | Market<br>value | Acquisition<br>value | Acquisition<br>goodwill |
|--|---------------------|----------------------------------|---------------------|-----------------|----------------------|-------------------------|
| AB Fagerhult<br>(Corporate Reg.no. 556110-6203, Domicile: Habo)  | 4,069,500           | 172                              | 283                 | 604             | 290                  | 60                      |
| Sweco AB<br>(Corporate Reg.no. 556542-9841, Domicile: Stockholm) | 6,143,788           | 305                              | 396                 | 1,615           | 207                  | 113                     |
|  |                     | <b>477</b>                       | <b>679</b>          | <b>2,219</b>    | <b>497</b>           | <b>173</b>              |

<sup>1)</sup> Adjusted equity refers to Latour's share of the company's equity.

### Group participation in associated companies:

|               | Assets | Liabilities | Income | Profit/loss | Share of<br>capital % | Share of<br>votes % |
|---------------|--------|-------------|--------|-------------|-----------------------|---------------------|
| <b>2005</b>   |        |             |        |             |                       |                     |
| AB Fagerhult  | 475    | 298         | 571    | 25          | 32                    | 32                  |
| Sweco AB      | 742    | 427         | 1,226  | 96          | 36                    | 25                  |
| ProstaLund AB | 10     | 6           | 6      | 0           | 23                    | 23                  |
| <b>2006</b>   |        |             |        |             |                       |                     |
| AB Fagerhult  | 488    | 316         | 695    | 19          | 32                    | 32                  |
| Sweco AB      | 748    | 443         | 1,420  | 94          | 36                    | 25                  |

## Note 26 Listed shares

| GROUP  | 2006         | 2005         |
|--|--------------|--------------|
| Opening acquisition value                    | 2,951        | 2,948        |
| Purchases                                    | 364          | 35           |
| Sales  | -156         | -32          |
| <i>Closing acquisition value</i>             | <i>3,159</i> | <i>2,951</i> |
| Opening fair value reserve                   | 4,800        | 0            |
| Effect of change in accounting principle     | -            | 4,090        |
| Divestitures, booked in the income statement | -130         | -194         |
| Revaluation recognised in equity             | 1,650        | 904          |
| <i>Closing fair value reserve</i>            | <i>6,320</i> | <i>4,800</i> |
| <b>Book value</b>                            | <b>9,479</b> | <b>7,751</b> |
| <b>PARENT COMPANY</b>                        | <b>2006</b>  | <b>2005</b>  |
| Opening acquisition value                    | 2,951        | 2,948        |
| Purchases                                    | 364          | 35           |
| Sales  | -156         | -32          |
| <b>Book value</b>                            | <b>3,159</b> | <b>2,951</b> |

| INVESTMENT PORTFOLIO  |            | Market value  | Listed price <sup>1)</sup> | Acquisition  | Share of | Share of  |
|---|------------|---------------|----------------------------|--------------|----------|-----------|
| Share   | Number     | SEK m         | SEK                        | value, SEK m | votes, % | equity, % |
| Assa Abloy A <sup>2)</sup>  | 6,746,425  | 1,004         | 149                        | 786          |          |           |
| Assa Abloy B  | 19,000,000 | 2,827         | 149                        | 414          | 16       | 7         |
| Elanders  | 1,355,000  | 195           | 144                        | 275          | 11       | 16        |
| Munters   | 3,650,000  | 1,153         | 316                        | 671          | 15       | 15        |
| OEM International A <sup>2)</sup>                                     | 212,000    | 40            | 189                        | 40           |          |           |
| OEM International B   | 309,000    | 58            | 189                        | 59           | 11       | 7         |
| Securitas A <sup>2)</sup>   | 4,000,000  | 423           | 106                        | 344          |          |           |
| Securitas B   | 23,090,000 | 2,443         | 106                        | 306          | 12       | 7         |
| Securitas Direct A <sup>2)</sup>                                      | 4,000,000  | 86            | 22                         | 53           |          |           |
| Securitas Direct B  | 23,090,000 | 499           | 22                         | 47           | 12       | 7         |
| Securitas Systems A <sup>2)</sup>                                     | 4,000,000  | 111           | 28                         | 87           |          |           |
| Securitas Systems B   | 23,090,000 | 640           | 28                         | 78           | 12       | 7         |
| <b>Total</b>  |            | <b>9,479</b>  |                            | <b>3,159</b> |          |           |
| <b>Associated companies in the investment portfolio (see note 25)</b> |            |               |                            |              |          |           |
| Fagerhult   | 4,069,500  | 604           | 149                        | 290          | 32       | 32        |
| Sweco A   | 238,788    | 59            | 245                        | 7            |          |           |
| Sweco B <sup>3)</sup>   | 5,905,000  | 1,556         | 264                        | 163          | 25       | 36        |
| <b>Total incl. associated companies in the parent company</b>         |            | <b>11,698</b> |                            | <b>3,620</b> |          |           |

<sup>1)</sup> Buying rate

<sup>2)</sup> A shares in Assa Abloy, OEM International, Securitas, Securitas Direct and Securitas Systems are unlisted. These shares have been given the same listing price as corresponding B shares in this table.

<sup>3)</sup> The acquisition value of Sweco B is SEK 36 m higher in the Group due to the utilisation of a call option.



**Note 27 Other securities held as fixed assets**

| GROUP                                      | 2006       | 2005       |
|--|------------|------------|
| Opening acquisition value                  | 213        | 208        |
| Purchases                                  | 12         | 3          |
| Reclassification                           | –          | 2          |
| Sales                                      | –179       | –          |
| <i>Closing acquisition value</i>           | <i>46</i>  | <i>213</i> |
| Opening fair value reserve                 | 37         | 0          |
| Effect of change in accounting principle   | –          | 17         |
| Divestiture booked in the income statement | –2         | –          |
| Change for the year                        | 6          | 20         |
| <i>Closing fair value reserve</i>          | <i>41</i>  | <i>37</i>  |
| Opening write-downs                        | –95        | –79        |
| Write-downs for the year                   | –          | –16        |
| Sales                                      | 83         | –          |
| <i>Closing write-downs</i>                 | <i>–12</i> | <i>–95</i> |
| <b>Book value</b>                          | <b>75</b>  | <b>155</b> |
| Bravida ASA                                | –          | 91         |
| Arisaig Asian Fund                         | 63         | 56         |
| Linktech                                   | 4          | 4          |
| Other holdings                             | 8          | 4          |
| <b>Book value</b>                          | <b>75</b>  | <b>155</b> |

| PARENT COMPANY                   | 2006       | 2005       |
|----------------------------------|------------|------------|
| Opening acquisition value        | 209        | 206        |
| Purchases                        | –          | 2          |
| Reclassification                 | –          | 1          |
| Sales                            | –171       | –          |
| <i>Closing acquisition value</i> | <i>38</i>  | <i>209</i> |
| Opening write-downs              | –95        | –79        |
| Write-downs for the year         | –          | –16        |
| Sales                            | 83         | –          |
| <i>Closing write-downs</i>       | <i>–12</i> | <i>–95</i> |
| <b>Book value</b>                | <b>26</b>  | <b>114</b> |
| Bravida ASA                      | –          | 88         |
| Arisaig Asian Fund               | 22         | 22         |
| Linktech                         | 4          | 4          |
| <b>Book value</b>                | <b>26</b>  | <b>114</b> |

**Note 28 Long-term receivables**

| GROUP                     | 2006      | 2005      |
|---------------------------|-----------|-----------|
| Opening acquisition value | 21        | 32        |
| Increase for the year     | 4         | –         |
| Decrease for the year     | –8        | –         |
| Reclassification          | –         | –3        |
| <b>Book value</b>         | <b>17</b> | <b>21</b> |

The Group's interest-bearing receivables have an average interest rate of 6 % and run for an average period of 3 years.

**Note 29 Inventory**

The value of goods pledged as security for loans or other obligations is 0 (0).

| Inventory value                        | 2006       | 2005       |
|--|------------|------------|
| <i>At net sales value:</i>             |            |            |
| Raw materials and consumables          | –          | –          |
| Work-in-progress                       | –          | –          |
| Finished products and goods for resale | 44         | 35         |
| <i>At acquisition value:</i>           |            |            |
| Raw materials and consumables          | 194        | 177        |
| Work-in-progress                       | 103        | 99         |
| Finished products and goods for resale | 534        | 481        |
| Ongoing work                           | 7          | 4          |
|  | <b>882</b> | <b>796</b> |

**Note 30 Listed shares – trading**

| GROUP                                       | 2006       | 2005      |
|---|------------|-----------|
| Book value at the beginning of the year     | 35         | 33        |
| Acquisitions for the year                   | 223        | 2         |
| Sales                                       | –151       | –7        |
| Revaluation, booked in the income statement | 17         | 7         |
| <b>Book value at the end of the year</b>    | <b>124</b> | <b>35</b> |

| GROUP                          | Number    | Acquisition value | Book value | Market value |
|--------------------------------|-----------|-------------------|------------|--------------|
| Sweco B                        | 133,350   | 28                | 35         | 35           |
| IFS B                          | 1,000,000 | 9                 | 10         | 10           |
| Securitas B                    | 400,000   | 37                | 42         | 42           |
| Securitas Direct B             | 304,600   | 4                 | 7          | 7            |
| Securitas Systems B            | 304,600   | 7                 | 8          | 8            |
| Other shares and participation |           | 14                | 22         | 22           |
|                                |           | <b>99</b>         | <b>124</b> | <b>124</b>   |

**Note 31 Liquid assets**

Liquid assets consist of SEK 166 m (135) in bank balances and SEK 0 m (3) in short-term investments. The Group receives interest on bank balances according to a floating interest rate based on the bank's daily rate.

Of the Group's and the parent company's liquid assets, SEK 8 m (0) comprise frozen funds.

## Note 32 Financial instruments and financial risk management

### Book value and fair value of financial assets and liabilities

The table below shows book and fair value per type of financial instrument. Financial instruments include securities, derivative instruments, receivables, operating liabilities, leasing obligations and borrowing. For Latour's part financial instruments are largely market related investments. Listed securities are valued at the latest buying rate as of the balance sheet date. Currency

swaps and hedging contracts are valued at the forward rate. Translation to SEK is according to listed rates on the balance sheet date. The main difference between book value and fair value arises in the Group's holdings of participation in associated companies. For other items, the book value largely reflects fair value.

|  | 2006          |               | 2005         |               |
|--|---------------|---------------|--------------|---------------|
|  | Book value    | Fair value    | Book value   | Fair value    |
| Participation in associated companies  | 679           | 2,219         | 703          | 1,889         |
| Listed shares, management              | 9,479         | 9,479         | 7,751        | 7,751         |
| Other securities held as fixed assets  | 75            | 75            | 155          | 155           |
| Other long-term receivables            | 17            | 17            | 21           | 21            |
| Listed shares – trading                | 124           | 124           | 35           | 50            |
| Accounts receivable                    | 1,082         | 1,082         | 776          | 776           |
| Other current receivables              | 136           | 136           | 64           | 64            |
| Unrealised gains, currency derivatives | 5             | 5             | –            | –             |
| <b>Assets</b>                          | <b>11,597</b> | <b>13,137</b> | <b>9,505</b> | <b>10,706</b> |
|  |               |               |              |               |
| Pension obligations                    | 131           | 131           | 129          | 129           |
| Long-term loans                        | 25            | 25            | 8            | 8             |
| Bank overdraft facilities              | 47            | 47            | 12           | 12            |
| Current loans                          | 1,587         | 1,587         | 1,544        | 1,544         |
| Advance payments from customers        | 11            | 11            | 31           | 31            |
| Accounts payable                       | 570           | 570           | 442          | 442           |
| Other liabilities                      | 166           | 166           | 87           | 87            |
| Unrealised gains, currency derivatives | –             | –             | 1            | 1             |
| <b>Liabilities</b>                     | <b>2,537</b>  | <b>2,537</b>  | <b>2,254</b> | <b>2,254</b>  |

### Financial risk management

The Group's financing operations and management of financial risks is primarily centralised to Group staff. Operations are run in accordance with a finance policy adopted by the board which is characterised by low risk levels. The purpose is to minimise the Group's capital expense through appropriate financing and effective management and control over the Group's financial risks.

Given a net transaction exposure that was valid for 2006, and without hedging measures, profits would be affected negatively by SEK 3 m if the Swedish crown had been strengthened by one percentage point towards all transaction currencies.

On 31 December 2006 the Group had outstanding hedging contracts distributed in the following currencies and on these maturity dates.

### Hedge accounting

Latour uses hedge accounting on forward exchange contracts that hedge cash flows and loans in foreign currency which safeguards net investments abroad. Changes in market values of cash flow hedges are recognised in equity when they are considered effective, otherwise directly in the income statements. Accumulated sums in equity are reversed to the income statement in the periods the hedged item affects profits. Profits or losses that stem from a market valuation of derivative instruments attributable to hedges of net investments and which stem from currency differences are recognised in equity.

### Currency exposure

The Group's operations face currency exposure in the form of exchange rate fluctuations. The Group's currency exposure consists partly of transaction exposure relating to purchases and sales in foreign currency, and partly to translation exposure relating to net investments in foreign subsidiaries and currency rate fluctuations when the profit/loss of foreign subsidiaries are converted to Swedish crowns (SEK).

### Transaction exposure

The Group's policy concerning transaction exposure is to hedge 50 % of the coming 12 months' budgeted cash flows. The net effect of currency hedging was SEK 9 m (–5), and booked in operating profit/loss.

The net currency flows for the year for Swedish units were distributed as follows:

| Currencies   | (Amounts in SEK m) |
|--------------|--------------------|
| NOK          | 303                |
| DKK          | 56                 |
| GBP          | 30                 |
| USD          | –2                 |
| EUR          | –119               |
| <b>Total</b> | <b>268</b>         |

| (Amounts in SEK m) | 2007       | 2008     | Total      |
|--------------------|------------|----------|------------|
| Sell EUR           | 96         | –        | 96         |
| Sell NOK           | 88         | –        | 88         |
| Sell DKK           | 44         | –        | 44         |
| Sell GBP           | 22         | –        | 22         |
| Sell USD           | 7          | –        | 7          |
| Sell CHF           | 7          | –        | 7          |
| Sell PLN           | 8          | –        | 8          |
| <i>Sell total</i>  | <i>272</i> | <i>0</i> | <i>272</i> |
| Buy JPY            | –10        | –        | –10        |
| Buy EUR            | –51        | –        | –51        |
| <i>Buy total</i>   | <i>–61</i> | <i>0</i> | <i>–61</i> |
| <b>Net</b>         | <b>211</b> | <b>0</b> | <b>211</b> |

The above forward exchange contracts are not included in the balance sheet.

The value of hedges not yet taken up as income totalled SEK 5 m (–1).

### Translation exposure

The need to hedge net assets in foreign subsidiaries is decided on a case-to-case basis and hedges are based on the group-wise value of the net assets. Hedging is done through loans in foreign currency. The profit from hedges in foreign operations amount to SEK 2 m (–2). The amount is reported in the balance item Other reserves in equity.

*Continued*

Note 32 continued

Net assets of the foreign subsidiaries' are allocated as follows:

| Currencies   | 2006            |            | 2005            |            |
|--------------|-----------------|------------|-----------------|------------|
|              | Amount<br>SEK m | %          | Amount<br>SEK m | %          |
| EUR          | 142             | 49         | 124             | 50         |
| DKK          | 53              | 18         | 64              | 26         |
| NOK          | 60              | 21         | 51              | 20         |
| USD          | 13              | 5          | 7               | 3          |
| GBP          | 8               | 3          | 7               | 3          |
| RON          | 8               | 3          | 3               | 1          |
| CHF          | 6               | 2          | 5               | 2          |
| LVL          | 4               | 1          | 0               | 0          |
| PLN          | -7              | -2         | -11             | -4         |
| <b>Total</b> | <b>287</b>      | <b>100</b> | <b>250</b>      | <b>100</b> |

Exchange rate difference for the year from translation of foreign net assets amounted to SEK -13 m (14 ) and is reported in the balance item Other reserves in equity..

#### Financing risks

In order to reduce the risk of difficulties in procuring capital in the future and refinancing of loans fallen due, the Group has a contracted credit commitment of SEK 3,200 m.

The Group's net financial liabilities, excluding shareholdings and other securities, amounted on 31 December to SEK 1,590 m. Most of the Group's loans are in SEK with a maturity period of less than one year.

#### Debt liabilities

The Group's interest-bearing loans had the following maturity schedule on 31 December 2006:

|                                    |           |          |       |
|------------------------------------|-----------|----------|-------|
|                                    | 1-5 years | >5 years | Total |
| Loans due after more than one year | 3         | 10       | 13    |

|                           |          |            |             |       |
|---------------------------|----------|------------|-------------|-------|
|                           | <1 month | 1-3 months | 4-12 months | Total |
| Loans due within one year | 190      | 392        | 1.005       | 1.587 |

#### Interest exposure

The Latour Group's major source of financing is the cash flow from current operations and portfolio management as well as from loans. The loans, which are interest-bearing, expose the Group to interest rate risks.

Interest rate exposure is the risk that interest rate fluctuations will affect the Group's net interest and/or cash flow negatively. The Group's financing policy establishes guidelines for setting fixed rates and average loan periods for borrowings. The Group strives to achieve a balance between the estimated cost of servicing loans and the risk that major interest rate fluctuations might affect profits negatively. At the end of 2006 the average fixed loan period was about seven months.

The Group does not presently use any form of interest rate derivative.

If the interest rate level of Latour's loan portfolio had been one percentage point higher, profit for the year would have been charged with SEK -14 m.

The average cost for outstanding long and short term borrowing on the balance sheet date:

|                            | 2006       |                 | 2005       |                 |
|----------------------------|------------|-----------------|------------|-----------------|
|                            | %          | Debt<br>(SEK m) | %          | Debt<br>(SEK m) |
| Long-term borrowing (SEK)  | 2.9        | 8               | 4.9        | 2               |
| Long-term borrowing (DKK)  | 4.4        | 5               | 4.0        | 6               |
|                            | <b>3.5</b> | <b>13</b>       | <b>4.2</b> | <b>8</b>        |
| Short-term borrowing (SEK) | 3.4        | 1,530           | 1.9        | 1,485           |
| Short-term borrowing (DKK) | 3.9        | 35              | 2.5        | 37              |
| Short-term borrowing (EUR) | 3.5        | 22              | 2.4        | 22              |
|                            | <b>3.4</b> | <b>1,587</b>    | <b>1.9</b> | <b>1,544</b>    |

#### Credit risk

The Group has limited exposure to credit risks. These risks are primarily related to outstanding accounts receivable. Losses on accounts receivable arise when customers become insolvent or for other reasons fail to meet their payment obligations. The risks are limited through credit insurance policies. Certain businesses even require prepayments. Group management takes the view that there is no significant credit risk concentration in relation to any specific customer or counterparty or in relation to any specific geographic region.

#### Price risk

The Group is exposed to a price risk concerning shares due to investments held by the Group and which, in the Group's balance sheet are classified either as available-for-sale financial instruments or assets valued at fair value through the income statement. The Group is not exposed to any price risk relating to raw and staple materials.

## Note 33 Equity

### Other reserves

| GROUP  | Hedging reserve  | Translation reserve | Fair value reserve | Total        |
|--|------------------|---------------------|--------------------|--------------|
| <b>Opening balance 2005-01-01</b>                | <b>1</b>         | <b>-2</b>           | <b>4,126</b>       | <b>4,125</b> |
| Translation differences for the year             |                  | 14                  |                    | 14           |
| Available-for-sales financial assets:            |                  |                     |                    |              |
| Revaluation recognised directly in equity        |                  |                     | 924                | 924          |
| Recognised in the income statement when divested |                  |                     | -213               | -213         |
| Cash flow hedges                                 |                  |                     |                    |              |
| Recognised directly in equity                    | -1 <sup>1)</sup> |                     |                    | -1           |
| Net asset hedge                                  | -2               |                     |                    | -2           |
| <b>Closing other reserves 2005-12-31</b>         | <b>-2</b>        | <b>12</b>           | <b>4,837</b>       | <b>4,847</b> |
| <b>Opening balance 2006-01-01</b>                | <b>-2</b>        | <b>12</b>           | <b>4,837</b>       | <b>4,847</b> |
| Translation differences for the year             |                  | -13                 |                    | -13          |
| Available-for-sales financial assets:            |                  |                     |                    |              |
| Revaluation recognised directly in equity        |                  |                     | 1,655              | 1,655        |
| Recognised in the income statement when divested |                  |                     | -132               | -132         |
| Cash flow hedges                                 |                  |                     |                    |              |
| Recognised directly in equity                    | 1 <sup>1)</sup>  |                     |                    | 1            |
| Net asset hedge                                  | 2                |                     |                    | 2            |
| <b>Closing other reserves 2006-12-31</b>         | <b>1</b>         | <b>-1</b>           | <b>6,360</b>       | <b>6,360</b> |

<sup>1)</sup> Tax on amounts recognised directly in equity is SEK 0 m.

### Share capital

The parent company's share capital. The quota value of each share is SEK 2.50.

### Other contributed capital

Refers to equity contributed by shareholders. Here the contributed capital is included as a form of issue in kind and a new issue for the amount surpassing the quota value.

### Bought-back shares

Bought-back shares are the acquisition cost for own shares held by the parent company and booked as a deduction in equity. Funds from the divestiture of own shares are recognised as an increase in equity and transactions costs are recognised directly in equity.

### Other provisions

#### Translation provision

The translation provision comprises all the exchange rates differences that occur when translating financial reports from foreign operations that prepare their financial reports in another currency than the currency consolidated financial reports are presented in. The parent company and the Group present their financial reports in Swedish crowns.

#### Hedging provision

The hedging provision comprises the effective portion of the accumulated net change of fair value on a cash flow hedging instrument attributable to hedging transactions that have not taken place. The hedging reserve also consists of exchange rate differences that occur when translating debts and

derivates classed as hedging instruments of net investments in a foreign unit.

Profit brought forward including profit/loss for the year  
Contained in profit brought forward including profit/loss for the year is earned profit in the parent company and its subsidiaries and associated companies. Previous provisions to the statutory reserve, excluding transferred share premium reserves, are incorporated in this equity item.

### Minority interests

Minority interests are the portion of equity not owned by the parent company.

### Dividends

Dividends are proposed by the board in accordance with the Companies Act and approved by the Annual General Meeting. The proposed but as yet not approved dividends for 2006 amount to SEK 371 m (SEK 8.50 per share). The sum has not been taken up as a liability.

### Earnings per share

| GROUP  | 2006       | 2005       |
|--|------------|------------|
| Net profit   | 1,119      | 708        |
| Average number of outstanding shares   | 43,700,000 | 43,700,000 |
| Earnings per share related to profit attributable to parent company shareholders | 25.61 SEK  | 16.20 SEK  |

Latour has no programs that can produce any dilution effect on the share.

| Outstanding shares                            |  | Class A    | Class B    | Total      |         |      |      |
|---|--|------------|------------|------------|---------|------|------|
| Number of shares on 1 January 2006            |  | 10,064,842 | 33,635,158 | 43,700,000 |         |      |      |
| Conversion                                    |  | -574,430   | 574,430    | 0          |         |      |      |
| Total shares outstanding per 31 December 2006 |  | 9,490,412  | 34,209,588 | 43,700,000 |         |      |      |
| Own shareholdings                             |  | Class A    | Class B    | Total      |         |      |      |
| Share holdings on 1 January 2006              |  | 0          | 120,000    | 120,000    |         |      |      |
| Buyback during the year                       |  | 0          | 0          | 0          |         |      |      |
| Conversion                                    |  | 0          | 0          | 0          |         |      |      |
| Total own shareholdings per 31 December 2006  |  | 0          | 120,000    | 120,000    |         |      |      |
| Own shareholdings                             |  | Number     | 2006       | Cost       | Number  | 2005 | Cost |
| Accumulated at the beginning of the year      |  | 120,000    |            | 17         | 120,000 |      | 17   |
| Buyback during the year                       |  | 0          |            | 0          | 0       |      | 0    |
| Redemption                                    |  | 0          |            | 0          | 0       |      | 0    |
| Accumulated at the end of the year            |  | 120,000    |            | 17         | 120,000 |      | 17   |

The quota value of own shareholdings bought-back amounted on 31 December 2006 to SEK 0.3 million and corresponds to 0.3 % of share capital. The transaction costs in connection with the buyback are reported as a deduction from equity. These costs have not affected booked tax costs. Share buybacks were carried out to create additional value for remaining Latour shareholders.

## Note 34 Pension obligations

Nearly all employees in the Latour Group are covered either by defined benefit or defined contribution pension plans. Defined benefit pension plans mean that the employee is guaranteed a pension corresponding to a certain percentage of his or her salary. The pension plans comprise retirement pension, sickness pension and family pension. The pension obligations are secured through provisions in the balance sheet and through premiums to insurance companies which thereby assume the obligations towards the employees. Group employees outside Sweden and Norway are covered by defined contribution pension plans. Fees for these plans normally constitute a percentage of the employee's salary.

Obligations for retirement and family pensions for white-collar workers in Sweden are largely secured through insurance with Alecta. Since Alecta cannot provide enough information to report the ITP plan as a defined benefit plan it is reported as a defined contribution plan. Fees for the year for pension insurance policies with Alecta amounted to SEK 28 m. Alecta's surplus can be divided amongst the insurance policy holder and/or the insured. At the end of 2006, Alecta's surplus in the form of the collective consolidation level was 143.1 %. Pension plans for blue-collar workers in Sweden are defined contribution plans.

For defined benefit plans, the company's costs and the value of outstanding obligations are calculated using actuarial calculations which aim to establish the current value of the obligations undertaken.

If the accumulated actuarial profit or loss on a pension obligation and plan assets exceeds a corridor corresponding to 10 % of the highest either of pension obligations or the market value of the plan assets, the surplus is recorded as profit during the period remaining of employment.

| GROUP  |            |            |
|--|------------|------------|
| Provisions for pension obligations           | 2006       | 2005       |
| Amount at the beginning of the year          | 129        | 135        |
| Pension costs                                | 6          | 8          |
| Pension payments                             | -4         | -4         |
| Divestitures (companies)                     | -          | -11        |
| Redemption                                   | 0          | 0          |
| Translation differences                      | 0          | 1          |
| <b>Closing value</b>                         | <b>131</b> | <b>129</b> |
|  |            |            |
| Defined benefit obligations                  | 2006       | 2005       |
| Current value at the beginning of the period | 129        | 135        |
| Benefits earned during the period            | 0          | 1          |
| Interest                                     | 6          | 7          |
| Pension payments                             | -4         | -4         |
| Divestitures (companies)                     | 0          | -11        |
| Actuarial profit/loss                        | 0          | 0          |
| Translation differences                      | 0          | 1          |
| <b>Closing balance</b>                       | <b>131</b> | <b>129</b> |
|  |            |            |
| Plan assets                                  |            |            |
| Opening balance                              | 0          | 0          |
| <b>Closing balance</b>                       | <b>0</b>   | <b>0</b>   |
|  |            |            |
| Amount reported in the income statement      | 2006       | 2005       |
| Benefits earned during the period            | 0          | 1          |
| Interest on pension provisions               | 6          | 7          |
| <b>Cost of defined benefit plans</b>         | <b>6</b>   | <b>8</b>   |
| Costs of defined contribution plans          | 68         | 71         |
| Special employer's tax and taxes on yield    | 11         | 14         |
| <b>Total pension costs</b>                   | <b>85</b>  | <b>93</b>  |

The actuarial calculation of pension obligations and pension costs is based on the following important assumptions:

| %                                 | 2006 | 2005 |
|-----------------------------------|------|------|
| Discount rate                     | 5.0  | 5.0  |
| Anticipated wage increases        | 3.0  | 3.0  |
| Income base amount                | 3.0  | 3.0  |
| Pension indexation                | 2.0  | 2.0  |
| Annual increase of paid-up policy | 2.0  | 2.0  |
| Personnel turnover                | 3.0  | 3.0  |
| Remaining years of service, years | 15.7 | 15.6 |

## Note 35 Taxes

### Deferred tax in the balance sheet

Temporary differences exist where the book value and taxation value differ for a given asset or liability. Temporary differences have resulted in the Group's overall deferred tax credits and deferred tax liabilities as set out below.

| GROUP                                | 2006        | 2005        |
|--------------------------------------|-------------|-------------|
| <b>Deferred tax credits</b>          |             |             |
| Intangible assets                    | 2           | -           |
| Buildings and land                   | 2           | -           |
| Inventories                          | 3           | 3           |
| Listed shares                        | 2           | -           |
| Current receivables                  | 1           | 2           |
| Provisions                           | 2           | 2           |
| Current liabilities                  | 2           | 3           |
| Other items                          | 5           | 1           |
|                                      | <b>19</b>   | <b>11</b>   |
| <b>Deferred tax liabilities</b>      |             |             |
| Intangible assets                    | -6          | -5          |
| Buildings and land                   | -           | -1          |
| Untaxed reserves                     | -93         | -113        |
| Provisions                           | -3          | -           |
| Derivate instruments                 | -2          | -           |
| Other items                          | -1          | -1          |
|                                      | <b>-105</b> | <b>-120</b> |
| <b>Deferred tax liabilities, net</b> | <b>-86</b>  | <b>-109</b> |

Deferred tax credits and liabilities are set-off when there is a legal right to set off current tax credits and tax liabilities and when deferred taxes refer to the same tax system.

### Temporary differences related to investments in subsidiaries for which deferred tax credits are not recorded:

|  | 2006 | 2005 |
|--|------|------|
| Temporary differences concerning write-down of participation | 16   | 65   |

### Deferred taxes recognised in equity

Deferred tax recognised directly in equity refers to tax on pension obligations and amounts to SEK 3 m.

## Note 36 Other provisions

| GROUP                           | Guarantee provisions | Other provisions | Total     |
|---------------------------------|----------------------|------------------|-----------|
| <b>Opening value 2005-01-01</b> | <b>11</b>            | <b>4</b>         | <b>15</b> |
| Opening value from acquisitions | 0                    | -                | 0         |
| Amounts claimed during the year | -3                   | -3               | -6        |
| Provisions for the year         | 4                    | -                | 4         |
| Reversed unused amount          | 0                    | -                | 0         |
| <b>Closing value 2005-12-31</b> | <b>12</b>            | <b>1</b>         | <b>13</b> |
| Opening value from acquisitions | 0                    | -                | 0         |
| Amounts claimed during the year | -3                   | -                | -3        |
| Provisions for the year         | 5                    | -                | 5         |
| Reversed unused amount          | 0                    | -                | 0         |
| <b>Closing value 2006-12-31</b> | <b>14</b>            | <b>1</b>         | <b>15</b> |

| The provisions consist of: | 2006      | 2005      |
|----------------------------|-----------|-----------|
| Long-term part             | 10        | 6         |
| Current part               | 5         | 7         |
|                            | <b>15</b> | <b>13</b> |

Other provisions primarily consist of provisions for restructuring costs.

**Note 37 Long-term liabilities**

| GROUP   | 2006      | 2005     |
|---|-----------|----------|
| Liabilities to credit institutions falling due in 1–5 years | 3         | 1        |
| Liabilities to credit institutions falling due in >5 years  | 10        | 7        |
| Long-term non-interest-bearing liabilities                  | 12        | 0        |
| <b>Total</b>  | <b>25</b> | <b>8</b> |

For other details concerning long-term liabilities see note 32 Financial instruments.

**Note 38 Bank overdraft facility**

The bank overdraft facility available to the Group is SEK 271 m (323) of which SEK 47 m (12) has been used.

**Note 39 Accrued expenses and deferred income**

| GROUP                            | 2006       | 2005       |
|----------------------------------|------------|------------|
| Accrued interest expenses        | 10         | 9          |
| Accrued social fees              | 70         | 73         |
| Accrued other wage-related costs | 157        | 138        |
| Other items                      | 109        | 83         |
| <b>Total</b>                     | <b>346</b> | <b>303</b> |

**Note 40 Pledged assets**

| GROUP   | 2006       | 2005       |
|---|------------|------------|
| <b>For own debts and provisions</b>                     |            |            |
| Concerning pension provisions                           |            |            |
| – Floating charges                                      | 5          | 4          |
| Concerning long-term liabilities to credit institutions |            |            |
| – Floating charges                                      | 47         | 42         |
| – Property mortgages                                    | 28         | 26         |
| <b>Other</b>  |            |            |
| – Floating charges                                      | 6          | 5          |
| – Property mortgages                                    | 6          | 6          |
| – Other securities                                      | 24         | 27         |
| <b>Contingent obligations</b>                           | <b>116</b> | <b>110</b> |

**Note 41 Contingent liabilities**

| GROUP  | 2006         | 2005         |
|--|--------------|--------------|
| Pension guarantees                           | 1            | 1            |
| Other obligations                            | 16           | 11           |
| <b>Summa</b>                                 | <b>17</b>    | <b>12</b>    |
| <b>PARENT COMPANY</b>                        | <b>2006</b>  | <b>2005</b>  |
| Surety given for the benefit of subsidiaries | 2,104        | 2,399        |
| <b>Total</b>                                 | <b>2,104</b> | <b>2,399</b> |

The parent company has pledged to assume certain obligations that may befall Group companies.

**Note 42 Acquisitions**

The acquired companies' net assets at the time of acquisition according to a preliminary assessment

|  | 2006       | 2005      |
|--|------------|-----------|
| Intangible assets                              | 426        | 40        |
| Tangible assets                                | 110        | 21        |
| Financial assets                               | 13         | 1         |
| Inventories                                    | 145        | 36        |
| Accounts receivable                            | 155        | 21        |
| Other current receivables                      | 28         | 2         |
| Cash   | 75         | 20        |
| Minority interests                             | 2          | –         |
| Deferred tax liability                         | –6         | –5        |
| Current liabilities                            | –237       | –13       |
| Long-term net borrowing                        | –165       | –27       |
| <i>Paid purchase price</i>                     | <i>546</i> | <i>96</i> |
| Acquisition of items not included in cash flow | 6          | 5         |
| Liquid assets in acquisitions                  | –75        | –20       |
| <b>Total</b>                                   | <b>477</b> | <b>81</b> |

*Continued*

Note 42 continued

#### HordaGruppen AB

On 1 March 2006 the Group acquired 100 % of the shares in HordaGruppen Vätterleden AB. The acquired operations contributed income of SEK 125 m and a net loss of SEK -12 m for the period of 1 March 2006 to 31 December 2006. If the acquisition had taken place per 1 January 2006 the company's income would have been SEK 175 m and the loss for the year SEK -14 m. There were no surplus values at acquisition since the purchase price corresponds to the company's equity.

|  | Book value<br>in the company | Fair value<br>adjustment | Fair value<br>recorded in the Group |
|--|------------------------------|--------------------------|-------------------------------------|
| Intangible assets                            | 6                            |                          | 6                                   |
| Tangible assets                              | 63                           |                          | 63                                  |
| Inventories                                  | 30                           |                          | 30                                  |
| Accounts receivable                          | 45                           |                          | 45                                  |
| Other receivables                            | 7                            |                          | 7                                   |
| Cash   | 7                            |                          | 7                                   |
| Long-term liabilities                        | -90                          |                          | -90                                 |
| Current liabilities                          | -36                          |                          | -36                                 |
| Net identifiable assets and liabilities      | 32                           | 0                        | 32                                  |
| Group goodwill                               |                              |                          | 0                                   |
| Cash regulated purchase price                |                              |                          | 32                                  |
| Acquired cash                                |                              |                          | -7                                  |
| Change in Group liquid assets at acquisition |                              |                          | 25                                  |

#### Brickpack AB

On 1 May 2006 the Group acquired 100 % of the shares in Brickpack AB. The acquired operations contributed income of SEK 50 m and a net profit of SEK 3 m for the period of 1 May 2006 to 31 December 2006. If the acquisition had taken place on 1 January 2006 the income from the company would have been SEK 73 m and profits for the year SEK 5 m.

Goodwill is attributable to the synergies arising from coordinating the production and sales organisations with the Engineering Technology business area's existing organisation.

|   | Book value<br>in the company | Fair value<br>adjustment | Fair value<br>recorded in the Group |
|---|------------------------------|--------------------------|-------------------------------------|
| Tangible assets                                     | 17                           |                          | 17                                  |
| Financial assets                                    | 7                            |                          | 7                                   |
| Inventories   | 16                           |                          | 16                                  |
| Accounts receivable                                 | 11                           |                          | 11                                  |
| Other current receivables                           | 1                            |                          | 1                                   |
| Cash  | 13                           |                          | 13                                  |
| Deferred tax liability                              | -3                           |                          | -3                                  |
| Long-term liabilities                               | -8                           |                          | -8                                  |
| Current liabilities                                 | -14                          |                          | -14                                 |
| Net identifiable assets and liabilities             | 40                           | 0                        | 40                                  |
| Group goodwill                                      |                              |                          | 13                                  |
| Cash regulated purchase price                       |                              |                          | 53                                  |
| Acquisition of provisions not included in cash flow |                              |                          | 3                                   |
| Acquired cash                                       |                              |                          | -13                                 |
| Change in Group liquid assets at acquisition        |                              |                          | 43                                  |

#### KMU (Karl-Erik Karlsson Maskinunderhåll AB)

On 1 June 2006 the Group acquired 100 % of the shares in Karl-Erik Karlsson Maskinunderhåll AB (KMU). The acquired operations contributed income of SEK 8 m and a net profit of SEK 0 m for the period of 1 June 2006 to 31 December 2006. It is unclear what the income and profits from the company would have been if the acquisition had taken place on 1 January 2006 since the company previous had a split financial year.

Goodwill is attributable to the synergies arising from coordinating the production and sales organisations with the Machinery Trading business area's existing organisation.

|  | Book value<br>in the company | Fair value<br>adjustment | Fair value<br>recorded in the Group |
|--|------------------------------|--------------------------|-------------------------------------|
| Accounts receivable                          | 3                            |                          | 3                                   |
| Cash   | 3                            |                          | 3                                   |
| Current liabilities                          | -4                           |                          | -4                                  |
| Net identifiable assets and liabilities      | 2                            | 0                        | 2                                   |
| Group goodwill                               |                              |                          | 2                                   |
| Cash regulated purchase price                |                              |                          | 4                                   |
| Acquired cash                                |                              |                          | -3                                  |
| Change in Group liquid assets at acquisition |                              |                          | 1                                   |

Continued



## Note 42 continued

**JMS Systemhydraulik AB**

On 1 December 2006 the Group acquired 100 % of the shares in JMS Systemhydraulik AB. The acquired operations contributed income of SEK 11 m and a net profit of SEK 0 m for the period of 1 December 2006 to 31 December 2006. If the acquisition had taken place on 1 January 2006 the income from the company would have been SEK 152 m and profits for the year SEK 11 m.

Goodwill is attributable to the synergies arising from coordinating the production and sales organisations with the Hydraulics business area's existing organisation.

|   | Book value<br>in the company | Fair value<br>adjustment | Fair value<br>recorded in the Group |
|---|------------------------------|--------------------------|-------------------------------------|
| Intangible assets                                   |                              | 6                        | 6                                   |
| Tangible assets                                     | 1                            |                          | 1                                   |
| Inventories   | 27                           | -2                       | 25                                  |
| Accounts receivable                                 | 23                           |                          | 23                                  |
| Other current receivables                           | 2                            |                          | 2                                   |
| Deferred tax liability                              |                              | -2                       | -2                                  |
| Current liabilities                                 | -24                          |                          | -24                                 |
| Net identifiable assets and liabilities             | 29                           | 2                        | 31                                  |
| Group goodwill                                      |                              |                          | 87                                  |
| Cash regulated purchase price                       |                              |                          | 118                                 |
| Acquisition of provisions not included in cash flow |                              |                          | 2                                   |
| Change in Group liquid assets at acquisition        |                              |                          | 120                                 |

**Fastighets AB Hydraulen**

On 1 December 2006 the Group acquired 100 % of the shares in Fastighets AB Hydraulen. The acquired operations did not contribute any relevant income or profit for 2006. If the acquisition had taken place on 1 January 2006 the company's income and profit would have been irrelevant.

|   | Book value<br>in the company | Fair value<br>adjustment | Fair value<br>recorded in the Group |
|---|------------------------------|--------------------------|-------------------------------------|
| Tangible assets                             | 7                            | 3                        | 10                                  |
| Other current receivables                   | 1                            |                          | 1                                   |
| Long-term liabilities                       | -8                           |                          | -8                                  |
| Current liabilities                         | -1                           |                          | -1                                  |
| Net identifiable assets and liabilities     | -1                           | 3                        | 2                                   |
| Group goodwill                              |                              |                          | 0                                   |
| Cash regulated purchase price               |                              |                          | 2                                   |
| Change in Group liquid funds at acquisition |                              |                          | 2                                   |

**Snickers Workwear Group**

On 29 December 2006 the Group acquired 100 % of the shares in Snickers Workwear AB. Included in the Snickers Group, in addition to the parent company, are the wholly owned companies Snickers Intellectual Property AB, Snickers Workwear Logistics BV, Snickers Workwear NA Inc., Snickers Production SIA Latvia, Snickers Original NV Belgium, Tradewear Ltd., Snickers Original SIA and Snickers Original GmbH. The acquired operations did not contribute any income or profit for 2006. If the acquisition had taken place on 1 January 2006 the income from the company would have been SEK 459 m and profits for the year SEK 22 m.

Goodwill is attributable to the synergies and added sales arising from coordinating Snickers' sales organisation with the Hand Tools business area's existing sales organisation.

|   | Book value<br>in the company | Fair value<br>adjustment | Fair value<br>recorded in the Group |
|---|------------------------------|--------------------------|-------------------------------------|
| Intangible assets                                   | 38                           | -7                       | 31                                  |
| Tangible assets                                     | 19                           |                          | 19                                  |
| Financial assets                                    | 6                            |                          | 6                                   |
| Inventories   | 74                           |                          | 74                                  |
| Accounts receivable                                 | 73                           |                          | 73                                  |
| Other current receivables                           | 17                           |                          | 17                                  |
| Cash  | 52                           |                          | 52                                  |
| Deferred tax liability                              | -3                           | 2                        | -1                                  |
| Long-term liabilities                               | -131                         |                          | -131                                |
| Current liabilities                                 | -86                          |                          | -86                                 |
| Net identifiable assets and liabilities             | 59                           | -5                       | 54                                  |
| Group goodwill                                      |                              |                          | 280                                 |
| Cash regulated purchase price                       |                              |                          | 334                                 |
| Acquisition of provisions not included in cash flow |                              |                          | 1                                   |
| Acquired cash                                       |                              |                          | -52                                 |
| Change in Group liquid assets at acquisition        |                              |                          | 283                                 |

## Note 43 Subsidiary divestitures

|                                     | 2006       | 2005       |
|-------------------------------------|------------|------------|
| Tangible assets                     | 117        | 69         |
| Long-term receivables               | 37         | 4          |
| Inventories                         | 50         | 90         |
| Accounts receivable                 | 35         | 54         |
| Other receivables                   | 11         | 11         |
| Cash                                | 0          | 14         |
| Provisions                          | -6         | -24        |
| Long-term net borrowing             | -14        | -67        |
| Current liabilities                 | -40        | -52        |
| Profit/loss on sale of subsidiaries | 284        | 13         |
| Received purchase price             | 474        | 112        |
| Items not included in cash flow     | 6          | 12         |
| Liquid assets in divested companies | 0          | -14        |
| <b>Total</b>                        | <b>480</b> | <b>110</b> |

The entire Filters business area with a turnover of SEK 200 m was divested in 2006. In connection with the divestiture of Filters the Group's property in Alingsås was also sold. The Textiles business area has sold Almedahls Alingsås AB with a turnover of SEK 60 m. At the end of the year the Engineering Technology business area sold the operations in Elkapsling AB with a turnover of SEK 75 m and Specma Drives with a turnover of SEK 40 m.

## Note 44 Government grants

Government grants have affected the Group's income statement and balance sheet as follows:

|  | 2006 | 2005 |
|--|------|------|
| Grants that affected profit for the year | 4    | 3    |
| Grants that affected assets              | 8    | 8    |
| Grants that affected liabilities         | 0    | 1    |

Grants are primarily relocation grants and grants for handicapped employees.

## Note 45 Events after the balance sheet date

In the beginning of 2007 the Engineering Technology business area acquired 100 % of the shares in AVT Industriteknik AB. AVT offers turnkey production solutions, primarily in automated mounting. The company is located in Alingsås with a turnover of SEK 50 m in 2006 and 44 employees. The purchase sum amounted to preliminarily SEK 26 m. Specma Automation, located in Laxå, is currently part of the Engineering Technology business area and its strong suit is robot based automation solutions. Together they form a unique constellation with extensive expertise in automation. The combined operations will have a turnover of SEK 130 m with good profitability.

Almedahls AB in the Textiles business area was sold, which leaves FOV Fabrics AB as the sole company left in the business area and this, in turn, means that from the first quarter of 2007 the Textiles business area will no longer be reported as a business area on its own. Almedahls AB had a turnover of SEK 94 m in 2006 and 42 employees.

## Note 46 Important estimations and assessments

In order to prepare the accounts according to good accounting practice, Group management and the board of directors must make estimations and assessments which affect the asset and liability items, respectively balance and income statement items, reported in the annual accounts, as well as reported information in general, for example contingent liabilities. These assessments are based on historic experience and the various assumptions that Group management and the board of directors consider plausible under existing circumstances. In cases where it is not possible to ascertain the book value of assets and liabilities through information from other sources these estimations and assumptions form the basis of the valuation. If other assumptions are made or other circumstances influence the matter can the actual outcome differ from these assessments.

Particularly in the areas of income accounting and doubtful receivables, valuing intangible and fixed assets, restructuring measures, pension obligations, taxes, disputes and contingent liabilities can assessments have a significant effect on Latours' profits and financial position (see each note respectively).

Group management has discussed the development and selection of, and information concerning, the Group's critical accounting principles and estimations, as well as their application and estimations with the auditing committee.

### Assessing the need to write-down goodwill

Goodwill is subject to annual impairment test according to the accounting principle described in note 2. The recovery value for cash generating units is determined by calculating value of use. To make these calculations certain estimations must be made (note 18).

If the estimated discount interest before tax used as a discounting factor for cash flows had been 1 percentage point higher than management's assumption the Group would still not have had to write-down the book value of goodwill.

### Pension obligations

The current value of pension obligations depends on a number of factors that are established on an actuary basis with the help of a number of assumptions. Included in the assumptions used to determine the net cost (income) of pensions are long-term returns on current administration assets and discount interest. Every change in these assumptions will have an effect on the book value of pension obligations.

Assumptions on anticipated returns on administration assets are determined in a uniform manner and take into consideration historical long-term returns, the allocation of assets and assessments of future long-term returns.

The Group establishes appropriate discount interest rates at the end of every year. This is the interest used to determine the current value of estimated future payments that are assumed necessary to pay for pension obligations. The Group bases the discount interest rate on first class corporate bonds expressed in the currency the remuneration will be paid in and with the same maturity period as the obligations in question.

Other important actuarial assumptions concerning pension obligations are based in part on current market conditions. Further details are given in note 34.

### Warrantees

Management in each subsidiary estimates necessary reserves to guarantee future warrantee demands based on information concerning historical warrantee demands as well as current trends which can signal that historical information can differ from future demands.

Among the factors that can affect information concerning warrantee demands is the success of the Group's productivity and quality initiative as well as the cost of labour and parts.

### Write-downs of available-for-sale financial assets

Extensive assessments by the Group are necessary to determine whether an instrument has decreased in value other than temporarily. To make this assessment the Group analyses, among other factors, how long and to what extent the fair value of an instrument is lower than its acquisition value as well as the financial condition and short-term business outlook of the investment object, including such factors as trade and sector profitability, changes in technology and operating and financial cash flows.

## Note 47 Definitions

|                                     |  |
|-------------------------------------|--|
| <b>Adjusted equity</b>              | Equity and the difference between book value and fair value in the investment portfolio in the parent company and associated companies in the Group.   |
| <b>Adjusted equity/assets ratio</b> | Equity and the difference between book value and fair value in the investment portfolio in the parent company and associated companies in the Group in relation to adjusted total assets.  |
| <b>Capital employed</b>             | Total assets minus non-interest-bearing liabilities.   |
| <b>Direct yield</b>                 | Dividends as a percentage of the share purchase price.   |
| <b>Earnings per share</b>           | Profit for the year divided by a weighted average number of outstanding shares adjusted for bought-back shares.  |
| <b>Equity/assets ratio</b>          | Equity in relation to the total assets.  |
| <b>Investment company discount</b>  | The difference between net worth and market value in relation to net worth. If the market value is lower than the net worth the share is traded at a discount.   |
| <b>Net debt/equity ratio</b>        | Interest-bearing liabilities plus interest-bearing reserves less liquid assets in relation to adjusted equity.   |
| <b>Net worth</b>                    | The difference between the company's assets and liabilities, when the investment portfolio (incl. associated companies) is taken up at market value and operative subsidiaries that are owned at the end of the period are valued at a return corresponding to P/e 12, calculated on operating profit of the last 12 months charged with 28 % standard tax rate. |
| <b>Operating margin</b>             | Profit after depreciation as a percentage of invoiced sales.   |
| <b>P/e ratio</b>                    | The share purchase price in relation to profits after tax.   |
| <b>Profit margin</b>                | Profit after net financial items plus financial costs as a percentage of invoiced sales.   |
| <b>Return on capital employed</b>   | Profit after net financial items plus financial costs as a percentage of average capital employed.   |
| <b>Return on equity</b>             | Net profit according to the income statement as a percentage of average equity.  |
| <b>Return on total capital</b>      | Profit after net financial items plus financial costs in relation to average total assets.   |
| <b>Return on working capital</b>    | Operating profit as a percentage of working capital.   |
| <b>Working capital</b>              | Material assets, stock and accounts receivable less accounts payable and interim liabilities.  |
| <b>Volatility</b>                   | A measure of risk. Usually measured as a standard deviation in the return on an asset during a certain period of time.   |

# Audit report

To the annual meeting of the shareholders of  
Investment AB Latour (publ)  
Corporate identity number 556026-3237

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Investment AB Latour (publ) for the year 2006. The company's annual accounts and the consolidated accounts are included in this document on pages 42–78. The board of directors and the managing director 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 managing director and significant estimates made by the board of directors and the managing director 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 managing director. We also examined whether any board member or the managing director 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 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 (loss) 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 managing director be discharged from liability for the financial year.

Göteborg 21 March 2007

Öhrlings PricewaterhouseCoopers AB

Lennart Wiberg  
*Authorized Public Accountant*  
*Responsible auditor*

Olof Enerbäck  
*Authorized Public Accountant*

## Corporate Governance

### Annual General Meeting

The Annual General Meeting must be held within six months after the end of the financial year. The Annual General Meeting can be held in Gothenburg or Stockholm. All shareholders recorded in the registered list of shareholders before the Annual General Meeting and who have announced their intention to attend have the right to participate and vote for their entire shareholdings.

### Nominating process

The Annual General Meeting selects board members for a one-year term. At the Annual General Meeting of 2006 the nominating committee provided a proposal concerning the election of the chairman and the other members of the board, remuneration to the board and, if necessary, remuneration for committee work to the Annual General Meeting. The nominating committee, which was appointed by the Annual General Meeting of 2006, consists of Gustaf Douglas (chairman), Henric Ankarcrona and Björn Karlsson. None of them has received any remuneration for their participation in the nominating committee.

### Board of directors

The Latour board consists of eight members, including the chief executive officer. There are no deputies. All members are elected for a one-year term. Except for the chief executive officer no members have a position or assignment in the Group. The secretary of the board is the chief financial officer of the Group. Gustaf Douglas was elected chairman of the board by the Annual General Meeting 2006. The members of the board represent 84,8 percent of the voting shares in the company and 77,6 percent of its share capital. Employees are represented in the subsidiary Latour Industrier AB, which is the parent company of the wholly owned companies in the industrial and trading operations. They are therefore not represented in the investment company's board.

A presentation of the board is given on page 82.

The board annually adopts a work program that regulates board meetings, matters that must be put before the board at these meetings, the division of responsibility between the board and the chief executive officer as well as certain other matters. Instructions to the chief executive officer stipulate his duties and reporting responsibilities to the board.

The board has had four ordinary meetings during the

year as well as a telephone meeting. Two of the members of the board have not been able to attend one meeting, otherwise all members have been present on every occasion. The company's auditors attended two board meetings and provided reports and observations from the audits performed. The auditors attended one meeting without Group management in attendance to give their views on Group management. Among the matters dealt with by the board are strategic changes in portfolio investments, acquisitions and divestitures of subsidiaries, budgets and forecasts for the subsidiaries as well as financial follow-up of operations.

The chairman of the board has also made sure that during the year an evaluation of the board's work was carried out and that all board members have expressed their views.

### Committees

The board has appointed a remuneration committee, which consists of Gustaf Douglas (chairman) and Caroline af Ugglas, and an auditing committee which consists of the entire board except the chief executive officer.

The remuneration committee has held two meetings and been complete. The committee presents proposals to the board concerning remuneration to the chief executive officer and supports him in determining remuneration to the other senior officers. Thereafter the board decides on the matters at hand.

Remuneration to the chief executive officer consists of a fixed and a variable portion, of which the variable portion is based on achieved individual goals. Remuneration to other senior officers also consists of a basic salary and a variable portion based on a fixed key ratio. The variable portion is maximised to a certain number of monthly wages.

The auditing committee has met twice and all members as well as the auditors were present. Financial risks and the focus of auditing were discussed, among other things. The auditors have even presented their observations made during the audit.

### Auditors

Öhrlings PricewaterhouseCoopers was selected at the Annual General Meeting of 2004 as auditors with Lennart Wiberg as authorised auditor. Lennart Wiberg has led auditing since 2000 and is also auditor for, among others,

AB Fagerhult and Rederi AB Transatlantic. He has no other assignments in companies that are closely related to Latour's largest owner or the chief executive officer.

The auditor has personally reported to the board concerning auditing and internal control of the Group at the board meetings in December 2006 and March 2007.

### Group management

Latour's industrial and trading companies are divided into seven business areas, which also comprise legal structures. The investment portfolio is managed by the parent company, Investment AB Latour. The subsidiary Latour Industrier AB is a management company and the parent company of all the business areas mentioned above. Other subsidiaries to Investment AB Latour are Nordiska Industri AB which operates as a management company and the Group's internal bank as well as Karpalunds Ångbryggeri AB, where share trading takes place.

Group management consists of the chief executive officer and the chief financial officer. The business area managers lead operations in the operating parent companies that own shares in the underlying companies and are responsible for business areas profits and management. The Group's business organisation is built on decentralisation of responsibility and authority. The business areas are responsible for developing their own operations and for meeting financial targets that include the return on capital employed, capital binding and operating margins.

A presentation of the business areas is found on pages 14–27.

### Internal control relating to financial reporting

Internal control relating to financial reporting is based on a control environment that includes the organisation, the decision-making process, authority and responsibility and which has been documented and communicated in management documents. An example of this is the division of responsibility between the board and the chief executive officer as well as instructions for authorisation rights and accounting and reporting instructions.

The risks identified concerning financial reporting are managed by the Group's control structure.

Control documents have been produced to promote completeness and correctness in the financial reports and have been communicated to appropriate staff. Follow-up of effectiveness and implementation takes place through programmed controls and procedures for personnel. The

Group has a common report system in which all reporting is done. Group management regularly visits the subsidiaries where they go through financial reporting and develop controller operations.

The board receives monthly financial reports and the Group's financial situation is discussed at every board meeting.

A review of the Group's internal control of essential processes was carried out. The larger companies presented their self-assessment concerning the reliability of their procedures. The inadequacies that were noted did not affect the reliability of control over reporting but necessary measures will be taken. This will be followed-up in the regular auditing.

The above information concerning internal control has not been reviewed by an auditor.

### Applying the Swedish Code of Corporate Governance

Latour applies the Swedish Code of Corporate Governance with the following exceptions.

The chairman of the nominating committee is also the chairman of Latour's board. This is because it is only natural that the major owner is represented in the nominating committee and at the same time the number of members ought to be limited. It is also natural that the owner with the largest number of votes is the chairman of the nominating committee.

No particular affirmation from the board and the chief executive officer has been included in the Annual Report since matters of responsibility are regulated in detail in the Company Act and an affirmation is therefore considered superfluous.

According to the definition in the Code the majority of Latour's board members are not independent. However, the board does not believe there is any dependency relationship in cases where a member has had a position for more than twelve years. On the contrary there is a very good argument for the positive effect of long experience of operations and continuity.

The special auditing function in the form of internal auditing does not exist in the Latour Group. Discussions with the company's external auditors concerning the focus of auditing as well as the auditing firm's extensive organisation, together with the controls made by Group management and the existing control functions in the business areas, are considered to be an acceptable level.

## Board of Directors



**Gustaf Douglas** b 1938

M.B.A., Harvard Business School. Entrepreneur since 1980. Chairman of the board. Owns with family Förvaltnings AB Wasatornet (principal owner of Latour). Chairman of the board of Assa Abloy AB, Boxholms Skogar AB and SäkI AB. Vice Chairman of Securitas AB. Member of the boards of the Moderate Party of Sweden and Stiftelsen Svenska Dagbladet. Chairman of Latour's board from 1985-1991 and since 1993. Shares in Latour: 70,000 A and 155,000 B, through various family-owned companies 7,600,000 A and 24,830,000 B



**Anders Böös** b 1964

Previously MD of Drott AB and Hagströmer & Qviberg AB. Chairman of the Board of IFS AB and Observer AB. Member of the board of Explorer Property Fund. Member of Latour's board since 2005. Shares in Latour: 1,480 A and 4,400 B (via family)



**Elisabeth Douglas** b 1941

University studies at Sorbonne, Paris, France, university studies at the University of Stockholm. Entrepreneur. Member of Latour's board since 1987, Chairman 1991-1993. Shares in Latour: 30,000 A and 280,000 B



**Eric Douglas** b 1968

Economic college graduate and 3 years studies at the University of Lund in "Economy for Entrepreneurs". Entrepreneur since 1992. Partner in Pod Holding. Chairman of the board of Sparbössan Fastigheter AB. Vice Chairman of AB Fagerhult and LinkTech AB. Member of the boards of, among others, Specma AB and Sweco AB. Member of Latour's board since 2002. Shares in Latour: 50,000 A and 60,000 B



**Bo Eveborn** b 1942

Bachelor of Science (Econ.) Previously MD of AB Fagerhult. Member of the boards of Närke Elektriska AB, Swegon AB and Jönköpings University School of Health Sciences. Member of Latour's board since 2002. Shares in Latour: 7,500 B (Bo Eveborn and family)



**Fredrik Palmstierna** b 1946

Bachelor of Science (Econ.) M.B.A. MD of SäkI AB. Member of the boards of Securitas AB, AB Fagerhult, Hultafors AB, Nobia AB, Academic Work AB and SäkI AB. Member of Latour's board from 1985-87 and since 1990. Shares in Latour: 600,720 A and 219,730 B (Fredrik Palmstierna with family and companies)



**Jan Svensson** b 1956

Mechanical engineer and Bachelor of Science (Econ.). Chief Executive Officer. Member of the boards of Munters AB, Loomis AB and Oxeon AB. CEO and member of Latour's board since 2003. Shares in Latour: 4,000 B (Jan Svensson and family) and 10,000 call options Latour B



**Caroline af Ugglas** b 1958

Bachelor of Science (Econ.) at the University of Stockholm. Head of equities and corporate governance at Livförsäkrings AB Skandia. Member of Latour's board since 2003. Shares in Latour: 300 A and 1,000 B

## Group management



**Jan Svensson** b 1956

Mechanical engineer and Bachelor of Science (Econ.). Chief Executive Officer since 2003. Shares in Latour: 4,000 B (with family) and 10,000 call options Latour B



**Tore Åberg** b 1942

Bachelor of Science (Econ.). Chief Financial Officer since 1987. Shares in Latour: 12,300 B and 3,000 call options Latour B

### Accountants

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Lennart Wiberg, Authorised Public Accountant  
Olof Enerbäck, Authorised Public Accountant



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