Annual Report 2005

LATOUR

Contents

Annual General Meeting

Time and location
The Annual General Meeting will be held Wednesday 10 May 2006, 17.00 at the Radisson SAS Scandinavia Hotel, Södra Hamngatan 59–65, 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 Thursday, 4 May 2006, and submit a notice of intention to participate to Latour at the latest on Thursday, 4 May 2006, by 15.00.

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.

Registration
Shareholders who have their shares held in the name of a nominee must arrange in sufficient time before 4 May 2006 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 that the Annual General Meeting declare a dividend in the amount of SEK 7.00 per share. The dividend record date suggested is 15 May 2006. If the Annual General Meeting decides according to this recommendation, the dividend is expected to be sent from VPC on Thursday, 18 May 2006 to those who are registered in the share register on the record date.

Information dates

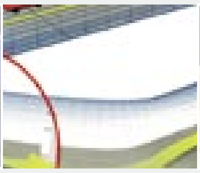
2006-05-03	Interim report per 2006-03-31
2006-05-10	Annual General Meeting
2006-08-24	Interim report per 2006-06-30
2006-11-09	Interim report per 2006-09-30

Latour at a glance

- Group profit after tax totalled SEK 709 m (1,001), which corresponds to SEK 16.20 (22.86) per share.
- The Latour share's net worth amounted to SEK 238 (187) on 31 December 2005.
- Sales in industrial and trading companies totalled SEK 4,852 m (4,434) and operating profit was SEK 342 m (242), an increase in profits by 41%.
- Acquisitions in Hand Tools and Engineering Technology business areas. Divestitures in the Textiles business area.
- Proposed dividends are SEK 7.00 (6.00) per share.

Business areas


Automotive

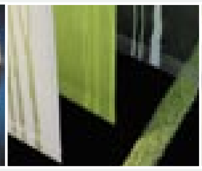

Filters


Hand Tools


Hydraulics


Air Treatment


Machinery Trading

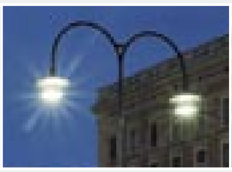

Textiles


Engineering Technology

Investment portfolio


Assa Abloy


Elanders


Fagerhult


Munters


NEA


Securitas


Sweco

Comments by the Chief Executive Officer

A very good industrial cycle throughout 2005 resulted in greater order uptake, invoiced sales and profit in our industrial and trading companies. Moreover, the stock market developed positively during the year, which resulted in growth in the value of the Group's investment portfolio by 19% or SEK 1,571 m. Higher dividends from our portfolio companies together with substantially improved results in our industrial and trading companies turned 2005 into a very profitable year, despite few divestments from our market portfolio. Profits after net financial items, exclusive capital gains on shares, increased by 174% to SEK 590 m.

Jan Svensson

Industrial and trading operations

As a result of the strong demand in almost all our industrial and trading companies we invested intensely in both organic growth and growth through acquisitions. The Group has also focused on working to successfully integrate the companies acquired during 2004.

Order uptake rose by 10% (9% adjusted for acquisitions and divestitures) to SEK 5,010 m.

The overall turnover for our industrial and trading companies was SEK 4,852 m, an increase of 9% (9% adjusted for acquisitions and divestitures). Operating profits surged to SEK 342 m (242), an increase of all of 41%.

The various business areas are commented on individually on pages 12–27 but a few events deserve mentioning here.

In the latter part of the year the **Automotive** business area began delivering components to air conditioning units in cars. Although production start costs were higher than calculated the resulting future opportunities are immense. At the beginning of 2006 Automotive acquired HordaGruppen Vätterleden AB and thereby formed a powerful supplier constellation of plastic, rubber and metal pipes to the automotive industry in Europe. The acquisition also added a number of new and interesting automotive manufacturers to our list of customers. Turnover for the business area in 2006 is expected to reach close to SEK 600 m.

The **Hand Tools** Business Area has expertly integrated Wibe Stegar AB into its operations. This, together with the transfer of some of our labour intensive production to our newly built factory in Romania resulted in a rise in turnover and profits by more than 50%.

The Group's largest business area, the **Air Treatment**, was very successful in 2005. The merger of PM-Luft and Stifab Farex into one company, Swegon AB, in the beginning of 2005 has given rise to significant synergies and we have captured market shares in Sweden and Europe. Sales outside the Nordic region grew by all of 30%, particularly in the markets of Poland, Russia and England.

Turnover in the **Machinery Trading** business area grew despite a shrinking market in 2005, which shows that we won market shares. During the year we have invested substantial amounts in restructuring operations, primarily in the sales of woodworking machinery. Order uptake in the business area rose considerably at the end of 2005 and this has continued in the beginning of 2006.

The **Textiles** business area has gone through some major changes during the year. Crafts operations in Almedahls AB were divested on 1 April and in the autumn Almedahl-Kinna AB was sold to Domicet Oy. At the end of December Holma-Helsinglands AB was sold to company management and Almedahls AB's property in Dalsjöfors was sold to a local property manager.

FOV Fabrics, which has had weak profit development the past few years has decided to stop manufacturing air bag fabric. Production of air bag fabric, which makes up approximately half of company operations, will be completely phased-out in 2007.

The **Engineering Technology** business area acquired AxFlow AB's gasket and sealing operations. This acquisition makes the business area the leading after sales service supplier in gaskets and sealings in Sweden.

Investment portfolio

The total value of the investment portfolio, adjusted for acquisitions and divestitures, grew by 19% to SEK 9,640 m. This represents an increase in value of SEK 1,571 m. The one single share that has contributed most to the increase in value is Sweco, which represents SEK 509 m in value growth.

Profitability, share acquisition and divestment, dividends

The Group's total profit after net financial items was SEK 792 m. Only a few changes were made in the investment portfolio in 2005. Holdings in Munters were expanded by 190,250 shares and holdings in Sweco by 5,900 class A shares and 340,000 class B shares. Class B shares of 1,000,000 each have been sold in Assa Abloy and Securitas as well as 225,500 shares in Fagerhult. Profit on these sales amounted to SEK 203 m. Unlisted holdings in Bravida and ProstaLund were written-down by SEK 21 m. A total of SEK 223 m has been received in dividends. Our investment portfolio is now made up solely of holdings where we hold at least 10% of the voting rights.

Total profit after tax equals SEK 16.20 per share. Industrial and trading companies generated SEK 5.74 of this sum.

The board of directors proposes that dividends be raised to SEK 7.00 (6.00) per share, which is a direct return of 3.4% based on the balance sheet date rate.

Latour share

The Latour share (class B) increased in value by 26% over the year to SEK 204.50. During the same period, the Stockholm Stock Exchange rose 33%. The Group's net worth at year-end totalled SEK 10,392 m or the equivalent of SEK 238 (187) per share, an increase of 27%. Shares were thus being traded at a discount of 14%. This opens up for reflection on how we value our wholly owned industrial and trading companies compared to the stock exchange's valuation of similar companies. We currently value our industrial and trading companies at 10 times operating profit after standard tax rate, in other words as completely debt free companies. Assuming an equity ratio of 50%, which is a reasonable debt/equity ratio, this is the equivalent of P/E 11. It could be argued that based on the stock exchange's valuation of similar companies this might be a far too conservative valuation and that the P/E 13 is more realistic. In that case the net worth of the Latour share would increase by more than SEK 10.00 per share.

During the year, a liquidity guarantee for trade with Latour shares was initiated. A program for commission free trade has been implemented so that shareholders can cost free make supplemental purchases or sales of blocks of shares. After the decision of the Annual General Meeting to allow share conversion, 6,084,283 class A shares were converted to class B shares. These measures have prompted more trading in the share during year. This was particularly noticeable after the conversion of class A to class B shares occurred in the autumn.

Prospects for 2006

The economy is expected to remain strong throughout 2006. We are convinced that we can continue to perform well in components, machinery and input goods for the engineering industry as well as in air treatment products and hand tools. Restructuring the industrial and trading companies must progress. We will not be able to expand and develop all our business areas. In the future we will have to concentrate on fewer business areas and this will require acquiring as well as divesting operations. Our long-term goal is for fewer business areas to generate considerably higher turnover with a greater content of internationalisation than is currently the case.

As far as the Group's investment portfolio is concerned we are convinced that our work as active owners will benefit the development of these companies and thereby Latour's shareholders as well.

Jan Svensson
Chief Executive Officer

Latour's market portfolio and ownership

Through the years I have commented on developments during the financial year and the market portfolio. These remarks have also included personal observations concerning the world Latour operates in and underlined the values we represent. As a result of the current division of work Latour's Chief Executive Officer Jan Svensson will take over this role in the future. This is a natural transfer since Jan is CEO and in addition formed by a tradition of family-owned business which is comparable to my family's perspective. This will be the last time my observations are presented in Latour's Annual Report.

Latour has a deep respect for the proficiency in good companies. It takes a long time to form a certain culture in a company but unfortunately a very little to tear it down. An owner cannot therefore achieve anything without becoming an integral part of a company and its values. This makes it difficult to hop onto something new or sell off a holding and as a result we miss some business opportunities. However, because we know our companies well we can play an active role as owners. Our familiarity with them permits us to see both the opportunities and threats looming ahead. We play our role on the board with respect for the division of responsibility between board work and daily management. We want company management to be strong and have integrity. There have been instances where we have not been allowed into a company and in these cases we can choose to fight or retreat. This situation is perhaps due to an error in judgement concerning our own competence, the company, its leadership, circumstances or the agenda of other owners. We seldom insist since the world is full of opportunities.

Latour has played a part in internationalising a number of companies through the years. This participation has always been in teamwork with the individual companies where we have had the advantage of learning quite a bit through time. However, it's amazing how often the same patterns are repeated and how similar some critical courses of events are to each other. Almost all of these internationalisations have included making acquisitions. This is a mine-filled area in which eagerness to step out into the world must be coupled to the need to concentrate on the company's focus and the ability to assert one's own culture while learning from the companies acquired. It's no coincidence that most company acquisitions are not particularly successful. After having participated in quite a number of acquisitions first hand I have come to see the required costing resulting from the IFRS impairment tests as something positive. Time and time again I have observed

Gustaf Douglas, Chairman of the Board

the same pattern. Since proper costings are not performed no one learns from their mistakes. However, pressure to falsify IFRS results will be considerable, particularly in anonymously owned companies with a PR mindset and prestige in management.

Globalisation brings new challenges whether we like it or not. It will condense the time companies have before they must move beyond their local market. Unfortunately it will be necessary to act from a much broader horizon right from the start. Previously we carefully crossed borders through our Nordic neighbours and considered Denmark a hard nut to crack. Nowadays India and China come much earlier into the picture. This puts new demands on us if we want to assert the best in our society. It also makes the deficiencies in our educated society a very serious matter. The thirst for knowledge was previously a strength of the Swedish Welfare State. Now there is an anxiety-ridden resistance to making demands, focusing education and giving grades. That will not, however, prevent the demands from materialising sooner or later and it would have been better if they had been made earlier, in combination with enough support to catch up. It's easier to learn in school than go through years of unemployment only to realise at a late date what one should have dealt with long before.

It has become increasingly necessary to tell exciting stories about how people took their fate in their own hands and managed to develop companies that not only manufacture various machines but also create services that enrich the lives of those in need of care and education. We need examples we can relate to and that fill our fantasies with hope. In India I discovered a fantastic combination of strong belief in the future in young people who are building a knowledge-based society and where education is the way to get ahead while they share a clear vision that their main mission is to help poverty stricken people to a better life. It's vital that we who can, work hard for the good society. An essential part of this is making sure one acquires a solid knowledge base before telling everyone else what to do. We need completely new types of education in professionalism as well as comportment and leadership in countries other than our own. This kind of education might very well suit those who are not at home in academic schooling but prefer practical training in doing business.

Through its interests in global companies Latour can contribute to the development of several of our wholly owned companies abroad. Whether or not they will eventually be listed depends on, among other things, if this would make a merger that is industrially motivated possible. This must be weighed against the fact that stock exchange listing is not particularly attractive now that the public world is not what it once was. There are good reasons for letting company management work in peace for a few years and build up the company without risking be called "loser of the day" or being chased by some unsatisfied but energetic speculator or analyst. Most probably some combinations require listing – but there is a time for everything. In Securitas and Assa's case it took around five years and turned out well in the end. One argument against listing is when Latour has control of the cash flow in a wholly owned subsidiary. Under such circumstances Latour can arrange cheaper and better financing than they can on their own.

Securitas announced in 2005 that the company would be divided into four self-sufficient listed entities. This is consequent with the belief that focusing on core operations requires specialisation. In addition, it opens up for new combinations. ASSA ABLOY is good example of this. That merger would never have been possible if Securitas had not hived off ASSA. In a few years several deals will probably occur due to the creation of these four individual companies – business made possible because they are all specialised in different areas but which very easily could have been impossible in the current structure. Concerning the ownership of these companies it is important to remember that majority ownership is a joint affair with SäkI and a collaboration with Melker Schörling. This might seem like taking the long way around but it guarantees a certain amount of reflection.

During 2005 ASSA ABLOY changed CEOs. The important thing to keep in mind here is that issues concerning management and chief executive officers are always on the agenda and are great challenges. In this particular case I would like to express my deep respect for the manner in which Bo Dankis handled this, by him, undesired situation. At the same time I am very happy to see how Johan Molin has dealt with the work in front of him. Transforming ASSA ABLOY from a company that has developed through large acquisitions to a business characterised by internationalisation and technological development is a sizeable and exciting task.

I have rarely felt such confidence about the future of Latour – even though there still are a number of matters that are not entirely easy to deal with. I have great faith in those accompanying me on the journey.

Gustaf Douglas
Chairman of the Board

Investment portfolio 2005-12-31

Share	Number	Market value SEK m	Listed price[1] SEK	Acquisition value SEK m	Share of votes %	Equity interest %
Assa Abloy A[2]	6,746,425	843	125	786		
Assa Abloy B	19,000,000	2,375	125	414	16	7
Elanders	1,300,000	153	118	267	10	16
Fagerhult[3]	4,104,500	616	150	293	32	32
Munters	3,400,000	741	218	610	14	14
NEA	2,215,000	286	129	156	14	24
Securitas A[2]	4,000,000	526	132	484		
Securitas B	21,500,000	2,827	132	234	12	7
Sweco A [3]	237,568	45	190	7		
Sweco B [3]	5,905,000	1,228	208	170	25	36
Total		**9,640**		**3,421**		

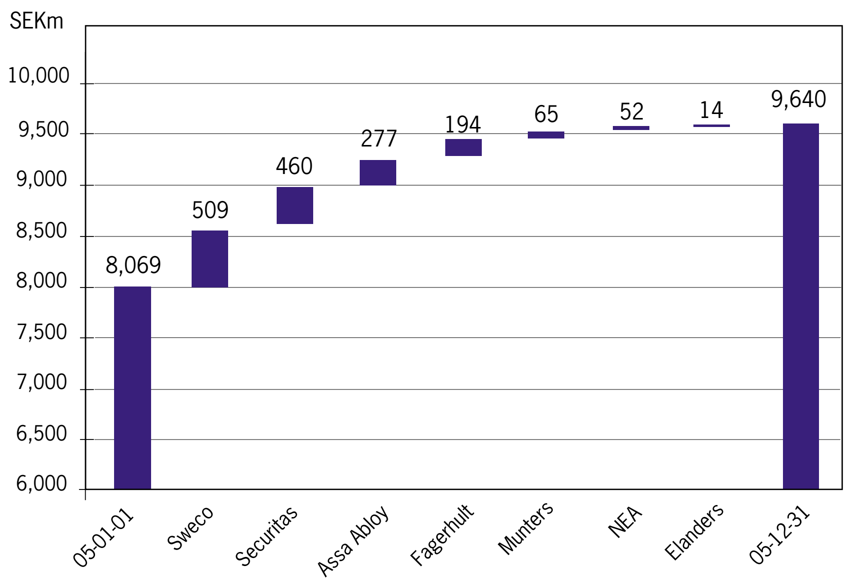
[1] Latest market price paid.
[2] Class A shares in Assa Abloy and Securitas are unlisted. The shares listed in this table have been given the same listing price as corresponding class B shares.
[3] Shown as associated companies in the balance sheet.

Net change in Latour's investment portfolio 2005

Increase	Total shares
Munters	190,250
Sweco A	5,900
Sweco B	340,000

Decrease	Total shares
Assa Abloy B	1,000,000
Fagerhult	225,500
Securitas B	1,000,000

Change in value of the investment portfolio 2005 adjusted for acquisitions and divestitures



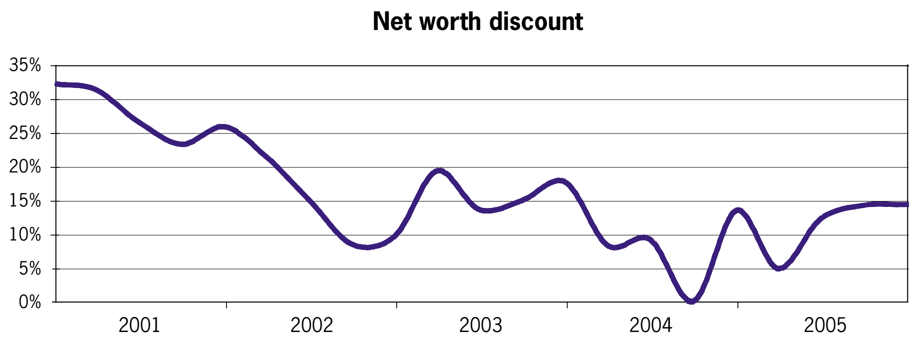
Value development and risk

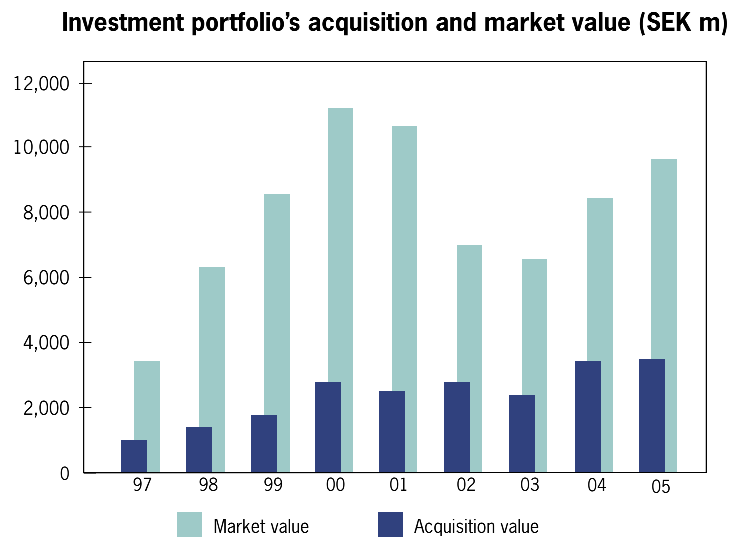
In order to assess the risk that a given investment has involved, the volatility of different classes of assets can be compared. High volatility indicates a greater variation in the underlying asset and thus greater risk. The stock exchange has on the whole a lower volatility than individual shares since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

	2005		2004	
	Return %[1]	**Volatility %**	**Return %[1]**	**Volatility %**
Latour B	26	16	28	31
Market portfolio[2]	19	14	20	19
Securitas B	16	22	18	31
Assa Abloy B	10	21	33	25
OMXSPI	33	11	18	14

Source: The Stockholm Stock Exchange and Latour

[1] Exclusive dividends.
[2] Volatility for the market portfolio is based on holdings per 31 December.





Latour share

Data per share (SEK)	2005	2004	2003 [6]	2002 [6]	2001 [6]
Profit after tax [2]	16.20	22.86	7.65	8.54	19.49
Net worth [1] [3]	238	187	154	156	249
Listed price 31 December	204	162	127	141	185
Listed price as % of net worth	86%	87%	82%	90%	74%
Equity [3]	199	171 [7]	60	61	65
Dividends paid	7.00 [4]	6.00	6.00	7.10	8.50
Direct yield	3.4%	3.7%	4.7%	5.0%	4.6%
Investment portfolio direct yield	2.7% [5]	2.1%	2.8%	2.8%	2.0%
P/E ratio	13	7	17	17	9
Total shares outstanding	43,700,000	43,700,000	43,820,000	44,570,000	46,045,000
Average number of shares outstanding	43,700,000	43,745,738	44,179,178	45,088,108	47,520,587
Repurchased shares	120,000	120,000	4,203,800	3,453,800	1,978,800
Average number of repurchased shares	120,000	4,278,062	3,844,622	2,716,300	3,003,750

[1] The investment portfolio is recorded at market value and operating subsidiaries at a yield equivalent to P/E 10.
[2] Calculated as an average number of shares outstanding.
[3] Calculated on the number of shares outstanding on the balance date.
[4] Proposed dividends.
[5] Calculated on proposed dividends
[6] Not recalculated according to IFRSs.
[7] Calculated according to IFRSs per 2005-01-01.

Definitions: See note 48.

Net worth of the Latour share

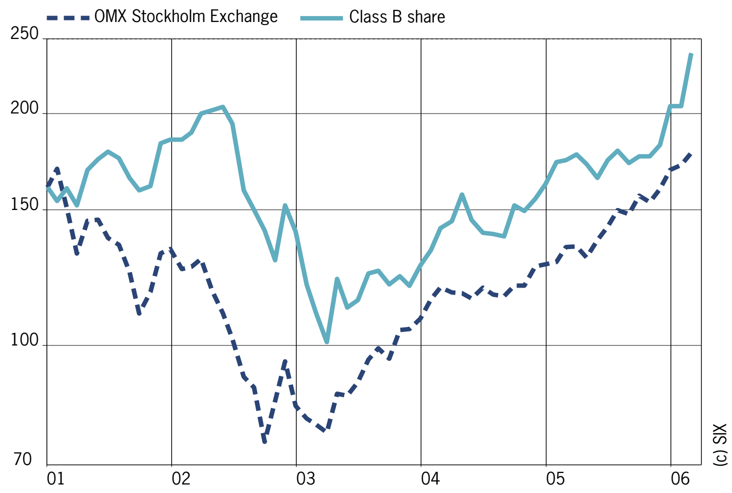
	2005-12-31		2004-12-31	
	SEK m	SEK/share [1]	SEK m	SEK/share [1]
Operating subsidiaries [2]	2,463	56	1,742	40
Assa Abloy	3,218	74	3,022	69
Elanders	153	3	135	3
Fagerhult	616	14	430	10
Munters	741	17	641	15
NEA	286	7	233	5
Securitas	3,353	77	3,008	69
Sweco	1,273	29	739	17
Other assets [3]	120	3	141	3
Liabilities	–1,831	–42	–1,923	–44
Net worth	**10,392**	**238**	**8,168**	**187**

As a result of the adoption of IFRSs the net worth has increased by SEK 2/share on 2005-12-31 and 2004-12-31.

[1] Calculated on the number of shares outstanding.
[2] Operating subsidiaries are valued at a return equivalent to P/E 10 calculated on the operating profit of each year charged with standard tax of 28%. The total equity in subsidiary groups amounted to SEK 1,844 m (1,688).
[3] Excluding receivables from group companies.

Price trends in the Latour share

2005 was characterised by a good stock exchange climate with climbing share prices. The Latour class B share increased in value by 26% excluding dividends, which was slightly lower than the Stockholm Stock Exchange's broad index, OMXSPI, which increased by 33%. The highest price of a Latour class B share was SEK 210 and the lowest was SEK 158.

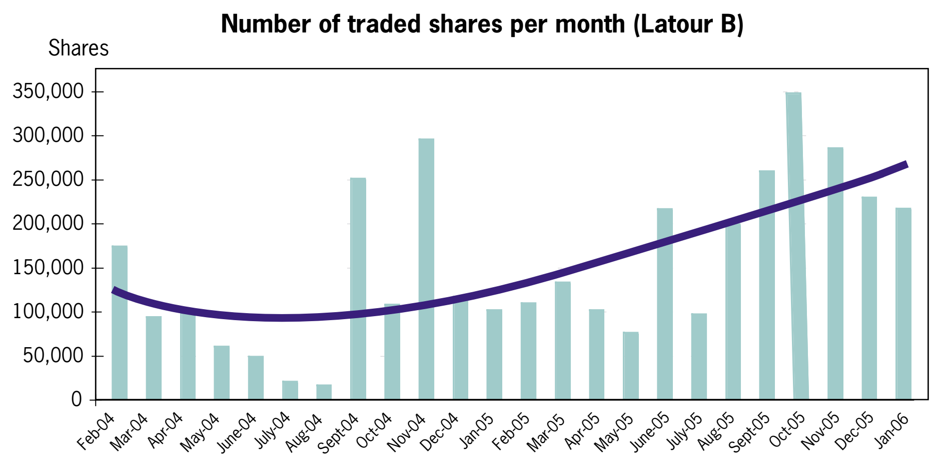


Share turnover

Trading in Latour shares increased in 2005 compared with the previous year. One explanation can be 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	2005	2004
Average number of traded shares/business day	8,499	6,163
Average trading per business day, SEK '000	1,498	898
Average value per closing, SEK '000	87	69
Number of shares per closing	500	474
Number of closings per business day	17	13

Source: Stockholm Stock Exchange



The ten largest owners 2005-12-31

Shareholder	Number Class A shares	Number Class B shares	% share capital	Number of votes	% of votes
Gustaf Douglas, family and company	8,181,000	24,716,500	75.1	106,526,500	79.3
Bertil Svensson, family and company	450,000	601,070	2.4	5,101,070	3.8
Fredrik Palmstierna, family and company	600,720	219,730	1.9	6,226,930	4.6
Roburs Funds		571,650	1.3	571,650	0.4
Göran Sundblad, family and foundation	135,355	409,340	1.2	1 762,890	1.3
Riddarhusets Funds		460,500	1.1	460,500	0.3
Bank of New York		245,600	0.6	245,600	0.2
Länsförsäkringar Småbolagsfond		199,000	0.4	199,000	0.2
Didner & Gerge Aktiefond		190,000	0.4	190,000	0.1
Birger Wågberg with family	69,800	100,900	0.4	798,900	0.6
Other shareholders (6,536)	627,967	5,920,868	14.9	12,200,538	9.1
(of 6,569 shareholders in total)					
Investment AB Latour, share buyback		120,000	0.3	120,000	0.1
	10,064,842	**33,755,158**	**100.0**	**134,403,578**	**100.0**

The company's share capital is owned 75.1% by the principal shareholder with family and company. Other board members own 1.9%. Swedish institutional investors own 7.6% of share capital. Foreign ownership accounts for 2.0%.

Type of share	Total shares	%	Number of votes	%
Class A (10 votes)	10,064,842	23.0	100,648,420	74.9
Class B (1 vote)	33,755,158	77.0	33,755,158	25.1
Total number of shares (nominal SEK 2.50)	**43,820,000**	**100.0**	**134,403,578**	**100.0**

Ownership structure 2005-12-31

Size of holding	Number of shareholders	Number of A shares	Number of B shares	% of capital	% of votes
1 – 500	4,474	51,506	889,027	2.1	1.0
501 – 1,000	1,001	38,609	758,432	1.8	0.9
1,001 – 5,000	878	170,416	1,708,644	4.3	2.5
5,001 – 10,000	98	105,746	598,154	1.6	1.2
10,001 – 15,000	35	66,215	363,745	1.0	0.8
15,001 – 20,000	17	48,535	258,712	0.7	0.6
20,001 –	66	9,583,815	29,178,444	88.5	93.0
Total	**6,569**	**10,064,842**	**33,755,158**	**100.0**	**100.0**

Five year overview (SEK m)

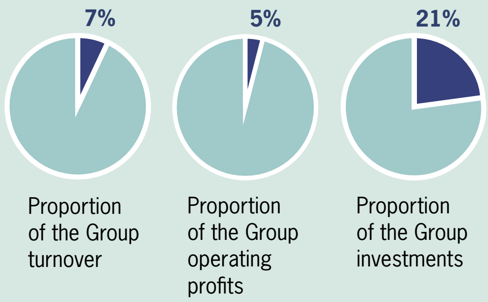
	2005	2004	2003 [4]	2002 [4]	2001 [4]
Parent company					
Dividends received	223	167	182	191	210
Dividends paid	306 [1]	262	263	315	383
Equity/debt ratio	63%	61%	62%	53%	61%
Adjusted equity/debt ratio [2]	84%	80%	82%	79%	89%
Investment portfolio					
Change in investment portfolio value	19%	20%	3%	–34%	3%
OMX Stockholm	33%	18%	30%	–37%	–17%
Investment portfolio's market value	9,640	8,261	6,645	6,913	10,709
Surplus value	6,219	4,852	4,337	4,302	8,145
Sales of listed shares	252	1,428	778	491	1,014
Capital gains	203	863	116	235	591
Purchase and subscription of listed shares	60	1,666	348	303	229
Industrial and trading operations					
Invoiced sales	4,852	4,434	4,169	4,287	4,250
(of which foreign)	2,271	2,115	1,964	2,035	1,996
Operating profit	342	242	173	186	233
Capital employed	1,458	1,405	1,730	1,794	1,812
Balance sheet total	2,505	2,351	2,583	2,676	2,726
Number of employees	2,973	3,117	2,971	3,001	3,052
Return on capital employed, %	24.2	15.8	10.1	10.6	18.5
Operating margins, %	7.0	5.5	4.1	4.3	5.5
Group					
Return on equity	9%	14% [5]	13%	14%	32%
Return on total capital	10%	11% [5]	8%	9%	19%
Equity/debt ratio	76%	52%	49%	46%	49%
Adjusted equity/debt ratio [3]	78%	73%	72%	69%	78%
Adjusted equity [3]	9,862	8,208	6,976	7,022	11,117
Net debt/equity ratio [3]	16%	23%	25%	30%	18%

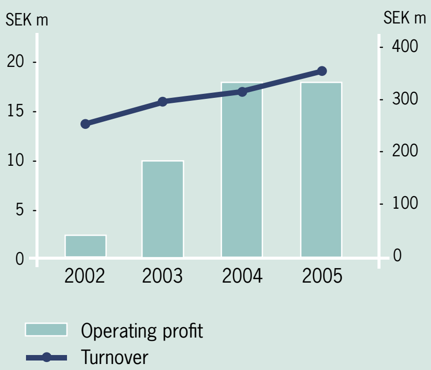
[1] Proposed dividend based on the number of shares outstanding as of 2006-03-13.
[2] Including surplus value in investment portfolio.
[3] Including surplus value in associated companies.
[4] Not recalculated according to IFRSs.
[5] Recalculated according to IFRSs 2005-01-01.

Definitions: See note 48.

COMPANY

Autotube AB





(SEK m)	2005	2004	2003	2002
Turnover	363	312	290	257
(of which export)	86	61	59	55
Operating profit	18	18	10	2
Capital employed	143	128	129	134
Investments	26	12	9	6
Operating margins, %	4.8	5.8	3.4	0.8
Return on capital employed, %	12.3	14.2	7.8	1.5
Number of employees	284	278	258	254

Automotive Business Area

"An enormous expertise in systems and processes"

Autotube'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.

We produce distribution systems of fluids, gas and air in vehicles. These are mainly based on combinations of pipes and hoses. Examples of such applications include cooling systems, oil systems, pneumatic systems, fuel systems, steering servo systems, air conditioning systems and brake systems. We have built up an enormous expertise in systems and processes in all of these areas.

Zero defect philosophy and state-of-the-art technology

Autotube has manufacturing plants in Varberg and Ulricehamn. The plant in Varberg works primarily with large production series for cars while Ulricehamn works with truck and bus manufacturers.

Our production is flow-oriented with strongly decentralised responsibility. We put great stock in our zero defect philosophy, continual improvements and a resource efficient, highly automated production.

The products and processes are naturally our core business but we can also be intensively involved in the design, development, verification and testing of complete system solutions. We can furnish the latest in technology and systems, process technology and know-how.

New production area, development and rationalisation

Our customers are manufacturers of cars, trucks and buses. We have gone from focusing solely on the Scandinavian market to successfully expanding our customer base to include the European market.

During 2005 we have been able to enter a completely new production area: AC pipes in cars. It has required considerable investments in new machines, automation and advanced test equipment that makes it possible for us to further develop our products. This is a major step towards production with a higher added value, i.e. increasingly complicated, compound products.

The production set up and organi-

Sven-Olov Libäck, Business Area Manager and MD of Autotube AB in front of a robotised production cell.

sation in the factory in Ulricehamn has gone through major changes aimed at clarifying production and creating long-term efficiency.

Winning over very tough competition the factory in Ulricehamn has been chosen as preferred supplier in a number of production areas.

We anticipate that the market for our products will continue to grow since legislators continue to heighten emission standards. More stringent requirements generally mean accessory equipment for vehicles, which means additional products from us.

Competition poses threats and opportunities

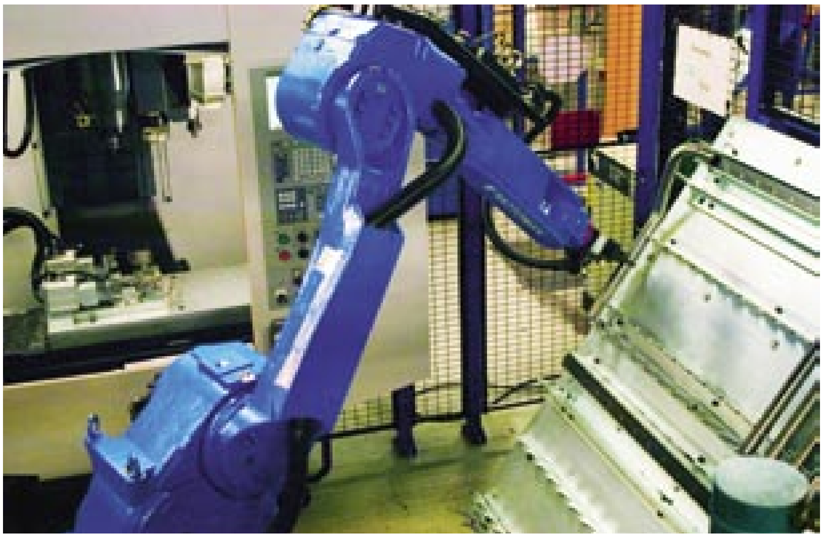
The competitive landscape has changed over the years. Previously almost all competitors were local but now we face global players as well. Low cost countries primarily in Eastern Europe are both a threat and an opportunity. While they threaten to exert downward pressure on our price structures they are also an opportunity in that we can outsource suitable production to them.

Proximity to customers is a recipe for success

Our success is based on proximity to the customer. In Europe of today Lyon or Coventry are almost as close as Skövde or Trollhättan. We offer close collaboration in development work. We also offer short lead times, cost-effective design solutions and highly efficient, highly automated manufacturing.

Active efforts to reduce absence due to illness

Absence due to illness is well within the bounds of the parameters we have established and the trend is positive. We work actively to further improve the situation by stimulating physical activity for better health.



Flexible robotic piercing cell pipes.

We are strong competitors

Our results continued to be good in 2005 with a drop in volumes at the end of the year. We could not completely compensate for rising raw material prices during the year. The start up of the AC project and restructuring in Ulricehamn led to temporary problems which effected profits.

In 2006 we believe we can maintain current volumes in heavy vehicles and perhaps see them grow slightly while car volumes can remain the same or decline somewhat. We have a good platform for continued development and winning new market shares despite the threat of growing competition. We will continue to broaden our product range and introduce new products and material during the year.

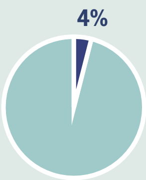
We will continue to refine our processes and develop products with cutting-edge technology aimed at developing and verifying our own design details. Thanks to our unique expertise and extensive rationalisations we are well-prepared to compete against international competition.

In order to further broaden our knowledge, product range and marketing opportunities in the area of polymer materials we have reached an agreement to acquire HordaGruppen Vätterleden AB. Turnover for Autotube and HordaGruppen together in 2006 is estimated at SEK 600 m.

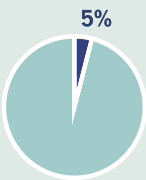
Robotic bending of fuel lines as well as leak testing.

COMPANIES

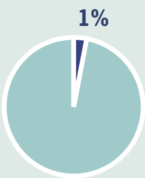
IF Luftfilter AB
IF Luftfilter AS, Norway
Luftfilter AS, Denmark
IF Luftfilter Oy AB, Finland



Proportion of the Group turnover



Proportion of the Group operating profits



Proportion of the Group investments

(SEK m)	2005	2004	2003	2002
Turnover	201	192	145	135
(of which export)	92	85	35	33
Operating profit	17	17	19	17
Capital employed	52	50	23	33
Investments	1	6	3	2
Operating margins, %	8.5	9.2	13.1	12.6
Return on capital employed, %	32.9	34.8	82.6	51.5
Number of employees	147	154	123	123

Filters Business Area

"For all the air in the world"

IF Luftfilter AB, the parent company in the business area, develops, produces and markets air filters for all types of ventilation systems. The Nordic countries are our home market and we operate in Europe. Over the next few years we will intensify our activities on markets outside the Nordic countries.

A complete program of products and services

We know that our products function when no one notices them. Our products have individually registered trademarks all with the prefix "Air"; for example AirBag, AirPleat and AirComp. We also operate Filterskolan ("the Filter School") and Filterbutiken ("the Filter Shop").

E-commerce has been a major factor in the company's advantageous market position.

Developments are positive in our already established distributors in Holland and Germany. Portugal and France are the two countries outside of the Nordic region where we have been most successful in establishing the company and finding distributors in 2005.

During 2005 we manufactured 10% more filters than in 2004.

In order to retain our market position and competitive edge, we continually work with product development and smart production solutions. Our expertise in metal filters opened up a whole new market segment in our fat filters manufacturing plant in Österbymo. We are currently delivering our knitted metal net as OEM products to many different industries operating in, among others, automotives.

The major increase in volume in 2006 will be in tunnel ventilation where, after investing a couple of years of work, we expect a high order intake.

Jan Lund, Business Area Manager and MD in IF Luftfilter AB.

A new divisional manager took over at the Österbymo unit in January 2006.

More and more products are P-marked

IF Luftfilter is certified in accordance with ISO 9001 and 14001 and more and more of our products are "P-marked". P-marking is a quality assurance system for products that are inspected and licensed by the Swedish National Testing and Research Institute. Our license was renewed after audits during the year. After 1 January 2006 we can offer P-marked bag filters in synthetic media in filter classes F6 and F7.

Pleat filters for a growing market

There are three dominant, equally large companies on the Nordic market; IF Luftfilter, Camfil and Scandfilter. Luftfilter is largest in Sweden, second largest in Denmark and third in Finland and Norway, measured in filter volumes in each country.

Air treatment is a growing market and we are currently focusing on pleat filters in order to achieve the same market share level as the one we have in bag filters. Our sub-contracting of HEPA filter in Chicago should have furnished us with stock back in August 2005 but didn't start up until late autumn, which is why we did not have the products in stock until January 2006. Supplies of the filters we manufacture ourselves for the Swedish market grew in 2005 thanks to a well-oiled organisation.

Employees are our greatest resource

We market IF Luftfilter as a knowledge company in air treatment. Our closest competitor is Camfil followed by Scandfilter. Our products and our employees are our greatest resources. Luftfilter has a flat organisational structure and decisions are made where they belong. Our marketing organisation is by far the strongest in the industry.

Healthy company with a low personnel turnover

Absence due to illness is well within the bounds of our targets and personnel turnover is very low.

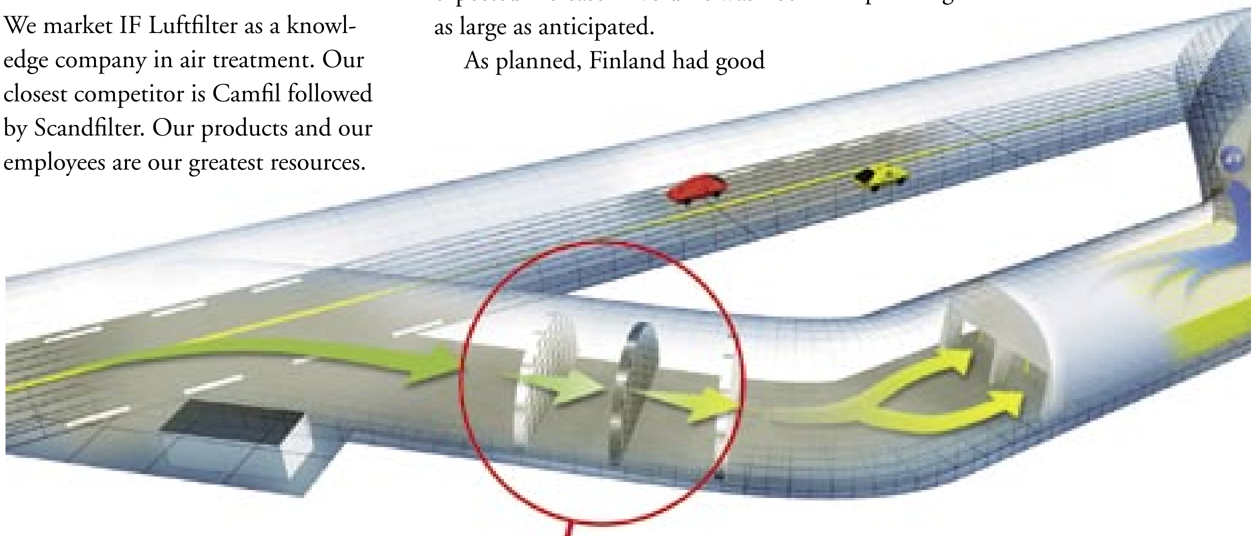
Profitability according to plan in 2005

Profitability in 2005 was according to budget, despite the fact that the expected increase in volume was not as large as anticipated.

As planned, Finland had good results in 2005 and will most likely be even more profitable in 2006 when we should see the effects of our marketing drive on industrials and major customers.

Norway has continued to surpass budget.

Denmark made the decision in 2005 to open a warehouse and office in Jutland in February 2006 and bolster the area with another salesman. During the year a new MD was appointed in Denmark. His background is in the trade and his special area of expertise is sterile filtering. This is the area in Denmark where we plan to grow in 2006.

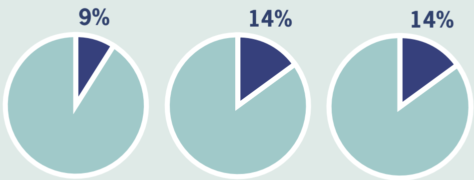


The Norwegian Laerdals Tunnel is the first in the world to clean the air leaving the tunnel from 85 percent of dust and nitrous gases. Ventilation is placed in parallel service tunnels where the entire section surface is covered by filters. Automatic flushing keeps the filters clean and effective.

Hand Tools Business Area

COMPANIES

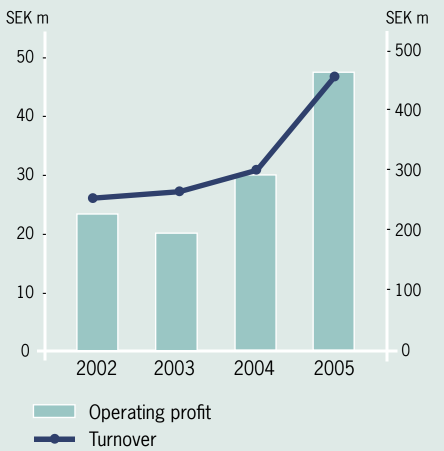
Hultafors AB
WIBE Stegar AB
TA Ljungberg Patent AB
Hultafors Norway AS
Hultafors Denmark AS
Hultafors Oy, Finland
Hultafors Präsident GmbH, Germany
Hultafors UMI Srl, Romania



Proportion of the Group turnover

Proportion of the Group operating profits

Proportion of the Group investments



(SEK m)	2005	2004	2003	2002
Turnover	462	299	268	255
(of which export)	249	168	146	124
Operating profit	48	30	20	23
Capital employed	175	110	101	78
Investments	17	8	22	12
Operating margins, %	10.3	10.2	7.5	9.0
Return on capital employed, %	27.1	27.6	19.8	29.5
Number of employees	374	335	282	198

Profits in 2005 reflect good growth

The acquisition of WIBE Stegar AB and strong demand have contributed to significant profit growth in 2005. Sales have developed well on all our markets, particularly in the Nordic regions. We have also grown in our export markets in Central Europe with the exception of Germany where demand for our folding rules continues to be weak.

Bo Jägnefält, Business Area Manager and MD of Hultafors AB.

"It's the best tool you can get"

The business area consists of production divisions in Hultafors, Eskilstuna, Hults Bruk, Nässjö and Romania. Our home market is the Nordic countries and we have a sales office in every country. Hand tools are sold under the Hultafors trademark and ladders and scaffolding are marketed under the WIBE Stegar trademark. Both are the leading brands in the Nordic region.

The products are designed for carpenters – tools for easy and efficient work. We want the user to pick up a Hultafors tool and feel like it's "the best tool you can get".

Competition from two directions – internationalisation and concentration

The market for hand tools and ladders is mature with fragmented production lines and regional distribution. Changes are greatest in distribution where there are more and more global companies and chains, particularly from a Nordic horizon.

The changes give rise to growing competition, in part from multinationals and in part from distributors who build up a range of products, which are chiefly manufactured in low-cost countries, under their own brand.

Utilising existing resources to achieve cost-effective refinement

In order to maintain our strong brands and the market positions of Hultafors and Wibe Stegars, we must continually present new products that the user has had an active role in developing. The whole refinement process – development, production, logistics, sales and marketing – must be cost-effective in order to attract distributors and final users.

We can always do better

Hultafors is third party certified in accordance with ISO 9000, including work environment and environmental certification. Our operations have a low environmental impact and we have not had any environmental problems during the year.

A good work environment reduces absenteeism

Employee absence due to illness is at very reasonable levels. Temporary absence is under 3% and long-term absence is even lower. Staff turnover is low, even among management.

These figures also apply for manufacturing in Romania, where the newly built production plant provides workers with a good working environment.

Strategic investments and new products

WIBE Stegar – rapid and successful integration

The integration of WIBE Stegar during the year has surpassed expectations thanks to employees' enthusiasm and positive attitude towards change. WIBE Stegar and Hultafors' hand tools share distribution and target groups and anticipated synergies were realised quickly.

TA Ljungberg Patent AB – Talmetern

The company, which was acquired in June, is well-known for its unique product Talmetern. The product has a solid customer base in Sweden because of its excellent function. We expect sales to grow with help from Hultafors' sales organisation and further developments in the product.

Tikaskolmio Oy – starting point for expansion eastward

In September we acquired WIBE Stegar's importer Tikaskolmio Oy in Finland. We secured ladder sales through the acquisition and provided Hultafors with a sales organisation throughout the Nordic region. It also furnished us with a warehouse in Finland, which is important for our continued expansion into the Baltic countries and western Russia. The name of the company was changed to Hultafors Oy as of 1 January 2006.

Germany – our largest market volume-wise for folding rules

Our German sales company has been struggling with the sluggish German economy and aggressive price competition but the market brightened during the final quarter of 2005. Our production resources in Sweden and Romania are an excellent platform for 2006.

Chisel knife.

Romania takes over highly refined products

The expansion of our plant in Romania was finished in the autumn of 2005 and the previously announced production move ought to be completed by the first quarter 2006.

Forging production moves to China – better international competitive capacity

In November 2005 we signed a joint venture agreement with a world leader in hammer production, Lucky Industrial Brand Co. Ltd, Taiwan. The agreement entails moving the operations in Eskilstuna to Kunshan in China during the latter half of 2006. The newly created company, Hultafors Lucky Kunshan Industrial Co. Ltd, is owned to 49% by Hultafors.

Our know-how in product development, quality management and marketing together with Lucky's expertise in engineering and forging production will enhance our competitive capacity on our home market and generate international growth.

New craftsmen's knives – seven new models

We launched a new series of craftsmen's knives in December. Together with professional craftsmen Hultafors has developed the classical craftsman knife into seven customised models for different kinds of jobs.

Continued expansion in 2006

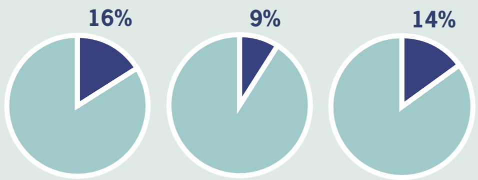
Hultafors plans for continued expansion through a broader product range in the Nordic market, focusing on craftsmen in construction. New products and the anticipated growth in the construction sector will contribute to increased sales and, despite structural costs for moving production, continued good operating profit.

Hand tools you can rely on.

Hydraulics Business Area

COMPANIES

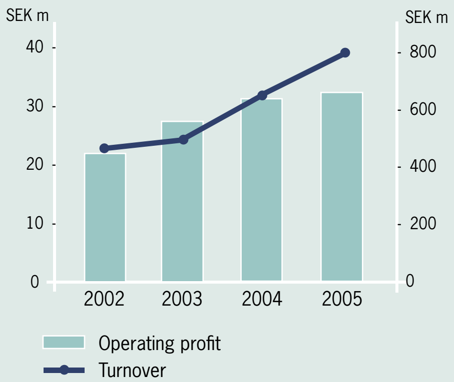
Specma Hydraulic AB
Specma Hydraulic Nord AB
Eurobend AB
Specma Component AB
WiroArgonic AB
Hymat Oy, Finland



Proportion of the Group turnover

Proportion of the Group operating profits

Proportion of the Group investments



(SEK m)	2005	2004	2003	2002
Turnover	798	645	500	467
(of which export)	253	247	204	186
Operating profit	32	31	28	22
Capital employed	278	273	191	205
Investments	18	15	8	7
Operating margins, %	4.1	4.8	5.6	4.7
Return on capital employed, %	11.6	11.2	14.7	10.7
Number of employees	529	509	375	349

We consider the Nordic and Baltic countries our home market, but today we are primarily active in Sweden and Finland.

Four specialised business units

We develop, manufacture and market specialised conduction systems for hydraulics to Nordic industry. We also offer a broad range of hydraulic, pneumatic and conduction components for industrial applications and the after sales service market.

Our vision is to become the leading company in our industry in the Nordic and Baltic countries.

In order to realise this vision, we focus on four separate business units: Component, OEM, Commercial Vehicle and Industry & Marine.

Successful promotion of a dynamic retail chain

In 2005 we transferred Specma Hydraulics after sales service organisation to Näsström System and changed its name to Specma Component AB. This has created a dynamic joint business unit for the after sales service market.

Our retail chain "SlangSnabben®" with its new profile concept has developed well during the year. Our own SlangSnabben® has moved into new, fresh premises in Upplands Väsby and our operations in Örnsköldsvik have moved into together. Ljungby operations will become SlangSnabben® in 2006 when we will also launch the concept in Finland. Our goal is to create at least 10 SlangSnabben® stores in Finland in 2006.

Ten new SlangSnabben® stores have been opened and sales through

Mats Lundgren, Business Area Manager and MD at Specma Hydraulic AB.

the chain increased by 33%. There are now a total of 67 SlangSnabben® stores. Our largest competitor is Hydroscand with approximately 20% of the after sales service market.

Besides responsibility for sales on the Finnish market, Hymat Oy handles sales to Russia and the Baltic countries.

Closer cooperation for highly advanced products

OEM works with customised system solutions for conduction components. A large part of operations are carried out onsite at customers' premises in the form of training, application reviews and field testing. Specma Hydraulic AB and Eurobend AB, which constitute the core of the business unit, collaborate closely to find optimal solutions in the choice of hose/pipe components. Specma Hydraulic has intensified cooperation with Gates Hydraulics in the technological development of

Slang Snabben

The new SlangSnabben® logotype.

highly advanced products. Eurobend has gone through a restructuring and is now a lean-production unit. New orbital welding equipment has been installed and the production area has been extended to accommodate production of new orders to be delivered in 2006.

Customers such as VCE and Komatsu have chosen our products for some of their most technically advanced applications.

New products for heavy vehicles

Commercial Vehicles sells a broad assortment of pipes, hoses and conduction components to companies that include Volvo Truck, Renault Truck and Scania. WiroArgonic has contributed to the range with their special and high temperature hoses.

During the year Specma Hydraulics developed a new steering servo concept with pipes manufactured at Eurobend. The steering servo concept that was introduced on Volvo's new heavy trucks in the fourth quarter is now being mounted on Volvo Brasil's medium-heavy trucks since the beginning of 2006.

The main competitors are international groups such as Contitech, Eaton and Parker.

Hydraulic assembly for container cranes

Industry & Marine is concentrated to Specma Hydraulic Nord and WiroArgonic which share company management. The companies in this business unit solve the problems of transporting fluids and gases that have strict demands on durability, safety and hygiene. WiroArgonic is the market leader in Sweden and operates in the Nordic and Baltic countries as well. Growth has been good in the company in 2005. Specma Hydraulic Nord has taken over responsibility for manufacturing the hydraulic aggregates on

Volvo's new Brazilian VM model contains Specma Hydraulic components in the steering servo and cab tip systems.

McGregors cranes, which has generated a substantial increase in turnover. Pipes and hoses for combat vehicles will contribute to continued good developments in the foreseeable future.

Products in this business unit consist of metal hoses, PTFE hoses, high pressure hoses and expansion joints.

The companies provide licensed stainless steel welding to EN standards. Our main competitor is Witzenmann.

McGregor's hydraulic aggregate is now manufactured by Specma Hydraulics in Örnsköldsvik.

Absence due to illness continues to decline

Because our companies depend on experienced and able staff, health and personal development are highly prioritised. Total absence due to illness has dropped to less than 2%. We work actively with preventative measures such as keep-fit activities and ergonomic studies.

Employee turnover is low and it is easy to recruit new personnel.

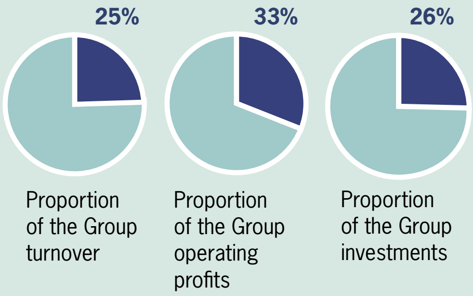
Good profitability and bright forecast

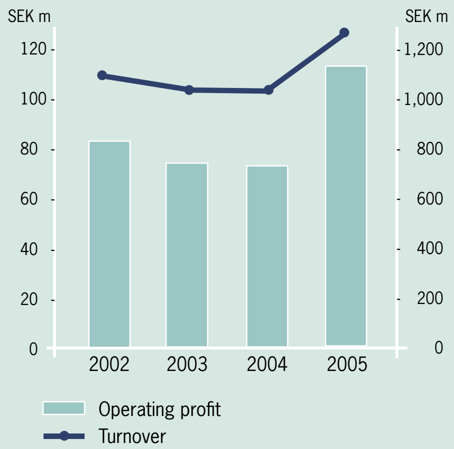
Profitability was comparable with that of previous year. Specma Component was very profitable due to synergies and successful promotions. Profitability in Eurobend was weak due to heavy restructuring costs that are expected to generate positive results during the first half of 2006.

Operating profits were pressed by further rises in raw materials prices and a strong Euro. Although we have raised our sales prices we have not been able to completely compensate for higher costs. A number of new large scale projects will be implemented in the beginning of 2006 (previously planned for 2005) to increase turnover and improve margins.

COMPANIES

Swegon AB
Swegon AS, Norway
Swegon AS, Denmark
Swegon Oy, Finland
Swegon GmbH, Germany
Swegon GmbH, Austria
Swegon SA, Switzerland
Swegon Sarl, France
Swegon Ltd, England
Swegon SP Zo.o, Poland





(SEK m)	2005	2004	2003	2002
Turnover	1,244	1,068	1,078	1,116
(of which export)	740	619	618	648
Operating profit	114	74	75	83
Capital employed	289	275	250	292
Investments	33	29	17	16
Operating margins, %	9.1	7.0	7.0	7.4
Return on capital employed, %	39.3	27.1	30.0	28.4
Number of employees	786	747	788	820

Air Treatment Business Area

During 2005 the business area comprised the manufacturing company Swegon AB which was created on 1 January 2005 through a merger of PM-Luft AB and Stifab Farex AB and their sales companies. Swegon supplies air treatment aggregates and components that in combination create good indoor climates in residential and business properties.

Products on the cutting edge of development

Swegon works with products on the cutting edge of development. The Nordic countries have the highest user specifications (silent, draught-free ventilation), which gives us the edge on competitors from the Continent. Regulations, particularly when it comes to energy consumption, are also stricter in the Nordic countries and will gradually increase throughout Europe, which will stimulate growth on the market.

As time passes, the market will grow as the need for renovation escalates. Increasingly demanding user requirements and a focus on energy consumption in Europe will also lead to replacement of existing systems.

Our products are installed in most buildings, such as offices, schools, healthcare facilities, shops and industrial buildings. Our marketing promotions are aimed at users, property owners, construction companies, consultants and ventilation installation firms.

Improved cost effectiveness with industrial focus

Many say the industry is mature. We believe there is still a great deal that can be done to gain market shares and we are going to be in the vanguard. As much as possible will be prefabricated and standardised to simplify our customers' work. An example of this is our complete system solutions, Swegon Solutions. These are well thought-out system solutions that contain components that function optimally with each other to create a good indoor climate. Being in the forefront of developments means stepping off the beaten path and trying something new.

Product development close to production

Our production plants are located in

Kvänum, Tomelilla and Arvika. All three units include product development and laboratories. It is important for us to keep product development close to production.

We are one of the dominant players in the industry. The major competitors in Sweden include Fläkt Woods and Systemair. In Europe GEA and Trox are among the most influential.

Good first year for Swegon

Swegon's first year profit was very good. One of the most positive developments of the year was our growth in Europe where turnover increased by 30% even though the acquisition of Koolair did not go through.

Promoting Swegon in Europe

We plan to make Swegon well known in many markets which is why we have initiated a plan to more uniformly promote the brand throughout Europe.

2006 looks like a good year

The prospects for 2006 are good. We expect demand to continue to be strong in both the Nordic region and the rest of Europe. We count on capturing further market shares on all of these markets, particularly those outside of the Nordic region.

Changes in construction processes

It is vital that we are prepared for the changes in the construction process we have begun to note. The major construction companies are testing new ways to procure components and systems in order to lower costs and guarantee quality. Swegon Solutions fit in perfectly with this development.

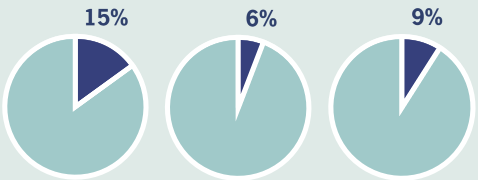
Another challenge on the horizon is competition from producers in low cost countries. We are well-prepared to face the competition, today as well as tomorrow.

Mats Holmqvist, Business Area Manager and MD in Swegon AB.

Swegon offers complete solution systems that consist of air treatment aggregates with built in control software as well as room solutions that help create the best indoor climate.

COMPANIES

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



Proportion of the Group turnover

Proportion of the Group operating profits

Proportion of the Group investments

(SEK m)	2005	2004	2003	2002
Turnover	735	720	602	632
(of which export)	213	205	171	160
Operating profit	20	12	0	12
Capital employed	176	193	184	167
Investments	11	8	7	14
Operating margins, %	2.7	1.6	0.0	1.9
Return on capital employed, %	11.3	6.1	0.0	7.2
Number of employees	235	236	231	228

Machinery Trading Business Area

We develop our customers' productivity

The business area comprises the Stenberg Group, a corporate group formed around the concept of machines, tools, maintenance and other services helping to develop the productivity of companies in manufacturing wood and engineering industries.

We have operations in Sweden, Denmark and Finland.

Our customers are manufacturers

Our customers' future is our future and naturally all the production that has moved out of our operating area is a threat we need to take seriously. However, during the past year we have discerned a tendency in our customers to react against unfounded relocation strategies and an insight, often from their own experience, of the advantages of keeping production here.

The best thing we have going for us is that all the strong, vital companies which for different reasons have decided to retain production in Scandinavia consider it crucial to reinforce their competitive capacity through greater productivity based on high technology. We can offer these customers exactly the kind of products and services, combined with a high level of expertise, they are looking for.

Well-known brands

The business area sells products from a number of well-known brands and choosing a supplier is one of our most crucial strategic choices. A basic premise for the company is to have a few strong suppliers that we cultivate a long-term relationship with. This means we are quite dependent on our suppliers' development and competitive capacity but, more importantly, we can supplement these suppliers' well-known brands with our own

Sonny Schön, Business Area Manager and MD in AB Sigfrid Stenberg.

expertise and preparedness in regards to installations, service and spare parts stock. This is where we can truly live up to our role as productivity advancer and not merely a machinery and tool supplier.

We represent Okuma in Sweden, Denmark and Finland. Okuma, from Japan, is a world leader in the manufacture of machine tools. Other important agencies in machine tools are Brother, Miyano, Star and Matsuura.

Kennametal, the world's largest manufacturer next to Sandvik, of metal-cutting tools for the engineering industry are part of our product program in Sweden and Denmark.

We primarily sell products from the SCM Group to the wood industry. SCM is the world's leading manufacturer of woodworking machinery.

Sales of cutting tools for woodworking, with a complete product program in which the sales and sharpening of diamond-toothed tools is becoming increasingly important, have grown dramatically in Sweden and Finland.

More than machines

Although trading in machinery is our main business we have deliberately

Volvo Aero is a major maker of components for airplane motors in, among others, Airbus. Stenbergs/Kennametal has developed complete tool solutions for Volvo Aero's production.

worked on increasing products and services affiliated with the actual machine.

Tool sales have grown in both wood and metal sectors, a development we will further promote through organisational reinforcements and more investments in diamond tool sharpening in Woodtechnique Verktygssystem AB.

We continually develop our service and maintenance sector. Mekana AB has substantially increased its service organisation in 2005 and we will continue the expansion of MaskinCentrum in Örnsköldsvik AB, which offers the market a range of services and maintenance. The Swedish financial daily, Dagens Industri, named MaskinCentrum as one of the fastest growing companies in 2005.

ISO-certification a result of process review

In order to achieve our goal of continual improvement we need to blend solid know-how and continuity with new impulses. We have a knowledgeable and engaged personnel and employee turnover and absence due to illness is low. At the same time we constantly develop our organisations in order to more efficiently meet our customers' expectations. For more reliable and efficient processes that make us more reliable suppliers, AB Sigfrid Stenberg carried out an extensive process review and was ISO certified last autumn.

Advanced positions

2005 was another step in the right direction concerning profits. Certain expenses for restructuring have charged profits for the year and the structural changes we have made have been successful but the effects on costs will fully materialise in 2006.

We have not yet reached the point where we are completely satisfied with our results. We have implemented a number of cost-saving and efficiency measures that will not have full effect until after 2006.

Order uptake was higher than sales and the order stock at the beginning of 2006 was 20% higher than at the same time the previous year.

This means we can expect even higher turnover and better profits for the business area in 2006 than in 2005.

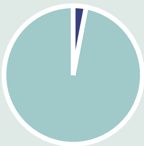
This is a typical interior in a modern Swedish engineering company – clean, efficient and unmanned. Hellmer Industrier in Norrköping has 16 machines from Japanese Brother delivered by Mekana for the manufacture of details to the telecom industry.

COMPANIES

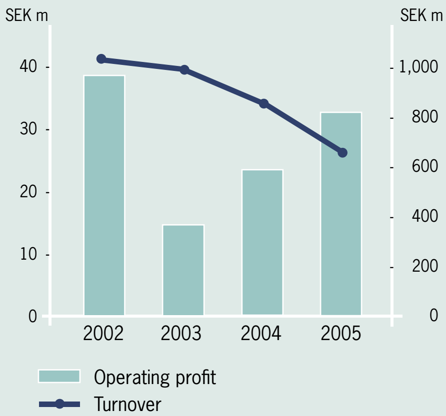
Almedahls AB
Almedahls Alingsås AB
FOV Fabrics AB
Oy Almedahl AB, Finland

Proportion of the Group turnover

Proportion of the Group operating profits



Proportion of the Group investments



(SEK m)	2005	2004	2003	2002
Turnover	642	854	919	1,039
(of which export)	483	618	656	747
Operating profit	32	23	14	39
Capital employed	403	459	476	514
Investments	2	8	25	77
Operating margins, %	5.0	2.6	1.5	3.8
Return on capital employed, %	8.0	4.9	2.9	7.6
Number of employees	332	595	650	724

Textiles Business Area

Business area

During 2005 the business area has gone through structural changes and as a result divested certain operations.

After these structural changes the business area comprises Almedahls AB, Almedahls Alingsås AB and FOV Fabrics AB. Operations are highly uniform and can be divided into the following groups:

- Textiles for government contracts and home design (Almedahls)
- Hotel and restaurant textiles (Almedahls Alingsås)
- Work clothes (Almedahls Alingsås)
- High-tech textiles for use in industry and ready-made clothing (FOV Fabrics)

Göran Holm, Business Area Manager and MD in Almedahls AB.

High-tech products, advanced design and distribution make for significant market shares

With solid know-how in textiles technology (production and product development), design and logistics, we supply our customers with a good range of products.

Our strategy entails infusion in our product range of maximum added value – very competitive properties and designs – and effective marketing and distribution which together generates significant market shares in each product area.

Clothes for runners designed by Newline with functional material from FOV Fabrics.

Improved profits in 2005

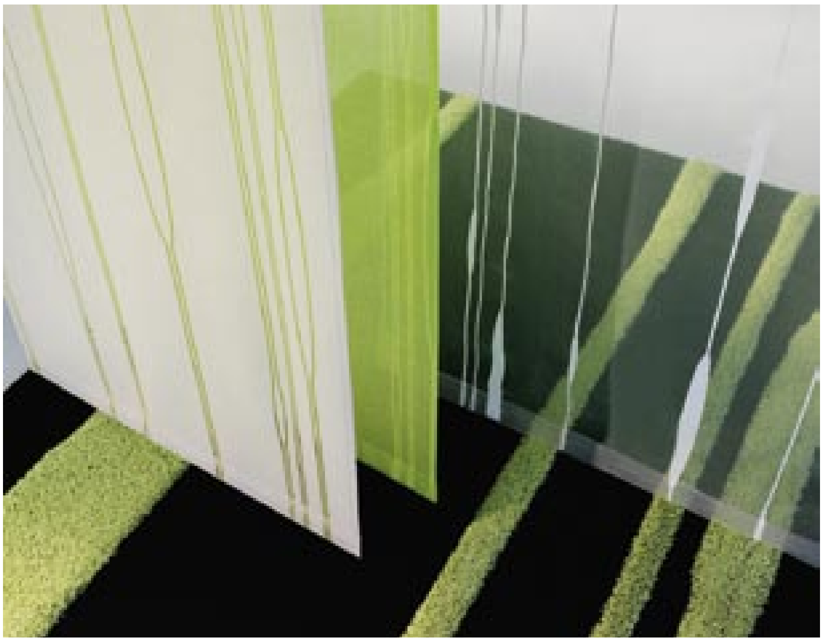
Profit in 2005 improved dramatically in comparison with 2004.

Almedahls – Public Spaces and Home Décor

Design is the focal point and essence of this area. Products for Public Spaces are marketed via architects and interior designers. We are the market leader in curtains. During 2005, we launched a collection of rugs that match our other collections which include a range of upholsteries and curtains. The market has turned around and we have had a successful 2005.

Design is also crucial to our competitive capacity in Home Décor. The government and parliament of Sweden designated 2005 as the Year of Design. Goal-oriented work with design has won broad media attention and given us a competitive edge. 2005 has been a good year with satisfactory profitability.

We also market products under



The Kaveldun concept coordinates curtains and rugs from Almedahls AB.

licence, where we are licensed to use, for instance, famous animated figures in our designs. Thus far, we have sold bedclothes and towels with Disney figures, Snoopy and Bolibompa.

Craft range in Almedahls

This business unit that consists of sewing accessories, embroidery, yarns for hand knitting and staple fabrics and quilting fabrics was sold to Coats Ltd in England on 1 April 2005. Operations in Holma-Helsinglands AB, manufacturing of weaving yarn, was sold in December to the MD and was taken into possession on 1 January 2006.

Industrial property in Dalsjöfors

Our property in Dalsjöfors where Almedahls AB is one of several tenants was sold per 31 December to a local property manager.

Almedahls Alingsås

Almedahls Alingsås has also had a successful year. A minor business acquisition has further boosted profits.

Together with our customers we develop special textiles for every imaginable area of application such as fire-proofing, water-proofing and dirt-repelling. Our products include specially developed textiles for hotels and restaurants, the healthcare sector and work clothes. Work clothes sales have particularly grown, which means we have increased the amount of refinement in our products.

Almedahl-Kinna

The company was sold on 30 September to Domicet Oy, Finland which has been a major customer to Almedahl-Kinna for many years. The companies complement each other well.

FOV Fabrics

"The innovator of high-tech fabrics"

The largest single product range within the company is airbag fabric for the automotive industry and it comprises 45% of overall sales. The market for standardised products of this kind is now highly mature, resulting in increasing pressure on prices and declining profitability. We have therefore decided to stop manufacturing airbag fabric in 2007.

Well-developed products provide added value to our customers

The clothing textiles we manufacture consist of functional exterior fabrics which are primarily supplied to well-known manufacturers of sporting and recreational ready-to-wear clothing. Our market position is strong in Europe with brands such as Airtech, High-Tech Micro, QuickDry and Dry-Comfort XT. This is a prosperous section of operations with a bright future.

Established customer partnerships and vertical integration is what makes the company strong

We have been quality certified in accordance with ISO 9000 and QS 9000 for many years.

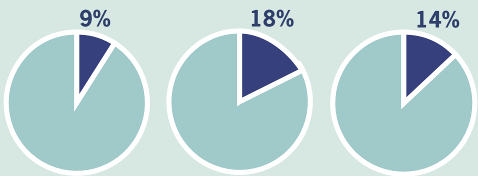
Decline in demand

Profit development in FOV Fabrics was still weak during 2005 due to declining demand and increasing competition. This market situation has accentuated during the year. Measures to further reduce costs will be implemented in 2006.

Work clothes from Almedahls Alingsås AB for serving personnel.

COMPANIES

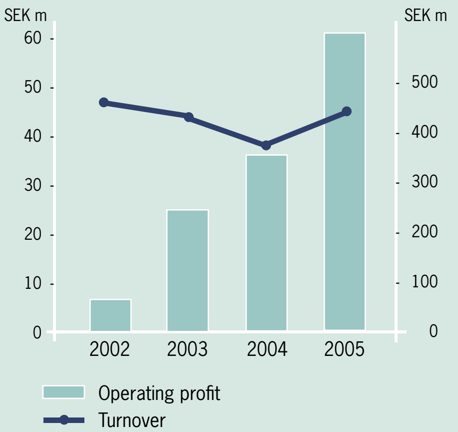
Specma AB
Elkapsling AB
Nord-Lock AB
Nord-Lock Finland Oy, Finland
Nord-Lock Inc., USA
Nord-Lock (UK) Ltd, England
Nord-Lock France, France
Specma AS, Norway



Proportion of the Group turnover

Proportion of the Group operating profits

Proportion of the Group investments



(SEK m)	2005	2004	2003	2002
Turnover	436	372	434	454
(of which export)	157	116	94	108
Operating profit	61	37	25	7
Capital employed	132	109	117	148
Investments	17	6	8	6
Operating margins, %	14.0	10.0	5.8	1.5
Return on capital employed, %	46.2	34.3	21.4	4.7
Number of employees	280	256	257	299

Engineering Technology Business Area

Renewal and development

The business area consists of Nord-Lock AB, Elkapsling AB and six business units within Specma AB. Through an ongoing dialogue with our customers, we continually renew and develop our products and services in order to continue to grow profitably.

Speed and flexibility, structure and strength

Our customers operate in the manufacturing industry and all our products contain advanced technology and substantial added value. Each of our business units has its own unique business model, skills and know-how and competitive advantages.

We can combine the speed, flexibility and rapid action of small companies with the structure and strength of a larger one by sharing operations support resources such as finance, IT and personnel administration.

Commitment and personal involvement make for healthy employees

The fact that our employees are committed and personally involved in operations together with the support we have from our owners is not just a good platform for successful business. It also helps keep our absence due to illness figures well below the national average. We work actively with physical fitness among our employees and to improve both the physical and social work environment.

Good profitability in 2005

All our business units have improved their volumes and profits in 2005. Invoicing increased by 17%, three-fourths of which was organic growth.

Operating profit increased by 65% and the operating margin was 14%.

During the year we made two acquisitions:

Per Englund, Business Area Manager and MD at Specma AB.

In May we acquired the Finnish distributor of Nord-Lock. The Nord-Lock washer, which we manufacture ourselves, is sold in 28 countries. Our own sales companies account for half of sales volumes. We plan to successively increase that proportion where possible and at the proper time, normally when companies pass from one generation to the next, acquire more independent distributors.

Bergman-AXAB was acquired in October from the Axel Johnsson Group. This is a company that like our own Specma Seals, is focused on the process industry's after sales service need of gasket materials, sealings and service. The operations were incorporated into Specma Seals which thereby cemented its leading position on the Swedish market. Measures taken to create a new business structure have generated large one-off costs for investments, primarily in IT, which charged profits for the year. In 2006 the acquisition will contribute substantially to profits.

In summary, all our businesses are

Specma Seals are market leaders in different kinds of gaskets, seals and bellows delivered here to Stora Enso's plant in Skutskär.

John Deere is a world leading manufacturer of forestry machines. The machines must be extremely durable. Critical nut joints are secured by Nord-Lock's wedge locks.

in a good position and this makes us confident that we will do well in 2006.

Independent companies

Nord-Lock offers a unique screw lock system which provides secure locking for screw joint reinforcements exposed to vibrations and dynamic loads.

Volume growth is good and exports are over 80% of sales. To meet the increasing demand we have invested in the production unit in Mattmar. Production, which is for the most part based on technology we have developed, has received a sizable capacity extension.

Elkapsling manufactures cabinets and enclosure systems for electrical equipment and data and telecommunications. Good demand and the ongoing restructuring contributed to a substantial improvement in profits. However, profitability is still not satisfactory in the long-term and so restructuring will continue.

Specma AB

Specma Drives designs and assembles electromechanical drive systems with a focus on medical-technical applications. Exports are more than 80% of sales. Specma Drives often works as an integral part of its customers' production processes.

Robotised machine service as a part of a joint project in which Specma Automation, Specma Machines and Stenbergs have delivered a production line for the manufacture of automotive details.

Specma Seals supplies the Swedish processing industry with gaskets and seals. We share our considerable expertise with customers through preventive consultancy and can deliver quality products twenty-four hours a day from our own production plants, thus minimising disruptions in our customers' production units.

Specma Flowtech provides the world's most complete program of mechanical seals and bearing covers. This is a new area with dynamic growth.

Specma Automation offers robot-based production solutions to customers in the manufacturing industry – everything from small robot installations to complete production systems. Thus far, we have completed more than 500 robot-based installations in Scandinavia and Germany.

Specma Machines is the Swedish representative for several of Europe's leading manufacturers of advanced production equipment in processing, handling and measurement. Our customers are industries with high volume series production.

Demand for products in Automation and Machines has been very good in 2005. Volumes increased and we start 2006 with large order stocks.

Specma Tools offers a broad range of highly advanced electrical and pneumatic professional tools for industrials and construction companies. Strong demand for tools from the construction sector in particular has lead to a high rise in sales during 2005.

ASSA ABLOY AB

Good potential through continuous improvement

ASSA ABLOY is a world leader in the production and supply of locks and accessory products designed for safety, security and user friendliness. With over 150 companies in more than 40 countries and a global market share of about 10%, the Group is the strongest global player in the lock industry.

ASSA ABLOY is represented all over the world, in mature and developing markets, with a leading position in most of Europe, North America and Australia. The Group is one of the leaders in the rapidly growing field of electromechanical locks in areas such as 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 29,000 employees and a turnover of SEK 27.8 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 2005

2005 was another successful year for ASSA ABLOY. Sales were relatively slow in the beginning of the year but accelerated as the year progressed to end in a strong fourth quarter. Turnover amounted to SEK 27,802 m, EBIT increased by 10.7% to SEK 4,078 m and organic growth was 5%. Developments are based on the good demand in the important USA market, which affects both Americas and Global Technologies. ASSA ABLOY has generally strengthened its position by focusing on customer usefulness in traditional operations and in segments with a somewhat higher market growth such as electromechanical locks, automatic doors, access control systems and identification.

New President and CEO

Johan Molin became the new President and CEO on 1 December 2005 after MD Bo Dankis left his position in the company following a board initiative.

Strategy

ASSA ABLOY has over a long period of time followed a strategy model built on three phases:

1. Global platform. Create a global presence and progressively add new specialised fields.
2. Take advantages of synergies and develop the strengths of the Group.
3. Customer value. Increase organic growth by creating value for customers.

Well-developed business strategy

ASSA ABLOY has developed a strategy to achieve the Group's vision, business concept and financial goals. The business strategy is based on three general themes that are divided into seven main activities. The Group has worked continuously with this strategy since it was introduced in 2004.

The first theme is to increase growth within our core operations by strengthening our collaboration with architects, door manufacturers, suppliers of security systems and distributors around the world.

The second theme concerns expanding into markets and segments with higher growth. This primarily involves three markets – the consumer market where customers actively choose their security solutions, the market for electronic access control and the rapidly growing Chinese market where ASSA ABLOY is taking steps to become more established.

The third theme takes aim at better utilising the Group's size and framework to reduce costs. This entails more specialisation in our factories, better use of production capacity in developing countries and increasing procurement efficiency.

Leverage & Growth action program

The two-year action program that was launched in November 2003 was completed during the fourth quarter of 2005. Annual savings are expected to reach SEK 450 m starting in 2006. Around SEK 350 m was saved in 2005. During 2005 payments related to the action program amounted to SEK 298 m and a total of 1,300 employees have left the Group. The 100 remaining affected employees will leave the Group during the first quarter of 2006.

Future development

There is a great deal that must be accomplished over the next few years in order to improve efficiency and better utilise synergies in the Group. One vital measure is to gather ASSA ABLOY's sales corps under the brand ASSA ABLOY. Customers will meet one salesman that offers a product portfolio with several brands. The Group will continue to consolidate, relocate and outsource manufacturing, coordinate R & D and implement shared services in administration.

Product development will to a greater degree focus on creating innovative products for market segments with high growth – electromechanical locks, automatic doors and security doors – as well as developing technology for electronic access authorisation and identification.

Customers are increasingly requesting total solutions for locks that are easy to use and install. ASSA ABLOY is therefore developing open standards that make it possible to integrate all our locks into customers' systems.

ASSA ABLOY strives to create added value in close cooperation with customers. One example of this is our endeavour to participate at an early stage in our customers' choice of security solutions, the so-called specification market. Another example is Entrance Systems, the Group's division for automated doors and the rapidly growing service sector.

Forecast for the future

Organic sales growth is expected to continue to be good. Operating margins (EBIT) and operating cash flow are expected to develop well, excluding the effects of future restructuring measures. ASSA ABLOY anticipates that demand in the long term for security products will grow.

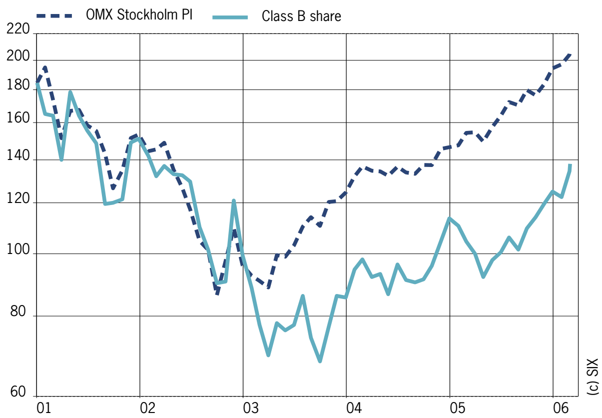
(SEK m)	2005	2004
Sales	27,802	25,526
Profit after tax	2,613	2,356
Proposed dividend per share, SEK	3.25	2.60
Share price 31 December, SEK	125	113
Latour's share of equity, %	7	7
Latour's voting share, %	16	16

ELVA is an electromechanical entrance lock which is basically constructed like a traditional lock but has many new and convenient functions. The lock can be opened with both a key and remote control at the same time quick evacuation is assured since the door is always open from the inside.

Work on focusing on customer usefulness, innovation and taking full advantage of ASSA ABLOY's strong position will hasten growth and improve profitability.

Shares

The ASSA ABLOY share is listed on the Stockholm Stock Exchange A-list. During 2005 the share price rose from SEK 113 to SEK 125 per share. Latour's holding at the end of the year was valued at SEK 3,218 m.



AB Fagerhult

The Fagerhult Group, with around 1,500 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, Russia 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, LampGustaf, LampGustaf Inredning, Elenco and Whitecroft Lighting.

Financial year 2005

Demand during the year has continued to improve. Investments in construction have grown in most of the markets where the Group is active. However, the market for office construction is still weak. The growth and internationalisation strategies initiated in the second half of 2004 have been implemented step-by-step. To strengthen and refine the Group three strategic acquisitions were made and two companies were divested.

The Group acquired LampGustaf AB, the leading Nordic player in retail lighting, which is also the main business of the company. A subsidiary in Hong Kong primarily involved in purchasing and Elenco Lighting AB, which manufactures and markets exterior lighting for public areas, are part of this group. Turnover in 2005 amounted to SEK 262 m.

In order to strengthen our presence in the Baltic countries and thereby expand our home market to include the entire Baltic Sea region, the Estonian company Rinaldo Marketing Oü was acquired and renamed to Fagerhult Oü. The company is a trading firm with seven employees and a turnover of SEK 7 m.

In order to continue to fortify our positions on the European lighting market and build a strong platform in the vital British market Whitecroft Holding Ltd., the parent company of Whitecroft Lighting Ltd., was acquired during the fourth quarter. Full-year turnover in the company was approximately SEK 400 m and it has 280 employees.

Two companies were divested, Aneta Belysning at the beginning of the year and Tryckta in Markaryd in the third quarter.

The factory in China is now up and running. Activities include manufacturing and purchasing as well as sales to the Chinese market.

Group net turnover in 2005 amounted to SEK 1,759 m (1,382) which is an increase of 27% from the previous year. For comparable units turnover increased by 10%. Foreign sales continue to grow and now amount to SEK 981 m (726), which is equivalent to 55% (52%) of the Group's total sales. Acquisitions had a positive effect on turnover by SEK 339 m. Order uptake for the period was higher than net turnover and totalled SEK 1,784 m (1,394).

Profit after net financial items has grown by 97% to SEK 108.1 m (54.8). Included in profits for the year are capital gains from the sales of the shares in Tryckta of SEK 3.4 m. For comparable units operating profit was SEK 97 m (50). Profit improvements are chiefly due to greater volumes.

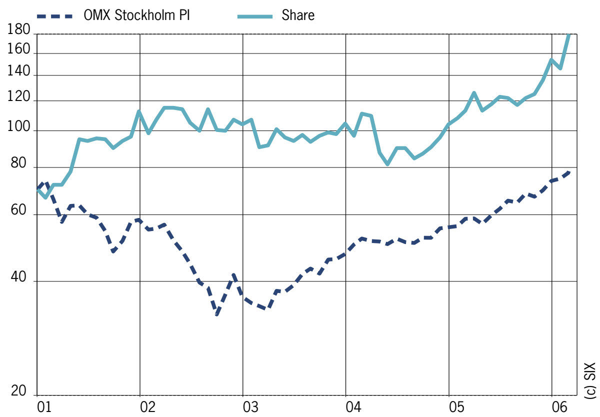
Business areas

To support business focus in defined areas the Group has gone from two segments to four. The segment Home Lighting has become Interior Design Lighting. The segment Lighting for public areas has been divided into the business areas Professional Lighting, Exterior Lighting and Retail Lighting.

Professional Lighting

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

(SEK m)	2005	2004
Sales	1,759	1,382
Profit after tax	76	37
Proposed dividend per share, SEK	3.50	3.00
Share price 31 December, SEK	150	104
Latour's share of equity, %	32	35
Latour's voting share, %	32	35



Exterior lighting produced by Ateljé Lyktan.

Interior design lighting at the Nordic Light Hotel. Photo: Örjan Henriksson

tries. Net turnover amounted to SEK 1,118 m (988) and operating profit was SEK 92.9 m (46.0).

Retail Lighting

The business area comprises sales of lighting systems, light sources and service to retail outlets. Net turnover amounted to SEK 306 m (133) and operating profit was SEK 10.9 m (5.7).

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 107 m (78) and operating profit was SEK 3.3 m (0.5).

Interior Design Lighting

The business area comprises lighting for hotels, conference facilities, public premises and homes. Net turnover amounted to SEK 229 m (183) and operating profit was SEK 7.6 m (2.5).

Prospects for 2006

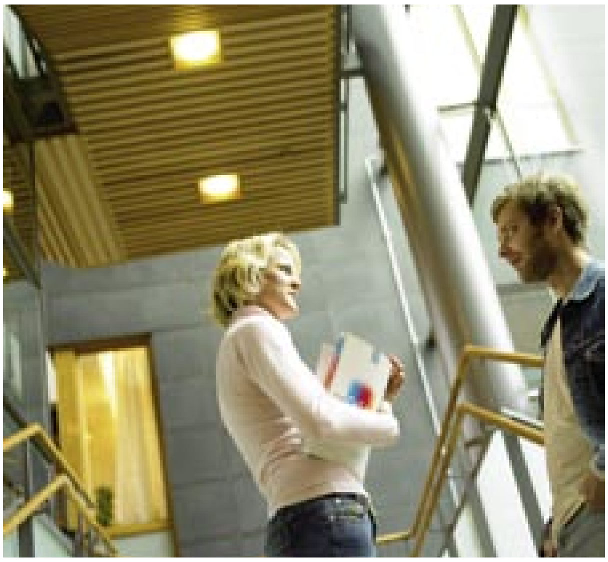
The acquisition of Whitecroft Lighting in England supports continued internationalisation and substantially boosted Group turnover. Whitecroft will also contribute positively to profits in 2006. Manufacturing some products in China will further strengthen the Group's competitive capacity. We will work to become established on other new markets and a sales company will be opened in Russia. The business cycle in construction is relatively favourable in most markets.

All told, both turnover and profit will continue to increase in comparison with the previous year.

Shares

The Fagerhult share is listed on the Stockholm Stock Exchange O-list. The share price in 2005 rose from SEK 104 to SEK 150. Latour's holding at the end of the year was valued at SEK 616 m.

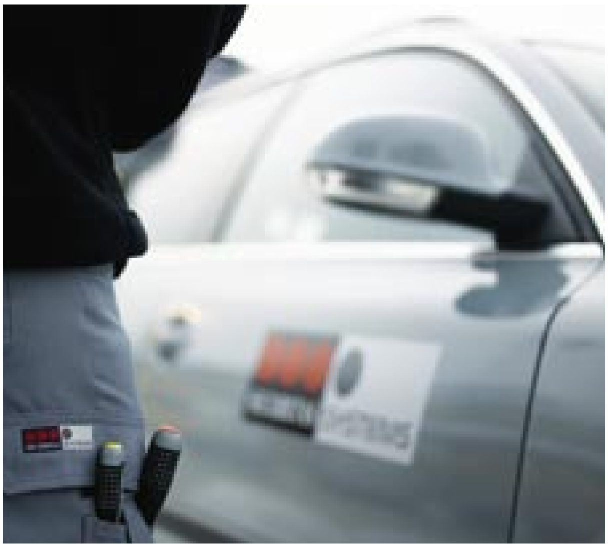
Retail lighting. Photo: Örjan Henriksson



Professional lighting. Photo: Örjan Henriksson

Securitas AB

Securitas is a world leader in security with over 200,000 employees and operations in more than 20 countries in Europe and North America. The Group is organised into five specialised divisions for guarding solutions, integrated and high end security systems, professional and consumer alarm concepts and cash processing, transport and ATM services.



Group development

Securitas cemented its position as a world leader in security in 2005 through stable development in all the divisions in the Group. Security Services USA has once again positive organic sales growth and strong margins. Security Services Europe has implemented a new customer adapted organisation and stabilised the temporary downturn in the segment Transportation and Harbour Security.

Securitas Systems and Securitas Direct show steady organic growth and margin development.

Organic growth in Cash Handling Services has been somewhat slower than in 2004 but operating profits have improved by 16% after the divestiture of the German operations. All told these developments lead us to have confidence in 2006.

Divisions

Securitas has been organised into five specialised divisions since 2001 which creates total focus on each individual business unit. Security guard service is organised into two divisions, Security Services USA and Security Services Europe. Securitas Systems has operations in both Europe and the US but predominantly in Europe. Direct operates in ten countries in Europe, while Cash Handling Services is organised regionally in both Europe and the US.

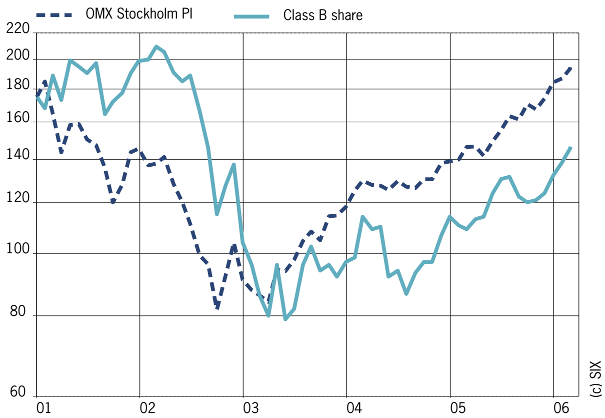
Security Services USA

The positive developments in organic sales growth and operating margins in the second and third quarter of 2005 continue. The division has increased sales and operating profit for the fourth quarter in a row. Improvement over the previous year in such key factors as new sales and more contracts is an indication that the positive trend in the division will continue in line with the overall development in 2005. The positive effects from the hurricanes will not last through the first quarter of 2006.

Local managers are receiving education as planned. All local managers and other key personnel have successfully completed the first part of the program and it will continue in 2006. Implementation of the new IT platform was concluded in October 2005. This provides stability in the future.

In December Security Services USA received the highest protection afforded by the American SAFETY Act. This is expected to further bolster Security Services USA's range of services during the year.

(SEK m)	2005	2004
Sales	66,014	59,687
Profit after tax	2,713	2,529
Proposed dividend per share, SEK	3.50	3.00
Share price 31 December, SEK	132	114
Latour's share of equity, %	7	7
Latour's voting share, %	12	12



Security Services Europe

The new organisation in Security Services Europe was implemented in 2005 and is gaining strength. Separate units with mobile services for small customers have been established in every country. Specialised stationary guarding services for large customers have been organised as a separate entity and airport and harbour security form another unit. Alarm surveillance has also been gathered into one unit. The division into independent customer segments will continue to increase focus and enhancement in the future. A strong platform has been created and the division is expected to increase sales and improve profit margins during 2006.

Securitas Systems

The focus in Securitas Systems lies on promoting organic growth and establishing new platforms as well as expanding the existing ones. The first step in organic development is to separate the product organisation into installation and service. The second step will be to divide the organisation into various customer segments, where banks and chains will be major segments. Parallel with this we have worked on efficient purchasing of components.

The acquisitions of Bell and Eurotelis have made Securitas Systems a market leader in England and France. With the acquisition of Wornall Electronics and Hamilton in the US Securitas Systems became a leading player in the American bank security segment as well. Integration of the acquisitions is progressing according to plan. In Germany Securitas continues to build a platform with a special focus on banks.

Direct

This division is focused entirely on organic expansion of operations. In the last three years investments have been made to increase the rate of development in the countries where Direct is already operating and to expand into new markets through organic establishments. The new consumer concepts are being developed in all the countries we operate in with current focus on France, Belgium and the Netherlands.

Cash Handling Services

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% of the division's total sales. In December 2005 Securitas Cash Handling sold its German valuables transport operations. The transaction resulted in a capital loss of SEK –151 m.

This does not include the operating loss in Cash Handling Services' operations in Germany, which amounted to SEK –60 m (EUR –6 m).

Acquisitions 2005

The most crucial acquisitions in 2005 were made in Securitas Systems which established a vital presence in the bank segment in the US. In addition, Security Services Europe acquired Blackstar in Spain, which substantially strengthens our presence in several regions in Spain.

Shares

The Securitas share is listed on the Stockholm Stock Exchange A-list. During 2005 the share price rose from SEK 114 to SEK 132 per share. Latour's holding at the end of the year was valued at SEK 3,353 million.

Direct[1]	October–December		Change in percent	January–December		Change in percent
Number of alarms	2005	2004		2005	2004	
New installations	42,168	39,440	7	168,935	148,672	14
Monitored alarms	689,245	548,184	26	689,245	548,184	26

[1] Adjusted for the exclusion of third party alarm surveillance that has been transferred to Security Services Europe and Direct Switzerland that is included in the segment Other.

Munters AB

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

Munters' operations are divided into three product areas – Dehumidification, MCS and HumiCool. The largest area is MCS, which in 2005 accounted for 45% of the Group's turnover. Munters has operations in all product areas in our three regional divisions – Europe, the Americas and Asia.

Growth in each area is dependent on our capacity to broaden our range of products and services. Another success factor is moving up in the value chain, which means increasing the number of products and services that are distributed closer to the final customer.

Dehumidification – effective climate control

Dehumidification offers products and complete solutions for controlling air humidity and indoor climates. Keeping air humidity 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. Our largest product is dehumidifiers for industrial processes. Sales in 2005 in Dehumidification totalled SEK 1,514 m. Our major geographic markets are Europe and the US.

Market and competitors – few major players

The most important market segments in Dehumidification are food and pharmaceutical industries. Other major customer areas for dehumidifiers are electronics and semiconductor industries. Customers include global leaders such as Wal-Mart, Pfizer, Nestlé and Fujifilm, Intel and Texas Instruments.

Product range development – increasing adaptability

Munters' goal in Dehumidification is to increase the adaptability of our technology to select applications. This improves our ability to meet customers' changing needs. In addition the company is constantly working to improve performance and product quality. At the same time products are becoming increasingly modular. This means Munters can shorten the time it takes to design and produce customised systems.

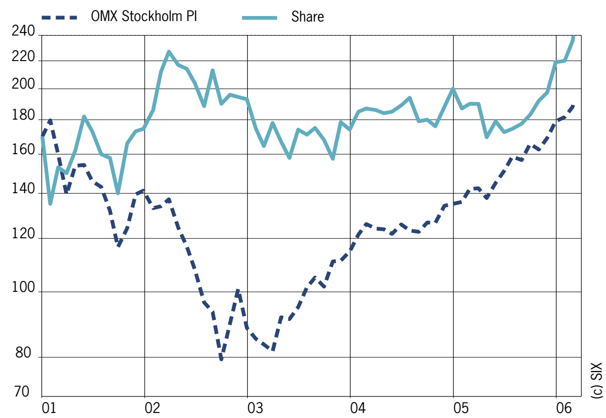
The company also offers products with a combined dehumidification and cooling function. The technology is called DesiCool and produces comfortable indoor climate in places like warehouses, schools and restaurants. DesiCool consumes less power and has a lower environmental impact which means it should have great future potential.

MCS – focus on cleaning-up and drying-out

MCS (Moisture Control Services) works with services for restoration of damage from flooding and fires as well as temporary climate control. The product area offers a broad range of services in investigations, inspections and restoration – for example, limiting water damage in residential properties, odour control and rental of dehumidifiers to industrial customers. Quick on-call services from MCS help limit the damage caused by fire and flooding. MCS has more than 300 service depots in 20 countries. The depots offer high technical expertise and accessibility. Turnover in 2005 in MCS totalled SEK 2,335 m. Our most important geographic markets are the Nordic countries, Germany and the US.

Somewhat simplified the service concept in MCS is based on dehumidification and restoration after fire and flooding

(SEK m)	2005	2004
Sales	5,130	4,543
Profit after tax	252	200
Proposed dividend per share, SEK	5.50	4.00
Share price 31 December, SEK	218	200
Latour's share of equity, %	14	13
Latour's voting share, %	14	13



damage instead of rebuilding. Dehumidification has increasingly become a prevalent industrial standard. Local presence is an essential part of operations in MCS. Our many depots offer around-the-clock accessibility. Proximity to customers means rapid response times, which is decisive in limiting damage. More and more of MCS operations are built on national agreements where insurance companies receive fixed prices.

Market and competitors – a leader in quality

Fire and flooding restoration is a prioritised market segment but MCS also offers methods for cutting down and improving rebuilding processes. An important goal of our operations is to gain "Preferred Service Provider" status with our key customers, principally insurance companies. Some of our major customers are Norwich Union, If, Zurich and FM Global.

Developing products and services and increasing flexibility

MCS is making rapid progress in developing our operations. We intend to standardise our methodology throughout our global organisation and increase flexibility in the products and services we offer in order to respond to differing customer needs.

The current trend in MCS is to offer more standardised service products at fixed prices. Operations are based largely on Munters' dehumidification products.

HumiCool – controlling indoor climate

HumiCool creates the right indoor climate for people, animals and industrial processes. Technical solutions are primarily based on evaporative cooling and dewing, in which air is cooled through evaporation. The major business areas are AgHort (Agriculture & Horticulture), HVAC, Mist Elimination (ME) and PreCooler. AgHort offer systems for cooling, dewing and ventilation in buildings for animal rearing and greenhouses. HVAC manufactures products for climate control of indoor environments based on evaporative cooling technology. ME produces components, so-called droplet separation for flue-gas cleaning systems in coal-fired power stations. PreCooler manufactures products for cooling air in generators and turbines.

Munters has a strong position through its role as a pioneer in evaporative cooling technology. A broad product range, extensive know-how and skills and a global presence are some of the competitive edges in HumiCool. Sales are spread over a large number of geographic markets.

Turnover in 2005 in Humicool totalled SEK 1,343 m. Our most important geographic markets are Southern Europe and the Middle East.

Munters' technology in the business areas AgHort, HVAC and PreCooler is based on evaporative cooling. Somewhat simplified it means that air is cooled through evaporation. Hot, dry air passes through Munters' special cooling pads, CELdek or GLASdek, which are covered in water. When the air passes through the pads it evaporates, which turns the air cool and humid. This cooling technique – based on Munters' own innovations – provides low running costs and is environmentally friendly. R & D in HumiCool is focused on optimising the system's integral components, particularly fans and CELdek, in terms of longevity, cooling effect and energy consumption for the largest application areas. A primary objective is to a greater extent offer complete system solutions for customers' needs.

The technology in ME is based on spraying flue-gases with water that contains chemicals which absorb the pollutants in the gas. After that Munters' droplet separation isolates the water droplets containing pollutants. This is another field where Munters is working to broaden system expertise and produce more complex customer solutions. A vital technical capacity is to be able to maximise the level of cleansing at the highest flue-gas speeds possible.

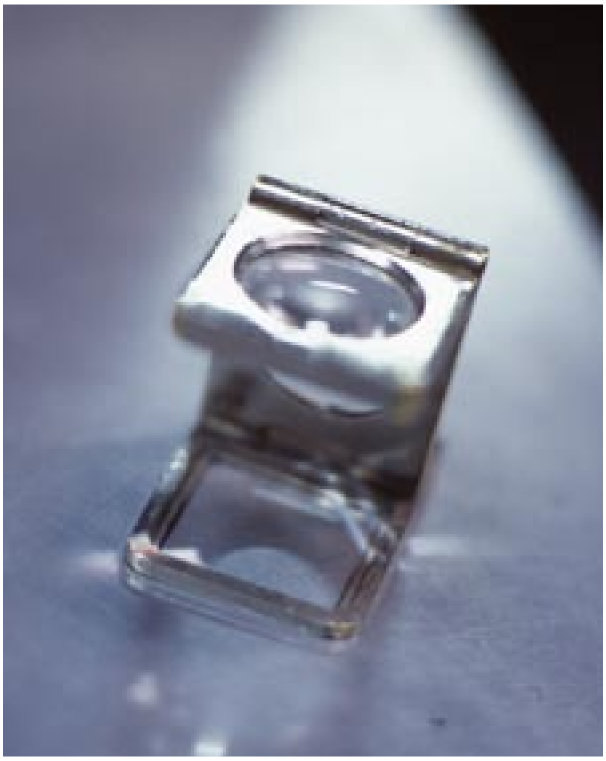
Market and competitors – broad application knowledge

The major market segments in HumiCool are the AgHort industry (Agriculture & Horticulture), the air treatment industry and power stations.

Shares

The Munters share is listed on the Stockholm Stock Exchange O-list. During 2005 the share price rose from SEK 200 to SEK 218. Latour's holding at the end of the year was valued at SEK 741 m.

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 six countries. Turnover in 2005 was SEK 2 bn, of which some 37% was generated outside of Sweden. Elanders has three business areas: Infologistics which focuses on comprehensive solutions for customer needs throughout the publication chain (Master Vendor® Concept), User Manuals which specialises in delivering user information to mobile telephones and other consumer electronics and Infoprint which is focused on the production of bulky printed matter in large editions.

The Financial Year 2005

Elanders continued to refine operations in six select customer segments: Automotive, Directories, Publishing, Industry & Trade, the Public Sector and the Service Sector.

During the year the Group established a new production unit for user information in Beijing. Operations in directories production in Kungsbacka were characterised by extensive problems during the year and a sweeping restructuring plan was implemented entailing a reduction of 90 employees, phasing out equipment and a competence exchange program for a new market orientated organisation.

The decline in profits stems from the problems in Kungsbacka and the cost of establishing the factory in China.

Full-service solutions and expansion abroad

The market for printing as a sole product is subject to intense competition in Sweden. Elanders is countering this by increasing the proportion of full-service solutions within the framework of Master Vendor® and continued expansion with existing customers abroad, for instance in Central Europe and Asia. The Group has a leading position in our selected segments in Sweden and continued expansion will therefore likely take place through greater Master Vendor® business with an international thrust. Expansion will be first and foremost organic, through start-ups close to our customers' facilities. Refinement in the segments and adaptation of Master Vendor® to the differing needs of the segments will continue.

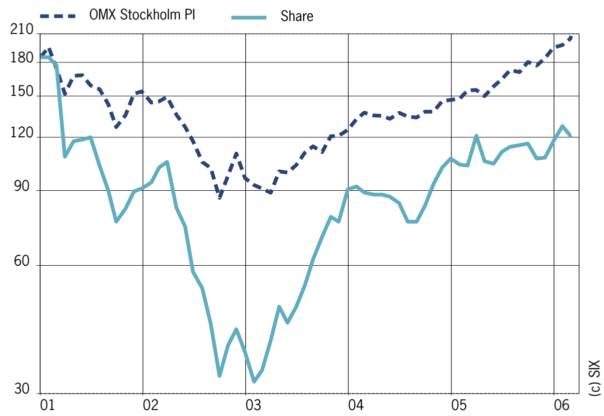
Prospects for 2006

The forecast for 2006 is a continued increase in turnover and profit improvement.

Shares

The Elanders share is listed on the Stockholm Stock Exchange O-list. During 2005 the share price for Elanders' class B share rose from SEK 107 to SEK 118. Latour's holding at the end of the year was valued at SEK 153 m.

(SEK m)	2005	2004
Sales	1,953	1,780
Profit after tax	78	96
Proposed dividend per share, SEK	2.50	2.00
Share price 31 December, SEK	118	107
Latour's share of equity, %	16	16
Latour's voting share, %	10	10



Sweco AB

SWECO continues to invest in growth markets eastward. During the year SWECO architects received an assignment to produce a proposal for a completely new city district, Baltic Pearl, for 35,000 inhabitants outside of St. Petersburg.

SWECO is the leading consultancy firm in the Nordic region and offers comprehensive expertise in technology, the environment and architecture. Engineers, architects and environmental experts collaborate in SWECO to contribute to a safer, more environmentally friendly growth society. Our home market is the Nordic region. We also have extensive international operations with a focus on Eastern and Central Europe, Asia, Africa, the Middle East and Latin America.

Our best result so far

2005 was SWECO's best year so far. Operating margin increased to 8% and operating profit amounted to SEK 272 m, a 30% increase.

We further strengthened our position on our home market in the Nordic region. At the same time SWECO continued to be successful in the growth markets in Eastern Europe with several major assignments relating to water and the environment, infrastructure and architecture. The company also built up vital local presence in different places, among them Russia and Bulgaria.

At the close of the year SWECO had about 3,700 employees and a turnover of approximately SEK 3.4 bn. SWECO has subsidiaries operating in eight countries and projects in 45 countries. About 40% of our turnover comes from assignments outside of Sweden.

Operations

SWECO's customers are active in a great number of market segments including manufacturing, processing, environment, energy, construction, property and transportation. Around 59% of customers come from the private sector and 41% from the public sector. International customers outside of the Nordic region include industrials, contractors, power companies, governments or government agencies.

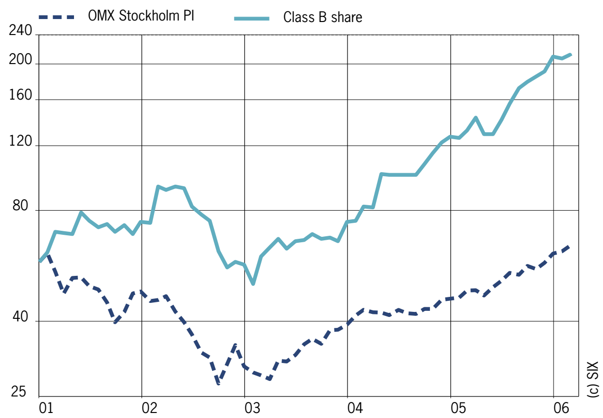
Prospects for 2006

SWECO will follow through on measures taken to fortify market positions in our home market in the Nordic region. At the same time we will continue our establishment in the expansive markets in Eastern Europe. This, combined with good demand for SWECO's services, is the basis of forecasted bright prospects for 2006.

Shares

The SWECO share is listed on the Stockholm Stock Exchange O-list. During 2005 the share price of class B shares rose from SEK 127 to SEK 208. Latour's holding at the end of the year was valued at SEK 1,273 m.

(SEK m)	2005	2004
Sales	3,372	3,141
Profit after tax	274	164
Proposed dividend per share, SEK	5.50	4.00
Share price 31 December, SEK	208	127
Latour's share of equity, %	36	34
Latour's voting share, %	25	23



Närkes Elektriska AB

The NEA Group is an electrical installation business, electrical product wholesaler and has service shops for electrical equipment in over 50 sites throughout Sweden. As an electrical fitter, NEA is second largest in Sweden. NEA has 1,900 employees. Customers are found mainly in industry and public administration. The business concept is characterised by a unique combination of installation and wholesale businesses.

The Financial Year 2005

The year was characterised by gradual improvement in the market. Increased demand came primarily from industry while the public sector and construction market are still slow. Housing construction has little significance for NEA.

Turnover rose by 1.3% to SEK 1,948 m while the number of employees dropped by 3.2%, which means better capacity utilisation. Operating profit grew by 29% to SEK 99 m (77). This was primarily due to reduced costs for overcapacity in installation operations. Price levels have been more or less constant through the years. Material sales grew considerably during the year. Shop operations had more customers and profits rose. Net financial items fell as a result of the divestiture of the investment portfolio in 2004 and distribution of an extraordinary dividend in the spring of 2005.

Between 2000 and 2003 NEA made three relatively large acquisitions in southern Sweden. In 2004 and 2005 the acquired units have been consolidated and integrated into the NEA Group. However, the acquired operations in Blekinge have had lasting profitability problems and were therefore wound up in 2005.

NEA has developed into Sweden's second largest electrical fitter through a great number of acquisitions and start-ups. This development has followed a very clear strategy based on the key concepts of decentralisation, local management and simplicity.

Operations have been subject to strict financial control and NEA has never suffered a loss since 1931. The company has a strong financial position with liquid assets of SEK 149 m and an equity ratio of 47.3 %.

The board of directors proposes an ordinary dividend of SEK 6.00 (5.00) per share.

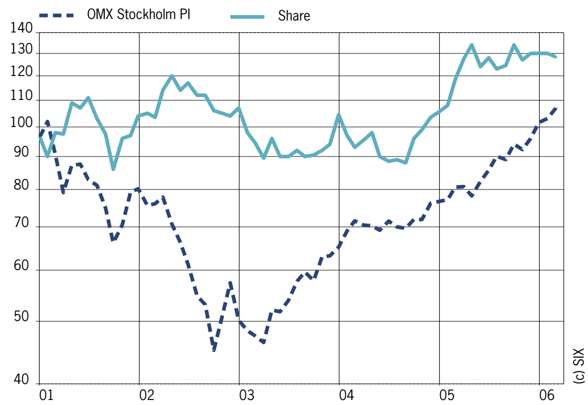
Prospects for 2006

The favourable market is expected to last through 2006 and continued profit improvement is anticipated.

Shares

The NEA share is listed on the Stockholm Stock Exchange O-list. The share price rose from SEK 105 to SEK 129. The value of Latour's holding was valued at SEK 286 m.

(SEK m)	2005	2004
Sales	1,948	1,924
Profit after tax	67	68
Proposed dividend per share, SEK	6.00	10.00
Share price 31 December, SEK	129	105
Latour's share of equity, %	24	23
Latour's voting share, %	14	13



The Annual Accounts 2005

The Board of Directors and Chief Executive Officer of Investment AB Latour (publ) herewith present the Annual Report and the consolidated annual accounts for 2005.

CONTENTS:

Board of Directors' Report 2005

GROUP

Investment AB Latour's investment portfolio was valued at SEK 9,640 m at the end of the year. The portfolio holding accounts are reported on page 6. The largest holdings in terms of value are ASSA ABLOY AB and Securitas AB. In addition, Latour has shares in about 50 wholly-owned operating companies that are organised into eight business areas. 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.

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, and ProstaLund AB which is unlisted.

Changes in the Group

In the Hand Tools business area TA Ljungberg AB, maker of the talmetern, and Tikaskolmio Oy, Wibe Stegar's Finnish sales company was acquired by Hultafors. The acquired companies have a combined turnover of SEK 30 m. An agreement was reached in 2004 for the acquisition of Wibe Stegar and it has been part of the business area since 2005.

In the Engineering Technology business area Specma AB acquired AxFlow AB's gasket and sealing operations. Annual sales amount to some SEK 40 m. In addition, Nord-Lock's Finnish distributor, with a turnover of about SEK 20 m, has been acquired.

In the Textiles business area shares in AS Knappehuset and the Craft operations in Almedahls AB were sold. Turnover of the units sold totalled close to SEK 200 m. In addition, Almedahl-Kinna AB that has annual sales of SEK 185 m was sold as well as operations in Holma-Helsinglands AB with annual sales of SEK 30 m. The take over date was 1 January 2006. The divestitures had a positive effect on Latour's profits by SEK 10 m.

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

Events after the balance sheet date

The Automotive business area acquired HordaGruppen Vätterleden AB in 2006. HordaGruppen has a turnover of some SEK 160 m. The business area's annual sales will amount to around SEK 600 m after this acquisition.

Brickpack AB, with a turnover of SEK 60 m, was acquired in the Engineering Technology business area.

Invoiced sales and profits

Net sales for the Group totalled SEK 4,852 m (4,434), of which foreign sales was 47 percent (48).

The Group's overall profit after financial items and tax was SEK 709 m (1,001). The operating subsidiaries reported an operating profit of SEK 342 m (242). Profits from portfolio management totalled SEK 367 m (893) before financial items. Profit from participation in associated companies totalled SEK 133 m (–14). Write-downs in unlisted holdings amounted to SEK 21 m (76).

Net financial items totalled SEK –50 m (–56). Profit after financial items totalled SEK 792 m (1,065).

Tax on profits for the year was SEK –83 m (–64) of which SEK –105 m was actual tax and SEK 22 m was deferred tax.

Liquidity and financial position

The Group's liquid assets totalled SEK 138 m (162). Interest-bearing liabilities, excluding pension liabilities, totalled SEK 1,565 m (1,957), of which SEK 1,557 m (1,945) matures in less than one year. The Group's pension liabilities totalled SEK 129 m (135). Cash flow from current operations in the operating subsidiaries was SEK 327 m (331) and after investments SEK 196 m (225).

The reported equity ratio was 76 percent (52) while the adjusted equity ratio, after consideration of surplus value in associated companies, amounted to 78 percent (73). The net debt/equity ratio, adjusted for surplus value in associated companies, totalled 16 percent (23).

Personnel

The average number of employees in the Group was 2,975 (3,119), of which 493 (506) 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 fixed assets totalled SEK 171 m (107) of which SEK 149 m (99) was machinery and SEK 22 m (8) was buildings.

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 345 m. Currency hedging amounted to SEK 23 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 200 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 2005

The board consisted of eight, by the Annual General Meeting elected, members in 2005. A presentation of the board of directors appears on page 83. The Group's chief financial officer was the secretary of the board. During 2005 the board held four regular meetings, one per capsulam meeting 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 2005 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

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. All affected companies have the permits necessary for their operations.

Changes resulting from the transition to IFRSs

From 1 January 2005 Latour has begun reporting under the International Financial Reporting Standards (IFRSs).

The most significant difference for Latour's part between previous accounting principles and the IFRSs principles is that the investment portfolio will be taken up at market value rather than previously at acquisition value. This will elevate shareholders' equity. Moreover, there is no depreciation of goodwill assets; instead the companies' book value will undergo annual impairment tests to determine whether any write-downs are necessary.

Share buyback and share conversion

The total number of registered shares in circulation at the end of 2005 were 43,820,000. Of these 120,000 class A shares have been previously repurchased at an average price of SEK 141.

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

A conversion clause has been introduced to the articles of association giving owners of class A shares the right to convert them to class B shares. After this became possible 6,084,283 class A shares were converted, among them the above mentioned bought back 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 378 m (775).

Shares were purchased for SEK 67 m and sold for SEK 252 m.

During the year 1,000,000 class B shares in ASSA ABLOY, 1,000,000 class B shares in Securitas and 225,500 shares in Fagerhult were sold. In addition, 190,250 class A shares in Munters and 5,900 class A shares and 340,000 class B shares in SWECO were purchased.

Capital gains on the sale of shares totalled SEK 203 m (850) and received dividends from listed companies amounted to SEK 223 m (167). Write-downs in unlisted holdings amounted to SEK 21 m.

Administration costs have been kept low this year as well. They were in total SEK 11 m, which corresponds to around 0.1 percent of the value of the investment portfolio.

The reported equity ratio was 63 percent (61) while the adjusted equity ratio, taking into account surplus value in the investment portfolio, was 84 percent (80).

Proposed dividends and profit distribution

The board of directors proposes that the Annual General Meeting resolves to pay a dividend of SEK 7.00 per share. The total proposed dividends amount to SEK 306 m.

The board's proposal for the appropriation of profits is set out in full on page 79.

PROSPECTS FOR 2006

The integration of the newly acquired companies will be completed in 2006. A continued strong economy will make it possible for companies in most of the Group's business areas to achieve solid profits. Holdings in the investment portfolio inspire confidence and reflect well run and consolidated companies. All in all, this makes continued positive development for the Latour share possible.

Quarterly information

	2005					2004				
SEK m	**Q 1**	**Q 2**	**Q 3**	**Q 4**	**Full-year**	**Q 1**	**Q 2**	**Q 3**	**Q 4**	**Full-year**
INCOME STATEMENT										
Net turnover	1,192	1,274	1,079	1,307	**4,852**	1,038	1,096	1,056	1,244	**4,434**
Cost of goods sold	–920	–962	–795	–973	**–3,650**	–805	–835	–796	–927	**–3,363**
Gross profit	272	312	284	334	**1,202**	233	261	260	317	**1,071**
Sales costs	–156	–157	–140	–171	**–624**	–142	–147	–126	–203	**–618**
Administration costs	–68	–66	–56	–66	**–256**	–60	–55	–57	–63	**–235**
Other operating income	15	22	13	25	**75**	14	19	18	16	**67**
Other operating costs	–13	–11	–13	–17	**–55**	–10	–12	–14	–7	**–43**
Operating profit	50	100	88	105	**342**	35	66	81	60	**242**
Profit/loss from participation in associated companies	18	32	33	50	**133**	18	14	–62	16	**–14**
Profit/loss from portfolio management	5	376	10	–25	**367**	762	115	–13	29	**893**
Profit before financial items	73	508	131	130	**842**	815	195	6	105	**1,121**
Financial income	2	2	2	0	**6**	1	2	2	5	**10**
Financial costs	–17	–16	–14	–9	**–56**	–19	–15	–17	–15	**–66**
Profit after financial items	58	494	119	121	**792**	797	182	-9	95	**1,065**
Taxes	–12	–24	–21	–26	**–83**	–6	–17	–17	–24	**–64**
Profit for the year	46	470	98	95	**709**	791	165	–26	71	**1,001**
KEY RATIOS										
Earnings per share (SEK)	1.05	10.73	2.24	2.17	**16.20**	18.05	3.75	–0.59	1.62	**22.86**
Adjusted equity ratio	72%	74%	75%	78%	**78%**	70%	69%	68%	73%	**73%**
Adjusted equity	7,998	8,371	8,669	9,862	**9,862**	7,137	6,792	6,704	8,208	**8,208**
Substance value	8,132	8,673	8,978	10,392	**10,392**	7,022	6,745	6,663	8,168	**8,168**
Substance value per share (SEK)	186	198	205	238	**238**	160	154	152	187	**187**
TURNOVER										
Automotive	90	97	73	103	**363**	77	83	64	88	**312**
Filters	43	61	45	52	**201**	44	58	43	47	**192**
Hand Tools	106	116	119	121	**462**	71	76	78	74	**299**
Hydraulics	202	218	170	208	**798**	141	143	164	197	**645**
Air Treatment	273	317	310	344	**1,244**	236	272	259	301	**1,068**
Machinery Trading	173	175	154	233	**735**	151	176	170	223	**720**
Textiles	220	181	108	133	**642**	238	205	193	218	**854**
Engineering Technology	93	114	107	122	**436**	88	91	89	104	**372**
Eliminations	–8	–5	–7	–9	**–29**	–8	–8	–4	–8	**–28**
	1,192	1,274	1,079	1,307	**4,852**	1,038	1,096	1,056	1,244	**4,434**
OPERATING PROFIT										
Automotive	4	8	1	5	**18**	3	6	3	6	**18**
Filters	0	8	4	5	**17**	1	7	5	4	**17**
Hand Tools	7	14	17	10	**48**	2	11	13	4	**30**
Hydraulics	8	10	4	10	**32**	13	7	7	4	**31**
Air Treatment	13	27	38	36	**114**	1	19	27	27	**74**
Machinery Trading	3	–1	7	11	**20**	–1	2	6	5	**12**
Textiles	7	11	3	11	**32**	10	1	9	3	**23**
Engineering Technology	14	17	17	13	**61**	7	11	11	8	**37**
Other Group-wide	–6	6	–3	3	**0**	–1	2	0	–1	**0**
	50	100	88	104	**342**	35	66	81	60	**242**
OPERATING MARGINS (%)										
Automotive	4.8	8.2	1.4	4.9	**4.8**	4.4	7.2	4.7	6.8	**5.8**
Filters	0.0	13.1	8.9	9.6	**8.5**	1.4	12.1	11.6	8.5	**9.2**
Hand Tools	6.3	12.1	14.3	8.3	**10.3**	3.2	14.5	16.7	5.4	**10.2**
Hydraulics	3.8	4.6	2.4	4.8	**4.1**	9.1	4.9	4.3	2.0	**4.8**
Air Treatment	4.6	8.5	12.3	10.5	**9.1**	0.5	7.0	10.4	9.0	**7.0**
Machinery Trading	1.7	–0.6	4.5	4.7	**2.7**	–0.7	1.1	3.5	2.2	**1.6**
Textiles	3.0	6.1	2.8	8.3	**5.0**	4.1	0.5	4.7	1.4	**2.6**
Engineering Technology	14.8	14.9	15.9	10.7	**14.0**	8.4	12.1	12.4	7.7	**10.0**
	4.2	7.8	8.2	8.0	**7.0**	3.4	6.0	7.7	4.8	**5.5**

Consolidated income statement

SEK m	Note	2005	2004
Net turnover	3,4	4,852	4,434
Cost of goods sold		–3,650	–3,363
Gross profit		**1,202**	**1,071**
Sales costs		–624	–618
Administrative costs		–256	–235
Other operating income	12	75	67
Other operating costs	12	–55	–43
Operating profit	5–11	**342**	**242**
Profit/loss from participation in associated companies	13	133	–14
Profit/loss from portfolio management	14	367	893
Profit before financial items		**842**	**1,121**
Financial income	15	6	10
Financial costs	16	–56	–66
Profit after financial items		**792**	**1,065**
Taxes	17	–83	–64
Profit for the year		**709**	**1,001**
Attributable to:			
Parent company shareholders		708	1,000
Minority interests		1	1
Earnings per share regarding profit attributable to parent company shareholders (SEK)	33	16.20	22.86

Consolidated balance sheet

SEK m	Note	2005	2004
ASSETS			
Fixed assets			
Intangible assets	18	161	127
Tangible assets			
Buildings	19	297	309
Land and land improvements	20	33	40
Machinery	21	243	222
Equipment	22	127	172
Construction in progress and advance payments	23	7	11
Financial assets			
Participation in associated companies	25	703	560
Listed shares	26	7,751	2,948
Other securities held as fixed assets	27	155	129
Deferred tax	35	11	11
Other long-term receivables	28	21	32
		9,509	**4,561**
Current assets			
Inventories etc.	29		
Raw materials and consumables		177	238
Work in progress		99	103
Finished products and goods for resale		516	478
Work on contract		4	1
Advance payments to suppliers		17	6
Listed shares	30	35	33
Current receivables			
Accounts receivable		776	699
Prepaid tax		19	35
Other current receivables		64	37
Prepaid expenses and accrued income		60	48
Cash and bank balances	31	138	162
		1,905	**1,840**
Total assets		**11,414**	**6,401**

Consolidated balance sheet

SEK m	Note	2005	2004
EQUITY			
Capital and reserves attributable to parent company shareholders	33		
Share capital		110	110
Share buyback		–17	–17
Other reserves		4,847	–2
Profit brought forward		3,733	3,263
		8,673	**3,354**
Minority interest		3	2
Total equity		**8,676**	**3,356**
Liabilities			
Long-term liabilities			
Pension obligations	34	129	135
Deferred tax liability	35	120	149
Other provisions	36	6	4
Interest-bearing liabilities	37	8	12
Non-interest-bearing liabilities	37	0	0
		263	**300**
Current liabilities			
Bank overdraft facilities	38	12	16
Liabilities to credit institutions	32	1,544	1,917
Advance payments from customers		31	15
Accounts payable		442	338
Tax liabilities		48	17
Other provisions	36	7	11
Derivative instruments	32	1	–
Other liabilities		87	104
Accrued expenses and deferred income	39	303	327
		2,475	**2,745**
Total liabilities		**2,738**	**3,045**
Total equity and liabilities		**11,414**	**6,401**
Pledged assets	40	110	138
Contingent liabilities	41	12	46

Consolidated cash flow statement

SEK m	Note	2005	2004
Operating profit		342	242
Depreciation		139	132
Adjustments for items not included in cash flow		–12	–7
Paid tax		–59	–43
Cash flow from current operations before changes in working capital		**410**	**324**
Change in working capital			
Inventories		–41	–42
Accounts receivable		–114	–10
Current receivables		–49	3
Current liabilities		121	56
		–83	**7**
Cash flow from current operations		**327**	**331**
Investments			
Acquisition of subsidiaries	42	–81	–78
Sales of subsidiaries	43	110	3
Acquisition of fixed assets		–147	–115
Sale of fixed assets		16	9
Cash flow from investments		**–102**	**–181**
Portfolio management			
Dividends received		224	175
Administration costs etc.		–28	–23
Change in working capital		–6	9
Acquisition of listed shares etc.		–72	–1,771
Sale of listed shares		267	1,673
Cash flow from portfolio management		**385**	**63**
Cash flow after investments and portfolio management		**610**	**213**
Financial payments			
Interest received		8	10
Interest paid		–69	–65
Net change in borrowings		–318	141
Dividends paid		–262	–263
Share buyback		–	–17
Cash flow from financial payments		**–641**	**–194**
Change in liquid assets		**–31**	**19**
Liquid funds at the beginning of the year		162	143
Translation difference in liquid assets		7	0
Liquid assets at the end of the year	31	138	162

Change in consolidated equity

SEK m	Note	Attributable to parent company shareholders: Share capital	Shares bought back	Other reserves	Profit brought forward	Minority interests	Total
Opening balance 2004-01-01	33	**120**	**–684**	**0**	**3,201**		**2,637**
Adjustment for change in accounting principles						2	2
Adjusted equity 2004-01-01		**120**	**–684**	**0**	**3,201**	**2**	**2,639**
Translation differences for the year				-2			–2
Acquisition of minority shares						–1	–1
Other					–1		–1
Profit for the year					1,000	1	1,001
Total changes in wealth recognised directly in equity, excl. transactions with company owners		**120**	**–684**	**-2**	**4,200**	**2**	**3,636**
Dividends					–263		–263
Share buyback			–17				–17
Share redemption		–10	684		–674		0
Closing equity 2004-12-31	33	**110**	**–17**	**–2**	**3,263**	**2**	**3,356**
Adjustment for change in accounting principles				4,127			4,127
Opening balance 2005-01-01	33	**110**	**–17**	**4,125**	**3,263**	**2**	**7,483**
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
Total changes in wealth recognised directly in equity, excl. transactions with company owners		**110**	**–17**	**4,847**	**3,995**	**3**	**8,938**
Dividends					–262		–262
Closing equity 2005-12-31	33	**110**	**–17**	**4,847**	**3,733**	**3**	**8,676**

Of the profit brought forward at the end of the year SEK 2,966 m (2,851) was available for dividends to parent company shareholders. At the Annual General Meeting on10 May 2006 a dividend for 2005 of SEK 7.00 (6.00) per share, totalling SEK 305.9 m (262.2), will be proposed. This amount has been reported as a profit appropriation for the financial year 2005 and not as a debt.

Change in consolidated interest-bearing net debt

SEK m	2005-01-01	Change in liquid assets	Change in borrowing	Other changes	2005-12-31
Interest-bearing receivables	32			–12	20
Liquid assets	162	–31		7	138
Interest-bearing pensions	–127			8	–119
Interest-bearing long-term liabilities	–12		4		–8
Bank overdraft facility utilised	–16			4	–12
Interest-bearing current liabilities	–1,934		389		–1,545
Interest-bearing net debt	**–1,895**	**–31**	**393**	**7**	**–1,526**

Parent company income statement

SEK m	Note	2005	2004
Other operating income	12	–	1
Profit from portfolio management	14	385	783
Profit after financial items		**385**	**784**
Interest income and similar profit items	15	36	42
Interest costs and similar loss items	16	–43	–49
Profit after financial items		**378**	**777**
Taxes	17	–	–2
Profit for the year		**378**	**775**

Parent company balance sheet

SEK m	Note	2005	2004
ASSETS			
Fixed assets			
Financial assets			
Participation in subsidiaries	24	241	241
Participation in associated companies	25	470	461
Listed shares	26	2,951	2,948
Other investments held as fixed assets	27	114	127
Receivables from Group companies		1,221	1,188
		4,997	**4,965**
Current assets			
Current receivables			
Other current receivables		6	5
Prepaid expenses and accrued income		–	2
Cash and bank balances	31	–	7
		6	**14**
Total assets		**5,003**	**4,979**
EQUITY AND LIABILITIES			
Equity	33		
Restricted equity			
Share capital		110	110
Reserve fund		96	96
Non-restricted equity			
Profit brought forward		2,588	2,076
Profit for the year		378	775
		3,172	**3,057**
Provisions			
Pension obligations		1	1
		1	**1**
Long-term liabilities			
Debts to Group companies		1,830	1,915
		1,830	**1,915**
Current liabilities			
Other liabilities		–	6
		0	**6**
Total equity and liabilities		**5,003**	**4,979**
Pledged assets		–	–
Contingent liabilities	41	2,399	2,449

Parent company cash flow statement

SEK m	Note	2005	2004
Paid tax		–	–
Current receivables		1	–6
Current liabilities		–7	5
Cash flow from current operations		**–6**	**–1**
Portfolio management			
Dividends received		223	167
Administration costs etc.		–21	–16
Acquisition of listed shares etc.		–68	–1,676
Sale of listed shares		252	1,428
Cash flow from portfolio management		**386**	**–97**
Cash flow after investments and portfolio management		**380**	**–98**
Financial payments			
Interest received		36	42
Interest paid		–43	–49
Net change in borrowings		–118	339
Dividends paid		–262	–263
Share buyback	33	–	–17
Cash flow from financial payments		**–387**	**52**
Change in liquid assets		**–7**	**–46**
Liquid funds at the beginning of the year		7	53
Liquid assets at year-end	31	0	7

Change in parent company equity

SEK m	Note	Share capital	Reserve fund	Profit brought forward	Total
Opening balance 2004-01-01		**120**	**96**	**2,345**	**2,561**
Share redemption		–10		11	1
Share buyback	33			–17	–17
Dividends				–263	–263
Profit for the year				775	775
Closing balance 2004-12-31		**110**	**96**	**2,851**	**3,057**
Dividends				–262	–262
Other				–1	–1
Profit for the year				378	378
Closing balance 2005-12-31		**110**	**96**	**2,966**	**3,172**

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, Närkes Elektriska, Securitas 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 O list.

The board of directors and the chief executive officer have approved these consolidated accounts for publication on 13 March 2006. The Annual Report and annual accounts will be presented to the Annual General Meeting on 10 May 2006 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. This is the first complete financial report prepared according to IFRSs. In connection with the transition from previous accounting principles to accounting according to IFRSs the Group has followed IFRS 1, which is the standard that describes how the transition to IFRS should be reported. In addition, the Group has followed the Swedish Financial Accounting Standards Council Recommendation RR 30 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 Accounting Act and the Security Law as well as in certain cases for tax purposes.

Explanations concerning the affects of the transition to IFRSs on the Group's financial result and position as well as reported cash flow are given in note 47.

New IFRSs and interpretations that will be used in future periods

Starting in 2006 the new rules in IAS 39 that concern "Fair value option" will be used. This is not expected to have any effect on reporting financial instruments in the Latour Group.

A revised version of IAS 19 concerning reporting actuarial gains and losses as well as certain information will be used starting in 2006. At present Latour believes this change will not affect how any actuarial gains and losses are reported.

During 2005 IASB published IFRS 7 which deals with information concerning financial instruments. A large part of its contents are now found in IAS 32.

The standard is required from 2007 but beginning earlier is encouraged. Latour has chosen not to use IFRS 7 the financial year of 2005.

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 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 are defined as independent companies and converted using the daily exchange rate method. The daily exchange rate method entails that 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 under values. 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 under values 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.

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.

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 obsolescence, 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 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 looses 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 rebooked 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. 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 under values 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. 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 under values 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 relate to the effective portion of the hedge are 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.

Cash and bank balance
Cash and bank balance 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 an other receivable. These receivables belong to the category Loans and receivables.

Accounts receivable
Accounts receivable belong to the category Loans and receivables. Accounts receivable are shown in the amount expected to be received after deductions for bad debts, which are judged individually. Accounts receivable expected maturity time is short which is why the value is recorded as a nominal sum without a discount. Write-downs of accounts receivable are booked as operating costs.

Interest-bearing liabilities
Interest-bearing liabilities are reported at initiation at fair value after deductions for transaction costs, after which liabilities are reported as amortised cost calculated through the compound interest method. Any difference between the received sum and the amount to be repaid is recognized in profit and loss over the period of the loan.

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 percent. 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 warrantees 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 trade businesses 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 Accounting for legal entities. RR 32 requires the parent company to follow IFRS/IAS as far as possible. Differences between Group and parent company 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

	Industrial and trading		Portfolio management		Total	
	2005	2004	2005	2004	2005	2004
INCOME						
External sales	4,852	4,434			4,852	4,434
PROFIT/LOSS						
Operating profit	**342**	**242**	**0**	**0**	**342**	**242**
Profit/loss from participation in associated companies			133	–14	133	–14
Profit/loss from portfolio management			367	893	367	893
Interest income					6	10
Interest costs					–56	–66
Taxes					–83	–64
Profit for the year					**709**	**1,001**
OTHER INFORMATION						
Assets	2,626	2,565	8,647	3,684	11,273	6,249
Unallocated assets					141	152
Total assets					**11,414**	**6,401**
Liabilities	1,014	944	2	9	1,016	953
Unallocated liabilities					1,722	2,092
Total liabilities					**2,738**	**3,045**
Investments in:						
tangible assets	170	107	–	–	170	107
intangible assets	41	38	–	–	41	38
Depreciation	139	132	–	–	139	132
Costs, in addition to depreciation, not matched by payments	12	23	–	–	12	23

The Group's operations can be divided into two principal segments, wholly-owned industrial and trading businesses and portfolio management. The industrial and trading companies are organised into eight business areas; Automotive, Filters, 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 or 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 short-term 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:

	2005	2004
Sweden	2,581	2,319
Nordic countries excluding Sweden	1,222	1,171
Europe excluding Nordic countries	950	865
Other markets	99	79
Total	**4,852**	**4,434**

Assets are divided into geographic markets as follows:

	2005	2004
Sweden	10,798	5,870
Nordic countries excluding Sweden	483	430
Europe excluding Nordic countries	124	96
Other markets	9	5
Total	**11,414**	**6,401**

Investments are divided into geographic market as follows:

	2005	2004
Sweden	181	135
Nordic countries excluding Sweden	13	8
Europe excluding Nordic countries	16	2
Other markets	1	0
Total	**211**	**145**

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 79% of voting rights in Latour. The family has received board representation fees of SEK 600 th.

Purchasing and sales for the year between Latour Group companies was SEK 648 m (576) . There were no purchases or sales with the parent company. All transactions with associated companies were based on market terms. Latour has granted a loan of SEK 6 m to associated company ProstaLund, which was reported in the balance sheet among other current receivables. There were no transactions with other closely related persons or companies during the year.

Note 6. Expenses allocated per type of cost

GROUP	2005	2004
Change in the stock of finished products and works-in-progress	14	3
Raw materials and consumables	1,139	1,053
Goods for resale	1,265	1,150
Remuneration to personnel	1,291	1,230
Depreciation	139	132
Other costs	737	691
Total	**4,585**	**4,259**

Note 8. Remuneration to accountants

GROUP	2005	2004
PricewaterhouseCoopers		
Auditing	3	3
Other commissions	1	1
Other accountants		
Auditing	0	0
Total	**4**	**4**

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

Note 7. Exchange rate differences

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

GROUP	2005	2004
Net turnover	5	–1
Cost of goods sold	–4	0
Sales costs	2	1
Other operating income	6	4
Other operating expenses	–2	–1
Total	**7**	**3**

Note 9. Personnel

Wages, other remuneration and social costs

	2005		2004	
	Wages and other remuneration	**Social costs (of which pension costs)**	**Wages and other remuneration**	**Social costs (of which pension costs)**
Parent company	1	1 (0)	1	1 (0)
Subsidiaries	914	375 (93)	871	357 (93)
Group	**915**	**376 (93)**	**872**	**358 (93)**

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

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

	2005		2004	
	Board and CEO (of which bonus)	**Other employees**	**Board and CEO (of which bonus)**	**Other employees**
Parent company				
Sweden	1 (0)	–	1 (0)	–
Subsidiaries				
Sweden	26 (5)	729	26 (3)	695
Denmark	5	34	4	34
Finland	3	48	3	43
Norway	4 (1)	34	4 (1)	39
Germany	1	2	1	2
Other countries	5	23	4	16
Group total	**45 (6)**	**870**	**43 (4)**	**829**

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

Note 9 cont.

Remuneration to officers of the company

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 key executives consists of basic salary, variable remuneration, other benefits and pension. Other key executives 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 key executives 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 2005

(SEK th)	Basic salary/ board fees	Variable remuneration [3]	Other benefits [2]	Pension costs	Total
Chairman of the board	300	–	–	–	300
Other board members (6 people)[1]	900	–	–	–	900
Chief Executive Officer	1,980	920	242	485	3,627
Other key executives (9 people)	9,118	1,938	594	3,869	15,519

[1] Other board members have received SEK 150 th per member.
[2] Other benefits concern accommodation and vehicle allowances.
[3] Variable remuneration to the CEO was equal to 46% of his basic salary and to other key executives it ranged from 0% 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 3 years.

The retirement age for other key executives 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 key executives varies from 6 to 24 months. In the case of dismissal by the company executives receive their salary during their notice period. Executives 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 key executives is determined by the CEO in consultation with the chairman of the board.

Gender split in company management

	2005		2004	
GROUP	Men	Women	Men	Women
Board members	96%	4%	96%	4%
Chief Executive Officers	98%	2%	98%	2%
Other key executives	81%	19%	83%	17%
Total for key executives	91%	9%	92%	8%

	2005		2004	
PARENT COMPANY	Men	Women	Men	Women
Board members	71%	29%	62%	38%
Chief Executive Officer	100%	0%	100%	0%
Total for key executives	71%	29%	62%	38%

Average number of employees

	2005		2004	
PARENT COMPANY	Number of employees	Of which men	Number of employees	Of which men
Sweden	1	100%	1	100%
SUBSIDIARIES				
Sweden	2,481	79%	2,612	77%
Finland	150	82%	152	76%
Romania	98	34%	118	26%
Denmark	74	80%	68	79%
Norway	72	72%	97	64%
England	22	77%	17	71%
Germany	13	54%	13	54%
Other countries	64	61%	41	76%
Total in subsidiaries	2,974	77%	3,118	75%
Total	**2,975**	**77%**	**3,119**	**75%**

OPERATING AREAS	2005	2004
Industrial and trading business	2,973	3,117
Portfolio administration	2	2
Total	**2,975**	**3,119**

Note 10. Depreciation

GROUP
Depreciation of intangible assets in the Group amounted to SEK 6 m (4) and of tangible assets to SEK 133 m (128). Depreciation is distributed per function in the income statement as follows:

	2005	2004
Trademarks, licences		
Cost of goods sold	3	2
Sales costs	1	–
Administration costs	2	2
Total	**6**	**4**
Buildings		
Cost of goods sold	14	14
Sales costs	2	2
Administration costs	1	1
Other operating expenses	3	3
Total	**20**	**20**
Land and land improvements		
Cost of goods sold	1	1
Total	**1**	**1**
Machinery		
Cost of goods sold	56	50
Sales costs	1	1
Total	**57**	**51**
Equipment		
Cost of goods sold	27	29
Sales costs	10	8
Administration costs	5	6
Other	13	13
Total	**55**	**56**
Total depreciation	**139**	**132**

Note 11. Leasing

Leasing costs for premises, machinery, computers and office equipment for the Group were SEK 26 (20) m.

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

Year	Future minimum leasing fees
2006	19
2007–2010	35
Total	**54**

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

Leased fixed assets	Machinery
Accumulated acquisition value	13
Accumulated depreciation	–7
Residual value according to plan	**6**
Depreciation for the year	**–3**

Note 12. Operating income and expenses

Other operating income

GROUP	2005	2004
Capital gains on sales	10	3
Income from rent	22	20
Exchange rate differences	6	4
Other income	37	40
Total	**75**	**67**

PARENT COMPANY	2005	2004
Capital gains on sales	–	1
Total	**0**	**1**

Other operating expenses

GROUP	2005	2004
Depreciation	–16	–16
Property management costs	–22	–16
Other expenses	–17	–11
Total	**–55**	**–43**

Note 13. Profit/loss from participation in associated companies

	2005	2004
Share of profit for the year after tax	122	64
Depreciation of surpluses	–3	–3
Write-downs	–5	–76
Net change in capital	7	1
Profit/loss from sales of participation	12	–
Total	**133**	**–14**

Individual holdings have affected profit/loss as follows:

	2005	2004
AB Fagerhult	42	10
Sweco AB	96	56
ProstaLund AB	–5	–80
Total	**133**	**–14**

Note 14. Profit/loss from portfolio management

GROUP	2005	2004
Profit/loss from fixed assets		
Dividends	187	111
Capital gains on sales	191	850
Value change in call option SWECO B	18	–
Write-downs	–17	–110
Other income	–	6
Loss from guarantee commitments	–17	–
	362	**857**
Profit from current assets		
Dividends	1	8
Capital gains	15	38
	16	**46**
Administration costs	–11	–10
Total portfolio management	**367**	**893**

PARENT COMPANY	2005	2004
Profit from fixed assets		
Dividends	223	167
Capital gains on sales	203	850
Write-downs	–21	–236
Other income	–	5
Loss from guarantee commitments	–17	–
	388	**786**
Administration costs	–3	–3
Total portfolio management	**385**	**783**

Note 15. Financial income

GROUP	2005	2004
Interest income	5	8
Exchange gains	0	1
Other financial income	1	1
Total	**6**	**10**

PARENT COMPANY	2005	2004
Interest income from Group companies	35	40
Interest income	0	2
Other financial income	1	–
Total	**36**	**42**

Note 16. Financial costs

GROUP	2005	2004
PRI interest	–7	–7
Other interest expenses	–46	–58
Exchange losses	–3	–1
Total	**–56**	**–66**

PARENT COMPANY	2005	2004
Interest expenses to Group companies	–43	–48
Exchange losses	–	–1
Total	**–43**	**–49**

Note 17. Tax on profit for the year

GROUP	2005	2004
Current tax costs for the period	–105	–62
Deferred tax attributable to changes in temporary differences		
Deferred tax income	23	2
Deferred tax expenses	–1	–4
Total	**–83**	**–64**

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

GROUP	2005	2004
Profit before tax	792	1,065
Tax according to applicable tax rate	–222	–298
Tax effect of special taxation rules for investment companies	106	233
Effect of associated company accounts	37	–4
Tax effect of adjustment of tax costs from previous year	0	–4
Tax effect of non-deductible costs	–4	–5
Tax effect of non-taxable income	3	10
Other tax effects	–3	4
Tax on profit for the year according to the income statement	**–83**	**–64**

PARENT COMPANY	2005	2004
Profit before tax	378	777
Tax according to applicable tax rate	–106	–218
Tax effect of special taxation rules for investment companies	106	218
Tax effect of adjustment of tax costs from previous year	–	–2
Tax on profit for the year according to the income statement	**0**	**–2**

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	Patents, licenses	Total
Accumulated acquisition values			
Opening balance 2004-01-01	81	15	96
Opening acquisition value from acquired companies	–	4	4
Acquisitions for the year	31	8	39
Reclassifications	–	–1	–1
Closing balance 2004-12-31	**112**	**26**	**138**
Opening balance 2005-01-01	112	26	138
Opening acquisition value from acquired companies	–	3	3
Acquisitions for the year	32	9	41
Sales for the year	–1	0	–1
Translation difference	1	0	1
Closing balance 2005-12-31	**144**	**38**	**182**
Accumulated depreciation			
Opening balance 2004-01-01	0	–4	–4
Opening depreciation from acquired companies	–	–3	–3
Depreciation for the year	–	–4	–4
Closing balance 2004-12-31	**0**	**–11**	**–11**
Opening balance 2005-01-01	0	–11	–11
Opening depreciation from acquired companies	–	–3	–3
Depreciation for the year	–	–6	–6
Closing balance 2005-12-31	**0**	**–20**	**–20**
Accumulated write-down			
Opening balance 2004-01-01	0	0	0
Write-down for the year	–	–	0
Closing balance 2004-12-31	**0**	**0**	**0**
Opening balance 2005-01-01	0	0	0
Write-down for the year	–1	–	–1
Closing balance 2005-12-31	**–1**	**0**	**–1**
Book value	**143**	**18**	**161**
Recorded values			
Per 2004-01-01	81	11	92
Per 2004-12-31	112	15	127
Per 2005-01-01	112	15	127
Per 2005-12-31	143	18	161

The effect of depreciation on profit or loss is detailed in note 10. All goodwill is related to the industrial and trading business.

Impairment tests of goodwill

During the year goodwill has been written-down in the subsidiary Mobergs Maskin AB due to the restructuring in the Machinery Trading business area. The write-down of SEK 1 m is reported in Other operating expenses in the consolidated income statement.

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

The recoverable amount for a cash generating unit 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. 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 8% 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 8% before tax
Exchange rate EUR 9.25
Exchange rate DKK 1.24
Exchange rate NOK 1.17
Exchange rate USD 7.50

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	2005	2004
Opening acquisition value	595	593
Opening acquisition value from acquired companies	2	9
Purchase	21	1
Sales and disposals	–41	–3
Reclassification	0	–4
Translation differences	4	–1
Closing acquisition values	*581*	*595*
Opening depreciation	–203	–188
Opening acquisition value from acquired companies	–1	–1
Sales and disposals	10	1
Depreciation for the year	–20	–20
Reclassification	0	4
Translation differences	–1	1
Closing depreciation	*–215*	*–203*
Opening write-downs	–83	–83
Write-downs for the year	–	–
Sales and reversals	14	–
Closing write-downs	*–69*	*–83*
Book value	**297**	**309**
Book value of property in Sweden	229	257
Taxable value of property in Sweden	192	231

Depreciation for the year is found in note 10.

Note 20. Land and land improvements

GROUP	2005	2004
Opening acquisition value	46	45
Purchases	0	1
Sales and disposals	–7	–
Translation differences	0	0
Closing acquisition values	*39*	*46*
Opening depreciation	–6	–5
Sales and disposals	1	–
Depreciation for the year	–1	–1
Translation differences	0	0
Closing depreciation	*–6*	*–6*
Book value	**33**	**40**
Book value of property in Sweden	26	33
Taxable value of property in Sweden	30	37

Depreciation for the year is found in note 10.

Note 21. Machinery

GROUP	2005	2004
Opening acquisition value	790	743
Opening acquisition value from acquired companies	49	7
Purchases	65	46
Sales and disposals	–26	–8
Reclassification	4	2
Translation differences	1	0
Closing acquisition values	*883*	*790*
Opening depreciation	–568	–518
Opening depreciation from acquired companies	–32	–6
Sales and disposals	23	7
Depreciation for the year	–57	–51
Reclassification	–5	0
Translation differences	–1	0
Closing depreciation	*–640*	*–568*
Book value	**243**	**222**

Depreciation for the year is found in note 10.

Note 22. Equipment

GROUP	2005	2004
Opening acquisition value	572	534
Opening acquisition value from acquired companies	3	20
Purchases	64	59
Sales and disposals	–229	–40
Reclassification	3	–1
Translation differences	4	0
Closing acquisition values	*417*	*572*
Opening depreciation	–400	–361
Opening depreciation from acquired companies	–1	–16
Sales and disposals	172	32
Depreciation for the year	–55	–56
Reclassification	–3	1
Translation differences	–3	0
Closing depreciation	*–290*	*–400*
Book value	**127**	**172**

Depreciation for the year is found in note 10.

Note 23. Construction in progress and advance payments for material assets

GROUP	2005	2004
Opening acquisition value	11	6
Costs expended during the year	50	16
Reclassification	–54	–11
Book value	**7**	**11**

No loan costs have been capitalised in material assets.

Not 24. Participations in subsidiaries

	2005	2004
Opening acquisition value	241	241
Change for the year	–	–
Closing acquisition value	**241**	**241**

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	
IF Luftfilter AB	556133-4466	Alingsås	4,500	100	
Luftfilter AS	21197807	Denmark	10,000	100	
IF Luftfilter AS	985-882-479	Norway	100	100	
IF Luftfilter OY AB	211.107	Finland	1,000	100	
Hultafors AB	556023-7793	Gothenburg	30,000	100	
Hultafors OY	1704545-9	Finland	80	100	
Tikaskolmio Oy	0664406-9	Finland	100	100	
Hultafors Norge AS	983513328	Norway	1,000	100	
Hultafors Danmark AS	225241	Denmark	1,320	100	
Hultafors Präsident GmbH	HRB 3586	Germany	–	100	
Hultafors UMI Srl.	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	
Specma Hydraulic AB	556089-9550	Gothenburg	10,000	100	
Specma Hydraulic Nord AB	556278-7183	Örnsköldsvik	1,000	100	
Eurobend AB	556137-4041	Tranemo	1,000	100	
Hymat OY	0292607-7	Finland	400	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	
PM-Luft Norge AS	958-719-523	Norway	500	100	
Swegon GmbH	HRB 55388	Germany	1	100	
Swegon AS	247231	Denmark	5	100	
PM-Luft Finland OY	415-626	Finland	4,010	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.á.r.l.	409-770-195	France	1,990	100	
Swegon SA	48-205-4517	Switzerland	100	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	
Machine Trading Team OY	1032222-2	Finland	100	100	
Mekana AB	556103-6251	Burlöv	40,000	100	
Mobergs Maskin AB	556053-5642	Borlänge	1,200	100	
MaskinCentrum i Örnsköldsvik AB	556578-8303	Örnsköldsvik	4,200	51	
Woodtechnique Finland OY	745.813	Finland	510	100	
Woodtechnique Verktygssystem AB	556463-2833	Växjö	2,500	100	
Almedahls AB	556001-2600	Gothenburg	180,000	100	
Almedahls Alingsås AB	556051-2245	Alingsås	50,000	100	
Holma-Helsinglands AB	556002-6105	Hudiksvall	27,400	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	
KB Ankarvimpeln	916634-4466	Alingsås		100	
FOV Fabrics AB	556057-3460	Gothenburg	60,000	100	
Specma AB	556018-9754	Gothenburg	100,000	100	
Specma AS	988605042	Norway	100	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	
Elkapsling AB	556198-5077	Ånge	10,000	100	
KB Backen Västergård 1:141	916634-4490	Gothenburg		100	
Nordiska Industri AB	556002-7335	Gothenburg	840,000	100	191
Marieholms Yllefabriks AB	556018-3914	Eslöv	8,000	100	
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	
Total book value					**241**

Note 25. Participation in associated companies

GROUP	2005	2004
Opening book value	560	615
Acquisitions during the year	66	26
Sold during the year	–16	–
Profit share for the year after tax	122	64
Dilution effect	8	1
Dividends received	–36	–56
Depreciation of surpluses	–3	–3
Write-downs	–5	–76
Net change in capital	7	–11
Closing value	**703**	**560**

The Group has not taken up recorded losses attributable to ProstaLund AB amounting to SEK 9 m (5). Unrecorded cumulative losses are SEK 13 m (4).

Shares in ProstaLund AB have been written-down since the long-term value is deemed uncertain. The write-down has charged Group profit with SEK –5 m (–76) and parent company profit with SEK –5 m (–126).

PARENT COMPANY	2005	2004
Opening book value	461	561
Acquisitions during the year	30	26
Sold during the year	–16	–
Write-downs	–5	–126
Closing value	**470**	**461**

	Number of shares	Adjusted equity[1]	Share of capital	Market value	Acquisition value	Acquisition goodwill
AB Fagerhult (Corporate Reg.no. 556110-6203, Domicile: Habo	4,104,500	177	291	616	293	65
Sweco AB (Corporate Reg.no. 556542-9841, Domicile: Stockholm)	6,142,568	321	412	1,273	214	113
ProstaLund AB (Corporate Reg.no. 556470-0184, Domicile: Lund)	2,263,990	5	0	–	131	0
Total		**503**	**703**	**1,889**	**638**	**178**

[1] Adjusted equity refers to Latour's share of the company's equity.

Group participation in associated companies:

2004	Assets	Liabilities	Income	Profit/loss	Share of capital %	Share of votes %
AB Fagerhult	276	114	473	13	35	35
Sweco AB	600	377	1,078	55	34	23
ProstaLund AB	17	9	11	–4	27	27
2005						
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

Note 26. Listed shares

GROUP	**2005**	**2004**
Opening acquisition value	2,948	1,873
Purchases	35	1,640
Sales	–32	–565
Closing acquisition value	*2,951*	*2,948*
Opening fair value reserve	0	0
Effect of change in accounting principle	4,090	–
Divestitures, booked in the income statement	–194	–
Revaluation recognised in equity	904	–
Closing fair value reserve	*4,800*	*0*
Book value	**7,751**	**2,948**

PARENT COMPANY	**2005**	**2004**
Opening acquisition value	2,948	1,873
Purchases	35	1,640
Sales	–32	–565
Book value	**2,951**	**2,948**

INVESTMENT PORTFOLIO Share	**Number**	**Market value SEK m**	**Listed price[1] SEK**	**Acquisition value, SEK m**	**Share of votes, %**	**Share of equity, %**
Assa Abloy A[2]	6,746,425	843	125	786		
Assa Abloy B	19,000,000	2,375	125	414	16	7
Elanders	1,300,000	153	118	267	10	16
Munters	3,400,000	741	218	610	14	14
NEA	2,215,000	286	129	156	14	24
Securitas A[2]	4,000,000	526	132	484		
Securitas B	21,500,000	2,827	132	234	12	7
Total		**7,751**		**2,951**		
Associated companies in the investment portfolio (see note 25)						
Fagerhult	4,104,500	616	150	293	32	32
Sweco A	237,568	45	190	7		
Sweco B	5,905,000	1,228	208	170[3]	25	36
Total incl. associated companies in the parent company		**9,640**		**3,421**		

[1] Buying-rate.
[2] Class A shares in ASSA ABLOY and Securitas are unlisted. The shares listed in this table have been given the same listing price as corresponding class B shares.
[3] 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	2005	2004
Opening acquisition value	208	212
Purchases	3	9
Reclassification	2	–
Sales	–	–13
Closing acquisition value	*213*	*208*
Opening fair value reserve	0	0
Effect of change in accounting principle	17	–
Change for the year	20	–
Closing fair value reserve	*37*	*0*
Opening write-downs	–79	–
Write-downs for the year	–16	–79
Closing write-downs	*–95*	*–79*
Book value	**155**	**129**
Bravida ASA	91	63
Convertible debenture, Bravida ASA[1)]	–	38
Arisaig Asian Fund	56	22
Linktech	4	4
Other holdings	4	2
Book value	**155**	**129**

PARENT COMPANY	2005	2004
Opening acquisition value	206	209
Purchases	2	9
Reclassification	1	–
Sales	–	–12
Closing acquisition value	*209*	*206*
Opening write-downs	–79	–
Write-downs for the year	–16	–79
Closing write-downs	*–95*	*–79*
Book value	**114**	**127**
Bravida ASA	88	63
Convertible debenture, Bravida ASA[1)]	–	38
Arisaig Asian Fund	22	22
Linktech	4	4
Book value	**114**	**127**

[1)] The convertible debenture has been converted to class D shares in Bravida ASA during 2005.

Holdings in Bravida ASA have been written-down since the long-term value is not considered solid.

Note 28. Long-term receivables

GROUP	2005	2004
Opening acquisition value	32	17
Increase for the year	–	28
Write-downs	–	–12
Decrease for the year	–8	–1
Reclassification	–3	–
Book value	**21**	**32**

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

Note 29. Inventory

Inventory is valued at the lower of acquisition value and net sales value. Raw materials, consumables and work-in-progress are usually calculated according to the FIFO method. Finished goods and goods for resale are calculated using both the FIFO and the average methods.
The value of goods pledged as security for loans or other obligations is SEK 0 m (0)

Inventory valued at net sales value	2005	2004
Raw materials and consumables	–	–
Work-in-progress	–	–
Finished products and goods for resale	44	23

Remaining inventory is valued at acquisition value.

Note 30. Listed shares – trading

GROUP	2005	2004
Opening acquisition value	53	164
Acquisitions for the year	2	95
Sales	–7	–199
Reclassification	1	–7
Closing acquisition values	*49*	*53*
Opening depreciation	–20	–17
Write-downs for the year	–	–5
Reversed write-downs	6	2
Closing write-downs	*–14*	*–20*
Book value	**35**	**33**

GROUP	Number	Acqu.-value	Book value	Market value
Sweco B[1)]	133,350	11	13	28
Other shares and participation		38	22	22
		49	**35**	**50**

[1)] Call options have been issued for 133,350 shares in SWECO at a redemption price of SEK 90 per share. The shares are valued at redemption price plus the premium entered as a liability.

The premium for call options issued was determined using the Black & Scholes valuation method. Premiums received are entered as liabilities until the option is definitely closed through set-off, redemption or expiration. Premiums entered as liabilities total SEK 1 m (1).

Note 31. Cash and bank balances

Cash and bank balances consist of SEK 135 m in bank balances and SEK 3 m in short-term investments. The Group receives interest on bank balances according to a floating interest rate based on the daily rate.

Of the Group's and the parent company's liquid assets, SEK 0 million (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.

	2005		2004	
SEK m	Book value	Fair value	Book value	Fair value
Participation in associated companies	703	1,889	560	1,170
Listed shares, administration	7,751	7,751	2,948	7,038
Other securities held as fixed assets	155	155	129	146
Other long-term receivables	21	21	32	32
Listed shares – trading	35	50	33	38
Accounts receivable	776	776	699	699
Other current receivables	64	64	37	37
Unrealised gains, currency derivatives	–	–	–	1
Options	–	–	–	19
Assets	**9,505**	**10,706**	**4,438**	**9,180**
Pension provisions	129	129	135	135
Long-term loans	8	8	12	12
Bank overdraft facilities	12	12	16	16
Short-term loans	1,544	1,544	1,917	1,917
Advance payments from customers	31	31	15	15
Accounts payable	442	442	338	338
Other liabilities	87	87	104	104
Unrealised gains, currency derivatives	1	1	–	–
Liabilities	**2,254**	**2,254**	**2,537**	**2,537**

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.

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. 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 profits or losses of foreign subsidiaries are converted to Swedish currency (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 –5 m (3), 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	200
DKK	66
GBP	–50
USD	–21
EUR	–80
Total	**115**

Given a net transaction exposure that was valid for 2005, and without hedging measures, profits would be affected negatively by SEK 1 m if the Swedish crown had been strengthened by one percentage point towards all transaction currencies.

On 31 December 2005 the Group had outstanding hedging contracts distributed in the following currencies and on these maturity dates.

(Amounts in SEK m)	2006	2007	Total
Sell EUR	99	3	102
Sell NOK	94	37	131
Sell DKK	42	30	72
Sell GBP	18	3	21
Sell USD	7	–	7
Sell CHF	7	–	7
Sell PLN	5	–	5
Sell total	*272*	*73*	*345*
Buy JPY	–10	–	–10
Buy USD	–7	–	–7
Buy EUR	–5	–	–5
Buy DKK	–1	–	–1
Buy total	*–23*	*0*	*–23*
Net	**249**	**73**	**322**

The above forward exchange contracts are not included in the balance sheet.
The value of hedges not yet taken up as income totalled SEK –1 million (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 loss from hedges in foreign operations amount to SEK –2 m. The amount is reported in the balance item Other reserves in equity.

Note 32 cont.

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

	2005		2004	
Currencies	**Amount SEK m**	**%**	**Amount SEK m**	**%**
EUR	124	49	101	46
DKK	64	26	62	28
NOK	51	20	56	25
GBP	7	3	6	3
USD	7	3	3	1
CHF	5	2	4	2
RON	3	1	3	1
PLN	–11	–4	–14	–6
Total	**250**	**100**	**221**	**100**

Exchange rate difference from translation of foreign net assets amounted to SEK 14 m (–2) 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 1,526 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 2005:

	1–5 years	**>5 years**	**Total**
Loans due after more than one year	1	7	8

	< 1 month	**1–3 months**	**4–12 months**	**Total**
Loans due within one year	505	398	642	1,545

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 2005, 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 –17 million.

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

	2005		2004	
	%	**Debt (SEK m)**	**%**	**Debt (SEK m)**
Long-term borrowing (SEK)	4.9	2	4.7	2
Long-term borrowing (DKK)	4.0	6	4.7	10
	4.2	**8**	**4.7**	**12**
Short-term borrowing (SEK)	1.9	1,485	2.7	1,860
Short-term borrowing (DKK)	2.5	37	2.4	35
Short-term borrowing (EUR)	2.4	22	2.5	22
	1.9	**1,544**	**2.7**	**1,917**

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 profit or loss. 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
Opening balance 2004-01-01				**0**
Translation differences for the year		–2		–2
Closing other reserves 2004-12-31	**0**	**–2**	**0**	**–2**
Adjustments for changes in accounting principles	1		4,126	4,127
Opening balance 2005-01-01	**1**	**–2**	**4,126**	**4,125**
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 [1)]			–1
Net asset hedge	–2			–2
Closing other reserves 2005-12-31	**–2**	**12**	**4,837**	**4,847**

1) Tax on amounts recognised directly in equity is SEK 0 m.

According to the articles of association for Investment AB Latour, share capital shall be at least SEK 100 m and no more than SEK 400 m. All shares have been fully paid up.

The number of class A shares shall not exceed 155,971,300, the number of class B shares shall not exceed 155,971,300 and the number of class C shares shall not exceed 4,028,700. Class A shares carry ten votes and class B and C shares carry one vote. Class A and class B shares confer upon the holder the same rights to a proportion of company's assets and profits. The nominal value of each share is SEK 2.50.

Class C shares do not entitle the holder to dividends. If the company decides to make a cash issue and release new class A and B shares, owners of class A and B shares have preferential right to subscribe for new shares of the same type proportionate to the number of shares the shareholder held (primary preferential right).

If the company decides to make a cash issue and issue only shares of class A or class B, all shareholders, regardless whether they hold class A, B or C shares, shall have preferential right to subscribe for new shares proportionate to the number of shares they hold.

In case of an increase in share capital through a bonus issue, new class A and B shares of each class shall be issued in proportion to the number of shares of each type already in existence. Old shares of a given class shall thereby entail a right to new shares of the same type. Class C shares do not entitle the holder to participate in the bonus issue.

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 306 m (SEK 7.00 per share). The sum has not been taken up as a liability.

Shares outstanding	Class A	Class B	Total
Number of shares on 1 January 2005	16,029,125	27,670,875	43,700,000
Conversion	–6,084,283	6,084,283	0
Total shares outstanding per 31 December 2005	**9,944,842**	**33,755,158**	**43,700,000**

Own shareholdings	Class A	Class B	Total
Share holdings on 1 January 2005	120,000	0	120,000
Buyback during the year	0	0	0
Conversion	–120,000	120,000	0
Total own shareholdings per 31 December 2005	**0**	**120,000**	**120,000**

	2005		2004	
Own shareholdings	**Number**	**Cost**	**Number**	**Cost**
Accumulated at the beginning of the year	120,000	17	4,203,800	684
Buyback during the year	0	0	120,000	17
Redemption	0	0	–4,203,800	–684
Accumulated at the end of the year	**120,000**	**17**	**120,000**	**17**

The nominal value of own shareholdings bought-back during the year amounted on 31 December 2005 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.

Earnings per share

GROUP	2005	2004
Net profit	708	1,000
Average number of outstanding shares	43,700,000	43,745,738
Earnings per share related to profit attributable to parent company shareholders	SEK 16.20	SEK 22.86

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

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 26 m. Alecta's surplus can be divided amongst the insurance policy holder and/or the insured. At the end of 2005, Alecta's surplus in the form of the collective consolidation level was 128.5 %. 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 administration assets exceeds a corridor corresponding to 10% of the highest either of pension obligations or the market value of the administration assets, the surplus is recorded as profit during the period remaining of employment.

GROUP

Provisions for pension obligations	**2005**	**2004**
Amount at the close of the previous year	135	142
Change of accounting principle	–	–10
Amount at the beginning of the year	135	132
Pension costs	8	6
Pension payments	–4	–3
Divestitures (companies)	–11	–
Redemption	0	0
Translation differences	1	–
Closing value	**129**	**135**

Defined benefit obligations	**2005**	**2004**
Current value at the beginning of the period	135	132
Benefits earned during the period	1	0
Interest	7	6
Pension payments	–4	–3
Divestitures (companies)	–11	–
Actuarial profit/loss	0	0
Translation differences	1	0
Closing balance	**129**	**135**
Administration assets		
Opening balance	0	0
Closing balance	**0**	**0**

Amount reported in the income statement	**2005**	**2004**
Benefits earned during the period	1	0
Interest on pension provisions	7	6
Cost of defined benefit plans	**8**	**6**
Costs of defined contribution plans	71	74
Special employer's tax and taxes on yield	14	13
Total pension costs	**93**	**93**

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

%	**2005**	**2004**
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	15.6	16.3

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	**2005**	**2004**
Deferred tax credits		
Buildings and land	–	1
Machinery and equipment	–	1
Inventories	3	2
Receivables	2	2
Provisions	2	1
Current liabilities	3	2
Other items	1	2
	11	**11**
Deferred tax liabilities		
Intangible assets	–5	–3
Buildings and land	–1	–
Untaxed reserves	–113	–143
Provisions	–	–3
Other items	–1	–
	–120	**–149**
Deferred tax liabilities, net	**–109**	**–138**

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:

	2005	**2004**
Temporary differences concerning write-down of participation	65	77

Deferred taxes recognised in equity

Deferred tax recognised directly in equity refers to tax on cash flow hedges and amounts to SEK 0 m.

Not 36. Other provisions

GROUP	Guarantee provisions	Other provisions	Total
Opening value 2004-01-01	11	4	15
Opening value from acquired companies	0	–	0
Amounts claimed during the year	–5	–1	–6
Provisions for the year	5	1	6
Closing value 2004-12-31	**11**	**4**	**15**
Amounts claimed during the year	–3	–3	–6
Provisions for the year	4	–	4
Closing value 2005-12-31	**12**	**1**	**13**

The provisions consist of:	2005	2004
Long-term part	6	4
Short-term part	7	11
	13	**15**

Other provisions primarily consist of provisions for restructuring costs.

Note 37. Long-term liabilities

GROUP	2005	2004
Liabilities to credit institutions falling due in 1-5 years	1	3
Liabilities to credit institutions falling due in >5 years	7	9
Long-term non-interest-bearing liabilities	0	0
Total	**8**	**12**

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 323 m (258) of which SEK 12 m (16) has been used.

Note 39. Accrued expenses and deferred income

GROUP	2005	2004
Accrued interest expenses	9	23
Accrued social fees	73	76
Accrued other wage-related costs	138	148
Other items	83	80
Total	**303**	**327**

Note 40. Pledged assets

GROUP	2005	2004
For own debts		
Concerning pension provisions		
– Floating charges	4	4
Concerning long-term liabilities to credit institutions		
– Floating charges	42	70
– Property mortgages	26	31
Other		
– Floating charges	5	–
– Property mortgages	6	2
– Other securities	27	31
Total pledged assets	**110**	**138**

Note 41. Contingent obligations

GROUP	2005	2004
Pension guarantees	1	1
Other obligations	11	45
Total	**12**	**46**

PARENT COMPANY	2005	2004
Surety given for the benefit of subsidiaries	2,399	2,407
Other obligations	–	42
Total	**2,399**	**2,449**

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

	2005	**2004**
Intangible assets	40	35
Tangible assets	21	11
Financial assets	1	3
Inventories	36	57
Accounts receivable	21	39
Receivables	2	9
Cash	20	1
Deferred tax liability	–5	0
Long-term net borrowing	–13	–31
Current liabilities	–27	–45
Paid purchase price	*96*	*79*
Acquisition of items not included in cash flow	5	0
Liquid funds in acquired companies	–20	–1
Total	**81**	**78**

Wibe Stegar Group

On 1 January 2005 the Group acquired 100% of the shares in Wibe Stegar Holding AB. In addition to the parent company the Wibe Stegar Group is comprised of the subsidiaries Wibe Stegar AB and Wibe Stiger AS (Norway). The acquired operations contributed income of SEK 117 m and a net profit of SEK 11 m for the period of 1 January 2005 to 31 December 2005.

	Book value in the company	**Fair value adjustment**	**Fair value recorded in the Group**
Tangible assets	18		18
Intangible assets		3	3
Inventories	21		21
Accounts receivable	14		14
Other receivables	2		2
Long-term liabilities	–13		–13
Deferred tax liability	–4		–4
Current liabilities	–18		–18
Net identifiable assets and liabilities	20	3	23
Group goodwill			16
Cash regulated purchase price			39
Acquisition of provisions not included in cash flow			4
Change in Group liquid funds at acquisition			43

Goodwill is attributable to the synergies arising from coordinating the Wibe Group's sales organisation with the Hand Tools business area's existing organisation.

TA Ljungberg Patent AB

On 1 July 2005 the Group acquired 100 % of the shares in TA Ljungberg Patent AB. The acquired operations contributed income of SEK 7 m and a net profit of SEK 2 m for the period of 1 July 2005 to 31 December 2005. If the acquisition had taken place on 1 January 2005 the income from the company would have been SEK 11 m and profits for the year SEK 3 m.

	Book value in the company	**Fair value adjustment**	**Fair value recorded in the Group**
Tangible assets	1		1
Intangible assets		1	1
Financial assets	1		1
Inventories	3		3
Accounts receivable	1		1
Cash	11		11
Deferred tax liability	–1		–1
Current liabilities	–1		–1
Net identifiable assets and liabilities	15	1	16
Group goodwill			6
Cash regulated purchase price			22
Acquisition of provisions not included in cash flow			1
Acquired cash			–11
Change in Group liquid funds at acquisition			12

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

Note 42 cont.

Tikaskolmio Oy (name changed to Hultafors Oy)

On 1 September 2005 the Group acquired 100% of the shares in Tikaskolmio Oy. The acquired operations contributed income of SEK 7 m and a net profit of SEK 0 m for the period of 1 September 2005 to 31 December 2005. It is unclear what the income and profits from the company would have been if the acquisition had taken place on 1 January 2005 since the company previous had a split financial year.

	Book value in the company	Fair value adjustment	Fair value recorded in the Group
Tangible assets	1		1
Inventories	2		2
Accounts receivable	4		4
Cash	2		2
Current liabilities	–5		–5
Net identifiable assets and liabilities	4	0	4
Group goodwill			1
Cash regulated purchase price			5
Acquired cash			–2
Change in Group liquid funds at acquisition			3

Goodwill is attributable to securing the Hand Tools business area's distribution in Finland.

Nord-Lock Oy

On 1 May 2005 the Group acquired 100% of the shares in Nord-Lock Oy. The acquired operations contributed income of SEK 13 m and a net profit of SEK 3 m for the period of 1 May 2005 to 31 December 2005. If the acquisition had taken place on 1 January 2005 the income from the company would have been SEK 18 m and profits for the year SEK 4 m.

	Book value in the company	Fair value adjustment	Fair value recorded in the Group
Inventories	2		2
Accounts receivable	2		2
Cash	7		7
Current liabilities	–3		–3
Net identifiable assets and liabilities	8	0	8
Group goodwill			3
Cash regulated purchase price			11
Acquired cash			–7
Change in Group liquid funds at acquisition			4

Goodwill is attributable to securing the Engineering Technology business area's distribution in Finland.

Ameps AB

On 1 October 2005 the Group acquired 100% of the shares in Ameps AB. The acquisition concerned AxFlow AB's gasket and sealing operations. The acquired operations contributed income of SEK 8 m and a net profit of SEK –1 m for the period of 1 October 2005 to 31 December 2005. It is unclear what the income and profits from the company would have been if the acquisition had taken place on 1 January 2005 since the company was previously part of another company structure.

	Book value in the company	Fair value adjustment	Fair value recorded in the Group
Tangible assets	1		1
Inventories	8		8
Net identifiable assets and liabilities	9	0	9
Group goodwill			10
Cash regulated purchase price			19
Acquired cash			0
Change in Group liquid funds at acquisition			19

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

Note 43. Subsidiary divestitures

	2005	2004
Tangible assets	69	–
Long-term receivables	4	–
Inventories	90	–
Accounts receivable	54	–
Other receivables	11	–
Cash	14	–
Provisions	–24	–
Long-term net borrowing	–67	–
Current liabilities	–52	–
Profit/loss on sale of subsidiaries	13	3
Received purchase price	112	3
Items not included in cash flow	12	–
Liquid funds in divested company	–14	–
Total	**110**	**3**

The Textiles business area has sold the craft operations in Almedahls AB together with shares in the Norwegian AS Knappehuset. The operations' combined turnover was SEK 200 m. Almedahl-Kinna AB, with a turnover of SEK 185 m, was sold to the Finnish Domicet Oy. At the end of the year an agreement was signed to sell Holma-Helsingland AB to company management with the take over date 1 January 2006. Turnover in Holma-Helsingland was SEK 30 m. Almedahls AB's property in Dalsjöfors was sold in December. The divestitures have had a positive effect of SEK 10 m on Group profit.

Note 44. Government grants

Government grants have affected the Group's income statement and balance sheet as follows:

	2005	2004
Grants that affected profit for the year	3	3
Grants that affected assets	8	1
Grants that affected liabilities	1	1

Grants are primarily relocation grants and grants for handicapped employees.

Note 45. Events after the balance sheet date

Autotube AB, i.e. the Automotive business area, acquired HordaGruppen Vätterleden AB, take over date 1 April 2006, with a turnover of SEK 160 m. HordaGruppen is a total supplier of polyurethane material and provides components and systems of injection moulded plastic and rubber, blow-mould plastic, mandrel vulcanised rubber pipes and polyurethane foam products. Considerable investments have been made primarily in 3D blow moulding of heatproof material during the past few years. The new 3D technology has generated significant new order intake from the Swedish and foreign automotive industry. Through the acquisition business area turnover will increase to around SEK 600 m.

On 1 March 2006 an agreement was signed in the Engineering Technology business area to acquire Brickpack AB with the take over date of 1 May 2006. Brickpack develops, manufactures and markets gaskets, sealings and washers to seal, insulate, dampen, absorb and fill the space between two surfaces. Brickpack is located in Laholm and has a turnover of SEK 62 m and 54 employees. The acquisition supplements the Engineering Technology business area's current gasket and sealing operations, which mainly consists of after sales products, with its own operations for the OEM market. This acquisition, together with the previously acquired AxFlow AB's gasket and sealing operations (Ameps AB), creates the leading Nordic region supplier of gaskets and sealings with a turnover of around SEK 200 m annually.

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.

Income tax
The Group is required to pay taxes in several countries. Extensive assessments are required in order to determine provisions for income taxes. There are many transactions and calculations in which end tax is uncertain at the moment the transactions and calculations are made.

Foreign currency exposure
Changes in exchange rates can have a rather significant effect on the company in general. An analysis of foreign currency exposure as well as risks connected to changes in exchange rates is presented in note 32.

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 affect 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. Transition to IFRS

Starting 1 January 2005 Latour follows international accounting standards, International Financial Reporting Standards (IFRSs) in accordance with EU regulations. All financial reports from 1 January 2005 on are therefore prepared according to IFRSs. IFRSs is also followed retroactively on comparable data from 2004 with the exception of reports on financial instruments (IAS 32 and 39). The transition to IAS 32 and 39 took place on 1 January 2005 and therefore information from the comparable year concerning financial instruments is presented according to prior accounting principles. Latour uses hedging accounting according to IAS 39.

The financial tables are arranged according to IAS 1 from 1 January 2005. This means, among other things, that profit/loss for the period in the income statement and equity in the balance sheet include minority shares. In addition, the concept Remaining provisions no longer exists. These items are now recorded as part of Long-term or Current liabilities.

The financial reports are prepared according to the IFRS principles applied on 31 December 2005. IFRS is subject to ongoing review and approval by the EU, and consequently changes may still arise.

Adjustment of profit/loss for the year 2004 according to IFRSs

SEK m	Swedish accounting	IAS 1	IFRS 3	IAS 28	IFRSs
Net turnover	4,434				4,434
Cost of goods sold	–3,380		17		–3,363
Gross profit	**1,054**	**0**	**17**	**0**	**1,071**
Sales expenses	–620		2		–618
Administration costs	–235				–235
Other operating income	67				67
Other operating expenses	–43				–43
Operating profit	**223**	**0**	**19**	**0**	**242**
Result from participation in associated companies	–40		20	6	–14
Result from portfolio management	893				893
Result before financial items	**1,076**	**0**	**39**	**6**	**1,121**
Interest income and similar profit items	10				10
Interest expenses and similar loss items	–66				–66
Profit after financial items	**1,020**	**0**	**39**	**6**	**1,065**
Taxes	–62		–2		–64
Minority share	–1	1			0
Profit for the year	**957**	**1**	**37**	**6**	**1,001**

Note 47 cont.

Adjustments to the balance sheet in accordance with IFRSs

SEK m	04-12-31	Opening balance, IAS 1	Ongoing during 2004 IFRSs 3	IAS 28	04-12-31 according to IFRSs	IAS 39	05-01-01 according to IFRSs
ASSETS							
Fixed assets							
Intangible fixed assets							
Trademarks, licences	10		5		15		15
Goodwill	97		15		112		112
Tangible assets	754				754		754
Financial assets					–		–
Participation in associated companies	534		20	6	560		560
Listed shares	2,948				2,948	4,090	7,038
Other investments held as fixed assets	129				129	17	146
Deferred tax credits	11				11		11
Other long-term receivables	32				32		32
	4,515	**0**	**40**	**6**	**4,561**	**4,107**	**8,668**
Current assets							
Inventories	826				826		826
Listed shares	33				33		33
Receivables	819				819		819
Derivative instruments	–				0	1	1
Other financial assets valued at fair value through profit or loss	–				0	19	19
Cash and bank balances	162				162		162
	1,840	**0**	**0**	**0**	**1,840**	**20**	**1,860**
Total assets	**6,355**	**0**	**40**	**6**	**6,401**	**4,127**	**10,528**
EQUITY AND LIABILITIES							
Equity							
Share capital	110				110		110
Share buyback	–	–17			–17		–17
Other reserves	325	–327			–2	4,127	4,125
Profit brought forward	1,919	1,301	37	6	3,263		3,263
Profit for the year	957	–957			0		0
	3,311	**0**	**37**	**6**	**3,354**	**4,127**	**7,481**
Minority interests		2			2		2
Total equity	**3,311**	**2**	**37**	**6**	**3,356**	**4,127**	**7,483**
Minority interests	2	–2			–		–
Provisions							
Provisions for pensions	135	–135			–		–
Provisions for taxes	146	–146			–		–
Other provisions	15	–15			–		–
	296	**–296**	**0**	**0**	**0**	**0**	**0**
Long-term liabilities							
Pension obligations	–	135			135		135
Deferred tax liabilities	–	146	3		149		149
Other provisions	–	4			4		4
Interest-bearing liabilities	12				12		12
Interest-free liabilities	0				0		0
	12	**285**	**3**	**0**	**300**	**0**	**300**
Current liabilities							
Bank overdraft facilities	16				16		16
Liabilities to credit institutions	1,917				1,917		1,917
Advance payments from customers	15				15		15
Accounts payable	338				338		338
Tax liabilities	17				17		17
Other provisions	–	11			11		11
Other financial liabilities	–				–		–
Other liabilities	104				104		104
Accrued expenses and deferred income	327				327		327
	2,734	**11**	**0**	**0**	**2,745**	**0**	**2,745**
Total equity and liabilities	**6,355**	**0**	**40**	**6**	**6,401**	**4,127**	**10,528**

Key ratios:	04-12-31	04-12-31 according to IFRSs	05-01-01 according to IFRSs
Return on equity	32%	33%	14%
Return on total capital	19%	19%	11%
Equity ratio	52%	52%	71%
Net debt/equity ratio	24%	24%	24%

Note 47 cont.

IFRSs effect on equity

Group	Share capital	Bought-back shares	Restricted/ Other reserves	Unrestricted reserves/Profit brought forward	Minority interests	Total
Equity according to Swedish accounting principles 2004-12-31	**110**	**0**	**325**	**2,876**	**–**	**3,311**
Reclassification according to IAS 1		–17	–327	344		0
Minority interests in equity according to IAS 1					2	2
Goodwill depreciation in subsidiaries according to IFRS 3				17		17
Goodwill depreciation in associated companies according to IFRS 3				20		20
Shares in profits in associated companies according to IFRS 28				6		6
Equity according to IFRSs 2004-12-31	**110**	**–17**	**–2**	**3,263**	**2**	**3,356**
Market valuation of market related investments according to IAS 39			4,107			4,107
Market value of exchange forward contracts according to IAS 39			1			1
Market value of option contracts according to IAS 39			19			19
Equity according to IFRSs 2005-01-01	**110**	**–17**	**4,125**	**3,263**	**2**	**7,483**

IFRS 1 First time adoption of IFRSs
The transition to IFRS is reported according to IFRS 1, "First time adoption of International Financial Reporting Standards". Generally, a company is required to set its accounting principles and apply the same retroactively in order to determine its opening balance according to IFRSs. Certain exceptions are, however, allowed and Latour has elected to apply the following:

- To use IFRS 3, Business Combinations, from the transition date 1 January 2004 onward.
- To zero conversion differences from the transition date onward in accordance with IAS 21, Effects of Changes in Foreign Exchange Rates.
- Not recalculate comparable financial information for 2004 according to the requirements of IAS 39, Financial Instruments: Recognition and Measurement, assumed by the EU. However, comparable financial information was recalculated as of 1 January 2005.
- To apply IAS 19 from the transition date 1 January 2004, which entails, among other things, that actuarial profits and losses arising before this date are recognised against opening equity.

IFRS 3 Operating acquisitions
According to IFRS 3, goodwill shall not be depreciated; instead an impairment test is to be carried out annually. Latour's share of profits from associated companies is also affected when associated companies no longer depreciate their goodwill.

The accounting rules concerning corporate acquisitions bring about relatively large changes in the manner of accounting for corporate acquisitions. A more detailed division of the purchase sum consideration is to be provided where values are assigned to several intangible assets being acquired, such as customer relations, trademarks, patents etc. In addition, the useful life of these assets shall be assessed and depreciated according to plan.

IAS 1 Arrangement of financial reports
According to IAS 1, minority interest is a separate component of equity in the balance sheet. In the income statement, it is included as part of net income.

IAS 28 Holdings in associated companies
Latour reports holdings in associated companies according to the share of capital method. When associated companies' accounts are converted to IFRSs it affects Latour's recorded participation in these companies.

IAS 39 (IAS 32) Financial instruments
Financial instruments include securities, derivative instruments, receivables, operating liabilities, leasing obligations and borrowing. Latour's financial instruments are largely market related investments. The recommendation specifies that financial instruments are valued to fair value in the annual accounts. Listed securities are valued at the latest buying-rate (previously latest price paid) on the balance sheet date.

Note 48. Definitions

Adjusted equity	Equity and the difference between book value and fair value in the investment portfolio in the parent company and associated companies in the Group.
Adjusted equity/assets ratio	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.
Capital employed	Total assets minus non-interest-bearing liabilities.
Direct yield	Dividends as a percentage of the share purchase price.
Earnings per share	Profit for the year divided by a weighted average number of outstanding shares adjusted for bought-back shares.
Equity/assets ratio	Equity in relation to the total assets.
Investment company discount	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.
Net debt/equity ratio	Interest-bearing liabilities plus interest-bearing reserves less liquid funds in relation to adjusted equity.
Net worth	The difference between the company's assets and liabilities, when the investment portfolio (incl. associated companies) is taken up at market value and wholly owned subsidiaries are valued at a return calculated at 10 times operating profit after 28% standard tax rate. Items affecting comparability are not included in operating profit.
Operating margin	Profit after depreciation as a percentage of invoiced sales.
P/E ratio	The share purchase price in relation to profits after tax.
Profit margin	Profit after net financial items plus financial costs as a percentage of invoiced sales.
Return on capital employed	Profit after net financial items plus financial costs as a percentage of average capital employed.
Return on equity	Net profit according to the income statement as a percentage of average equity.
Return on total capital	Profit after net financial items plus financial costs in relation to average total assets.
Return on working capital	Operating profit as a percentage of working capital.
Working capital	Material assets, stock and accounts receivable less accounts payable and interim liabilities.
Volatility	A measure of risk. Usually measured as a standard deviation in the return on an asset during a certain period of time.

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 14 a § of the annual Accounts Act.

Group equity includes changes in value amounting to the net sum of SEK 4,837 m.

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

Retained profits	SEK 2,589.0 m
Profit for the year	SEK 377.7 m
	SEK 2,966.7 m

The number of shares entitling the holder to receive dividends totalled 43,700,000 on 13 March 2006, 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 7.00 per share which totals	SEK 305.9 m
To be carried forward	SEK 2,660.8 m
	SEK 2,966.7 m

The income statement and balance sheet will be presented to the Annual General Meeting on 2006-05-10 for adoption.

Gothenburg, 13 March 2006

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 2006.

Öhrlings PricewaterhouseCoopers AB

Lennart Wiberg — Olof Enerbäck

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 2005. 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 2006

Öhrlings PricewaterhouseCoopers AB

Lennart Wiberg
Authorized Public Accountant

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. Starting with the Annual General Meeting of 2006 the nominating committee will provide 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 2005, consists of Gustaf Douglas (chairman), Henric Ankarcrona and Björn Karlsson. None of them have received any remuneration for their participation in the nominating committee.

Board of directors

The 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. Previously the board elected the chairman but starting with the Annual General Meeting 2006 the chairman will be appointed by the Annual General Meeting. The members of the board represent 84 percent of the voting shares in the company and 77 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 business segment. They are therefore not represented in the investment company's board.

A presentation of the board is given on page 83.

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 and a per capsulam meeting. All the members of the board 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. 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 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. In addition, there has been a follow-up of the Group's application of the new accounting standard regarding IFRSs.

The remuneration committee has held two meetings. The committee presents proposals to the board concerning remuneration to the chief executive officer and supports him in determining remuneration to the other key executives.

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 key executives also consists of a basic salary and a fixed key ratio based variable portion. The variable portion is maximised to a certain number of monthly wages.

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 2005 and March 2006.

Group management

Latour's industrial and trading companies are divided into eight 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 12–27.

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. Latour has implemented a special procedure for control of IFRSs regulations.

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.

During 2006 a new study will be carried out to chart the need for further internal control and to see if there is anything lacking in the reporting system. Necessary measures will then be implemented.

Applying the Swedish Code of Corporate Governance

Latour applies the Swedish Code of Corporate Governance with the following exceptions.

The majority of the nominating committee are members of the company's board and its chairman 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.

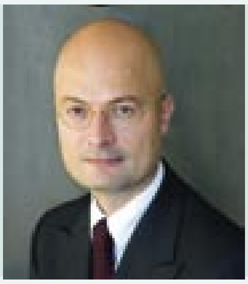
No particular affirmation from the board and the chief executive officer has been included in the Annual Report since matters of responsibility are regulated in detail in the Company Act and an affirmation is therefore considered superfluous.

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 Boxholms Skogar AB and Säkl AB. Vice Chairman of Securitas AB. Member of the boards of ASSA ABLOY AB, the Moderate Party of Sweden and Stiftelsen Svenska Dagbladet. Chairman of Latour's board from 1985-1991 and since 1993.
Shares in Latour: 50,000 A and 105,000 B, through various family-owned companies
8,001,000 A, 24,231,500 B



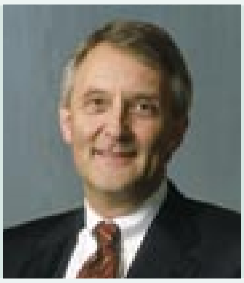
Anders Böös
b 1964 Previously MD of Drott AB and Hagströmer & Qviberg AB. Chairman of the Board of IFS AB and member of the boards of Hagströmer & Qviberg AB and Explorer Property Fund.
Member of Latour's board since 2005.

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".
Partner in Pod Holding. Member of the boards of AB Fagerhult, LinkTech 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 Närkes 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 Säkl AB. Member of the boards of Securitas AB, Bravida, Attendo, AB Fagerhult and Hultafors 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 company)



Jan Svensson
b 1956. Mechanical engineer and Bachelor of Science (Econ.). CEO. Member of the boards of Munters AB and ProstaLund AB. CEO and member of Latour's board since 2003.
Shares in Latour: 4,000 B (Jan Svensson and family)

Caroline af Ugglas
b 1958. Bachelor of Science (Econ.) at the University of Stockhom Head of equities and corporate governance at Livförsäkrings AB Skandia. Member of the board of Skandia Media Invest SMI AB.
Member of Latour's board since 2003.
Shares in Latour: 300 A and 800 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)

Tore Åberg
b 1942. Bachelor of Science (Econ.). Chief Financial Officer since 1987.
Shares in Latour: 12,400 B

Accountants

Öhrlings PricewaterhouseCoopers AB

Lennart Wiberg, Authorised Public Accountant
Olof Enerbäck, Authorised Public Accountant

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