



*Broström is one of the leading logistics companies for the oil and chemical industry, focusing on industrial product and chemical tanker shipping and marine services. Broström is based worldwide and operates within two areas: Shipping and Marine & Logistics Services. Broström's head office is located in Göteborg, Sweden.*

## Press Release

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### PRELIMINARY REPORT 2005

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- **Good conclusion to 2005 – greatly increased profit.**
  - Strong freight market continued during fourth quarter
  - Size of fleet enabled improved transport combinations and contributed to the strongly increased profit
- **Profit after net financial items for the year was SEK 720 m (325).**
  - Net sales SEK 3,818 m (3,207)
  - Profit after tax SEK 623 m (487 incl. one-off effect of SEK 181 m from introduction of tonnage tax)
  - Earnings per share SEK 18.89 (16.33 incl. one-off effect of SEK 6.19 from introduction of tonnage tax)
  - Return on capital employed 15.9% (9.9%)
- **Profit after net financial items for Q4 was SEK 280 m (84).**
  - Net sales SEK 1,128 m (846)
  - Profit after tax SEK 252 m (101)
  - Earnings per share SEK 7.64 (3.40)
- **Shareholders' equity (excl. dividend and non-cash issues) increased by SEK 964 m (SEK 29.54 per share) during the period, including SEK 335 m in currency translation differences (IFRS).**
- **Cash flow and disposable liquidity.**
  - Cash flow per share SEK 19.15 (14.65)
  - Disposable liquidity amounted to SEK 1,295 m (828 on 31 December 2004)
  - The dividend payout was SEK 162 m
- **Proposed dividend SEK 8.00 (SEK 5.00) per share.**
- **Increase in transport capacity.**
  - BRO ELLIOT was delivered in early November from shipyard in China
  - The vessels BRO PROVIDER and BRO PRIORITY were taken over in late December 2005
- **Outlook for 2006.**

The start of 2006 has been characterised by the strong freight market continuing in Broström's segment. Structural changes and greater regional imbalances are giving rise to further increases in the need for transport. Completed transport contract negotiations have yielded a favourable outcome. The outlook for 2006 as a whole continues to be favourable.

SEK m	12 months		Fourth quarter	
	2005	2004	2005	2004
Net sales	<b>3,818.1</b>	3,206.8	<b>1,127.5</b>	845.5
Operating profit (EBIT)	<b>812.4</b>	403.8	<b>310.0</b>	106.7
Profit after net financial items	<b>720.1</b>	324.7	<b>280.4</b>	83.5
Profit for the period	<b>622.9</b>	486.7	<b>251.9</b>	100.7
Investments	<b>1,620.0</b>	943.3	<b>911.2</b>	633.9
Cash flow from operating activities	<b>619.3</b>	429.6	<b>144.7</b>	27.0
Disposable liquidity	<b>1,294.9</b>	827.8		
Return on capital employed, %	<b>15.9</b>	9.9		
Adjusted equity/assets ratio, %	<b>37.2</b>	38.0		
Profit before tax per share, SEK	<b>22.26</b>	11.09	<b>8.63</b>	2.84
Net profit per share, SEK	<b>18.89</b>	16.33	<b>7.64</b>	3.40
Net profit per share after dilution, SEK	<b>18.76</b>	15.10	<b>7.61</b>	2.26
Cash flow from operating activities per share, SEK	<b>19.15</b>	14.65	<b>4.44</b>	0.88
Proposed dividend by the Board, SEK	<b>8.00</b>	5.00		
Average number of shares	<b>32,346,920</b>	29,287,217	<b>32,622,842</b>	30,317,397

## ACTIVITIES

### Shipping

#### Market overview

The year began with a strong freight market through the first half. This was followed by a seasonal decline during the third quarter, with generally lower volumes and lower prices in the spot market, although not as pronounced as in previous years.

The fourth quarter was characterised by a strong freight market.

Supply and demand in the oil energy sector are largely in balance, and therefore small disruptions in the production and distribution chain have a rapid impact on the freight market. The disruptive effect on the market by the hurricanes that hit the US late in the third quarter highlighted the fine balance that exists and resulted in higher spot market prices for transportation. The shipments were also over longer distances which increased the need for transportation.

The market has undergone a structural change

in recent years, with lower oil stock level measured in consumption-days, rising demands on reliability in the transport chain, and an increasingly greater prevalence of regional imbalances between supply and demand for oil and chemical products. The ability to quickly adapt to changes in the market and at the same time be able to offer reliable transport is growing in importance. Critical mass and geographic presence are now becoming an increasingly significant competitive advantage in a market in which the number of transported tonne-miles is increasing.

The shipyards' orderbooks continue to be well-filled, and newbuilding prices remain high. The price trend for quality second-hand tonnage has followed the same pattern.

#### Development for Broström

Broström continued to strengthen its positions in product and chemical tanker shipping during the period, and operates a modern fleet.

Broström's focus on contracts of affreightment, where the volume of business under such contracts accounts for 50–60% of total capacity, has enabled the company to maintain a consistent and high level of capacity utilisation.

tion whilst still being able to benefit from developments in the spot market.

Newly built vessels have been added to the fleet, and contract negotiations held during the period have resulted in a favourable outcome both in terms of price and volume.

The fourth quarter was characterised by a strong freight market in all of Broström's fields of activity. Weather problems in the US, combined with a market that is essentially in balance with respect to supply and demand, led to improved prices in the spot market. Added to this is the fact that critical mass has been achieved in the vessel fleet, enabling a high utilisation of available capacity.

The effects of the acquisition and co-operation agreements entered into by Broström in early 2005 will gradually – in pace with the delivery of vessels – lead to an increase in Broström's business volume, which will enable an even more effective utilisation of the fleet. This entails, among other things, a gradual doubling of capacity in Asia by 2007.

Broström intends in the future to continue to take advantage of potential consolidation opportunities in the areas in which the company is active.

## Changes in the fleet

### *Fourth quarter*

The vessel BRO ELLIOT (37,300 dwt) was delivered in early November from a shipyard in China. This vessel, which is the last in a series of six newbuildings that Broström and its German partner, Rigel Schiffahrts, had ordered from a Chinese shipyard, is wholly owned by Broström and is employed primarily in Broström's European traffic together with other vessels in the same size class. Following the delivery, Broström's commercial fleet in the 37,000 dwt class comprises eight vessels. Broström has thereby achieved critical mass allowing it to offer more efficient contract shipping.

In the closing days of the fourth quarter, delivery was taken of the vessels BRO PRIORITY (31,180 dwt), built in 2001 (formerly IVER PROGRESS) and BRO PROVIDER (31,180 dwt), built 2001 (formerly IVER PROSPER-

ITY). Both of these vessels were previously included in Broström's commercial fleet but were owned by the Dutch company Vroon.

### *January–September*

An account of which vessels have been added to the fleet or sold is provided under the heading Investments/divestments.

## Tonnage tax

Starting in 2004, Broström's entire French operation became affiliated with the tonnage tax system, in accordance with the EU's shipping policy. The one-off effect in 2004 was SEK 181 m.

In Sweden, a proposal is now pending on the introduction of a tonnage tax which is aimed at affiliating Sweden to the EU's maritime policies and thereby achieving competitive neutrality with respect to other maritime nations in the EU. Broström intends to apply for affiliation to the tonnage tax regime as soon as a formal decision has been made, and provided that the proposal ultimately gives rise to the competitive neutrality that is necessary and that the transitional rules comply with the guidelines that were laid out as a point of departure for the original study work on this matter.

Of the total deferred tax in the balance sheet as per 31 December 2005, amounting to SEK 473.1 m, SEK 419.1 m pertains to the Swedish shipping operation.

## Net sales and profit

Net sales for the Shipping operations area amounted to SEK 3,073.0 m (2,451.9) for the full year.

Operating profit was SEK 807.3 m (434.2).

Performance and profit during the period were very satisfactory.

## Net sales and profit – Q4 2005

Net sales for the Shipping operations area amounted to SEK 998.4 m (638.3) for the fourth quarter.

Operating profit was SEK 310.9 m (120.2).

Performance and profit during the period were very satisfactory.

### *Shipping*

	12 months		Fourth quarter	
SEK m	2005	2004	2005	2004
Net sales	3,073.0	2,451.9	998.4	638.3
Operating profit	807.3	434.2	310.9	120.2
Average number of employees	850	826		

## Marine & Logistics Services

### Market overview

Growth in the business travel market showed a slightly positive trend for the full year. Most of the volume growth for air travel goes via bookings made directly via the Internet to airlines. High activity in international shipping has led to higher demand for marine travel.

The strong shipping market has also contributed to a high level of activity at most Swedish ports.

### Development for Broström

All of the shares in Nordic Bulk AB were sold in November to Bertschi AG. The sale gave rise to a capital gain of SEK 10.7 m and a liquidity surplus of SEK 50.9 m. The sale should be seen as yet another step in Broström's strategic focus on tanker shipping. Nordic Bulk AB has approximately SEK 400 m in annual sales and approximately 60 employees.

Broströms Resebyrå noted higher sales as well as improved earnings compared with a year ago. Marine travel accounted for most of the volume increase, with growth coming from both new and existing customers. Internally the year was characterised by continued cost-cutting measures. During the autumn, an Internet-based self-booking system was launched, which was very well-received by the market. At the end of the year, a new sales office was opened in Manila in an effort to offer travel agency services for the Philippine crews of marine customers.

Activity was high at most Swedish ports in which Broström Ship Agency Network is es-

tablished. This applies in particular to ports that are visited regularly by tankers. As a result, the business area showed an improvement in earnings compared with the preceding year.

### Net sales and profit

Net sales for the Marine & Logistics Services operations area for the full year amounted to SEK 743.3 m (754.5).

Operating profit was SEK 22.7 m (14.0).

### Net sales and profit – Q4 2005

Net sales for the Marine & Logistics Services operations area for the fourth quarter amounted to SEK 127.6 m (207.1).

Operating profit was SEK 3.3 m (4.8).

### *Marine & Logistics Services*

	12 months		Fourth quarter	
SEK m	2005	2004	2005	2004
Net sales	743.3	754.5	127.6	207.1
Operating profit	22.7	14.0	3.3	4.8
Average number of employees	135	144		

## EXCHANGE RATE MOVEMENTS

Broström is affected by exchange rate movements primarily of the USD rate to SEK. See the section "Financial position and liquidity".

## GROUP FINANCIAL RESULTS

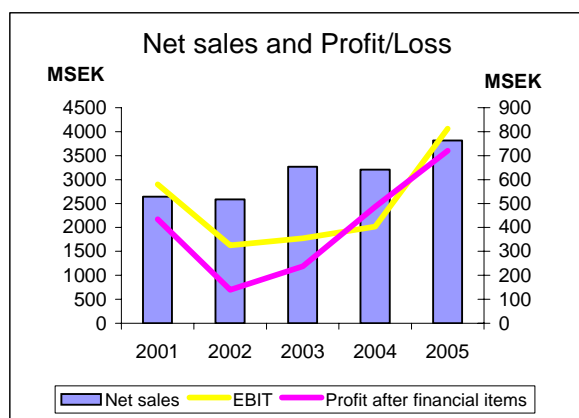
Consolidated net sales of the Group for the full year amounted to SEK 3,818.1 m (3,206.8).

The share in associated companies' profit was SEK 12.5 m (16.3). The reason for the decrease is that two of the companies are now wholly owned subsidiaries.

Operating profit was SEK 812.4 m (403.8).

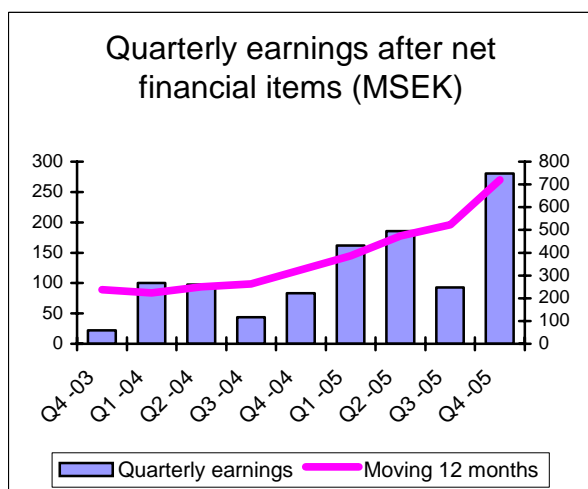
Net interest expense amounted to SEK -105.1 m (-72.9). The USD Libor (6 months) interest rate changed during the period, from 2.8% on 31 December 2004 to 4.7% on 31 December 2005. Net financial items amounted to SEK

-92.3 m (-79.1), which resulted in a profit of SEK 720.1 m (324.7) after net financial items. The return on capital employed was 15.9% (9.9%).



Tax expenses during the period amounted to SEK -97.2 m (162.0), corresponding to 13.5% (-49.9%) of profit before tax. Paid tax amounted to SEK -17.6 m (-31.1).

The figures for the period include capital gains of SEK 122.4 m (0.8) on sales of vessels and operations.



### Breakdown by operational areas

SEK m	12 months		Fourth quarter	
	2005	2004	2005	2004
<b>Net sales</b>				
Shipping	3,073.0	2,451.9	998.4	638.3
M & L Services	743.3	754.5	127.6	207.1
Other	1.8	0.4	1.5	0.1
	<b>3,818.1</b>	<b>3,206.8</b>	<b>1,127.5</b>	<b>845.5</b>
<b>Operating profit</b>				
Shipping	807.3	434.2	310.9	120.2
M & L Services	22.7	14.0	3.3	4.8
Other and joint expenses for the Group	-17.6	-44.4	-4.2	-18.3
	<b>812.4</b>	<b>403.8</b>	<b>310.0</b>	<b>106.7</b>
<b>Average number of employees</b>				
Shipping	850	826		
M & L Services	135	144		
Other	24	22		
	<b>1,009</b>	<b>992</b>		

## MAJOR DEVELOPMENTS AFTER YEAR-END

In late January 2006, Broström entered into an agreement on the sale of the product tanker BRO STELLA (70,000 dwt), built in 1995. The vessel is expected to be delivered to the buyer in late February 2006. The sale generated a capital gain of approximately SEK 85 m before tax and a cash contribution of approximately SEK 215 m.

## OUTLOOK

The start of 2006 has been characterised by a strong freight market in Broström's areas of activity. The driving force behind this trend is an oil energy market that is essentially in balance. Transportation is taking place over increasingly longer distances. Regional imbalances are expected to continue rising. The rapidly growing Chinese economy, demand for oil in the US and Russian exports of oil via the Baltic are also contributing to high demand for transport of oil and chemical products.

The increasingly stringent requirements being made by authorities and customers with respect

to quality, safety and the environment are putting ever-higher demands on the overall organisation that is involved in the logistics chain.

Together these factors point to a continued favourable development for Broström, and the outlook for 2006 as a whole remains favourable. Completed acquisitions and established co-operation agreements are expected to contribute gradually to improved earnings in pace with the addition of vessels to the fleet.

The shipyards' orderbooks are at historically high levels and a large number of vessels will be delivered in the years immediately ahead. In Broström's view, however, this addition of tonnage will be offset to a large degree by the major need for replacement and structural changes in the market

The value of the US dollar relative to the Swedish krona is an uncertainty factor to note. All else equal, a weakening of the US dollar would have a negative impact on Broström's sales, earnings and shareholders' equity, while a strengthening would have a positive effect.

## INVESTMENTS AND DIVESTMENTS

Total investments within the Group during the year amounted to SEK 1,620.0 m (943.3). Divestments totalled SEK 405.5 m (35.2). Of total investments, SEK 1,398.2 m (904.9) pertained to vessels and newbuilding contracts.

All of the shares in Nordtank Shipping A/S were acquired during the fourth quarter.

This acquisition was paid for in part through the issuance of 952,286 new B-shares in Broström through the partial exercise of the authorisation previously granted to the Board by an Extraordinary General Meeting, and in part through cash.

During the second quarter, the remaining 50% of the shares in Iver Ships Ltd was acquired. This acquisition was paid for in cash.

### *New vessels 2005*

Name	Built	Dwt	Ownership	Partner
BRO ELLIOT	2005	37,300	100%	
BRO EDWARD	2005	37,300	100%	
EVINCO	2005	19,500	30%	Rederi AB Donsötank
BRO PRIORITY	2001	31,180	100%	
BRO PROVIDER	2001	31,180	100%	

During the third quarter, delivery was received of two newbuildings: BRO EDWARD (37,300 dwt, 100% ownership stake) and EVINCO (19,500 dwt, 30% ownership stake), while in the fourth quarter delivery was received of BRO ELLIOT (37,300 dwt, 100% ownership stake).

During the final weeks of December, delivery was received of the first two vessels acquired from Vroon (BRO PRIORITY and BRO PROVIDER). The vessels are both of 31,180 dwt and were built in 2001.

The two remaining vessels for which agreements have been signed with Vroon will be delivered in February/March 2006. These two vessels are both of 45,790 dwt and were built in 1999.

### *Sold vessels 2005*

Name	Built	Dwt	Ownership	Partner
BRO SELMA	1987	81,350	100%	
BRO TONY	1982	4,160	100%	
BRO TINA	1987	27,820	100%	

During the first quarter, BRO SELMA (81,350 dwt, 1987) and BRO TONY (4,160 dwt, 1982) were delivered to the buyers, while BRO TINA (27,820 dwt, 1987) was delivered to her buyer during the second quarter. The sale of these vessels generated a capital gain of SEK 94.4 m and a liquidity contribution of SEK 154.0 m.

The shareholding in Seawise Australia Pty was sold during the first quarter. The sale generated a capital gain of SEK 16.6 m and a liquidity contribution of SEK 17.9 m.

During the fourth quarter, all of the shares were sold in Nordic Bulk AB. The sale generated a capital gain of SEK 10.7 m and a liquidity contribution of SEK 50.9 m.

Broström is currently financially involved in investments in four newbuildings.

#### *Newbuildings on order*

Name	Delivery	Dwt	Ownership	Partner
NB JLZ 507	2006	14,500	100%	
NB JLZ 508	2006	14,500	100%	
NB JLZ 509	2006	14,500	100%	
NB JLZ 510	2007	14,500	100%	

Further 11 vessels and newbuildings will be added to the fleet through different co-operations.

Broström's updated fleet list can be found at [www.brostrom.se](http://www.brostrom.se).

## CASH FLOW

Cash flow from operating activities before the shareholder dividend amounted to SEK 619.3 m (429.6), or SEK 19.15 (14.65) per share.

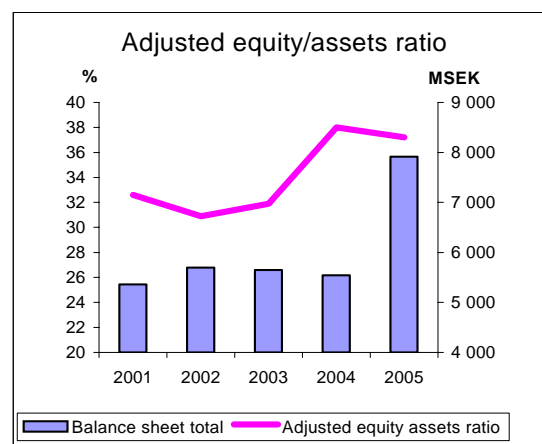
In 2005 a shareholder dividend of SEK 161.7 m (131.6), or SEK 5.00 (4.50) per share was paid.

## FINANCIAL POSITION AND LIQUIDITY

The Group's disposable liquidity on the balance sheet date amounted to SEK 1,294.9 m (827.8). This amount includes unutilised over-draft facilities totalling SEK 52.5 m (52.3).

Net debt increased during the period from SEK 1,656.9 m to SEK 2,577.5 m, mainly due to investments in vessels and operations.

Shareholders' equity on 31 December 2005, according to the new accounting standards, amounted to SEK 2,709.5 m (1,799.5), and the equity/assets ratio was 34.2% (32.5). The adjusted equity/assets ratio was 37.2% (38.0), which is above Broström's target of 30%.



Taken together, this means that shareholders' equity during the year to date, excluding the shareholder dividend and non-cash issues, has increased by a total of SEK 964 m, or SEK 29.54 per share. According to the new financial reporting rules, Broström's shipping operations have US-dollar as their functional currency and consequently, most exchange rate movements are now shown only on the balance sheet. Thus an analysis of Broström should also include, in addition to reported profit for the year, the currency movement that is reported under translation differences in shareholders' equity.

It should be noted that in connection with the implementation of IFRS, the company has decided not to restate the book value of its vessels. With today's market values of the Broström fleet it can be asserted that a substantial overvalue exists compared to booked values.

Broström's financial position is strong and enables continued investment and participation in possible structural changes in the industry.

## CONTINGENT LIABILITIES

Contingent liabilities increased by SEK 5.8 m since the start of the year and amount to SEK 113.9 m (108.1).

## WARRANT PROGRAMMES

As per 31 December 2005 Broström has two share warrant programmes in effect, of which one was introduced in 2003 and the other in 2005. The programmes have been offered to all

permanent employees of the Group and to employees of partly owned companies in which Broström's ownership is more than 50%.

The warrant programme from 2003 consists of two series with exercise dates in September 2005 and September 2006, respectively. Each employee was entitled to 2,000 warrants. If the programme was not fully subscribed, an additional maximum of 100,000 warrants could be subscribed. The price of each warrant was SEK 3.80 in series 2003/1 and SEK 4.35 in series 2003/2. An offer was also made in autumn 2004 to all new employees. The price then was SEK 34.00 per warrant in both series. Each warrant entitles its bearer to subscribe for one share at the exercise price of SEK 58.40. In September 2005, 275,750 warrants were redeemed. The total number of exercised warrants on 31 December 2005 was 275,750. There were no outstanding warrants on the balance sheet date. The warrant programme entails increases of 0.8% and 0.5%, respectively, in the number of shares and votes.

The dilutive effect in terms of value was 0.6% on the balance sheet date.

The warrant programme from 2005 consists of two series with exercise dates in September 2007 and September 2008, respectively. Each employee was entitled to 1,250 warrants. If the programme was not fully subscribed, an additional maximum of 98,750 warrants could be subscribed. The price of each warrant was SEK 6.25 in series 2005/1 and SEK 8.50 in series 2005/2. Each warrant entitles its bearer to subscribe for one share at the exercise price of SEK 157.20. The total number of exercised warrants on 31 December 2005 was 366,550. The remaining number of warrants was 33,450.

Exercised warrants in the programme entail increases of 1.2% and 0.8%, respectively, in the number of shares and votes.

The dilutive effect in terms of value was 0.1% on the balance sheet date.

## STAFF

The number of employees has not changed significantly.

## PARENT COMPANY

The activities of the parent company, Broström AB, consist mainly of Group management and administration of joint activities for the Group. The assets consist mainly of shares in subsidiaries and short-term financial investments.

SEK m	2005	2004
<i>Net sales</i>	29.2	24.4
Profit before allocations and tax	429.6	170.4
<i>Of which, dividends from subsidiaries and associated companies</i>	436.5	233.4
Fixed assets	1,976.3	1,921.2
Current assets	1,956.2	743.0
<b>Total assets</b>	<b>3,932.5</b>	<b>2,664.2</b>
Shareholders' equity	1,766.4	1,324.2
Untaxed reserves	3.4	-
Long-term liabilities, interest-bearing	1,077.1	259.2
Short-term liabilities	1,085.6	1,080.8
<b>Total liabilities and shareholders' equity</b>	<b>3,932.5</b>	<b>2,664.2</b>
Investments	92.4	107.7
Divestments	68.8	-
Disposable liquidity	1,092.0	651.5
<i>Of which, unutilised overdraft facilities</i>	52.5	37.3

## ACCOUNTING PRINCIPLES

This preliminary report has been prepared in accordance with IAS 34 Interim Financial Reporting and IFRS 1 with respect to transitional rules. The accounting principles of the parent company are in accordance with RR 32. In the Group the same accounting principles and methods of calculation have been used as in the 2004 Annual Report, with exception for the IFRS/IAS adjustments described below.

### New Accounting Principles 2005 IFRS/IAS

Starting on 1 January 2005 the Broström Group applies the International Financial Reporting Standards (IFRS) approved by the EU.



Comparison figures for 2004 have been recalculated from 1 January 2004, with exception for IAS 39, where such recalculation is not required in accordance with the exemptions provided in IFRS 1. Nor have acquisition data for company acquisitions prior to 2004 been recalculated, in accordance with the exemptions in IFRS 1.

The areas in which IFRS entails material differences compared to Broström's current accounting concern measurement of goodwill (IFRS 3, IAS 36 and IAS 38), tangible fixed assets (IAS 16), effects of changes in foreign exchange rates (IAS 21), investments in associates (IAS 28) and financial instruments (IAS 39). These areas are described and quantified below in terms of their significant impact on Broström's net profit as per 31 December 2004 and their impact on shareholders' equity.

#### ***Goodwill – IFRS 3, IAS 36 and 38***

According to IAS 38, goodwill is to be recognised as an asset with an indefinite useful life and should therefore not be amortised. Instead, goodwill is to be tested for impairment annually. Broström tested its goodwill for impairment on 31 December 2005. According to these test, there was no need for any goodwill write-down. A description of the used method and principle will be made in the Annual Report 2005.

Consequently, no goodwill amortisation schedules are reported in the comparison figures for 2004 in accordance with IFRS.

#### ***Tangible fixed assets – IAS 16***

Expenses for dockings are a component of a vessel and are activated under the heading "vessels" instead of "prepaid expense". The depreciation is made as earlier for 30 months, but is reported under the heading "depreciations and write-downs" instead of "external expenses". The change of principle means that docking expenses are included in reported investments and in the cash flow analysis they are reported in "investing activities" instead of "change in working capital". The affect of the change of principle is included in the comparative figures for 2004. The redistribution from "external expenses" to "depreciations and write-downs" in the profit and loss account for 2005 is reported in the fourth quarter.

#### ***Effects of changes in foreign exchange rates – IAS 21***

IAS 21 stipulates that a functional currency is to be decided for each legal entity. The functional currency is defined as the currency in which the company has the greatest share of revenue and expense and which is the most important financing currency. Broström has determined that the primary shipping companies in the Group have USD as their functional currency, while the other companies' functional currencies consist of their respective local currencies. In view of the functional currency, the accounts for 2004 have then been recalculated. Vessels have been carried at historical cost in USD, taking into account a normal depreciation plan and loans at their nominal amounts in USD. These values have then been recalculated at the year-end USD to SEK rate, using the current method.

Deferred tax on the changed asset and liability values in the recalculation to functional currency has been taken into account. As a result of the aforementioned accounting principles, the temporary differences between the book value and the tax value will vary along with changes in foreign exchange rates. The tax effect from this is reported against shareholders' equity.

At the start of 2005, as a result of the steadily weakening USD against SEK in recent years, shareholders' equity had been negatively affected, since the companies in which the vessels are included used USD as their functional currency. On the other hand, the reporting of vessel loans had a positive effect on shareholders' equity, since the previous historical acquisition prices were higher than those stated in the balance sheet at 31 December 2004.

#### ***Investments in associates – IAS 28***

According to IAS 28, profits from investments in associated companies are to be reported after tax, which Broström previously reported before tax. The comparison figures for 2004 have been adjusted.

#### ***Financial instruments – IAS 39***

As from 2005 the derivate instruments are valued as actual value on the accounting year-end and reported under own heading in the balance sheet. The change is reported directly against equity.

### Effects on income statement and balance sheet (only for comparison)

If IFRS had been implemented in 2004, the effects on the income statement and balance

sheet as per 31 December 2004 would have been a positive earnings impact of SEK 35.0 m and a negative shareholders' equity impact of SEK -180.5 m (see table below).

### Income statements and balance sheets in summary (for comparison)

SEK m Income statements	Swedish GAAP Accum. 31/12/2004	Adjustment	IFRS Accum. 31/12/2004	Swedish GAAP Q4 2004	Adjustment	IFRS Q4 2004
Net sales	3,206.8	-	3,206.8	837.0	8.5	845.5
Other income	8.5	1.1	9.6	9.6	- 7.4	2.2
<b>Total income</b>	<b>3,215.3</b>	<b>1.1</b>	<b>3,216.4</b>	<b>846.6</b>	<b>1.1</b>	<b>847.7</b>
Share in associated companies' profit	22.1	- 5.8	16.3	- 1.0	- 4.0	- 5.0
Operating expenses	- 2,626.5	27.2	- 2,599.3	- 685.9	29.7	- 656.2
Depreciation and write-downs	- 233.9	4.3	- 229.6	- 58.5	- 21.3	- 79.8
<b>Total operating expenses</b>	<b>- 2,860.4</b>	<b>31.5</b>	<b>- 2,828.9</b>	<b>- 744.4</b>	<b>8.4</b>	<b>- 736.0</b>
<b>Operating profit</b>	<b>377.0</b>	<b>26.8</b>	<b>403.8</b>	<b>101.2</b>	<b>5.5</b>	<b>106.7</b>
Net financial items	- 72.5	- 6.6	- 79.1	- 40.0	16.8	- 23.2
<b>Profit after net financial items</b>	<b>304.5</b>	<b>20.2</b>	<b>324.7</b>	<b>61.2</b>	<b>22.3</b>	<b>83.5</b>
Tax	156.1	5.9	162.0	8.2	9.0	17.2
Minority share (in profit/loss for the year)	- 8.9	8.9	-	- 0.8	0.8	-
<b>Profit for the year</b>	<b>451.7</b>	<b>35.0</b>	<b>486.7</b>	<b>68.6</b>	<b>32.1</b>	<b>100.7</b>
Of which, minority share			8.5			0.3
<b>Balance sheets</b>	<b>Swedish GAAP Accum. 31/12/2004</b>	<b>Adjustment</b>	<b>IFRS Accum. 31/12/2004</b>			
Goodwill	51.5	5.8	57.3			
Tangible fixed assets	4,572.0	- 647.0	3,925.0			
Other assets	1,671.1	- 112.6	1,558.5			
<b>Total assets</b>	<b>6,294.6</b>	<b>- 753.8</b>	<b>5,540.8</b>			
Shareholders' equity	1,980.0	- 180.5	1,799.5			
Minority interests	32.6	- 32.6	-			
Debenture loan, interest-bearing	200.3	- 40.0	160.3			
Deferred tax	389.2	- 44.7	344.5			
Equalisation reserve, provisions	157.6	- 50.3	107.3			
Other liabilities	3,534.9	- 405.7	3,129.2			
<b>Total shareholders' equity and liabilities</b>	<b>6,294.6</b>	<b>- 753.8</b>	<b>5,540.8</b>			
Of which, minority interest			32.1			

## SHARES AND SHAREHOLDERS

Since July 2002 the Broström shares have been quoted on the Stockholm Stock Exchange O-List, Attract 40.

Trading in Broström shares continued to increase. In 2005 30.8 million shares (25.0) were traded for a total amount of SEK 4,049 m (2,136). The share price rose by 62% during the year. The Stockholm Stock Exchange All-Share Index rose by 31% during the same period.

Broström had 14,975 (12,965) shareholders on 31 December 2005, an increase of 16% compared with a year ago.

## NEW SHARE ISSUE

In 2005, 952,286 shares were issued under an authorisation granted to the Board by the Extraordinary General Meeting on 1 December 2004. In addition, 275,750 new shares were issued in connection with the redemption of warrants.

## PROPOSED DIVIDEND

The Board of Directors will propose to the Annual General Meeting an ordinary dividend

Göteborg, 24 February 2006

BROSTRÖM AB (publ)

On behalf of the Board

Lennart Simonsson  
*Managing Director*

*Broström AB  
403 30 Göteborg  
Tel +46 31 61 61 00  
Reg. no. 556005-1467*

of SEK 8.00 per share (5.00). The proposal entails a total dividend payout of SEK 261.0 m (161.7).

8 May 2006 has been proposed as the record day.

## ANNUAL GENERAL MEETING AND ANNUAL REPORT

The Annual General Meeting will be held at 5 p.m. on 3 May 2006 at Lorensbergsteatern in Göteborg.

The Annual Report will be available to shareholders in April. It will also be available to the public at the Swedish Patent and Registration Office and at [www.brostrom.se](http://www.brostrom.se).

## FUTURE REPORTS

Broström will release financial reports on the following dates in 2006.

3	May	Interim report three months 2006 and Annual General Meeting
25	August	Interim report six months 2006
31	October	Interim report nine months 2006

This report has not been reviewed by Broström's auditors.

*More information about Broström and press releases can be found at [www.brostrom.se](http://www.brostrom.se).*

## INCOME STATEMENTS

Group SEK m	12 months		Fourth quarter	
	2005	2004	2005	2004
Net sales	3,818.1	3,206.8	1,127.5	845.5
Other income, including sales of vessels	163.7	9.6	19.3	2.2
<i>Total income</i>	<b>3,981.8</b>	3,216.4	<b>1,146.8</b>	847.7
Share in associated companies' profit	12.5	16.3	4.3	- 5.0
<i>Operating expenses</i>				
External expenses	- 2,403.1	- 2,098.0	- 605.0	- 518.1
Personnel costs	-521.2	- 501.3	- 149.6	- 138.1
Depreciation and write-downs	- 257.6	- 229.6	- 86.5	- 79.8
<i>Total operating expenses</i>	<b>- 3,181.9</b>	- 2,828.9	<b>- 841.1</b>	- 736.0
<b>Operating profit (EBIT)</b>	<b>812.4</b>	<b>403.8</b>	<b>310.0</b>	<b>106.7</b>
<i>Financial items</i>				
Interest income	47.3	32.5	15.6	7.0
Exchange rate differences on assets	13.9	- 7.1	1.3	- 7.5
Interest expenses	- 152.4	- 105.4	- 47.5	- 23.8
Exchange rate differences on liabilities	- 1.1	0.9	1.0	1.1
<i>Net financial items</i>	<b>- 92.3</b>	- 79.1	<b>- 29.6</b>	- 23.2
<b>Profit after net financial items</b>	<b>720.1</b>	<b>324.7</b>	<b>280.4</b>	<b>83.5</b>
Tax on profit for the period	- 97.2	162.0	- 28.5	17.2
<b>Profit for the period</b>	<b>622.9</b>	<b>486.7</b>	<b>251.9</b>	<b>100.7</b>
The profit for the period attributable to				
Shareholders of the parent	611.1	478.2	248.0	100.4
Minority interest	11.8	8.5	3.9	0.3
Earnings per share, SEK	18.89	16.33	7.64	3.40
Earnings per share after dilution, SEK	18.76	15.10	7.61	2.26
Average exchange rate SEK/USD	7.48	7.35	7.97	7.34
Average exchange rate SEK/EUR	9.28	9.12	9.48	9.18

## BALANCE SHEETS

Group, SEK m	31 December 2005	31 December 2004
<b>ASSETS</b>		
<i>Fixed assets</i>		
Goodwill	141.1	49.7
Other intangible fixed assets	3.7	7.6
Tangible fixed assets	5,549.7	3,925.0
Financial fixed assets, interest-bearing	27.9	28.5
Financial fixed assets, non-interest-bearing	64.8	50.7
<i>Total fixed assets</i>	<b>5,787.2</b>	<b>4,061.5</b>
<i>Current assets</i>		
Inventories	59.1	26.3
Receivables	582.4	498.1
Derivative instruments	5.4	-
Short-term investments	1,109.8	659.0
Cash and bank balances	370.7	295.9
<i>Total current assets</i>	<b>2,127.4</b>	<b>1,479.3</b>
<b>Total assets</b>	<b>7,914.6</b>	<b>5,540.8</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity <sup>1)</sup>	2,709.5	1,799.5
<i>Long-term liabilities</i>		
Equalisation reserve	205.3	107.3
Deferred tax	473.1	344.5
Other long-term liabilities	26.5	25.1
Long-term liabilities, interest-bearing <sup>2)</sup>	3,805.1	2,498.4
<i>Total long-term liabilities</i>	<b>4,510.0</b>	<b>2,975.3</b>
<i>Short-term liabilities</i>		
Current liabilities, interest-bearing <sup>2)</sup>	283.6	313.8
Current liabilities, non-interest-bearing	411.5	452.2
<i>Total short-term liabilities</i>	<b>695.1</b>	<b>766.0</b>
<b>Total liabilities and shareholders' equity</b>	<b>7,914.6</b>	<b>5,540.8</b>
Contingent liabilities	113.9	108.1
Closing day exchange rate SEK/USD	7.95	6.61
Closing day exchange rate SEK/EUR	9.43	9.01
<sup>1)</sup> Of which minority interest	34.8	32.1
<sup>2)</sup> Of which financial leasing	938.2	501.7

## CHANGES IN SHAREHOLDERS' EQUITY

Group, SEK m	2005	2004
According to annual accounts	1,799.5	1,477.0
Effect of change of accounting principle IFRS	-	- 239.3
Share issue and warrant premiums	108.1	209.2
Revaluation of derivate instruments	5.4	-
Currency difference	335.3	- 2.5
Dividend	- 161.7	- 131.6
Profit for the period	622.9	486.7
<b>Amount at the end of the period</b>	<b>2,709.5</b>	<b>1,799.5</b>

The translation difference for the period is mainly due to changes in the USD exchange rate, which is the reporting currency for the subsidiaries and associated companies Broström Holding BV (incl. the subsidiary Broström Tankers SAS), Broström Tankers AB and Broström Tankers Ltd, respectively.

## CASH FLOW STATEMENTS

Group, SEK m	2005	2004
<b>OPERATING ACTIVITIES</b>		
Operating profit	812.4	403.8
Adjustments for items not included in the cash flow etc	47.1	35.8
Financial items and tax	- 83.0	- 105.1
Change in working capital	- 157.2	95.1
<b>Cash flow from operating activities</b>	<b>619.3</b>	<b>429.6</b>
<b>INVESTING ACTIVITIES</b>		
Investments in fixed assets	- 1,074.9	- 483.3
Sale of fixed assets	580.9	35.5
Change in financial fixed assets	2.7	6.1
<b>Cash flow from investing activities</b>	<b>- 491.3</b>	<b>- 441.7</b>
<b>FINANCING ACTIVITIES</b>		
Dividend to shareholders	- 161.7	- 131.6
Dividend to minority owners	- 11.1	-
Warrant premiums and new share issue	17.7	-
New loans	1,099.6	321.0
Repayment of loans	- 660.1	- 228.9
<b>Cash flow from financing activities</b>	<b>284.4</b>	<b>- 39.5</b>
<b>Cash flow for the period</b>	<b>412.4</b>	<b>- 51.6</b>
Liquid assets, opening balance	954.9	944.5
Liquid assets at start of year in company for which the consolidation method was changed	-	25.7
Exchange rate difference in liquid assets	113.2	36.3
<b>Liquid assets, closing balance</b>	<b>1,480.5</b>	<b>954.9</b>

## QUARTERLY EARNING TREND

Group, SEK m	2005				2004				2003
	Q 4	Q 3	Q 2	Q 1	Q 4	Q 3	Q 2	Q 1	Q 4
Net sales	1,127.5	943.8	986.4	760.5	845.5	742.4	813.0	805.9	770.6
Operating profit/loss	310.0	120.8	198.6	183.0	106.7	61.9	109.3	125.9	55.8
Profit/loss after financial items	280.4	92.6	185.5	161.6	83.5	43.8	97.5	100.0	22.1
<b>Moving 12 months</b>	<b>720.1</b>	523.2	474.4	386.4	324.8	263.4	250.6	223.1	238.1

## FIVE-YEAR SUMMARY

Group, SEK m	2005	2004	2003	2002	2001
<b>INCOME STATEMENTS</b>					
Net sales	3,818.1	3,206.8	3,267.3	2,587.1	2,642.0
Operating profit (EBIT)	812.4	403.8	355.1	324.7	580.2
Net financial items	- 92.3	- 79.1	- 117.0	- 185.4	- 145.8
<i>Profit/loss after financial items</i>	<b>720.1</b>	<b>324.7</b>	<b>238.1</b>	<b>139.3</b>	<b>434.4</b>
Tax on profit for the year	- 97.2	162.0	- 47.9	- 42.4	- 122.8
<i>Consolidated profit/loss for the year</i>	<b>622.9</b>	<b>486.7</b>	<b>190.2</b>	<b>96.9</b>	<b>311.6</b>
<i>Of which minority interest</i>	<b>11.8</b>	<b>8.5</b>	<b>11.4</b>	<b>1.7</b>	<b>3.9</b>
<b>BALANCE SHEETS</b>					
Fixed assets	5,787.2	4,061.5	3,984.5	4,157.3	3,611.0
Current assets excl. liquid funds	646.9	524.4	717.7	565.3	602.2
Liquid funds	1,480.5	954.9	944.6	971.8	1,150.5
<i>Total assets</i>	<b>7,914.6</b>	<b>5,540.8</b>	<b>5,646.8</b>	<b>5,694.4</b>	<b>5,363.7</b>
Shareholders' equity incl. minority interests	2,709.5	1,799.5	1,501.5	1,416.1	1,467.5
Debenture loan	30.7	160.3	230.6	250.9	237.0
Equalization reserve	205.3	107.3	105.9	143.3	72.9
Deferred tax	473.1	344.5	561.5	520.4	495.9
Long-term liabilities and provisions	3,800.9	2,363.2	2,465.9	2,622.5	2,318.7
Current liabilities	695.1	766.0	781.4	741.2	771.7
<i>Total shareholders' equity and liabilities</i>	<b>7,914.6</b>	<b>5,540.8</b>	<b>5,646.8</b>	<b>5,694.4</b>	<b>5,363.7</b>
<b>CASH FLOW STATEMENTS</b>					
Current activities	776.5	334.5	420.6	419.6	612.1
Changes in working capital	- 157.2	95.1	- 76.7	- 5.9	174.5
Cash flow from current activities	619.3	429.6	343.9	413.7	786.6
Investment activities	- 491.3	- 441.7	0.7	- 517.6	- 218.5
Financing activities	457.2	92.1	- 239.9	116.9	61.2
Dividend to shareholders and minority owners	- 172.8	- 131.6	- 87.1	- 122.5	- 57.6
Translation difference	-	-	1.1	- 16.3	- 41.3
Cash flow for the period	412.4	- 51.6	18.7	- 125.8	530.4
Liquid funds, opening balance	954.9	944.5	971.8	1,150.5	598.0
Changed consolidation	-	25.7	21.7	-	-
Exchange rate difference in liquid funds	113.2	36.3	- 67.7	- 52.9	22.1
<i>Liquid funds, closing balance</i>	<b>1,480.5</b>	<b>954.9</b>	<b>944.5</b>	<b>971.8</b>	<b>1,150.5</b>
<b>OTHER</b>					
Capital employed, weighted average	5,484	4,338	4,489	4,400	3,906
Capital employed, at year-end	6,825	4,637	4,438	4,541	4,259
Operating capital	5,521	3,760	3,563	3,666	3,107
Net debt	2,578	1,657	1,745	1,895	1,394
Average number of employees	1,009	992	1,042	831	840

Comparable figures 2001 – 2003 are not calculated according to IFRS

## KEY RATIOS

	2005	2004	2003	2002	2001
<b>MARGINS</b>					
EBITDA-margin, %	<b>28.0</b>	19.8	18.3	21.1	28.7
EBIT-margin (operating margin), %	<b>21.3</b>	12.6	10.9	12.6	22.0
Profit margin, %	<b>18.9</b>	10.1	7.3	5.4	16.4
<b>RETURN RATIOS</b>					
Return on capital employed, %	<b>15.9</b>	9.9	7.5	7.2	17.7
Return on shareholders' equity, %	<b>27.1</b>	30.0	12.4	6.7	23.6
Return on total capital, %	<b>13.6</b>	8.0	5.9	5.7	13.9
Return on operating capital, %	<b>18.5</b>	11.7	9.8	9.6	19.6
<b>CAPITAL STRUCTURE</b>					
Debt/equity ratio, multiple	<b>1.0</b>	0.9	1.2	1.3	1.0
Interest cover ratio, multiple	<b>5.7</b>	4.2	3.4	1.8	2.8
Equity/assets ratio, %	<b>34.2</b>	32.5	26.6	24.9	27.4
Adjusted equity/assets ratio, %	<b>37.2</b>	38.0	31.9	30.9	32.6
Share of risk-bearing capital, %	<b>43.2</b>	44.2	42.5	40.9	42.4
<b>EMPLOYEES</b>					
Value added per employee, TSEK	<b>1,322</b>	912	823	754	1,031
<b>APPROPRIATION OF PROFITS</b>					
Dividend in relation to shareholders' equity, %	<b>9.7</b>	8.9	8.9	6.2	8.4

For definitions please see Annual Report 2004.



## SHARE DATA

Price-related share data	2005	2004	2003	2002	2001
Closing price at year-end, SEK	160.00	98.75	72.00	38.50	42.00
Highest price paid during the year, SEK	163.50	103.50	73.50	54.00	42.00
Lowest price paid during the year, SEK	90.25	68.00	34.70	31.00	17.00
Market value at year-end, MSEK	5,220	3,100	2,105	1,118	1,196
P/E ratio	8.5	6.0	11.7	11.7	3.9
P/EBIT	6.4	7.2	5.9	3.4	2.1
P/CE	8.4	8.4	6.1	2.6	1.5
Yield, %	5.0	5.1	6.3	7.8	10.1
<b>Per-share data</b>					
EBITDA, SEK	33.08	21.63	20.53	18.91	26.32
Profit/loss after net financial items, SEK	22.26	11.09	8.17	4.82	15.07
Profit/loss, SEK	18.89	16.33	6.14	3.28	10.68
Profit/loss after dilution, SEK	18.76	15.10	6.08	3.27	10.61
Shareholders' equity, SEK	82.69	56.30	50.51	48.31	50.53
Shareholders' equity after dilution, SEK	82.13	55.79	50.22	48.09	50.20
Cash flow from current activities, SEK	19.15	14.65	11.81	14.31	27.30
Cash flow for the year, SEK	12.75	- 0.67	0.64	- 4.35	18.40
Dividend (proposed), SEK	8.00	5.00	4.50	3.00	4.25
<b>Number of shares</b>					
Number of shares, closing date	32,622,842	31,394,806	29,239,988	29,027,988	28,815,988
Average number of shares	32,346,920	29,287,217	29,119,946	28,901,613	28,815,988
Number of outstanding warrants	675,750	648,500	648,500	212,000	424,000
Number of dilution shares	218,771	283,583	167,611	130,550	185,700
Number of shares after full dilution at year-end	32,841,613	31,678,389	29,407,599	29,158,538	29,001,688

## SHAREHOLDERS

Owner	Number of	Number of	Percentage of	
31 December 2005	A shares	B shares	capital	votes
Arvid Svensson Invest AB	1 037 984	3,320,991	13.4	26.5
The Dreijer families	734 954	1, 558,205	7.0	17.2
Odin Fonder, Oslo		3,050,174	9.3	5.9
Björnram family	171 840	320,560	1.5	3.9
JP Morgan Chase Bank		1,341,722	4.1	2.6
Lennart Simonsson	96 042	205,270	0.9	2.3
Kenneth Nilsson	84 908	267,072	1.1	2.2
Handelsbanken Fonder		775,286	2.4	1.5
Royal Trust Corporation of Canada		740,800	2.3	1.4
Orkla ASA		500,000	1.5	1.0
Other**		18,417,034	56.5	35.5
<b>Total</b>	<b>2 125 728</b>	<b>30,497,114</b>	<b>100.0</b>	<b>100.0</b>

\*\* Including non-Swedish nominee shareholders where individual holdings are not officially registered.