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● SUSTAINABILITY INFORMATION

The statutory sustainability report in accordance with the Swedish Annual Accounts Act is included in the annual report (pages 4-7, 12-14 and 24-25).

● DIRECTORS' REPORT

The Board of Directors and CEO of Indutrade AB (publ), reg. no. 556017-9367, hereby submit the annual report for the 2018 financial year for the Parent Company and the Group, which consists of a Directors' Report on pages 10-11, 15-19, 23-36, 39-40 and 42-43, along with the financial statements and notes on pages 38-75. The consolidated income statement and balance sheet, along with the Parent Company's income statement and balance sheet will be presented for adoption at the AGM. The Corporate Governance Report, which was reviewed by the auditors is on pages 27-35. See the Audit Report on pages 76-79.

This is an unofficial translation of the original Swedish text. In the event of any discrepancy between the English translation and the Swedish original, the Swedish version shall govern.

What

Indutrade markets and sells components, systems and services with a high-tech content. We acquire and develop companies that are characterised by high-tech know-how and an ability to build enduring, close relationships with customers and suppliers. We offer sustainable solutions that enhance our customers' competitiveness and ours as well.



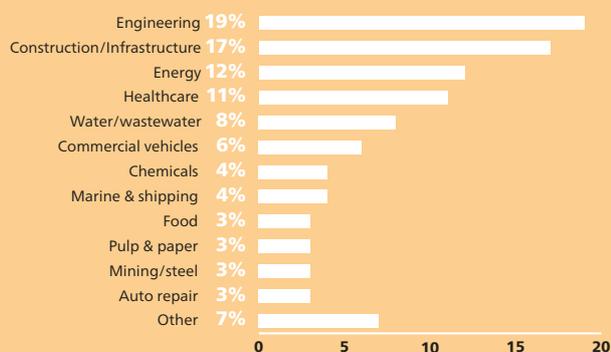
Important events in 2018

- Order intake rose 13% to SEK 17,073 (15,051) million.
- Net sales rose 13% to SEK 16,848 (14,847) million.
- EBITA excluding the 2017 restructuring costs increased by 20% and amounted to SEK 2,087 (1,745) million, which corresponds to an EBITA margin of 12.4 (11.8)%, which is the highest ever for a full financial year.
- Net profit for the year grew 33% to SEK 1,368 (1,030) million, and earnings per share were SEK 11.31 (8.54).
- Cash flow from operating activities fell by 12% during the year, to SEK 1,360 (1,554) million.
- In total, 9 acquisitions were carried out with combined annual sales of SEK 660 million.
- The business has been organized into 8 business areas and the Group management team has been expanded to strengthen Indutrade's foundation for continued profitable growth.
- In November 2018, the Board of Directors decided to increase the target for the EBITA margin for the Indutrade Group to a minimum of 12% (previously 10%) per year over a business cycle.
- The Board of Directors proposes a dividend of SEK 4.50 (3.75) per share for 2018.

For whom

Indutrade's customers can be found in a wide range of industries, including engineering, energy, water/wastewater, environment, transport, healthcare, food and infrastructure.

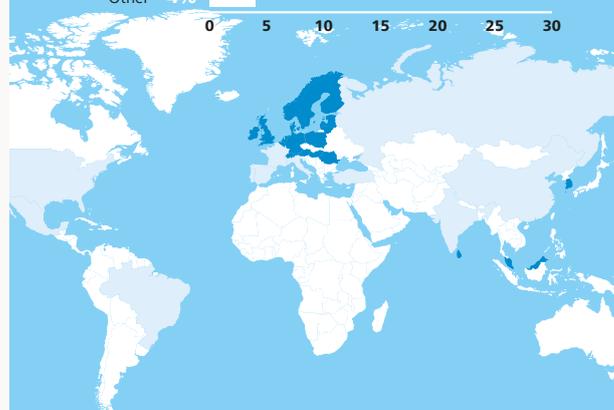
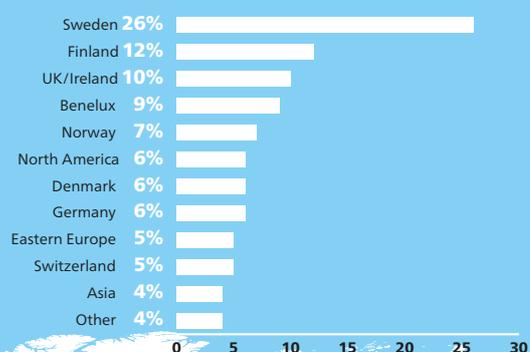
Net sales per customer segment



Where

Indutrade comprises more than 200 companies offering services in 30 countries on four continents.

Net sales per market¹⁾



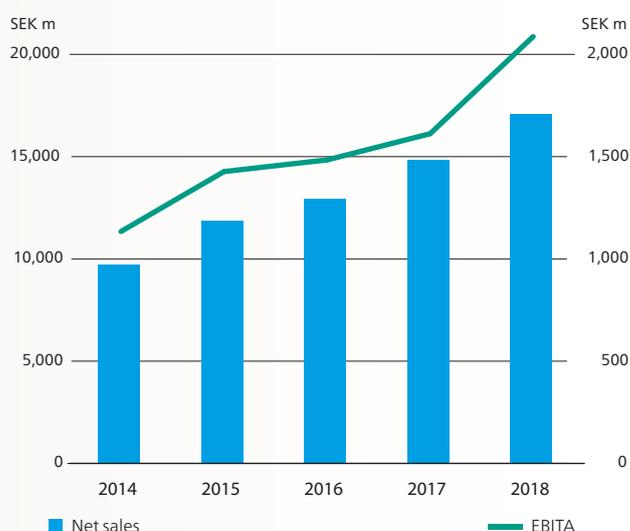
■ Countries where Indutrade's presence is significant
■ Countries where Indutrade's presence is limited

1) Based on customers' residence.

Key data

SEK millions	2018	2017	Change, %
Net sales	16,848	14,847	13
Operating profit	1,825	1,380	32
EBITA	2,087	1,613	29
EBITA excl. restructuring costs	2,087	1,745	20
EBITA margin, %	12.4	10.9	
Adjusted EBITA margin, %	12.4	11.8	
Profit before tax	1,750	1,310	34
Net profit for the year	1,368	1,030	33
Earnings per share before dilution, SEK	11.31	8.54	32
Return on operating capital, %	21	19	
Cash flow from operating activities	1,360	1,554	-12
Net debt/equity ratio, %	63	74	
Average number of employees	6,710	6,156	

Net sales and earnings



CEO's message

I am both proud and pleased to be able to sum up a very good year for Indutrade. Focus has been on sustainable, profitable growth, and the Group achieved its highest sales and EBITA margin ever while taking a large step forward in our sustainability work. At the end of the year the target for the EBITA margin was increased, which reflects our ambition to create even more value over time. Our value-based and entrepreneurial culture, scalable business model and good financial position give us great opportunities for continued profitable growth – both organic and through acquisitions.

Good growth and strong earnings

The business climate during 2018 was favourable, and demand in most sectors and market segments remained at a stable high level. Order intake was strong and grew 13%, of which 4% was organic. Sales grew 13% to nearly SEK 17 billion, and an EBITA margin of 12.4%, which is an all-time high for Indutrade. Profit for the year before tax increased by 34% to nearly SEK 1.8 billion.

For most of our companies, order intake, invoicing and profitability developed in a positive direction, and seven of our eight business areas showed improved margins compared with last year. The companies' dedicated customer- and result-oriented work generated profitable growth, and it is impressive to see the drive and commitment that exists within the Group.

We have kept a close eye on developments surrounding Brexit and have been mindful of certain inventory build-up among our customers, but believe we had very limited effects of pre-purchases coupled to our companies in the UK.

Demand was lower in the power generation segment, and a slight shift has taken place in the customer base towards Asia, which affected the Benelux business area negatively during the year.

Organic growth in the DACH business area was weak during the year due to lower construction activity in the process industry in Switzerland. Order intake picked up during the fourth quarter, however.

Responsible ownership

Indutrade is a stable owner and takes responsibility for our subsidiaries' long-term development. Of the more than 200 companies in the Group, only a few businesses showed less satisfactory profitability during the year. We have worked actively and with clearly focused action programmes for these companies, and as a result we are mainly finished with this extraordinary work and have entered 2019

with an agenda that is more focused on business development. The restructuring of the Sander Meson Group that began in late 2017 is now also essentially completed. The measures have involved consolidation of operations, personnel reductions and other activities aimed at strengthening long-term profitability.

During the year a refinancing was carried out as we chose to diversify our borrowing by establishing an MTN programme and issuing three unsecured bonds for a total of SEK 1,500 million. The Group's financial strength facilitates the subsidiaries' expansion and creates stability.

All in all these measures have contributed to a stronger Indutrade that is well equipped to meet future challenges and capitalise on opportunities.

Great conditions for stability

At the end of the year the macroeconomic and political situation resulted in slightly higher uncertainty surrounding the business climate. Our companies work closely with their customers, they are flexible, and if needed they can act swiftly and adapt to changes in demand. The Group's diversified structure with more than 200 companies in various segments creates conditions for stability even through fluctuations in the economy. Normally the business climate varies slightly among the various sectors and geographical markets.

Our strategy

We have continued to deliver on our strategy, which is based on generating profitable growth through acquisitions and development of stable and profitable companies in selected niches. Indutrade's strategy remains firm, and we have a solid foundation for continued long-term and competitive value creation. Our decentralised business model fosters an entrepreneurial spirit in which leaders with keen business instinct develop and drive the companies to continuously improve. At the start of 2018 we implemented

a new organisational structure with a greater number of business areas and an expanded Group Management team with a broader base of international experience. I am occasionally asked how large the Group can actually be. The answer is that I don't see any exact limit. Through a flatter structure with eight business areas we have created even better conditions to develop our companies and have even been able to add a large number of acquired companies without restructuring or similar measures. We have an opportunistic acquisition strategy that allows us to pick from the cream of the crop, and I feel that we have good prospects to continue acquiring the right companies at the right price. Our pipeline of acquisition candidates runs deep, and we have a number of projects in different phases, thanks in large part to our sterling reputation as an owner. Our strong financial position makes us ready for continued acquisitions.

People and culture most important in our companies

Our people are the key to the Group's future development. Our success is based in large part on the quality of the managing directors we have for our companies. Attracting and recruiting leaders is therefore something that we attach strong weight to, but most of all we focus on developing our existing leaders. While a large share of development is achieved through the Managing Director role, the companies always receive guidance from a coaching chairman and board who supports and challenges them through constructive input. We also work with our own, internal leadership programmes that are tailored to our business philosophy and company culture, and that better equip us for sustainable, profitable growth. Our ambition is to fully utilize the talented people we have within the Group and through them share best practices and successful, local initiatives for improvement among the companies.

“
Our ambition is
to fully utilize the
talented people
we have within
the Group.”



We are long-term owners that acquire companies in order to develop them and preserve the unique cultures. Our value based company culture guides us in our work from the acquisition phase to how we run, build and develop businesses in a responsible manner. We believe that the best decisions are made by the people who best know the customers' needs and processes. This is why our philosophy since the start in 1978 has been to run a decentralised organisation where responsibility for both the business and financial results rests with the subsidiaries, which generate business, earnings and cash flow. The subsidiaries' profitability responsibility contributes to strong commitment and value-creating improvements.

Increased target for EBITA margin

In November 2018, after conducting its annual strategic review the Board of Directors decided to increase the target for the EBITA margin to a minimum of 12% per year (previously 10%) over a business cycle. Our other financial targets remain unchanged, as we believe they are ambitious with a sales growth target of a minimum of 10% per year, a target for a minimum return on operating capital of 20%, and a target that ensures limited financial risk by maintaining a net debt/equity ratio that does not exceed 100%.

Good opportunities for continued growth

During the past year we carried out nine acquisitions in Sweden, Norway, Switzer-

land, the UK, the USA and the Netherlands. The companies do business in a number of different sectors and have niche positions in their respective segments. Most of them have own brands, which is in line with our long-term goal to increase the share of companies with proprietary products. A number of the companies were add-on acquisitions, which is part of Indutrade's strategy to also acquire through our existing companies in an effort to strengthen their market positions in attractive segments. The acquisitions will have a positive impact on our earnings and financial position in the coming year.

Updated materiality analysis

Indutrade works long-term, and sustainability is a natural part of our decentralised business model. Our active ownership is conducted via the companies' boards, where we work to ensure that the companies integrate sustainability aspects in their business models and strategies. Conducting business in a responsible manner is critical for long-term sustainable growth, development and profitability.

Indutrade strives to build long-term sustainable value by growing as a company and at the same time ensuring that both people and the environment are affected in a positive way. To ensure that we are working with and reporting on the areas of most importance for the Indutrade Group and our stakeholders, in 2018 we updated our materiality analysis. The Group's sustainability work is based on a set of priority sustainability areas: Anti-

corruption and business ethics, Acquisitions, Governance, People, Environment and Sustainable products and services.

Structured sustainability work is under way in our companies, which is a requirement from us as owners. We are convinced that sustainability creates business opportunities.

Stable platform for continued profitable growth

We have a stable platform that creates favourable conditions for sustainable, profitable growth also going forward. Our subsidiaries are well-invested with competitive products and insight about their customers' needs and various applications. Our decentralised business model promotes our entrepreneurial spirit, where strong leaders develop and continuously drive the companies forward.

With all the competence and drive that exists within the Group, we have solid prospects to continue strengthening Indutrade's position as the most value-creating partner for customers and suppliers alike. In closing I would like to thank all dedicated colleagues for their good work during the year and also welcome the year's newly acquired companies to Indutrade.

Stockholm, March 2019

Bo Annvik
President and CEO Indutrade

Goals and strategies

Overall goals

The Indutrade Group strives for continuous growth in selected geographic markets, product areas and niches while maintaining limited business risk. Growth is to be achieved organically as well as through acquisitions.

The Group's overall goal is to generate sustainable profitable growth.

Financial targets

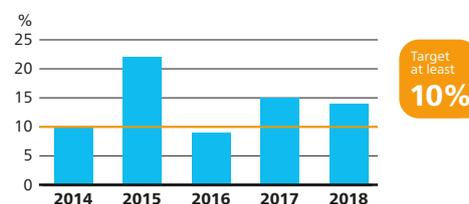
Target achievement

Historical achievement

Sales growth

Average sales growth shall amount to a minimum of 10% per year over a business cycle. Growth is to be achieved organically as well as through acquisitions.

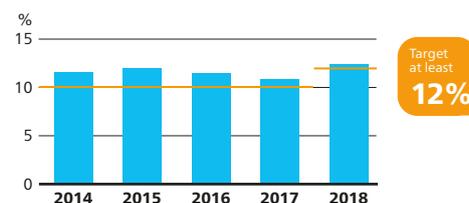
During the last five-year period average annual sales growth was 14%. Net sales rose 13% in 2018. For comparable units, the increase was 4%, while acquired growth was 7% and divestments were -2%. The currency effect was 4%.



EBITA margin

In November 2018 the target for the EBITA margin changed to a minimum of 12% (previously 10%) per year over a business cycle.

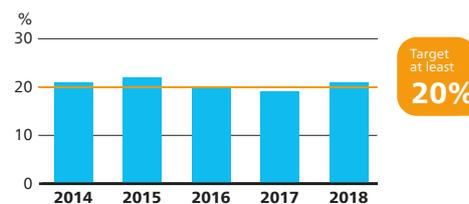
The EBITA margin has averaged 11.7% over the last five years. The EBITA margin in 2018 was 12.4%.



Return on operating capital

The return on operating capital shall be a minimum of 20% per year on average over a business cycle.

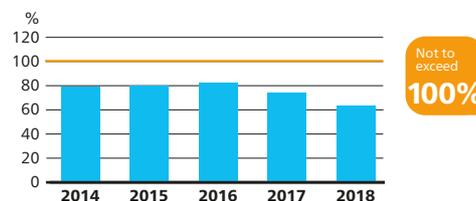
During the last five years the average return on operating capital was 21%. In 2018 the return was 21%.



Net debt/equity ratio

The net debt/equity ratio shall normally not exceed 100%.

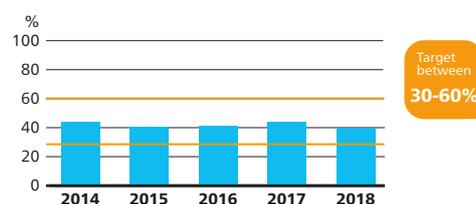
During the last five years the net debt/equity ratio at the end of the respective year ranged from 63% to 82%. The net debt/equity ratio at year-end 2018 was 63%.



Dividend payout ratio

The dividend payout ratio shall range from 30% to 60% of net profit.

During the last five years the average dividend payout ratio was 42% including the proposed dividend. For 2018 a dividend of SEK 4.50 has been proposed, corresponding to 40%.



Strategies

To achieve its overall goals, Indutrade pursues the following strategies:

Growth with limited risk

Growth will be achieved organically and through acquisitions – preferably in three dimensions:

- In existing and new technology areas
- Through a broadened customer offering based on relevant knowledge, such as extended support, training and other aftermarket services
- Geographically in selected markets.

Business development and growth are strategic tools for reducing the Group's risk.

Acquisitions

Indutrade acquires well managed, successful, typically owner-led industrial companies whose management teams are eager to continue running and growing the business. The companies manufacture or sell products in distinct markets. We can also make smaller, add-on acquisitions through our existing companies to strengthen market positions. A central feature in our acquisition process is to ensure a shared values foundation and shared ethical principles. These ethical principles are summarised in Indutrade's Code of Conduct, which all subsidiaries are expected to follow.

Indutrade acquires companies for long-term development. We neither change the companies' names or merge companies, which means that the seller knows that the company will continue as a long-term player in the market.

Strong market positions

Indutrade focuses on sales of products in niches in which it can attain a leading position.

Strong market positions are often a prerequisite for good profitability. They also make it easier to attract the best suppliers, which further consolidates Indutrade's position.

Long-term partnerships with leading suppliers

Indutrade gives priority to suppliers who, through own product development, provide market-leading, high-quality products with a high-tech content. A partnership with Indutrade should be the most profitable way for suppliers to sell their products.

A range of market-leading products from the best suppliers, coupled with Indutrade's technical and market know-how, makes Indutrade a more attractive business partner for existing and potential customers.

Companies with proprietary products and brands

Indutrade has many companies with proprietary products and brands. The products should have a high-tech content, while the companies should have a strong market position and good growth potential.

Companies with proprietary products and brands provide balance to the Group's technology sales companies. Since 2004 the share of companies with proprietary products has grown by 31 percentage points, and in 2018 they accounted for 40% of consolidated net sales.

High share of repetitive sales and focus on selected customer segments

The Group gives priority to customers with a recurring need that are active in industries with favourable prospects for maintaining competitive production in Indutrade's home markets. Many of these industries are characterised by a high degree of automation, high distribution costs and/or large start-up investment.

This contributes to business stability and predictability of revenue flows.

Sales organisation with high level of technical expertise

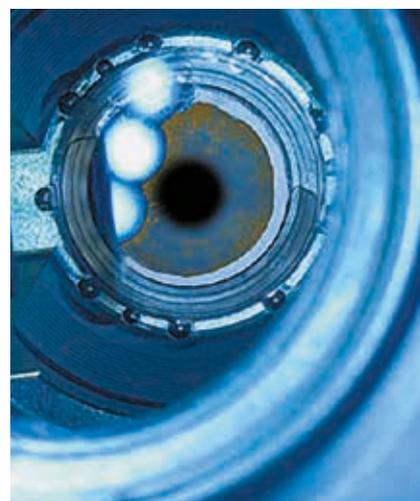
Indutrade's product and service offering, which is aimed at both end users and OEM customers (customers that integrate Indutrade's products in their own products), should have a high-tech content and incorporate a high level of service and qualified technical consulting. Indutrade's sales representatives must have a high level of technical expertise in their respective niches and a depth of knowledge about the customers' production processes.

This makes Indutrade an attractive business partner that creates value-added for customers and suppliers alike.

Decentralised organisation with strong local ties

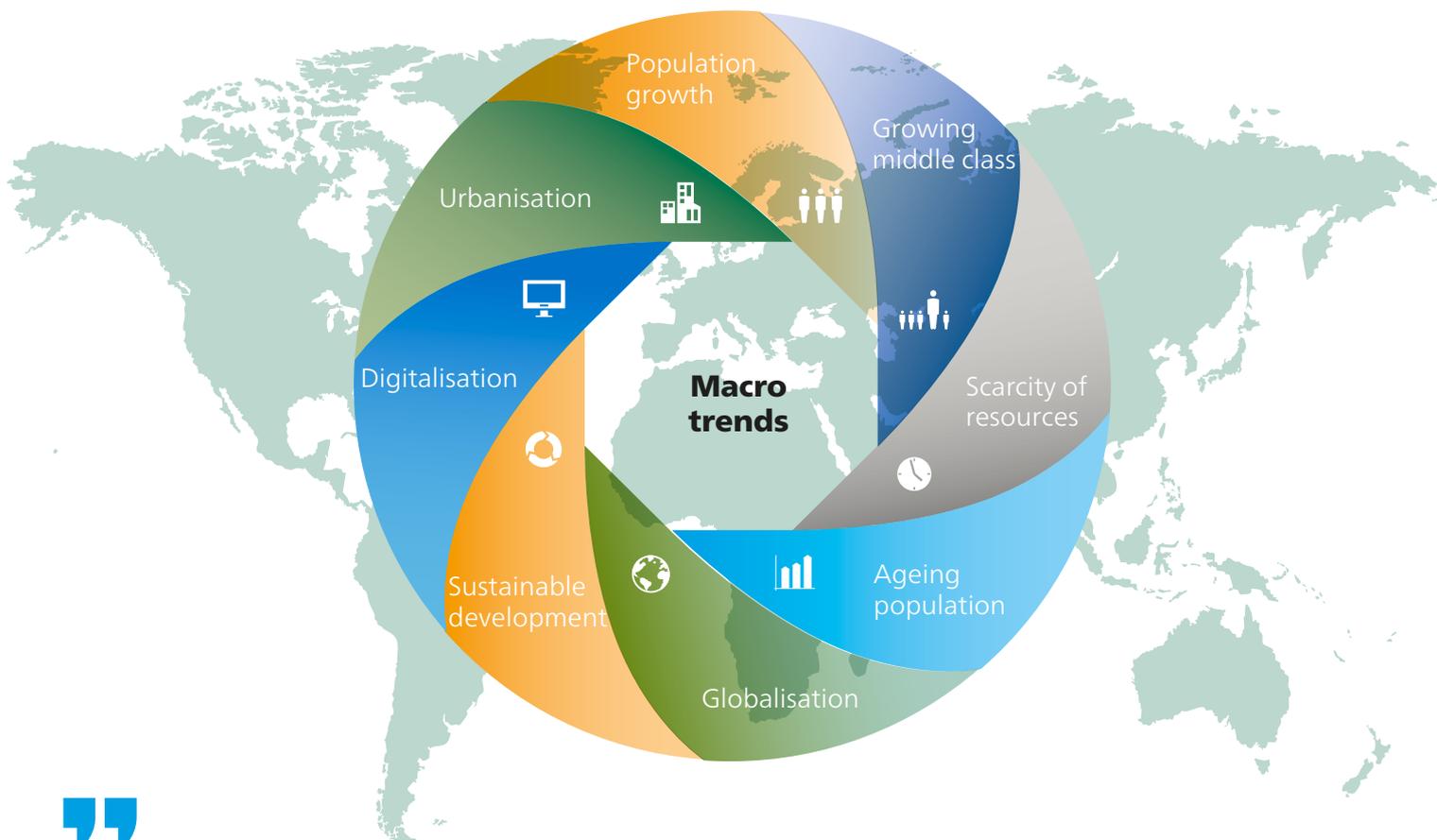
Indutrade's governance model is characterised by decentralisation, as the best business decisions are made close to customers by people who have the best understanding of the customers' needs and processes.

We are increasing customer value with subsidiaries that control their own operations, are flexible and entrepreneurial, and work closely with customers.



Driving forces and business environment

Global macro trends such as climate change, demographic changes, globalisation, digitalisation and rapid technological development present our customers with a steady progression of new challenges.



Indutrade offers components, systems and services that improve our customers' ability to manage the challenges presented by a changing world.

Conducting active business intelligence in which the salient trends are identified, monitored and analysed is crucial for Indutrade in its ability to make well-grounded decisions and conduct long-term sustainable business. While global trends pose challenges, they also represent major business opportunities. Indutrade is an international group that is active in markets in more than 30 countries on four continents. Markets outside the Nordic countries have had strong development and have increased in importance. Many of Indutrade's companies sell and produce components and products that are exported globally.

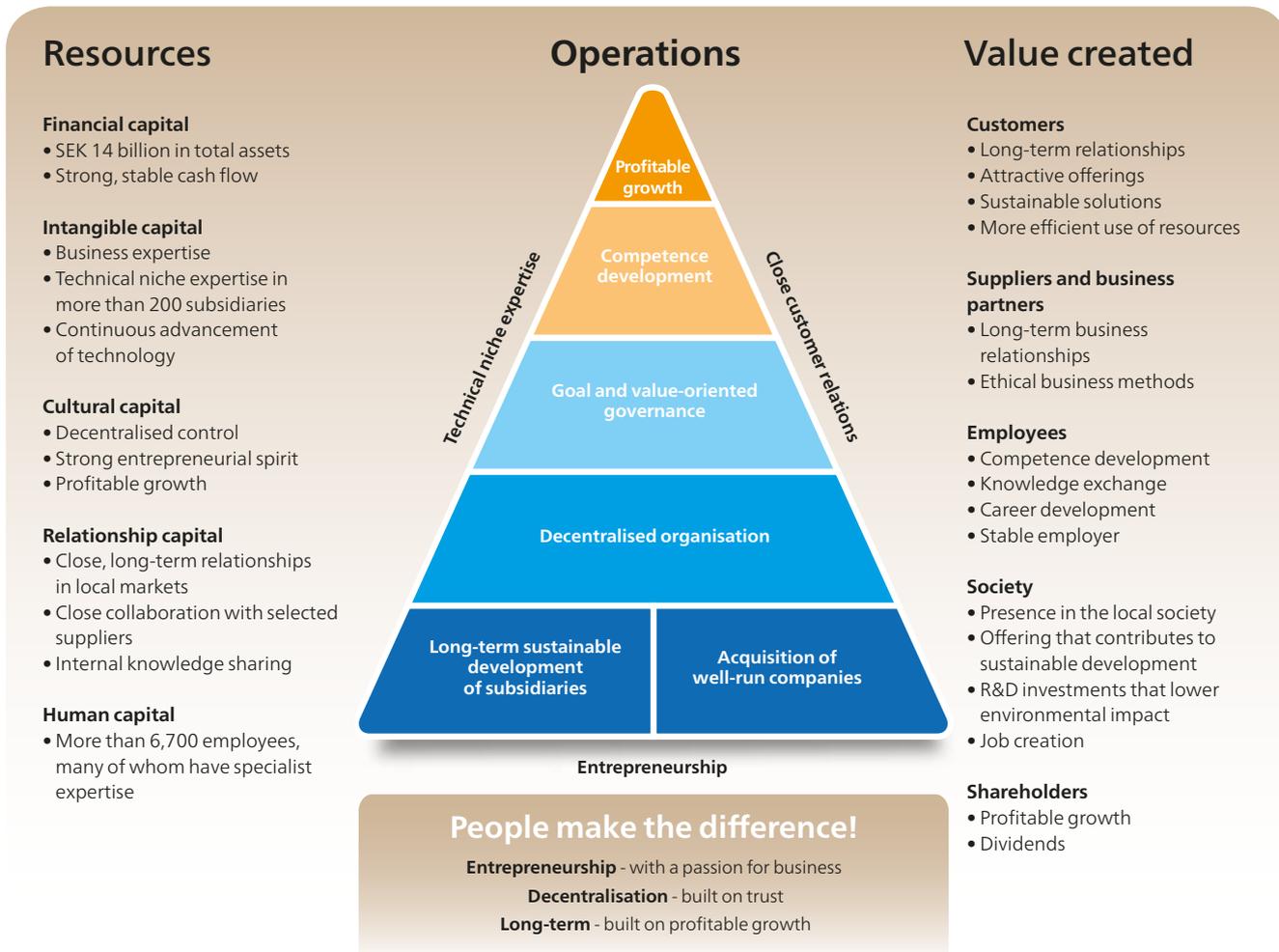
Population growth and a growing middle class are leading to rising demand for capital – as well as consumer goods, at

the same time that the need for healthcare is rising as people are living longer. Migration in large parts of the world is creating a need for infrastructure investment. Greater uncertainty in the world is giving rise to higher demand for security solutions. Limited natural resources are leading to greater demands for more efficient use of resources, recycling of material, and conservation of energy in industry. Climate change is leading to demands for greater use of renewable energy sources and a sustainable transport sector, with improved fuel economy and lower carbon emissions. This growing environmental awareness, coupled with demands for long-term sustainable development, is resulting in greater demand among consumers for locally produced goods. Awareness about

climate change and the environment is also influencing where industrial production is localised around the world.

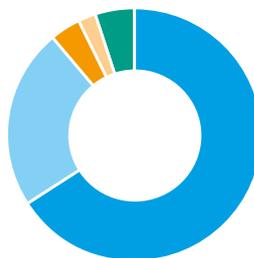
Indutrade offers components, systems and services that improve our customers' ability to manage the challenges presented by a changing world. Our growth strategy is focused on sectors with high demands for efficiency and thus a high degree of automation. Priority is given to products that help industries measure, regulate, control, automate and improve the efficiency of their processes, and products that support industries in meeting environmental standards and their energy needs. With Indutrade's help, customers can conduct their business in a more energy-efficient and environment-friendly manner.

Indutrade's business model



Indutrade is in the business of developing and acquiring well-managed, profitable technology and industrial companies with a focus on decentralisation. The way in which we create value is through our subsidiaries' operations. In its role as owner, Indutrade helps develop companies that apply a long-term perspective to their operations and this pertains to a variety of aspects, such as their offering, market presence, sustainability and innovation.

Our business risk is limited by acquiring companies with established customer relationships, good profitability and an established market presence. All of this is further strengthened by our companies sharing the same company culture, business ethics and approach to sustainable entrepreneurship.



Distribution of economic value

- **Suppliers and business partners 66%**
- **Employees (including social security contributions) 23%**
- **Shareholders and other financiers 4%**
- **Society (corporate tax) 2%**
- **Remaining in the company 5%**

Active ownership

Indutrade as owner

Indutrade is a long-term owner that applies a decentralised business model based on clear values. Our company culture guides us from the acquisition phase to how we run, build and develop businesses in a responsible manner.

It is of utmost importance that our companies continually strive to improve their social, environmental and economic impact. Responsible action and focus on sustainability creates long-term value and enhances our competitiveness. We help create the prerequisites for healthy, well-run companies by supporting our companies' development in a way that will meet new demands.

Value-based leadership

The core of our company culture is value-based leadership with a great amount of freedom and self-determination.

Our code of conduct is an important tool for communicating and promoting our shared principles and values. Our decentralised governance model puts demands on acquired companies to have well-functioning operations and management. During the acquisition process we put strong emphasis on getting to know the company and its management, employees and owners – to gain an understanding of whether they share our values and views of sustainable business.

Decentralised organisation

Our highly decentralised organisation enables companies to make own decisions, thereby giving them the freedom and ability to adapt to customer needs. The best business decisions are made when there is close contact with customers based on their specific needs and processes. A great many of our subsidiaries work in smaller cities or towns, and our employees thereby become important local ambassadors who, through their work, contribute to our companies being perceived as reliable and responsible, such as by ensuring that the local environment is not negatively impacted by the company's operations. Our companies contribute to local growth and development by creating jobs and promoting entrepreneurship and local investment.

Benefits of being a part of Indutrade

Indutrade supports its subsidiaries by providing industrial and technical expertise and assisting with business development, financing and management by objectives. We also offer support in the form of competence development and knowledge sharing between companies. We are stable owners that take responsibility for the our subsidiaries' long-term success. The Group's financial strength facilitates the subsidiaries' expansion and it creates stability.

We hold network meetings and have a digital communications portal called Indutrade Portal, both of which facilitate knowledge-sharing and informal networking to exchange ideas and experiences between companies. Internal benchmarking is carried out each quarter by generating a ranking list. This clarifies the goals for our subsidiaries and enables CEOs to see and compare the progress of other companies in the Group.

Acquisition process

Acquisition is a natural component of Indutrade's operations and it is fundamental to our strategy for growth. We maintain a high rate of acquisition, typically acquiring several companies each year.

Our business philosophy builds upon entrepreneurship, decentralisation and profitable growth. The companies we acquire are well managed and successful, with well defined markets. They also have technical niche expertise. They have well-working and motivated management teams that are characterised by entrepreneurship and which are eager to continue their involvement also after the acquisition.

The pre-acquisition process might last for several years, during which time we meet managers and employees frequently to ensure that they are an "Indutrade company". We strive to, as early as possible during the acquisition process, discuss our decentralised governance model and fundamental values.

In 2018, we clarified our sustainability focus on the acquisition process by stating specific goals to ensure that the acquired company has a long-term sustainable business strategy.

Develop

When a company joins the Indutrade Group, it is able to maintain its original identity, while gaining access to the cumulative experience and knowledge that exists within the Group. Companies in the Group enrich each other and we obtain a transfer of knowledge. Network meetings and internal benchmarking help us identify best practice, which can be spread throughout the Group. All Indutrade companies have distinct, decentralised responsibilities and authorities. Indutrade supports them with industrial know-how, financing, business development and management by objective.

Acquire

We put high requirements on the companies we acquire. They are successful and well-managed, with a defined market and distinct customer offering. They are run by entrepreneurs who are passionate about their business concept, who want to further develop their company and who share our values on sustainable entrepreneurship. We acquire companies where the owners want to continue leading and developing the company without being its owner. Reasons for wanting to sell can vary. For example, a company may need a new owner because it is in an expansion or investment phase. Or, perhaps new ownership is needed to ensure the company's longevity. Indutrade has no exit strategy, and by selling to Indutrade, the company's future is secured.

Identification

Indutrade strives to, already at an early stage, engage with owners of potential acquisition candidates. Prior to a potential sale, owners are already acquainted with Indutrade and find it natural to involve us in discussions about an acquisition. Indutrade continually engages with companies that are interesting acquisition candidates.

Evaluation

Several parameters are used to evaluate a potential acquisition including market position, customers, competitors, main suppliers, strategic and technical focus, environmental impact, ISO certifications, financial position, historical data and future involvement of key employees. Running the business in a responsible way is critical to creating long-term sustainable growth, development and profitability and is therefore central in the evaluation process.

Thorough due diligence minimises the operational and financial risks associated with new acquisitions. The acquisition process is never rushed because allowing time for getting to know each other increases the probability of a successful acquisition. Careful preparation is key to success.

Negotiation

The negotiation stage is primarily about ensuring the following:

- that it will be possible to carry out the acquisition at a price that makes the deal worthwhile.
- that key individuals will stay involved after the acquisition. These are typically joint owners of the company that is being acquired, which is why contingent consideration is often part of the acquisition structure. It means that additional consideration will be paid if the company achieves a certain level of profitability after the acquisition. It thus gives them an incentive to stay with the company, helping it develop and grow.
- It is also important that main suppliers are in favour of the acquisition so that they too remain loyal.

Governance process

Implementation

A structured review of the acquired company is done when carrying out an acquisition. The main areas of focus are the acquired company's:

- Customers and suppliers – will it be possible to expand the scope of clientele and product line?
- Is the organisation being run in a responsible way? Have sustainability aspects been integrated into the business model, business culture, strategies, processes and product offering? Is growth sustainable over the long term?
- Organisation – could it be made more efficient, with more focus on customers and sales?
- Costs, margins and inventory turnover – is it possible to raise profitability and returns?

New targets are established that are specific to the company and its conditions.

Follow-up

There is continuous dialogue between Indutrade's Group management team/business area managers and the acquired company's management team. Ongoing governance is goal-oriented with a focus on growth, margins and tied-up assets.

“
Our code of conduct is an important tool for communicating and promoting our shared principles and values.”



Acquisitions in 2018

At the end of 2018, Indutrade owned companies in 30 countries. For historical reasons the largest share of our business is in Sweden and Finland. Outside of these two markets, the primary strategy is to strengthen our position in markets in which we are already established.

Indutrade acquired nine companies in 2018, with combined sales of approximately SEK 660 million. Some of the acquisitions in 2018 were add-on acquisitions that are part of Indutrade's strategy to also acquire companies through our existing companies aimed at strengthening their market positions in attractive segments.

Acquisitions in 2018

Possession	Acquisitions	Business area	Sales SEK million ¹⁾	No. employees ¹⁾
February	Zijtveld Grippers B.V.	Benelux	130	40
February	RA Howarth Engineering Ltd	UK	20	16
February	Gaveco AB	Flow Technology	15	5
May	Digitrade GmbH	DACH	15	7
May	Precision Parts UK Ltd	Flow Technology	130	40
July	Norsecraft Tec AS	Industrial Components	55	18
August	TXRX System	Measurement & Sensor Technology	120	56
October	Thermo Electric Instrumentation B.V.	Measurement & Sensor Technology	115	55
December	NRG Automation Ltd	UK	60	17
Total			660	254

¹⁾ Estimated annual sales and number of employees at the time of acquisition.

JAN

FEB

MARCH

APRIL

MAY

JUNE

February

Zijtveld Grippers B.V. designs, manufactures and markets hydraulic grabs for construction machinery. The grabs are used in a wide range of application areas, including demolition, construction, infrastructure, the recycling industry, and materials handling.



RA Howarth Engineering Ltd offers niched CNC services. In close collaboration with its customers, they design customised solutions in various industrial sectors.

Gaveco AB designs, manufactures and sells components and systems for high pressure gases. Examples are systems for fuel natural gas (FNG) vehicles, rescuing equipment to the aircraft industry and compressors to rescue services.



May

Precision Parts UK Ltd is a manufacturer and supplier of medical gas pipeline equipment. The systems and products are used in hospitals and other care facilities to deliver and regulate medical gases such as oxygen and nitrous oxide. They have own manufacturing and the products are sold under CPX brand.



Digitrade GmbH is a technology sales company that offers gas alarm systems. The offering consists of gas detectors, complete gas alarm systems, calibration and service.



July

Norsecraft Tec AS is a leading Norwegian technology sales company that offers automatic lubrication systems for construction machinery and industrial applications. Lubrication systems ensure continual supply of lubrication to machinery to ensure optimal performance and minimize downtime. The company also offers installation and it has a wide service network covering all of Norway.



October

Thermo Electric Instrumentation B.V. founded in 1968, it develops, manufactures, markets and calibrates temperature sensors. The company has developed a wide range of temperature sensors that are customised to customers' specific needs and requirements.



JULY

AUG

SEPT

OCT

NOV

DEC

August

TXRX Systems is a leading manufacturer of products and technical solutions for Professional Mobile Radio (PMR) systems for the US market.



In August 2018, Indutrade acquired all of the assets of **TXRX System**. TXRX is a leading manufacturer of products and technical solutions for Professional Mobile Radio (PMR) systems for the US market. The end customers are within public safety, first responders, public transportation and utility services.

TXRX nicely complements Indutrade's Danish company, Combilent. Combilent has a leading position in all product areas in the European market and, in combination with TXRX's strong brand and leading position among US customers, it creates excellent opportunities for growth.

Add-on acquisitions are part of Indutrade's strategy to acquire companies also through our existing companies in order to strengthen their market positions in attractive segments. TXRX and Combilent belong to the Measurement & Sensor Technology business area.



December

NRG Automation Ltd is trade supplier of products used in the automation and control of doors and gates for industry, stores and residential property. NRG Automation also has a wide offering of automation solutions for gates and fences. Its customers are manufacturers and installers of doors, gates and fences in the UK and Ireland.



Sustainable business

Indutrade’s views on sustainable business

Sustainable business is about managing companies with an eye on the future. We strive to create long-term value and regard business opportunities linked to sustainability issues as a driving force for developing our companies and continuing to generate sustainable, profitable growth.

Sustainability as an integral part of the business model

By exercising active ownership via the Boards of Directors for our companies, Indutrade strives to ensure that sustainability aspects have been integrated into their business models and strategies. Managing operations in a responsible way is of utmost importance and the key to long-term sustainable growth, development and profitability.

Our Code of Conduct – everyone’s responsibility and right

Indutrade’s Code of Conduct is our policy for sustainable entrepreneurship and it is an important component of our sustainability efforts. It provides guidance for who we aspire to be and how we want to be perceived, and applies for all employees in the Indutrade Group, in all countries. The Code of Conduct has its starting point in

the basic values expressed in the Global Compact’s 10 principles for corporate sustainability, the OECD Guidelines for Multinational Enterprises, and other internationally recognised norms. The Code of Conduct lays out guidelines for our daily conduct in a number of important areas, including care for the environment, health and safety, business ethics including anti-corruption, employee relations, human rights and community impacts.

The Code of Conduct has been adopted by the Board of Directors and it is available to all of our employees via Indutrade Portal (our communications portal). It has also been translated from Swedish into several other languages. The Code of Conduct is also available on our website: www.indutrade.com

In 2018, we conducted a GAP analysis on our Code of Conduct as part of our preparation for becoming a signatory of the UN Global Compact. In 2019, some areas of our Code of Conduct will be revised to ensure that it is entirely in line with the Global Compact. Global Compact is the world’s largest sustainability initiative for companies. It contains 10 principles on corporate social responsibility. The principles are based on international conventions on human rights, labour rights, the environment and anti-corruption.

Follow-up and evaluation

The managing directors of the respective subsidiaries are responsible for ensuring that the Code of Conduct is integrated in their own operations and organisations. It is also the respective subsidiaries’ managing directors who determine if there are additional actors in the company’s value chain who are to be subject to the Code of Conduct, such as suppliers or subcontractors.

Follow-up of the Code of Conduct is conducted yearly as part of the internal control process. Employees who see any deviations from the Code of Conduct or who suspect any improprieties can report such via an external whistleblower function, anonymously if they so prefer.

In 2018, there was also follow-up on how our subsidiaries have implemented the Code of Conduct into their operations. This revealed that most had implemented and discussed the content of the Code of Conduct with their employees.

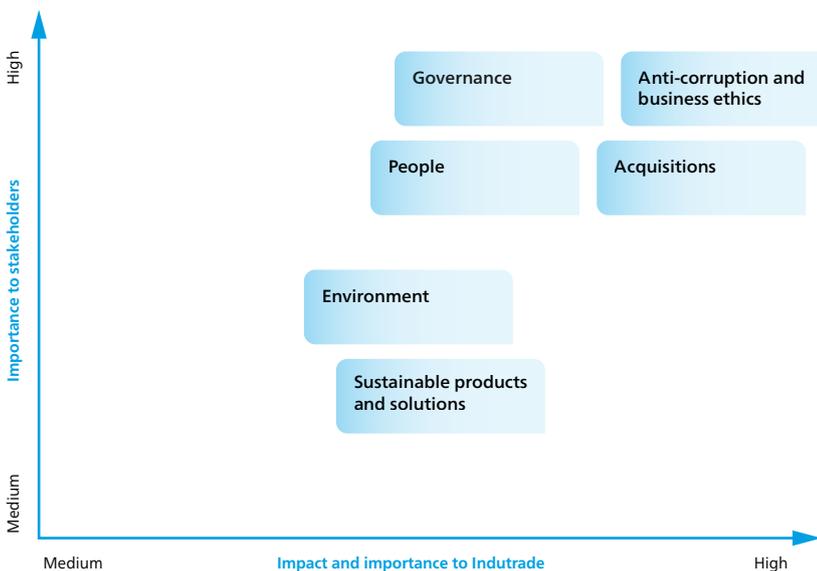
Updated materiality analysis

In 2018, we updated our materiality analysis to ensure that we are working with, and reporting on, the areas that are most important to our stakeholders. The analysis is based on interviews we conducted with our stakeholders during the year. Our stakeholders include owners, potential investors, analysts and employees of Indutrade’s Parent Company and subsidiaries. We have identified our most significant sustainability issues via stakeholder engagement, by gathering business intelligence and through analyses of our industrial sectors. This has been illustrated in the matrix presented here. In 2019, we will analyse and clarify opportunities and risks associated with each area, along with potential, measurable KPIs.

Anti-corruption and business ethics

With operations in 30 countries around the world, business ethics is of utmost importance to Indutrade. In order to grow and develop, we must ensure that we have good business ethics and that there is full compliance at all levels with our requirements on anti-corruption. This ensures that we can retain the confidence that our stakeholders and the rest of the world have in Indutrade. The Code of Conduct contains guidelines for business ethics and

Materiality analysis

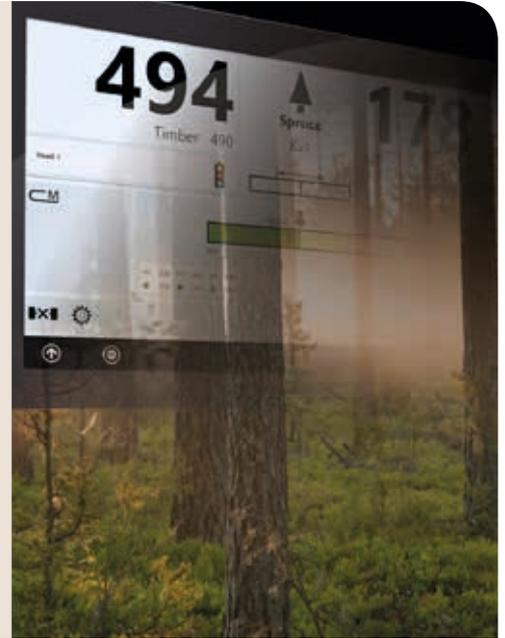


Dasa – a leader in vehicle electrification

Sustainability has always been an integral part of Dasa's operations. The company's first product was a bucking computer for forestry vehicles, which helped make the industry more ecological, economical and socially sustainable.

The company has also applied a sustainability perspective to the new business areas it has added since its inception. Sustainability is thus also a key component of its future growth plans. Via strategic collaboration with the German company, STW, Dasa is developing vehicle electrification solutions for mobile machinery and commercial vehicles. By combining the expertise of each company, it will be possible to offer sustainable solutions for drivelines and intelligent control systems that help in lowering emissions and improving work environments. The collaboration has helped put Dasa on the cutting edge of vehicle electrification and it has a unique opportunity for winning market share before major global competitors are able to catch up.

Sustainability is also a key focus area in Dasa's own operations in terms of such things as energy consumption and recycling. Furthermore, Dasa has made dedicated efforts to improve gender balance within the company. Traditionally, this has been a male-dominated industry. Nevertheless, 25% of Dasa's employees are female and 50% of its senior executives are female.



anti-corruption. In 2018, Indutrade did not receive any reports of suspected corruption.

Acquisitions

Acquisition is a natural component of Indutrade's operations and it is fundamental to our strategy for growth. More information on how we work with sustainability in conjunction with acquisitions is provided on pages 8-9. All of the nine companies that Indutrade acquired during the year have been evaluated from a sustainability perspective.

Governance

Our sustainability governance efforts have been adapted to our decentralised organisation and they primarily occur via the Boards of Directors of our companies. We comprise of more than 200 companies, in a wide variety of industries and markets. Accordingly, each of them faces different types of challenges and opportunities. It means that we cannot have Groupwide targets and focus areas for sustainability. Instead, they must be tailored to each company. However, from a long-term ownership perspective, our overall ambitions for sustainability are the same for all of our subsidiaries.

The CEO and senior executives of each subsidiary have operational responsibility for their own sustainability efforts. Each

Board of Directors is ultimately responsible for ensuring that their company complies with its own, and Indutrade's, guidelines and policies.

People

Indutrade regards its employees, their well-being and expertise as its most important assets. Ensuring that each employee is thriving in the organisation is therefore one of our most important sustainability issues. We do this via competence development, health & safety and our working conditions.

Competence development

One of the most important preconditions for maintaining a long-term approach in our own and our subsidiaries' operations is to ensure we have the right expertise within the Group. In our subsidiaries this is largely a matter of making full use of the expertise that already exists internally. We do this both through continuing education for key individuals and by sharing knowledge and experiences within the Group.

Our companies often work as problem-solvers for customers, which requires that the employees have a high level of business and technical expertise. Offering development opportunities for our employees is a way for us to be an attractive employer and thereby retain and attract key talent within the Group.

In 2018, several Group-wide activities were held to promote competence development within the Group. For example, we increased the focus on succession planning and knowledge sharing. Through Indutrade Academy, we offer a leadership program that provides training in areas such as leadership and sales. These trainings have been tailored to our specific views on business acumen. Our aim is to ensure that our managers and employees are better equipped to meet business challenges and customer expectations. It also facilitates knowledge sharing and networking within the Group.

Indutrade Portal was launched in 2018. It is our digital communications platform for promoting and facilitating knowledge sharing and networking within the Group.

Health & Safety

To ensure a safe and sound workplace for all employees in the Indutrade Group, health and safety is one of the areas that we address specifically in the Code of Conduct. Most of the subsidiaries have operations involving lighter workshop and assembly work, which entails a relatively low risk for injury. Nevertheless, the Code of Conduct emphasises that our companies shall work proactively to prevent obvious physical risks, and monitor safety work and the employees' work situation. Subsidiaries' investments in improved pro-

duction environments are something that we prioritise, support and encourage. It creates the best conditions for a safe workplace with fewer risks and repetitive movements at the same time that it boosts productivity and creates conditions for the subsidiaries' growth.

Working conditions

We want to promote lasting, inclusive and productive employment with decent working conditions for everyone. Although many of our subsidiaries do not have own productions, the products they sell might be manufactured in countries where the working conditions can vary quite substantially. Access to national, regional and global markets is critical to our companies' ability to fully develop their potential.

Employees of the Group are recruited and promoted exclusively based on their work qualifications and without consideration of their gender, transgender identity or expression, ethnic origin, religion or other faith, functional disability, sexual preference, age or other categories protected by law.

Environment

Indutrade's environmental impact is primarily indirect and it occurs via our subsidiaries. Accordingly, most of our environmental initiatives occur in subsidiaries. The

ambition is to continually reduce environmental impact via systematic improvement efforts. Most of our subsidiaries are engaged in environmental work, such as more efficient use of energy and natural resources, implementing systems for reuse and recycling of materials and energy, along with preventing/limiting pollution.

For example, being ISO-certified is often a prerequisite for customers and suppliers to even begin working with our companies. More than 80% of our companies believe that they are working in their operations on continuously reducing their environmental impact and actively helping their customers reduce theirs. As of 2018, 50% of all subsidiaries were certified according to various management systems such as ISO 14001, ISO 9001, ISO 13485 and OHSAS 18001.

Nine of Indutrade's Swedish subsidiaries conduct operations that require permits or reporting in accordance with the Swedish Environmental Code. Three foreign subsidiaries conduct operations subject to an equivalent permit or reporting obligation.

Sustainable products and solutions

Through active board work we support the managing directors of our subsidiaries in their efforts to meet the growing demands and expectations for responsible and sustainable solutions.

The components, systems and services that our companies market, sell and produce often require technical and industrial know-how in order to be beneficial for the customer. By having good knowledge about customers' systems and processes, combined with a high level of technical expertise, we aim to improve the efficiency of our customers' operations and offer solutions that reduce environmental impacts and enhance efficiency.

Indutrade AB's own operations

A natural point of departure for our sustainability efforts is focusing on the processes where we have the greatest impact, i.e. investment decisions and exercising active ownership. Of equal importance is having a clear sustainability focus in Indutrade's Parent Company as well. Proactive sustainability efforts should be an integral part of daily operations which are run by our 15 employees at the head office in Stockholm. Indutrade's direct environmental impact is limited. However, we must still actively strive to lower it. At present, air travel in conjunction with business trips is the Parent Company's largest source of emissions.

Besides the Code of Conduct, we have several Group-wide internal guidelines which include such things as our tax, insurance and investment policies.

Tribotec's environmental approach to rust

When metallic products are stored and transported, there is a constant risk of rust. With its 40 years of experience, Tribotec is an established supplier of rust protection solutions, silicone, glue and lubricants to companies in the Nordic region. It supplies cost-effective solutions with minimal environmental impact on health and the environment.

Tribotec supplies industry with sustainable alternatives and high-quality, environmentally smart products such as BioCorr® rust protection. BioCorr® a waterbased, biobased, and biodegradable rust preventative that is intended for preservation of metals in storage and during transportation. In other words, it is a smart, environmentally friendly alternative to petroleum-based rust protection products. Tribotec also offers an "intelligent" rust protection solution that is recyclable, with environmentally friendly VpCl technology.

And, Tribotec offers its customers rust protection training and lab analyses of rust protection products, which provides them with optimal use of resources in the form of cost-effectiveness and a lower environmental impact. The company is certified according to ISO 14001 and is part of FT (the national recycling system for households and companies).



Operations

New business areas established

Effective 1 January 2018 the Indutrade Group is organised in eight business areas. The aim of this change is to strengthen our platform for continued profitable growth, to enable a continued high pace of acquisition activity, and to better utilise the international expertise that currently exists in the Group. The eight business areas are as follows: Benelux, DACH, Finland, Flow Technology, Fluids & Mechanical Solutions, Industrial Components, Measurement & Sensor Technology and UK.

Performance during the year

Performance was strong in 2018, with a focus on profitable growth. The business climate remained favourable and demand in most industries and market segments was both stable and at a high level. Sales increased by 13%, resulting in net sales of SEK 16,848 million and an EBITA margin of 12.4%, which is a new record for Indutrade. There was good organic growth in most of the business areas, and it was particularly strong for companies in the following business areas: UK, Industrial Components and Fluids & Mechanical Solutions.

In total, 9 acquisitions were made in 2018 with total annual sales of SEK 660 million. Most of the acquired companies have own products, which is entirely in line with our strategy to increase the share of companies with proprietary products.

As part of a more wide-scope review, several companies were divested during the year as an extraordinary activity. The assessment was that Indutrade was not the right owner for these companies over the long term. Indutrade does not have a goal of divesting companies. On the contrary, it only acquires companies with the intention of holding and developing them over the long term.

MTN programme established

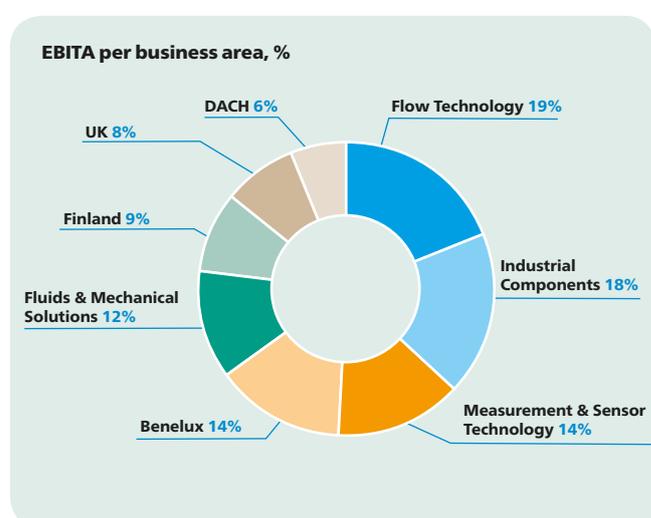
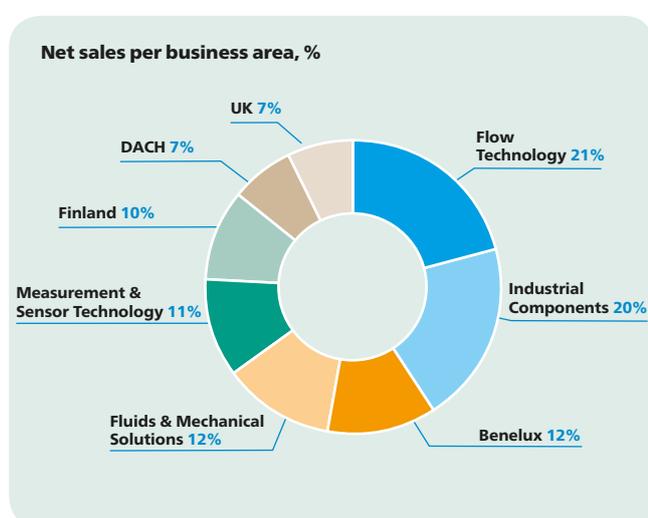
At the start of 2018, an MTN (Medium Term Note) programme was set up with a framework of SEK 3,000 million. The purpose is to diversify Indutrade's financing. The MTN programme enables Indutrade to issue bonds in the Swedish market and it supplements the current financing structure. During the year, Indutrade issued three unsecured bond loans totalling SEK 1,500 million.

New financial targets

In November 2018, following its annual strategic overview, the Board of Directors decided to increase the target for the EBITA margin for the Indutrade Group to a minimum of 12% (previously 10%) per year over a business cycle.

Key data per business area

	Benelux		DACH		Finland		Flow Technology		Fluids & Mechanical Solutions		Industrial Components		Measurement & Sensor Technology		UK	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net sales, SEK m	2,045	1,695	1,225	945	1,743	1,729	3,491	3,135	1,980	1,859	3,371	2,924	1,863	1,675	1,183	932
EBITA, SEK m	306	237	126	79	213	179	414	343	262	233	400	324	322	291	175	127
EBITA margin, %	15.0	14.0	10.3	8.4	12.2	10.4	11.9	10.9	13.2	12.5	11.9	11.1	17.3	17.4	14.8	13.6
Return on operating capital, %	19	20	15	14	39	33	25	23	19	18	22	21	18	18	17	15
Average number of employees	528	440	542	391	497	539	1,030	977	681	696	803	749	1,827	1,622	788	731



Benelux

The companies in this business area offer custom-manufactured niche products, design solutions, after-market service and assembly, and customisation. The business area includes companies with a considerable amount of own manufacturing and proprietary products. Customers are in the energy, construction & infrastructure, health-care. Product areas include valves, hydraulic and industrial equipment, measurement technology and automation. The business area has strong market positions in the Benelux area (Belgium, the Netherlands and Luxembourg).

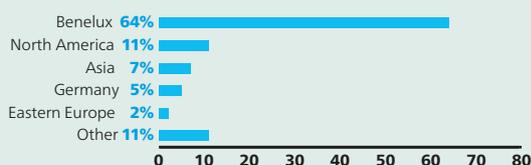
Share of sales **12%** | Share of EBITA **14%**

During the year, net sales increased by 21%, of which comparable units had a marginal impact. Acquisitions contributed 15% and there was a positive impact from currency movements of 6%. The market situation for this business area's companies was stable during the year with the exception of valves for power generation, where invoicing declined compared to last year. The margin improvement is primarily attributable to acquisitions, along with some positive one-off items.

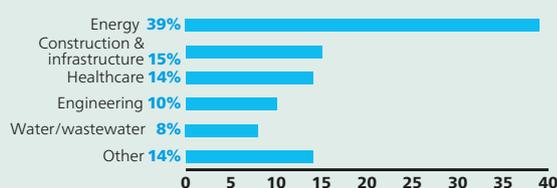
Zijtveld Grijpers B.V., (Netherlands) was acquired during the year.

	2018	2017	Change, %
Net sales, SEK m	2,045	1,695	21
EBITA, SEK m	306	237	29
EBITA margin, %	15.0	14.0	
Return on operating capital, %	19	20	
Average number of employees	528	440	

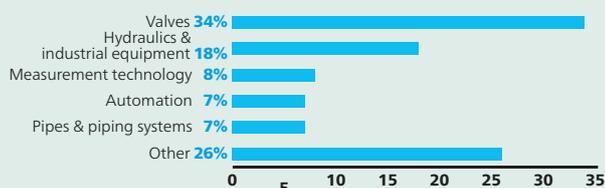
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



DACH

This business area includes companies that offer custom-manufactured niche products, design solutions, after-market service and assembly, and customisation. The business area includes companies with a considerable amount of own manufacturing and proprietary products. Customers are in the construction & infrastructure, engineering, healthcare and chemical industries. Product areas include valves, construction material, hydraulic and industrial equipment and valves. Each of the individual companies has a strong market position in the DACH area (Germany, Austria and Switzerland), and most companies are market leaders in their fields.

Share of sales **7%** | Share of EBITA **6%**

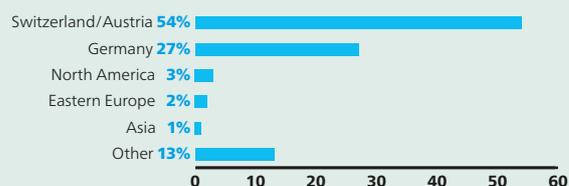
During the year, net sales increased by 30%, of which comparable units had a marginal impact. Acquisitions contributed 32%, divestments contributed -5% and there was a positive impact from currency movements of 3%. The demand in the German market was strong during the year. In Switzerland, performance was weaker. However, it improved towards the end of the year, primarily due to stronger demand from the process industry.

Divestments and acquisitions contributed to the improved EBITA margin.

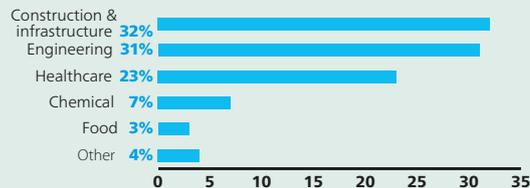
Digitrade GmbH (Switzerland) was acquired during the year and the operations of Novisol GmbH (Germany) were divested.

	2018	2017	Change, %
Net sales, SEK m	1,225	945	30
EBITA, SEK m	126	79	59
EBITA margin, %	10.3	8.4	
Return on operating capital, %	15	14	
Average number of employees	542	391	

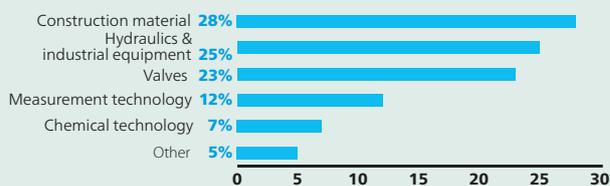
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Finland

The Finland business area includes companies that offer sales of components as well as customisation, combinations and installations of products from various suppliers. Customers are in the construction & infrastructure, engineering, water/wastewater, energy and chemical industries. Products range from hydraulics and industrial equipment to measurement technology, valves, service, filters and process technology. The business area has a strong market position in Finland.

Share of sales **10%** | Share of EBITA **9%**

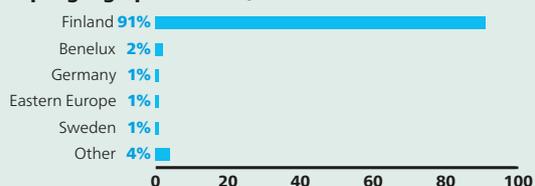
During the year, net sales increased by 1%, of which comparable units had an impact of 2%. Divestments contributed -7% and there was a positive impact from currency movements of 6%. Demand was stable during the year in this business area, with high capacity utilization for most customer segments.

The improved EBITA margin is primarily attributable to successful restructuring and divestments, positive mix adjustments and good cost control at companies.

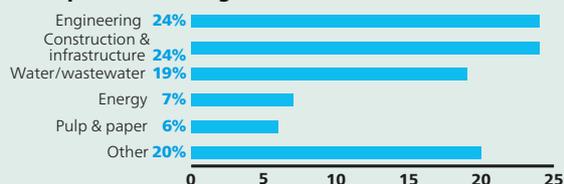
The subsidiary Tecalemit Oy and operations of Recair Oy were divested during the year.

	2018	2017	Change, %
Net sales, SEK m	1,743	1,729	1
EBITA, SEK m	213	179	19
EBITA margin, %	12.2	10.4	
Return on operating capital, %	39	33	
Average number of employees	497	539	

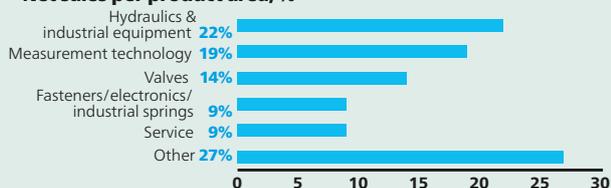
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Flow Technology

Companies in this business area offer components and systems for controlling, measuring, monitoring and regulating flows. The business area includes companies that specialise in various areas of industrial flow technology. Customers are in the process industry, food and pharmaceutical industries, water/wastewater, energy and marine industries. Product areas include valves, pipes and pipe systems, measurement technology, pumps, hydraulics and industrial equipment. The business area has a strong market position especially in Sweden, but also in the Northern Europe.

Share of sales **21%** | Share of EBITA **19%**

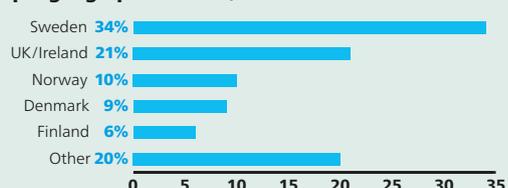
During the year, net sales increased by 11%, of which comparable units had an impact of 4%. Acquisitions contributed 4% and there was a positive impact from currency movements of 3%. Demand was good in most of the business area's markets.

Restructuring of the Sander Meson Group, which was announced at the end of 2017 progressed according to plan during the year and has now essentially been completed. Together with the higher level of invoicing, changes within the Sander Meson Group contributed to the improved EBITA margin.

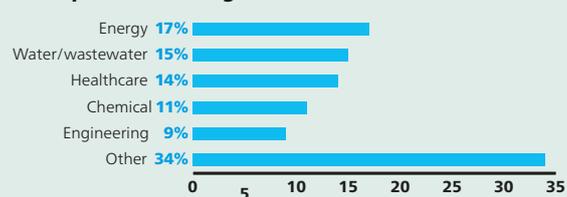
Gavoco AB (Sweden) and Precision Parts UK Ltd (UK), were acquired during the year.

	2018	2017	Change, %
Net sales, SEK m	3,491	3,135	11
EBITA, SEK m	414	343	21
EBITA margin, %	11.9	10.9	
Return on operating capital, %	25	23	
Average number of employees	1,030	977	

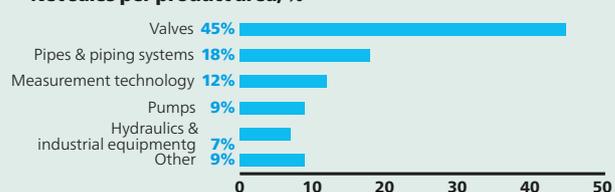
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Fluids & Mechanical Solutions

Companies in this business area offer hydraulic and mechanical components to industries in the Nordic countries, other European countries and North America. The business area includes companies with a considerable amount of own manufacturing and proprietary products. Customer segments include construction & infrastructure, auto repair, engineering, water/wastewater and commercial vehicles. Key product areas are filters, hydraulics, tools & transmission, industrial springs, valves, water and wastewater fittings, steel profiles, compressors, folding and movable walls, product labelling and construction plastics. The business area has a strong market position in the Nordic countries.

Share of sales **12%** | Share of EBITA **12%**

During the year, net sales increased by 7%, of which comparable units had an impact of 7%. Divestments contributed -2% and there was a positive impact from currency movements of 2%.

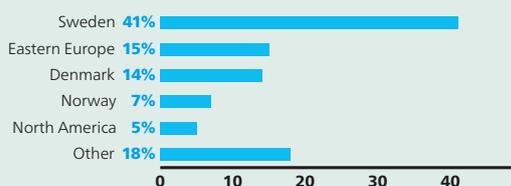
The business climate during the year was positive in most of the business area's segments and the fourth quarter was particularly strong.

Improvement of the EBITA margin during the year is primarily attributable to the higher volumes, along with the divestments that were made.

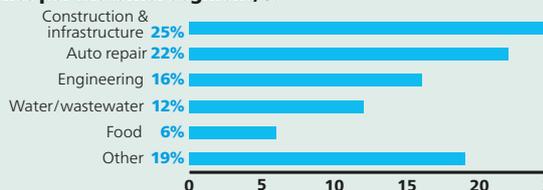
During the year, the Tecalemit companies in the Baltic countries were divested.

	2018	2017	Change, %
Net sales, SEK m	1,980	1,859	7
EBITA, SEK m	262	233	12
EBITA margin, %	13.2	12.5	
Return on operating capital, %	19	18	
Average number of employees	681	696	

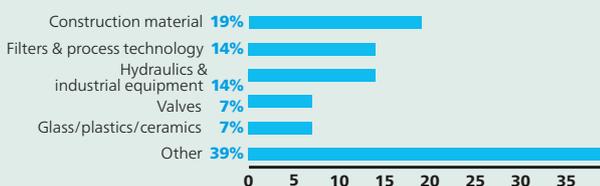
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Industrial Components

Companies in this business area are mainly technical trading companies and offer a wide range of technically advanced components and systems for industrial production and maintenance, and medical technology equipment. The products consist mainly of consumables. Its customers exist in the following segments: engineering, healthcare, construction and infrastructure. The product areas include hydraulics and industrial equipment, chemical technology and fasteners. The business area has a strong market position in the Nordic countries.

Share of sales **20%** | Share of EBITA **18%**

During the year, net sales increased by 15%, of which comparable units had an impact of 7%. Acquisitions contributed 7% and there was a positive impact from currency movements of 1%.

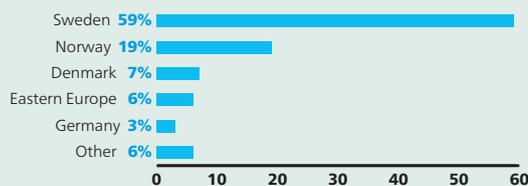
The business climate during the year was positive in most of the business area's segments.

The improved EBITA margin is attributable to higher invoicing combined with strong pricing work and good cost control among the companies.

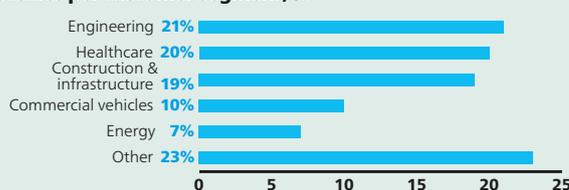
Norsecraft Tec AS (Norway) was acquired during the year.

	2018	2017	Change, %
Net sales, SEK m	3,371	2,924	15
EBITA, SEK m	400	324	23
EBITA margin, %	11.9	11.1	
Return on operating capital, %	22	21	
Average number of employees	803	749	

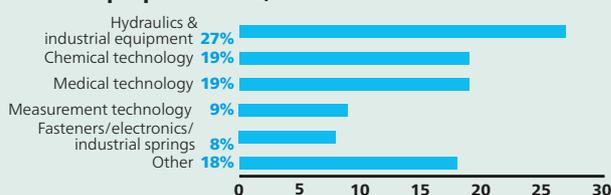
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Measurement & Sensor Technology

Companies in this business area sell measurement instruments, measurement systems, sensors, control and regulating technology, and monitoring equipment for various industries. All of the business area's companies have proprietary products based on advanced technological solutions and own development, design and manufacturing. Its customers exist in a variety of areas, such as various types of manufacturing industries like electronics, vehicles and energy. Companies in this business area work globally and have the entire world as the market for their products, with established production and sales companies on four continents.

Share of sales **11%** | Share of EBITA **14%**

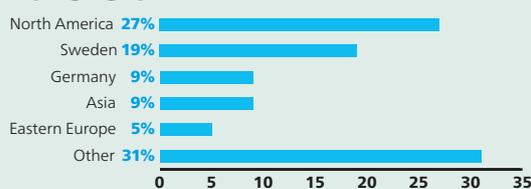
During the year, net sales increased by 11%, of which comparable units had an impact of 4%. Acquisitions contributed 4% and there was a positive impact from currency movements of 3%.

Demand was healthy during the year for most companies in this business area. The EBITA margin was essentially unchanged on a full-year basis.

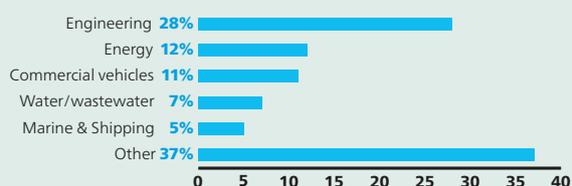
TXRX System (USA) and Thermo Electric Instrumentation B.V. (Netherlands) were acquired during the year.

	2018	2017	Change, %
Net sales, SEK m	1,863	1,675	11
EBITA, SEK m	322	291	11
EBITA margin, %	17.3	17.4	
Return on operating capital, %	18	18	
Average number of employees	1,827	1,622	

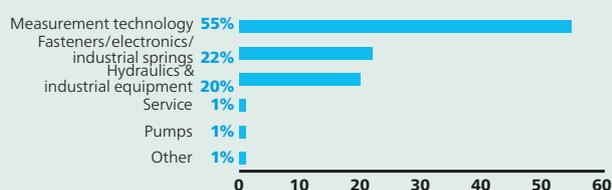
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



UK

The companies in this business area offer custom-manufactured niche products, design solutions, after-market service and assembly, and customisation. They have a considerable amount of own manufacturing and proprietary products. Customer segments include construction and infrastructure, engineering and commercial vehicles. Examples of product areas are springs, piston rings, press work, valve channels, pipes and pipe systems. The individual companies all have strong market positions in the UK, and most are market leaders in their respective niches.

Share of sales **7%** | Share of EBITA **8%**

During the year, net sales increased by 27%, of which comparable units had an impact of 11%. Acquisitions contributed 10% and there was a positive impact from currency movements of 6%.

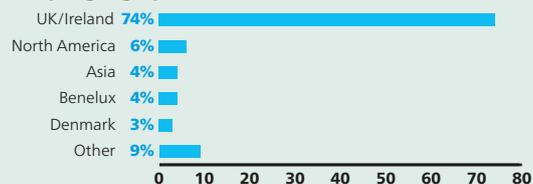
There was healthy, stable demand during the year for companies selling both domestically and those that primarily export.

The earnings improvement was generated mainly by the positive invoicing trend together with good cost control.

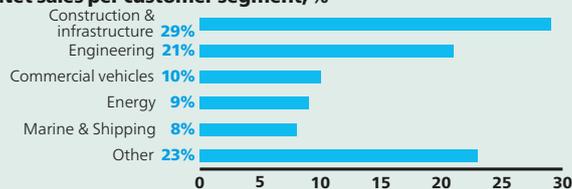
RA Howarth Engineering Ltd (UK), and NRG Automation Ltd (UK) were acquired during the year.

	2018	2017	Change, %
Net sales, SEK m	1,183	932	27
EBITA, SEK m	175	127	38
EBITA margin, %	14.8	13.6	
Return on operating capital, %	17	15	
Average number of employees	788	731	

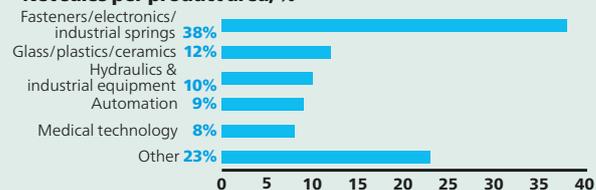
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Four reasons to invest in Indutrade

1

Sustainable growth

- Average annual sales growth of 12% since stock market listing in 2005
- 1,119% total return, including reinvested dividends, during last ten-year period
- Long record of experience in successful company acquisitions
- Opportunities to broaden product offering, enhance value creation and expand geographically

2

Stable profitability and strong cash flow

- Historically stable profitability
- Average EBITA margin of 11.7% during last five years
- Average return on operating capital of 21% during last five years
- Strong operating cash flow generated over the years
- High average dividend, 42% of net profit during last five years
- Equity ratio 44% at year-end 2018

3

Attractive market position and risk profile

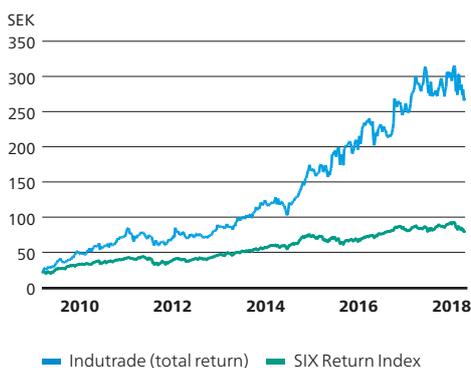
- Leading position in selected, niche segments
- Focus on high quality and technically advanced products for customers with recurring need
- Diversified and stable customer & supplier base
- Stable long-term relationships with leading suppliers

4

Strong culture and extensive expertise

- Decentralised organisation
- Entrepreneurial spirit
- Strict income and cost control
- Sales force with extensive technical knowledge

Total return for Indutrade shares 2009-2018



Earnings and dividend per share



Analyst firms that monitor Indutrade

- ABG Sundal Collier
- Carnegie Investment Bank
- Danske Bank Markets
- Handelsbanken
- Kepler Cheuvreux
- Nordea
- SEB

Share data

Indutrade's shares are listed on Nasdaq Stockholm and included on the Large Cap list. Indutrade's market capitalisation on 31 December 2018 was SEK 24,848 million (27,011).

Indutrade's share price fell by 8% in 2018, from SEK 223.60 to SEK 205.60. During the same period of time the Stockholm Stock Exchange fell by 8%, while the OMX Industrials PI sector index fell 14%. Including reinvested dividends, the total return for Indutrade shares was -6.4%, compared with -4% for the SIX Return Index.

The highest price paid in 2018 was SEK 249.20, on 24 January, and the lowest price paid was SEK 202, on 27 December. During the last ten-year period Indutrade's shares have delivered a total return of 1,119% including reinvested dividends. The SIX Return Index showed a total return of 265% for the same period.

Trading volume

Total trading volume in Indutrade shares on all marketplaces during the year was 78.2 million (83.9) shares for a combined value of SEK 17.4 billion (16.3). This corresponds to a turnover rate of 65% (69%). Average daily trading volume was 312,763 shares (334,173), with 1,621 transactions (1,940). Trading volume on the Stockholm Stock Exchange was 40.4 million (47.6) shares, corresponding to a turnover rate of 33% (39%).

Since the adoption of the EU's Markets in Financial Instruments Directive (MiFID) in 2007, the structure for share trading in Europe has changed. Trading has become more fragmented and is now conducted to an increasing extent on other trading platforms outside the regulated marketplaces. One consequence of this is that a growing share of trading in shares of Swedish companies is being conducted outside the Stockholm Stock Exchange.

During 2018 Indutrade's shares were traded in several different marketplaces, and the Stockholm Stock Exchange accounted for 52% (57%) of total trading volume.

Share capital

Indutrade's share capital amounted to SEK 242 (242) million on 31 December 2018, divided among 120,855,000 (120,798,600) shares with a share quota value of SEK 2 (2). All shares have equal voting power.

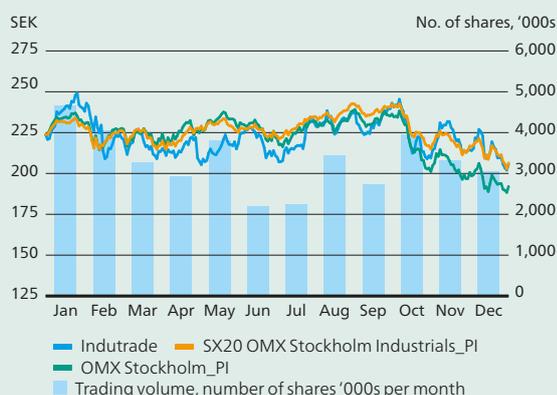
Ownership structure

Indutrade had 9,553 (9,816) shareholders on 31 December 2018. At year-end the ten largest owners controlled 61% (63%) of the capital and votes. Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 64% (65%) of the capital and votes at year-end. Foreign ownership of the Company was 29% (29%), with the largest holdings held by shareholders in USA, UK, Finland and France.

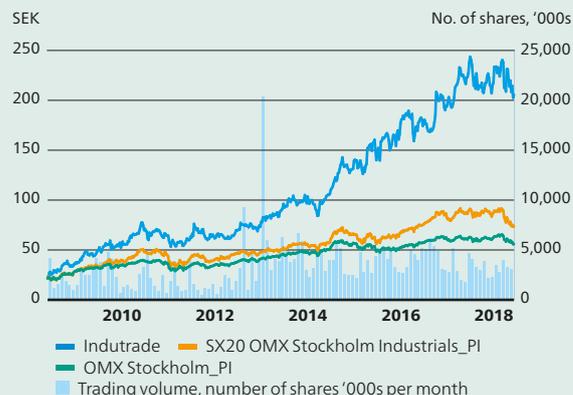
Dividend and dividend policy

The Board's goal is to provide the shareholders an attractive dividend yield and high dividend growth. The goal is that over time, the dividend shall range from 30% to 60% of net profit. During the last five-year period, of Indutrade's aggregate profit after tax, totalling SEK 4,931 million, dividends of SEK 2,051 million were paid to the shareholders (including the proposed dividend for the year), which corresponds to a dividend payout ratio of 42%.

Share price trend 2018



Share price trend 2009-2018



Key ratios per share

	2018	2017
Share price at 31 December, SEK	205.60	223.60
Market cap at 31 December, SEK million	24,848	27,011
Dividend, SEK	4.50 ¹⁾	3.75
Earnings before dilution, SEK	11.31	8.54
Earnings after dilution, SEK	11.31	8.53
Number of shares outstanding, '000s	120,855	120,799
Average number of shares before dilution, '000	120,832	120,457
Average number of shares after dilution, '000	120,843	120,617
Number of shareholders at 31 December	9,553	9,816
Highest price paid during the financial year, SEK	249.20	233.10
Lowest price paid during the financial year, SEK	202.00	167.10
Dividend yield ²⁾ , %	2.2	1.7
Shareholders' equity, SEK	51.34	42.64
Cash flow from operating activities, SEK	11.26	12.90

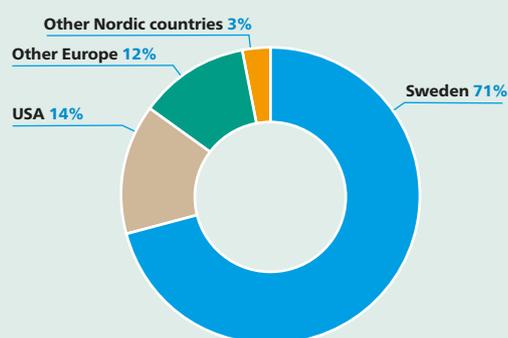
¹⁾ Proposed by the Board of Directors.

²⁾ Dividend divided by the share price on 31 December.

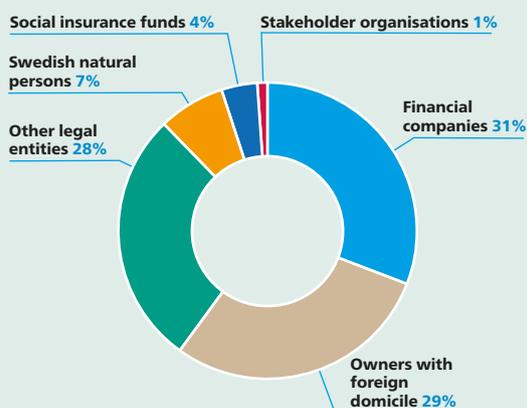
10 largest shareholders at 31 December 2018

	Number of shares	Share of capital and votes, %
LE Lundbergföretagen	32,280,000	26.7
Didner & Gerge Funds	8,709,863	7.2
AMF – Insurance and Funds	7,979,533	6.6
JPM Chase NA	5,083,097	4.2
Handelsbanken Funds	5,042,800	4.2
First AP Fund	4,552,400	3.8
Alecta Pensionsförsäkring	4,242,059	3.5
State Street Bank and Trust Co, W9	4,173,665	3.5
Skandia Mutual Life Insurance Company	3,305,236	2.7
NTC Fidelity Funds Northern Trust	2,887,443	2.4
Others	42,598,904	35.2

Ownership by country, %



Owners by category, %



Incentive programmes

LTI 2014

In April 2014 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTI 2014) comprising a combined maximum of 460,000 warrants in two series for senior executives and other key persons in the Indutrade Group. Shares were subscribed during specially stipulated subscription periods through Friday, 18 May 2018. The LTI 2014 incentive programme was concluded in 2018. For the full year there was a marginal dilutive effect from LTI 2014 of 0.01% (0.13%).

LTI 2017

In April 2017 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTI 2017) comprising a combined maximum of 704,000 warrants in two series for senior executives and other key persons in the Indutrade Group. Shares can be subscribed during specially stipulated subscription periods through Friday, 20 May 2022. For more information about LTI 2017, see Note 8.

Outstanding incentive programmes

Outstanding programme	Number of options	Corresponding number of shares	Proportion of total shares	Price per warrant, SEK	Original subscription price, SEK	Recalculated subscription price, SEK	Number of exercised warrants	Corresponding number of shares	Expiration period
2017/2022, Series I	526,000	526,000	0.4%	15.0	244.9	–	–	–	27 April 2020 – 20 May 2022
2017/2022, Series II	60,000	60,000	0.0%	13.4	276.8	–	–	–	27 April 2020 – 20 May 2022
2014/2018, Series I	257,500	772,500	0.6%	15.2	356.3	118.8	257,500	772,500	11 May 2017 – 18 May 2018
2014/2018, Series II	27,500	82,500	0.1%	11.6	350.0	116.7	27,500	82,500	11 May 2017 – 18 May 2018

Dilutive effects

	2018	2017
Average number of shares before dilution, '000	120,832	120,457
Number of shares that incur a dilutive effect due to incentive programme, '000	11	160
Average number of shares after dilution, '000	120,843	120,617
Dilutive effect, %	0.01	0.13
Number of shares at end of the period, '000	120,855	120,799

Risks and risk management

Indutrade is exposed to numerous risks that could impact the Group to a greater or lesser extent. Risks are defined mainly as factors that affect Indutrade's ability to achieve set goals.

Many of the risks described here could affect the Company both positively and negatively. This means that in the event of a favourable risk development or if the Company is successful in mitigating the risk through its risk management activities, its goal achievement may be better than anticipated. In such way, risks

also entail opportunities for Indutrade. Examples of this are the business climate, customer behaviours and variations in market prices.

At year-end 2018 Indutrade conducted business through more than 200 companies in 30 countries on four continents. This diversification of risk along with a large number of customers in a wide range of industries and a large number of suppliers in various technology areas limits the business risks.

Risk	Risk management
<p>Changes in the economy</p> <p>Indutrade's business is dependent on customers' purchases and investments, and is affected by changes in the economy.</p>	<p>The effect of economic fluctuations in specific sectors and geographic markets is mitigated by the Group's involvement in many different sectors, segments and geographic markets. Thanks to its decentralized business model, the Group is easily able to adapt by making quick decisions at the local level.</p>
<p>Changes at the supplier level</p> <p>There is always a risk of suppliers leaving a partnership with one of Indutrade's technology sales companies to set up their own sales operations or collaborate with a different distributor.</p>	<p>Indutrade mitigates this risk by choosing suppliers who view a partnership with Indutrade as the most profitable sales method. Stable supplier relationships are one of the parameters that are assessed prior to Indutrade's acquisition of a company. Because of the large overall number of agencies, no individual agency accounts for a predominant economic risk from the Group's perspective.</p>
<p>Digitalisation</p> <p>Digitalisation creates many opportunities, such as producers more easily being able to reach their end customers. That, in turn, could result in more competition and downward pressure on prices for Indutrade's technology sales companies.</p>	<p>Indutrade's companies have extensive knowledge of products and applications, thereby adding much value in the supplier chain. The aim is also to continue developing this expertise and offerings so that it is possible to retain competitive advantages.</p>
<p>Funding risk</p> <p>Funding risk is the risk that funding of the Group's capital requirement will be impeded or become more costly.</p>	<p>To mitigate funding risk, the Group strives to maintain a balanced maturity structure, a good liquidity reserve, and diversified borrowing. This creates a preparedness to take necessary alternative actions to raise capital, should this be necessary. Indutrade manages the Group's funding needs centrally. Essentially all external funding is conducted by the Parent Company, which then funds the Group's subsidiaries in local currency.</p>
<p>Interest rate risk</p> <p>Interest rate risk is the risk that unfavourable changes in interest rates will have a significant impact on the Group's net financial items and earnings.</p>	<p>Indutrade strives to achieve an even spread of interest maturities to avoid a situation where large loan volumes will be subject to interest rate resets at the same point in time.</p>
<p>Changes in global trade regulations</p> <p>Changes in domestic or international import/export regulations on various types of products could result in higher costs or other difficulties for Indutrade's companies.</p>	<p>Indutrade's companies are active in a wide variety of market segments and geographic locations. As such, the Group's exposure to any one particular area is relatively low. The companies with operations at more high-risk geographic locations work proactively with many activities to minimize the impact of regulation changes.</p>

Risk

Compliance with trade regulations

Corruption or other violations of trade regulations or international sanctions could result in Indutrade incurring fines or becoming subject to various types of sanctions. Indutrade's reputation and competitiveness could be damaged in such situations.

Currency risk

Currency risk is the risk of unfavourable movements in exchange rates affecting consolidated profit and equity measured in SEK:

- Transaction exposure arises as a result of the Group having incoming and outgoing payments in foreign currencies.
- Translation exposure arises as a result of the Group, via its foreign subsidiaries, having net investments in foreign currencies.

Sustainability governance

If the company fails to identify significant sustainability risks or deficiencies in its management of identified risks, Indutrade could incur fines or become subject to various types of sanctions.

Acquisition process

If a company is acquired with substantial problems (such as earnings capacity or sustainability issues), Indutrade's reputation or financial performance could be damaged.

Risk management

Trainings are held for the relevant target groups in order to increase awareness and knowledge of external regulations and internal policies. Risk analyses are also carried out regularly to identify business flows associated with risk. Companies doing business in regions where there are risks have implemented special routines to ensure compliance with regulations.

The Indutrade Group's transaction exposure arises, for example, when subsidiaries import products for sale in the domestic market. Exchange rate effects are eliminated as far as possible through currency clauses in customer contracts and by buying and selling in the same currency. In certain cases, forward contracts are used.

The Group is exposed to a translation risk associated with translation of the accounts of foreign subsidiaries to the Group currency, SEK. This type of currency risk is not hedged at present.

Indutrade's business area directors have ongoing formal and informal meetings with all companies to follow up on progress. Group-wide trainings and workshops are also held to ensure that all of the significant sustainability risks are covered.

Acquisitions are carried out by employees who have a great deal of experience with the support of legal and financial expertise. Thorough due diligence is always a central component of the acquisition process, thereby minimizing the risks associated with acquisitions. Potential acquisitions are evaluated on many aspects, both quantitative and qualitative.

Other information

Employees

The number of employees was 6,778 at the end of the year, compared with 6,545 at the start of the year. A total of 254 employees have been added during the year through acquisitions. Furthermore, 207 employees left the Group in conjunction with divestments.

Research and development

Development of proprietary products is conducted primarily by manufacturing companies, which are mainly in the Benelux, DACH, UK and Measurement & Sensor Technology business areas.

Environment and carbon footprint

Indutrade's environmental impact is primarily indirect and it occurs via our subsidiaries. Accordingly, most of our environmental initiatives occur in subsidiaries. Indutrade strives to continually reduce its environmental impact via systematic improvement efforts. Most of our subsidiaries are engaged in environmental work, such as more efficient use of energy and natural resources, implementing systems for reuse and recycling of materials and energy, along with preventing/limiting pollution.

Future outlook

2019 has begun with continued high and stable demand for most of our companies. We are closely watching developments given the prevailing uncertain macroeconomic and political climates. The companies can make quick operational decisions to adapt their operations in the face of changed demand. Indutrade's business model continues to attract owners who are considering selling their companies, and we have a positive outlook on our prospects for continued acquisitions in and outside of the Nordic region. Since the beginning of 2018, a new business area organization has been established, well adapted to continue driving acquisitions and organic growth.

Events after the balance sheet date

During the period up until 22 March, two companies were acquired and one was divested. More information is available in Note 31.

Guidelines for compensation of senior executives

The guidelines for compensation of senior executives that applied in 2018 are outlined in Note 8. The Company's auditors have performed a review to ensure adherence to the guidelines set by the Annual General Meeting. For the 2019 Annual General Meeting, it is the Board's intention to propose essentially unchanged guidelines for compensation of senior executives, in accordance with the following recommendation:

- In this context, senior executives are members of the Group management team.
- Indutrade shall apply the compensation levels and terms of employment necessary to be able to recruit and retain management with high competence and the capacity to achieve set objectives. The forms of compensation shall motivate members of the Group Management to perform their utmost in order to safeguard the interests of the shareholders.

- The forms of compensation shall therefore be in line with the going rate in the market and shall be straightforward, long-term and quantifiable. Compensation of members of Group Management shall normally consist of a fixed and a variable portion. Fixed salary for members of the Group Management shall be in line with the going rate in the market and shall be commensurate with the individual's expertise, responsibilities and performance. The variable portion shall reward achievement of clearly set goals regarding the Company's and the respective business areas' earnings performance as well as the Group's growth in simple, transparent structures. Variable compensation for members of the Group Management shall normally not exceed 50 percent of the annual base salary and may amount to a maximum of SEK 25 million in the aggregate.
- Incentive programmes in the Company shall mainly be share price-related and cover persons in senior positions in the Company who have a significant influence over the Company's earnings and growth, and shall be based on the achievement of set targets. An incentive programme shall contribute to the long-term commitment to the Company's development and shall be implemented on market terms. The Company shall be able to pay cash compensation coupled to senior executives' purchases of shares and share-related instruments. Such cash compensation shall normally not exceed 15% of the executive's fixed salary.
- Non-monetary benefits for members of the Group Management shall facilitate the individuals in the execution of their duties and correspond to what can be considered to be reasonable in respect of practice in the market in which the respective executive is active.
- Pension terms for members of the Group Management shall be in line with the going rate in the market in respect of what applies for peer executives in the market in which the executive works and should be based on a defined contribution pension solution or a general pension plan (in Sweden, the ITP plan).
- Severance pay for one member of the Group Management shall not exceed a total of 24 months' salary in the event the Company serves notice, and 6 months in the event the member of the Group Management gives notice.
- The Board's Remuneration Committee prepares and conducts drafting work for decisions on the terms of employment for the CEO, and the Board evaluates the CEO's performance once a year. The Remuneration Committee also prepares and conducts drafting work concerning guidelines for remuneration of members of the Group Management, for decision by the Board. The President consults with the Remuneration Committee regarding the terms of employment for other members of the Group Management.
- The Board shall have the right to depart from these guidelines for compensation of members of the Group Management if there are special reasons in a particular case.

Corporate governance report

Indutrade applies the Swedish Corporate Governance Code (the Code) since 1 July 2006. The Code is a component of self-regulation in Swedish industry and is based on the “comply or explain” principle. This means that companies that adhere to the Code may depart from individual rules, provided that they give an explanation for each departure. Indutrade has no departures to report for the 2018 financial year. The Corporate Governance Report has been reviewed by the Company’s auditors.

Delegation of responsibilities

Responsibility for management and control of the Group is delegated among the shareholders (via general meetings), the Board, its designated committees and the President in accordance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies, the Company’s Articles of Association and the Board’s internal governance documents.

Share capital and shareholders

The share capital amounts to SEK 242 million, divided among 120,855,000 shares with a share quota value of SEK 2. All shares have equal voting power. Indutrade, which was previously a wholly owned subsidiary of AB Industrivärden, was introduced on the Stockholm Stock Exchange on 5 October 2005. At year-end 2018 Indutrade had 9,553 shareholders (9,816). The ten largest shareholders controlled 61% of the share capital at year-end. Swedish legal entities, including institutions such as insurance companies and mutual funds, held 64% of the share capital and votes at year-end. Foreign ownership accounted for 29% of the share capital and votes.

One shareholder, L E Lundbergföretagen AB, with 26.7% of the share capital and votes, controlled 10% or more of the share capital and votes at year-end.

Indutrade’s shares are listed on Nasdaq Stockholm and included on the Large Cap list.

According to Ch. 6 § 2 a of the Swedish Annual Accounts Act, listed companies are to provide disclosures about certain conditions that could affect opportunities to take over the company through a public offer to acquire the shares in the company. No such conditions exist in Indutrade AB.

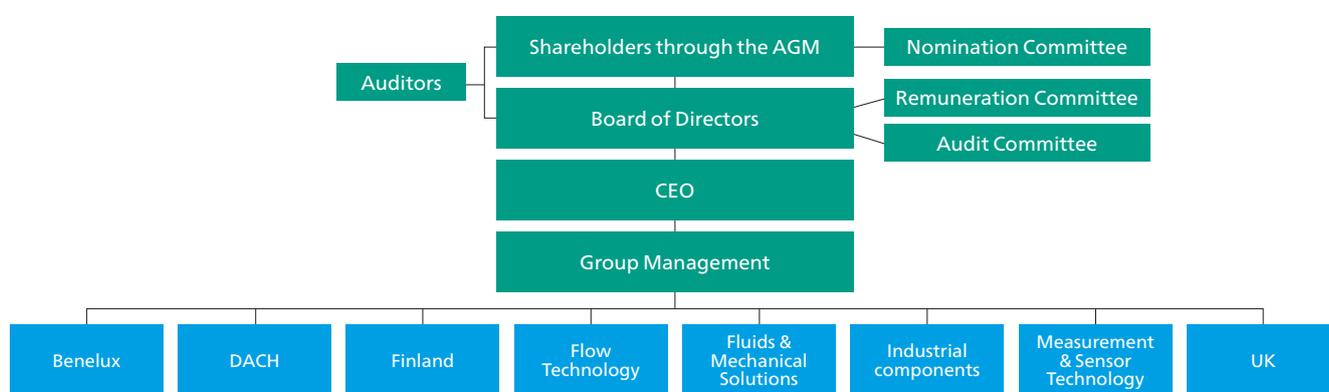
The Articles of Association

Indutrade is a public company whose business is to “on its own or through subsidiaries, pursue trade in connection with the import and export of machines, raw materials and finished and semi-manufactured products as well as industrial necessities, including production, preferably within the plastics, mechanical and chemical industries, and activities compatible therewith.” The Board shall consist of a minimum of three and a maximum of eight directors, who are elected each year at the Annual General Meeting. Notices of general meetings of shareholders shall be made through advertisement in the Official Swedish Gazette (Post- och Inrikes Tidningar) and on the Company’s website within the time frame prescribed by the Swedish Companies Act. An advertisement shall be posted in the Swedish daily newspaper Dagens Nyheter announcing that notice of the Annual General Meeting has been issued. In votes at general meetings of shareholders, there is no limitation to the number of votes for represented shares.

General meetings of shareholders

General meetings of shareholders are Indutrade’s highest governing body. At the Annual General Meeting (AGM), which is held within six months after the end of each financial year, the income statement and balance sheet are adopted, the dividend is set, the Board and auditors are elected (where applicable), their fees are determined, other items of legally ordained business are conducted, and decisions are made on proposals submitted by the Board and shareholders.

All shareholders who are registered in the shareholder register on a specified record date and who have notified the Company in due time of their intention to participate at the general meeting



External rules and regulations

- Examples of external rules and regulations that affect governance of Indutrade
- The Swedish Companies Act
 - Accounting laws, including the Bookkeeping Act, the Annual Accounts Act
 - Nasdaq Stockholm’s Rulebook for Issuers
 - Swedish Corporate Governance Code (www.bolagsstyrning.se/koden)

Internal rules

- Examples of internal rules that affect governance of Indutrade
- The Articles of Association
 - The Board’s work plan
 - The CEO’s instructions
 - The Code of Conduct
 - Policies

are entitled to attend the meeting and vote for the total number of shares they have. Shareholders may be represented by proxy. More information about the 2019 AGM is provided on page 84 of this Annual Report and on the Company's website.

The notice of the AGM scheduled for 9 May 2019 is expected to be published on 4 April 2019 in the Official Swedish Gazette and on Indutrade's website. The notice will include a proposed agenda including proposals for the dividend, election of directors, directors' fees (broken down by the Chairman and other directors), election of the auditor, the auditor's fee, and proposed guidelines on compensation of the Company's senior executives.

Annual General Meeting 2018

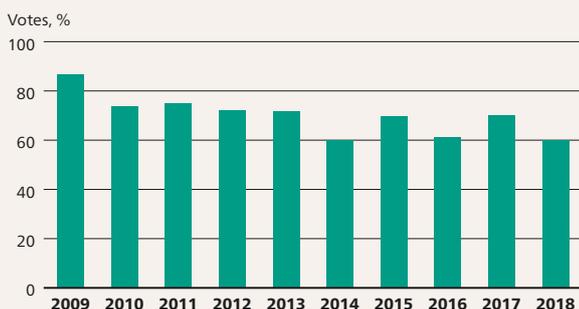
At the AGM on 26 April 2018, shareholders representing 60.0% of the shares and votes were in attendance. Fredrik Lundberg was appointed to serve as AGM chairman. The annual report and audit report were presented to the AGM. Chairman of the Board Fredrik Lundberg provided information on the work of the Board and reported on the guidelines for compensation of the Group Management and on the work of the Audit and Remuneration Committees. In addition, President and CEO Bo Annvik gave an address reviewing Indutrade's operations in 2017 and the start of 2018.

The auditors reported on their audit of the Group and presented relevant parts of their audit report for 2017.

The 2018 AGM made the following resolutions:

- to adopt the financial statements for 2017
- to set the dividend at SEK 3.75 per share
- to discharge the members of the Board of Directors and the President from liability for the past financial year
- to reelect directors Bengt Kjell, Ulf Lundahl, Krister Mellvé, Lars Pettersson, Katarina Martinson, Bo Annvik and Susanna Campbell, along with electing Anders Jernhall as a new director,
- to elect Katarina Martinson as Chairman of the Board, and
- that Indutrade shall apply compensation levels for senior executives which mainly shall consist normally of a fixed and variable portion, shall be in line with the going rate in the market, and shall be commensurate with the executives' level of expertise, responsibility and performance.

AGM attendance



Members of the Board of Directors

Indutrade's Board of Directors, which is elected by the AGM, consists of eight members including the CEO. Indutrade has not set any specific age limit for the board members, nor any term limit for how long a director may sit on the Board.

The Chairman of the Board, Katarina Martinson, works with asset management, among others, for the Lundberg family. The Vice Chairman, Bengt Kjell, is a former Executive Vice President of Industrivärden and former CEO of AB Handel och Industri. Ulf Lundahl is a former Executive Vice President of L E Lundbergföretagen. Krister Mellvé has held leading positions in the Robert Bosch Group. Lars Pettersson is a former President and CEO of Sandvik. Susanna Campbell is a former CEO of Ratos. Anders Jernhall is Executive Vice President and CFO at Holmen AB and Bo Annvik is the President and CEO of Indutrade AB.

A presentation of the current assignments of the members of the Board can be found on pages 32–33 of this Annual Report. Mattias Karlsson, Partner at Mannheimer Swartling, is the Board's secretary. Other executives participate at board meetings in a reporting role.

All of the directors, except for Bo Annvik, are independent in relation to Indutrade. Bo Annvik, Bengt Kjell, Krister Mellvé, Ulf Lundahl and Susanna Campbell are independent in relation to Indutrade's major shareholders. The Board thereby meets the requirement that at least two of the directors who are independent in relation to the Company shall also be independent in relation to the major shareholders. Only one director, Bo Annvik, has an operational role in the Company.

The work of the Board of Directors

Each year the Board adopts a written work plan that governs the Board's work and its internal delegation of duties including the committees, decision-making procedures within the Board, meeting procedure and duties of the Chairman. The Board has also issued instructions for the CEO and instructions on financial reporting to the Board.

In addition, the Board has adopted numerous policies, including a finance policy and an investment policy.

The Board is responsible for the Company's organisation and for the administration of its affairs. This entails ensuring that the organisation is suited for its purpose and designed in such a way so as to ensure satisfactory control of its bookkeeping, treasury management and financial conditions in general. In addition, the Board is responsible for ensuring that the Company has satisfactory internal control and continuously evaluates the extent to which the Company's system for internal control works. The Board is also responsible for developing and monitoring the Company's strategies by drawing up plans and setting objectives. The Board oversees and evaluates the CEO's and operative management's work on a continuous basis. This particular matter is addressed yearly without any members of the Group Management present.

In accordance with the adopted work plan, the Board holds at least five regular meetings each year, including the statutory meeting after the AGM, and on any other occasions when warranted by the situation.

In 2018, the Board held a total of eleven meetings including the statutory meeting. The Board conducted its work during the year in accordance with the Board's work plan. Matters requiring special attention by the Board during the year pertained to strategy, finance, acquisitions and sustainability.

Attendance at board meetings and committee meetings in 2018

■ Member ● Chairman	Audit Committee ³⁾	Remuneration Committee	Year elected	Attendance at board meetings	Attendance at Audit Committee meetings ³⁾	Attendance at Remuneration Committee meetings	Independent in relation to the Company	Independent in relation to major shareholders ¹⁾
Bo Annvik			2017	11/11			No	Yes
Katarina Martinson (elected as Chairman of the Board at the 2018 AGM)	■	●	2015	11/11	3/3	2/4	Yes	No
Fredrik Lundberg (Chairman of the Board until the 2018 AGM)	■	●	2013	4/11	1/3	2/4	Yes	No
Bengt Kjell (Vice Chairman of the Board)	■	■	2002	10/11	1/3	4/4	Yes	Yes
Anders Jernhall ²⁾	■		2018	7/11	2/3		Yes	No
Ulf Lundahl	●		2006	11/11	3/3		Yes	Yes
Krister Mellvé	■		2012	11/11	2/3		Yes	Yes
Lars Pettersson	■	■	2013	11/11	2/3	4/4	Yes	No
Susanna Campbell	■		2017	11/11	2/3		Yes	Yes

¹⁾ Pertains to situation in 2018.

²⁾ Anders Jernhall was elected at the 2018 AGM.

³⁾ In September 2018, the Board decided to make the audit committee a separate committee consisting of three members.

As a significant part of the Board's work during the year, a number of subsidiary managing directors and business area directors gave in-depth presentations of their businesses.

All decisions made by the Board during the year were unanimous.

The Chairman's role

The Chairman organises and leads the work of the Board to ensure that it is carried out in compliance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies (including the Code), and the Board's internal governance documents. The Chairman monitors business activities through regular contact with the CEO and ensures that the other directors are provided with adequate information and decision-making documentation.

To ensure and improve the quality of the Board's work, every year an evaluation is performed of the board members and of the Board's work, under the direction of the Chairman of the Board. In 2018 this evaluation was conducted through qualitative interviews with respective board member and by a questionnaire. The results of the evaluation were reported in writing to the board members, who thereafter discussed it together at the board meeting in December. The Chairman of the Board also reported on the results of the evaluation at a meeting of the Nomination Committee.

The Chairman represents the Company on ownership matters.

Remuneration Committee

The Board's remuneration committee draws up a recommendation for decision regarding the terms of employment for the CEO. The Remuneration Committee also addresses and conducts drafting work for issues related to compensation of the members of the Group Management, which culminates with the submission of a recommendation for decision by the AGM.

The CEO consults with the Remuneration Committee regarding the terms of employment for other members of the Group Management.

Audit Committee

The Audit Committee has an oversight role with respect to the Company's risk management, governance and control, and financial reporting. The committee maintains regular contact with the Company's auditor to ensure that the Company's internal and external reporting satisfies the requirements made on market-listed companies and to discuss the scope and focus of auditing work. The Audit Committee evaluates completed audit activities and informs the Company's nomination committee about the results of its evaluation and assists the Nomination Committee on drawing up recommendations for auditors and fees for their auditing work. In addition, the Audit Committee evaluates the efficiency of the internal control system and the Group's risk management activities. It also monitors the financial structure.

The committee held three meetings during the year. The auditors participated in conjunction with reporting on their review of the interim financial statements as of 30 September and review of the year-end report.

In September 2018, the Board of Directors decided to make the audit committee a separate committee with Ulf Lundahl serving as chairman and Katarina Martinson and Anders Jernhall as members.

Directors' fees

Fees are payable to the Chairman of the Board and directors in accordance with an AGM resolution. The Chairman receives a fee of SEK 550,000, the Vice Chairman receives a fee of SEK 414,000, and the other directors receive a fee of SEK 277,000 each. However, no fee is payable to directors who are employed by a company within the Indutrade Group. The Audit Committee chair is paid an additional fee of SEK 62,000, and the members of the Remuneration Committee each receive an additional fee of SEK 28,000. The total yearly fees for the board and the two committees thus amount to SEK 2,772,000.

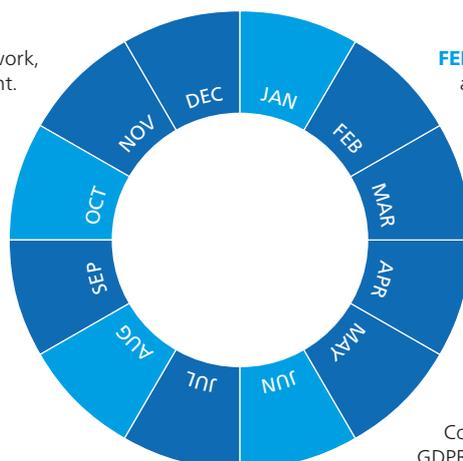
Board meetings 2018

DECEMBER Budget, evaluation of the Board's work, evaluation of CEO and Group Management.

NOVEMBER Interim report January–September, report from the audit committee. Revision of financial targets.

SEPTEMBER Visit to companies in Benelux. Group strategy, follow-up of acquisitions, capital structure. Report from the audit committee.

JULY Interim report January–June, development issues.



FEBRUARY Year-end report, annual report, AGM agenda, report from the auditors and the Remuneration Committee. MTN programme.

MARCH Decision on annual report, AGM notice.

APRIL Interim report January–March. **AGM. Statutory meeting.**

Decision on company signatories, adoption of instructions and policies, appointment of Remuneration Committee and Audit Committee, meeting schedule.

MAY Market situation, business intelligence, report from Audit Committee and Remuneration Committee, evaluation of reporting to the Board. GDPR policies.

Nomination Committee

At the AGM on 6 May 2013, the decision was made in favour of a standing instruction for Indutrade's nomination committee, which shall apply until further notice. According to this instruction, the Nomination Committee ahead of a forthcoming AGM shall consist of representatives of four of the largest shareholders in terms of votes, plus the Chairman of the Board, who shall also convene the first meeting of the Nomination Committee. The member representing the largest shareholder shall be appointed as committee chair. The composition of the Nomination Committee ahead of the AGM is to be based on ownership data as per 31 August each year and is to be publicly announced not later than six months prior to the AGM. The composition of the Nomination Committee ahead of the 2019 AGM was announced on 26 September 2018, based on ownership information as per 31 August 2018.

Nomination Committee composition

Representative	Shareholder	Share of votes as per 31 Aug 2018
Claes Boustedt	L E Lundbergföretagen, Committee Chair	26.7%
Henrik Didner	Didner & Gerge funds	8.8%
Dick Bergqvist	AMF insurance and funds	6.4%
Niklas Johansson	Handelsbanken funds	4.6%
Katarina Martinson	Chairman of the Board	

The Nomination Committee held two meetings prior to the 2019 AGM, documented by minutes, at which the evaluation of the Board's work during the past year was presented and the Board's composition was discussed, among other items of business. The Nomination Committee is tasked with drawing up recommendations to be presented to the AGM for resolutions regarding a person to serve as AGM chairman, the Chairman of the Board and other directors, directors' fees, the auditor's fee and election of the auditor, and the principles for the appointment of a new Nomination Committee.

The Nomination Committee has used Rule 4.1 of the Code as its diversity policy, entailing that the Board shall have a composition appropriate to the Company's operations, phase of development and other relevant circumstances, the AGM-elected directors shall exhibit diversity and breadth of qualifications, experience and backgrounds, and the Company shall strive for gender balance on

the Board. The 2018 AGM resolved in favour of the Nomination Committee's recommendations.

Based on the results of the Board's evaluation and the current directors' availability for re-election – among other things – the Nomination Committee makes an assessment of whether the sitting board meets the requirements that will be made for the Board in view of the Company's situation and future orientation, or if the composition of expertise and experience needs to be changed.

The Nomination Committee proposes that Katarina Martinson be elected as Chairman of the Board at the 2019 Annual General Meeting. The Committee also proposes the re-election of directors Susanna Campbell, Bengt Kjell, Ulf Lundahl, Krister Mellvé, Lars Pettersson, Anders Jernhall and Bo Annvik.

The Nomination Committee's proposal entails that the number of directors during the coming mandate period will be unchanged at eight.

A more detailed presentation of the members of the Board is provided on pages 32-33 of this Annual Report.

Operating activities

The CEO is responsible for the administration of Indutrade's day-to-day affairs, which are managed by the Company's Group Management Team. The CEO's decision-making authority regarding investments and financing matters is governed by rules set by the Board.

CEO

Bo Annvik has served as President and CEO of Indutrade AB since April 2017. He was born in 1965 and holds a M.Sc. Econ. He served as President and CEO of Haldex from 2012 to 2017 and served in executive positions for Volvo Cars during the years 1994–2002, for SKF during the years 2002–2007, and for Outokumpu during the years 2007–2011.

Bo Annvik owns 0 shares and 140,000 warrants.

External auditor

At the 2018 AGM, the chartered accounting firm PricewaterhouseCoopers AB ("PwC") was elected as auditor for a term extending through the 2019 Annual General Meeting. The auditors maintain regular contact with the Audit Committee and the Group Management.

The chief auditor since 2013 is Michael Bengtsson, Authorised Public Accountant. The auditor's fee is reported in Note 11 of this Annual Report.

Indutrade's nine-month interim report for the 2018 financial year was reviewed by the Company's auditors.

Internal control over financial reporting

As prescribed by the Swedish Companies Act, the Board is responsible for internal control. This report has been prepared in accordance with the Annual Accounts Act and describes how the internal control over financial reporting is organised.

Control environment

Effective board work is the foundation for good internal control. The Board's work plan and the instructions for the CEO and the Board's committees ensure a clear delegation of roles and responsibilities to the benefit of effective management of risks in the Company's operations.

In addition, the Board has adopted a number of fundamental guidelines and policies designed to create the conditions for a good control environment. These include, among other things, Indutrade's Code of Conduct, a policy for economic and financial reporting, a finance policy and an investment policy. These policies are followed up and revised as needed. The Group Management continuously draws up instructions for the Group's financial reporting which, together with the policies adopted by the Board, are included in the Group's financial manual.

The Group has a joint reporting system that serves as the base for the Group's monthly reporting, consolidation work and monitoring of earnings performance.

Risk assessment

The Company has implemented a structured process for assessing risks that could affect financial reporting. This is an annually recurring process and is evaluated by the Audit Committee and the Board.



Through this risk assessment it has been ascertained that the Group's structure, consisting of a large number of standalone companies of varying size that are independent from each other in various sectors and geographic markets, entails a considerable diversification of risk. The risk assessment also covered the Group's income statement and balance sheet items to identify areas in which the aggregate risk for error and the effects of these would be greatest. The areas identified consisted primarily of revenue recognition, trade receivables and inventories.

In addition, continuous risk assessment is conducted in connection with strategic planning, budgeting, forecasts and acquisition activities, aimed at – among other things – identifying events in the market or operations that could give rise to changes in e.g., revenue streams and valuations of assets or liabilities.

Control activities

The Indutrade Group was organised in eight business areas in 2018. In addition to a business area director, the respective business area management teams include a controller. The controller plays a central role in analysing and monitoring the business area's financial reporting and in ensuring compliance by the companies in the business area with Group policies. The Parent Company has

additional functions for continuous analysis and monitoring of financial reporting by the Group, the business areas and subsidiaries. The Parent Company's finance department also initiates work on the annual self assessment routine regarding internal control over financial reporting.

In this evaluation the Group's companies have been grouped into three categories, based on the nature and scope of the respective companies' businesses. For each group of companies, a questionnaire for evaluation of internal control has been prepared based on the performed risk analysis.

All companies owned by Indutrade at the start of 2018 were required to respond to the evaluation questionnaire. The responses were compiled and evaluated per group of companies and for the Group as a whole. As a complement to this work, the auditors validated parts of the respective companies' completed questionnaires. In addition to this, the controllers of the business areas and Parent Company monitor internal control through visits to a number of companies each year. Both the evaluation performed by the Company and the result of the auditors' validation were reported and discussed with the Audit Committee. Feedback is provided to the companies in the Group where a need for improved routines has been identified. The audit committee also presented the results to the Board. The evaluation of internal control over the Group's financial reporting will serve as documentation for the subsequent years' self assessment and work on further strengthening internal control.

Information and communication

The Company's governing documents, consisting of policies, guidelines and manuals – to the extent that these pertain to financial reporting – are updated on a regular basis and communicated to the companies within the Group. Systems and routines have been established to provide management with reports on the results of operations and financial position in relation to set targets, among other things.

Monitoring

The Board conducts a monthly evaluation of business development, earnings, position and cash flow using a report pack containing comments on outcomes and certain key ratios.

The Audit Committee has an oversight role regarding the Company's financial reporting, risk management, and governance and control. In addition, the Audit Committee maintains regular contact with the Company's auditors to ensure that the Company's internal and external reporting satisfies requirements made on market-listed companies and to monitor any observations that emerge from the audit.

Internal audit

The Group has a simple operative structure consisting primarily of small and medium-sized standalone businesses that are independent of each other, with varying conditions for internal control. Compliance with governance and internal control systems that have been drawn up by the Group is checked by the controllers on a regular basis at the business area and Parent Company levels. In addition, the controllers perform continuing analyses of the companies' reporting and financial outcomes to verify their performance. Added to this is the routine for annual self assessment of internal control over financial reporting. In view of the above, the Board has opted to not have a dedicated internal audit function.

Board of Directors and auditors



Katarina Martinson

CHAIRMAN
since 2018
Director
since 2015

Works with asset management, among others, for Lundberg family

Born 1981

Education M. Sc. Economics, Stockholm School of Economics

Professional experience Analyst at Handelsbanken Capital Markets, Vice President of Strategas Research Partners LLC, New York, Analysis of investment strategies investment research, International Strategy & Investment Group, New York.

Other directorships Director of L E Lundbergföretagen, Fastighets AB L E Lundberg, Fidelio Capital, Husqvarna, Förvaltnings AB Lunden and L E Lundberg Kapitalförvaltning.

Number of shares 32,280,000
(via L E Lundbergföretagen)



Bengt Kjell

Vice Chairman since
2013
Director
since 2002

Own investment business

Born 1954

Education MBA, Stockholm School of Economics

Professional experience Acting President and CEO of Industrivärden, President and CEO of Handel och Industri AB, Executive Vice President and Head of Investment Operations at Industrivärden, Head of Corporate Finance at Securum, Senior Partner and founder of Navet, Authorised Public Accountant.

Other directorships Chairman of Hemfosa Fastigheter, Nyfosa and SSAB. Vice Chairman of Pandox. Director of Industrivärden, ICA Gruppen and others.

Number of shares 60,000



Susanna Campbell

Director
since 2017

Born 1973

Education M. Sc. Economics

Professional experience CEO of Ratos. Various positions with McKinsey and Company, and Alfred Berg Fondkommission

Other directorships Chairman of Babyshop Group, Röhnisch Sportswear and Ljung & Sjöberg. Director of Nalka Invest and Northvolt and member of the investment committee at Norrskan Founders Fund. Nominated to the Board of Directors at Kinnevik.

Number of shares 2,000



Anders Jernhall

Director
since 2018

Executive Vice President and CFO of Holmen AB.

Born 1970

Education M. Sc. Economics, Stockholm School of Economics

Professional experience Various positions at Holmen and Citibank.

Other directorships Director of L E Lundberg Kapitalförvaltning.

Number of shares 1,000



Ulf Lundahl
Director since 2006

Born 1952
Education LL.B. and B. Sc. Economics
Professional experience Executive Vice President and Deputy CEO of L E Lundbergföretagen, President of Östgöta Enskilda Bank, Head of Swedish operations of Danske Bank, CEO of Danske Securities
Other directorships Chairman of Fidelio Capital, Ramirent, Attendo and SHB Regionbank Stockholm. Director of Holmen, Eltel and Nordstjernan Kredit AB.
Number of shares 12,000



Krister Mellvé
Director since 2012

Born 1949
Education B. Sc. Economics
Professional experience Leading positions in the Robert Bosch Group
Other directorships Director of Modular Management
Number of shares 47,500



Lars Petterson
Director since 2013

Born 1954
Education M. Sc. Engineering, Uppsala University, PhD h.c., Uppsala University
Professional experience President and CEO of Sandvik AB, Sandvik Materials Technology, Sandvik Tooling and Sandvik Coromant
Other directorships Chairman of KP Komponenter A/S. Director of Husqvarna, Industrivärden, L E Lundbergföretagen and Festo AG
Number of shares 2,100



Bo Annvik
Director since 2017

President and CEO
Born 1965
Education M. Sc. Economics
Professional experience President and CEO of Haldex, executive positions with Volvo Cars, SKF and Outokumpu.
Other directorships Nominated to the Board of Directors for SSAB.
Number of shares 0
Number of warrants 140,000

Auditors

PricewaterhouseCoopers AB
Michael Bengtsson
Authorised Public Accountant
Born 1959.
Chief Auditor of Indutrade since 2013.

Other auditing assignments for listed companies:
Bure, Sweco, Nobina and Eniro.
Other auditing assignments for major unlisted companies:
Perstorp and Bonnier Group.

Group Management



**Bo
Annvik**

President and CEO
Born 1965
Employed since 2017

Education M. Sc. Economics
Professional experience President and CEO of Haldex, executive positions with Volvo Cars, SKF and Outokumpu.

Number of shares 0
Number of warrants 140,000



**Patrik
Johnson**

CFO
Born 1970
Employed since 2018

Education B. Sc. Economics
Professional experience CFO Sandvik Machining Solutions and Seco Tools. Various management positions as controller and in accounting/finance at ABB Sweden.

Number of shares 0
Number of warrants 24,000



**Frida
Adrian**

Vice President Communications, Sustainability and IR
Born 1977
Employed since 2017

Education M. Sc. Economics
Professional experience Head of IR at Mr Green & Co, various positions in IR, communications and finance at Investor, LF Bank and Svensk Exportkredit.

Number of shares 305
Number of warrants 3,000



**Juha
Kujala**

Senior Vice President Finland
Born 1967
Employed since 2006

Education MBA, Technical college engineer
Professional experience President of Kontram Oy and Maansähkö Oy, Sales Manager Kontram Oy, Export Manager Kalmar Industries Oy

Number of shares 10,020
Number of warrants 12,000



**Peter
Eriksson**

Adviser to the CEO
Born 1953
Employed since 1995

Education Technical college engineer, B. Sc. Market Economics, IFL
Professional experience President and partner of Alnab, Sales Manager at Alnab.

Number of shares 44,150
Number of warrants 10,000



**Göte
Mattsson**

Senior Vice President Fluids & Mechanical Solutions
Born 1955
Employed since 1999

Education B. Sc. Economics, Management studies
Professional experience President and Partner Industri Belos, President J Sörling, Group Controller Transventor, Vice President Parator

Number of shares 16,200
Number of warrants 24,000



**Jonas
Halvord**

Head of Acquisitions and Business Development
Born 1961
Employed since 2018

Education M. Sc. Economics, Gothenburg School of Business, Economics and Law, Senior High School Engineering
Professional experience Director Mergers & Acquisitions SKF Group, CEO Provexa AB, CEO Svenska Skumsläcknings AB

Number of shares 0
Number of warrants 12,000



**Susann
Nyberg**

Head of Group Finance
Born 1963
Employed since 2012

Education M. Sc. Economics Business Administration and Economics
Professional experience Group Controller Addtech, Management Consultant KPMG, Financial Manager position at Telia, Financial Manager and Controller positions at SKF

Number of shares 5,938
Number of warrants 12,000



Morgan O'Brien

Senior Vice President
Flow Technology
Born 1961
Employed since 1992
Education Dip. Applied Science /
Instrument Physics
Professional experience Managing
Director ESI Technologies Ltd
Number of shares 174
Number of warrants 12,000



Patrik Stolpe

Senior Vice President
Measurement & Sensor Technology
Born 1965
Employed since 2015
Education B. Sc. Electronics,
Industrial Marketing
Professional experience
Global Segment Manager Xylem,
President and CEO Lorentzen &
Wettre.
Number of shares 5,521
Number of warrants 12,000



Peter Rowlands

Senior Vice President UK
Born 1968
Employed since 2009
Education M. Eng. in Materials
Science and Technology, MBA
Professional experience Managing
Director Precision Products Ltd,
Managing Director TelesisEagle Ltd,
Group Operations Manager Edward
Pryor & Son Ltd
Number of shares 0
Number of warrants 1,000



Robert Timmer

Senior Vice President Benelux
Born 1969
Employed since 1994
Education B. Sc. Mechanical
Engineering, studies in business
and management
Professional experience Sales
Manager Hitma B.V., Managing
Director Aluglas B.V., Managing
Director Hitma Group B.V.
Number of shares 0
Number of warrants 6,000



Markus Rüedin

Senior Vice President DACH
Born 1965
Employed since 2011
Education M.A. HSG Economics
Professional experience Divisions
Controller Clariant, member of
management Clariant
Number of shares 0
Number of warrants 3,000



Åsa Wirsenius

Vice President Group Human
Resources
Born 1977
Employed since 2018
Education Master of Social Sciences,
Human Resources Management
Professional experience People
Director Belron UK, HR Director
Carglass Nordics, HR positions at ICA,
Wasa Barilla and others.
Number of shares 0
Number of warrants 0



Joakim Skantze

Senior Vice President
Industrial Components
Born 1967
Employed since 2016
Education M. Sc. Electronics, economics
and management studies
Professional experience Venture
Manager Traction, President Gnosjö
Plast, Business Area Manager and Partner
Schneider Grafiska, Senior Consultant
Accenture.
Number of shares 0
Number of warrants 12,000

Proposed distribution of earnings

The Annual General Meeting has the following funds at its disposal (SEK million)

Share premium reserve	112
Reserve for fair value	-3
Retained earnings	3,588
Net profit for the year	1,093
Total	4,790

The Board of Directors proposes the following distribution of earnings (SEK million)

Dividend of SEK 4.50 per share	544
To be carried forward	4,246
Total	4,790

The dividend proposed by the Board of Directors corresponds to 11% of the Parent Company's equity and 9% of the Group's equity. Indutrade's dividend policy is that the dividend shall, over time, amount to between 30% and 60% of net profit.

Against the backdrop of the anticipated trend in the economy, the Board is of the opinion that the proposed dividend is well balanced with respect to the goals, scope and risks of the operations and with respect to the ability to meet the Company's future obligations.

If the dividend had been paid out at year-end, the Group's equity ratio would have been 40%. After payment of the proposed dividend, it is judged that Indutrade will continue to have a favourable financial position.

The Board's assurance

The Board of Directors and President certify that the consolidated financial statements and annual report have been prepared in accordance with International Financial Reporting Standards (IFRS) and generally accepted accounting principles and give a true and fair presentation of the Group's and Parent Company's position and result of operations. The Directors' Report for the Group and Parent Company gives a true and fair overview of the Group's and Parent Company's operations, position and result of operations and describes material risks and uncertainties facing the Parent Company and companies included in the Group.

The Group's and Parent Company's result of operations and position in general are shown in the following income statements, balance sheets, cash flow statements and notes.

Stockholm March 22, 2019

Katarina Martinson
Chairman of the Board

Bengt Kjell
Vice Chairman of the Board

Susanna Campbell
Director

Anders Jernhall
Director

Ulf Lundahl
Director

Krister Mellvé
Director

Lars Petterson
Director

Bo Annvik
President and CEO,
Director

Our audit report was submitted on 25 March 2019

PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant

Consolidated income statement

SEK millions	Note	2018	2017
Net sales	3, 4	16,848	14,847
Cost of goods sold		-11,099	-9,881
Gross profit		5,749	4,966
Development costs		-204	-178
Selling costs		-2,737	-2,463
Administrative expenses		-991	-893
Other operating income	6	124	107
Other operating expenses	6	-116	-159
Operating profit	5, 8, 9, 10, 11	1,825	1,380
Financial income	12	79	51
Financial expenses	13	-154	-121
Profit after financial items		1,750	1,310
Tax	15	-382	-280
Net profit for the year		1,368	1,030
Profit attributable to			
Equity holders of the parent company		1,367	1,029
Non-controlling interests		1	1
Earnings per share attributable to equity holders of the parent, SEK		11.31	8.54
Earnings per share after dilution, attributable to equity holders of the parent, SEK		11.31	8.53
Average number of shares before dilution, '000		120,832	120,457
Average number of shares after dilution, '000		120,843	120,617
Proposed dividend per share, SEK		4.50	3.75

Consolidated statement of comprehensive income

SEK millions	Note	2018	2017
Net profit for the year		1,368	1,030
Other comprehensive income			
<i>Items that can be reversed into income statement</i>			
Fair value adjustment of hedge instruments	2	-3	17
Tax attributable to fair value adjustments		1	-4
Exchange rate differences		134	2
<i>Items that cannot be reversed into income statement</i>			
Actuarial gains/losses	24	3	1
Tax on actuarial gains/losses		-1	0
Other comprehensive income, net of tax		134	16
Total comprehensive income for the period		1,502	1,046
Comprehensive income attributable to			
Equity holders of the parent company		1,501	1,045
Non-controlling interests		1	1

Comments on the consolidated income statement

Order intake

Order intake for the financial year totalled SEK 17,073 (15,051) million, an increase of 13%. The increase for comparable units was 4%, acquisitions contributed 7%, divestments had a negative effect of -2%, and currency movements had a positive effect on order intake of 4%. For six of the eight business areas, order intake increased during the year for comparable units.

Net sales

Net sales increased by 13% during the year to SEK 16,848 (14,847) million. The increase for comparable units was 4%, acquisitions contributed 7%, divestments had a negative effect of -2%, and currency movements had a positive effect on net sales of 4%.

Operating profit, EBITA

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) was SEK 2,087 (1,613) million for the year, an increase of 29%. Adjusted EBITA not including 2017 restructuring costs increased by 20%. For comparable units, EBITA increased by 6%, acquisitions contributed 9%, divestments by 1%, and currency movements had a positive effect of 4%. The EBITA margin increased to 12.4 (10.9)%. EBITA margin adjusted for restructuring costs in the Sander Meson Group last year was 11.8. The gross margin for the Group as a whole increased and amounted to 34.1 (33.4)%. The earnings improve-

ment partially comes from the fact that 2017 earnings were impacted by the restructuring costs for the Sander Meson Group of SEK 132 million. The restructuring was carried out as planned and has essentially been completed.

During the year, operating margin improved for most of Indutrade's business areas. The biggest increased were in the DACH and Finland business areas and they were mainly associated with the divestments that were made.

Net financial items and net profit for the year

Net financial items amounted to SEK -75 (-70) million. Tax on profit for the year was SEK -382 (-280) million, corresponding to a tax charge of 22 (21)%. Profit for the year rose 33% to SEK 1,368 (1,030) million. Earnings per share before dilution grew 33% to SEK 11.31 (8.54).

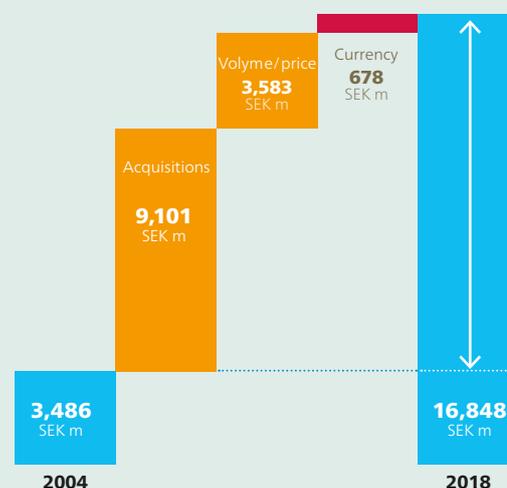
Values for each quarter

SEK millions	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Net sales	3,897	4,390	4,115	4,446
EBITA	451	543	525	568
EBITA margin, %	11.6	12.4	12.8	12.8
Profit after tax	293	364	342	369
Earnings per share, SEK	2.42	3.01	2.83	3.05

Net sales and EBITA margin



Sales growth, SEK million



Consolidated balance sheet

SEK millions	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Goodwill		3,170	2,845
Agencies, customer relationships, etc.		1,723	1,683
Trademarks		270	251
Software, licences, etc.		71	60
Other intangible assets		105	108
Total intangible assets	16	5,339	4,947
<i>Property, plant and equipment</i>			
Land and buildings		885	884
Machinery		477	403
Equipment		342	320
Construction-in-progress and advances for property, plant and equipment		32	11
Total property, plant and equipment	17	1,736	1,618
<i>Financial assets</i>			
Holdings of shares and participation in unlisted companies	18	13	–
Available-for-sale financial assets	18	–	15
Non-current receivables	19	26	22
Deferred tax assets	15	119	102
Total financial assets		158	139
Total non-current assets		7,233	6,704
Current assets			
Inventories	20	2,834	2,517
Accounts receivable, trade	21	2,877	2,469
Contract assets	4	99	84
Current tax assets		20	32
Other current receivables		145	168
Prepaid expenses and accrued income	22	154	128
Cash and cash equivalents	29, 30	708	464
Total current assets		6,837	5,862
TOTAL ASSETS		14,070	12,566

Profitability and financial position

The return on operating capital was 21 (19)%, and the return on equity was 24 (22)%.

Shareholders' equity amounted to SEK 6,218 (5,168) million, and the equity ratio was 44 (41)%. Cash and cash equivalents amounted to SEK 708 (464) million. In addition to this, the Group had unutilised credit commitments of SEK 2,880 (2,752) million. Interest-bearing net debt amounted to SEK 3,909 (3,829) million at year-end. The net debt/equity ratio was 63 (74)% at year end.

SEK millions	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Equity			
Share capital		242	242
Reserves		290	158
Retained earnings incl. net profit for the year		5,673	4,751
Total equity attributable to owners of the parent		6,205	5,151
Non-controlling interests		13	17
Total equity		6,218	5,168
Non-current liabilities			
Non-current interest-bearing liabilities	23, 30	2,515	1,285
Other non-current liabilities		–	2
Pension obligations	24	296	284
Deferred tax liabilities	15	606	586
Other provisions	25	13	12
Total non-current liabilities		3,430	2,169
Current liabilities			
Current interest-bearing liabilities	23, 30	1,806	2,724
Accounts payable, trade		1,168	1,081
Contract liabilities	4	148	123
Current tax liabilities		163	192
Other current liabilities		362	434
Accrued expenses and deferred income	26	775	675
Total current liabilities		4,422	5,229
TOTAL EQUITY AND LIABILITIES		14,070	12,566

Information on pledged assets and contingent liabilities is provided in Notes 27 and 28.

EBITA and return on operating capital



Consolidated statement of changes in equity

SEK millions	Attributable to equity holders of the parent company				Non-controlling interests	Total equity
	Share capital	Reserves	Retained earnings	Total		
OPENING BALANCE, 1 JANUARY 2017	240	143	4,006	4,389	10	4,399
Comprehensive income						
Net profit for the year	–	–	1,029	1,029	1	1,030
Other comprehensive income						
Fair value adjustment of hedge instruments	–	17	–	17	–	17
Tax attributable to fair value adjustments	–	–4	–	–4	–	–4
Actuarial gains/losses	–	–	1	1	–	1
Tax on actuarial gains/losses	–	–	0	0	–	0
Exchange rate differences	–	2	–	2	0	2
Total comprehensive income	–	15	1,030	1,045	1	1,046
Transactions with shareholders						
Acquisitions of companies with non-controlling interests	–	–	–	–	6	6
Acquisitions of non-controlling interests	–	–	–2	–2	–	–2
Dividend paid for 2016	–	–	–384 ¹⁾	–384	0	–384
New issues	2	–	93	95	–	95
Payment for issued warrants	–	–	8	8	–	8
Total transactions with shareholders	2	–	–285	–283	6	–277
OPENING BALANCE, 1 JANUARY 2018	242	158	4,751	5,151	17	5,168
Comprehensive income						
Net profit for the year	–	–	1,367	1,367	1	1,368
Other comprehensive income						
Fair value adjustment of hedge instruments	–	–3	–	–3	–	–3
Tax attributable to fair value adjustments	–	1	–	1	–	1
Actuarial gains/losses	–	–	3	3	–	3
Tax on actuarial gains/losses	–	–	–1	–1	–	–1
Exchange rate differences	–	134	–	134	0	134
Total comprehensive income	–	132	1,369	1,501	1	1,502
Transactions with shareholders						
Acquisitions of non-controlling interests	–	–	–1	–1	–4	–5
Sale of shares with non-controlling interests	–	–	–	–	–1	–1
Dividend paid for 2017	–	–	–453 ²⁾	–453	0	–453
New issues	0	–	7	7	–	7
Total transactions with shareholders	0	–	–447	–447	–5	–452
CLOSING BALANCE, 31 DECEMBER 2018	242	290	5,673	6,205	13	6,218

¹⁾ The dividend per share for 2016 was SEK 3.20.

²⁾ The dividend per share for 2017 was SEK 3.75. The proposed dividend per share for 2018 is SEK 4.50.

Consolidated statement of cash flows

SEK millions	Note	2018	2017
Operating activities			
Operating profit		1,825	1,380
<i>Adjustment for</i>			
Depreciation, amortisation and impairment losses	9, 16, 17	524	536
Adjustment of contingent consideration	31	-6	-30
Net profit from sale of operations, property, plant and equipment, intangible assets and shares		10	4
Other non-cash items		17	37
Paid tax		-452	-351
<i>Change in working capital</i>			
Inventories		-216	-38
Accounts receivable, trade		-269	21
Accounts payable, trade		38	28
Other operating assets and liabilities, net		-14	29
Interest received		9	10
Interest paid		-58	-56
Other financial items		-48	-16
Cash flow from operating activities		1,360	1,554
Investing activities			
Acquisitions of subsidiaries and operations	31	-664	-1,007
Sales of subsidiaries and operations	31	78	-
Acquisitions of property, plant and equipment	17	-292	-216
Sales of property, plant and equipment	17	22	15
Acquisitions of intangible non-current assets	16	-29	-35
Decrease/increase in financial assets		0	1
Cash flow from investing activities		-885	-1,242
Financing activities			
Borrowings	30	6,153	5,027
Repayment of debt	30	-5,928	-4,911
Dividend paid out		-453	-384
New issues		7	95
Payment for issued warrants		0	8
Cash flow from financing activities		-221	-165
Cash flow for the year		254	147
Cash and cash equivalents at start of year		464	332
Exchange rate differences in cash and cash equivalents		-10	-15
Cash and cash equivalents at end of year	29, 30	708	464

Cash flow from operating activities was SEK 1,360 (1,554) million for the full year. Cash flow after net capital expenditures in intangible non-current assets and property, plant and equipment (excluding company acquisitions) was SEK 1,061 (1,318) million. The decrease is attributable to higher working capital during the first half of the year, which is due to both higher volumes and inventory build-up to maintain delivery service. The Group's net capital expenditures, excluding company acquisitions, totalled SEK 299 (236) million. Depreciation of property, plant and equipment amounted to SEK 229 (206) million. Investments in company acquisitions totalled SEK 566 (957) million. In addition, contingent consideration for previous years' acquisitions totalled SEK 98 (50) million. Divestments amounted to SEK 78 (-) million.

Cash flow from operating activities



Parent company

The main functions of Indutrade AB are to take responsibility for business development, acquisitions, financing, business control, analysis and communication. The Parent Company's net sales, which consist entirely of internal invoicing of services, amounted to SEK 6 (5) million during the year. The Parent Company's financial assets consist mainly of shares in subsidiaries. During the

year, the Parent Company acquired shares in one new company. The Parent Company has not made any major investments in intangible assets or in property, plant and equipment. The number of employees on 31 December was 15 (13). Receivables and liabilities to Group companies primarily consist of loans granted and received to and from subsidiaries.

Income statement Parent Company

SEK millions	Note	2018	2017
Net sales		6	5
Gross profit		6	5
Administrative expenses	5	-107	-79
Other operating income and expenses	6	7	-
Operating profit	8, 9, 10, 11	-94	-74
Financial income	12	115	79
Financial expenses	13	-155	-92
Profit from participations in Group companies	14	736	753
Profit after financial items		602	666
Group contributions received		724	694
Group contributions rendered		-72	-64
Change in tax allocation reserve		-58	-36
Excess depreciation of equipment		0	0
Profit before tax		1,196	1,260
Tax	15	-103	-114
Net profit for the year		1,093	1,146

Statement of comprehensive income Parent Company

SEK millions	Note	2018	2017
Net profit for the year		1,093	1,146
Other comprehensive income			
<i>Items that can be reversed into income statement</i>			
Fair value adjustment of hedge instruments	2	0	10
Tax attributable to fair value adjustments	15	0	-2
Other comprehensive income, net of tax		0	8
Total comprehensive income for the period		1,093	1,154

Balance sheet Parent Company

SEK millions	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Software and licences	16	0	0
<i>Property, plant and equipment</i>			
Equipment	17	2	1
<i>Financial assets</i>			
Participations in Group companies	18	5,485	5,392
Non-current receivables	19	13	12
Deferred tax assets	15	4	4
Total financial assets		5,502	5,408
Total non-current assets		5,504	5,409
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		5,194	4,468
Other receivables		28	23
Prepaid expenses and accrued income	22	5	5
Total current receivables		5,227	4,496
Cash and cash equivalents	29	200	0
Total current assets		5,427	4,496
TOTAL ASSETS		10,931	9,905

SEK millions	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	34	242	242
Statutory reserve		5	5
		247	247
<i>Unrestricted equity</i>			
Share premium reserve		112	105
Reserve for fair value		-3	-3
Retained earnings		3,588	2,895
Net profit for the year		1,093	1,146
		4,790	4,143
Total equity		5,037	4,390
Untaxed reserves			
Tax allocation reserve	35	647	589
Excess depreciation of equipment		0	0
Total untaxed reserves		647	589
Non-current liabilities			
Non-current interest-bearing liabilities	23	2,307	1,065
Pension obligations	24	16	15
Deferred tax liabilities	15	5	5
Total non-current liabilities		2,328	1,085
Current liabilities			
Current interest-bearing liabilities	23	1,668	2,535
Accounts payable, trade		4	5
Liabilities to Group companies		1,150	1,175
Other current liabilities		7	25
Current tax liabilities		59	80
Accrued expenses and deferred income	26	31	21
Total current liabilities		2,919	3,841
TOTAL EQUITY AND LIABILITIES		10,931	9,905

Information on pledged assets and contingent liabilities is provided in Notes 27 and 28.

Parent Company statement of changes in equity

SEK millions	Share capital	Reserves	Share premium reserve	Reserve for fair value	Retained earnings	Total
OPENING BALANCE, 1 JANUARY 2017	240	5	4	-11	3,279	3,517
Comprehensive income						
Net profit for the year	-	-	-	-	1,146	1,146
Other comprehensive income						
Fair value adjustment of hedge instruments	-	-	-	10	-	10
Tax attributable to fair value adjustments	-	-	-	-2	-	-2
Total comprehensive income	-	-	-	8	1,146	1,154
Transactions with shareholders						
Dividend paid for 2016	-	-	-	-	-384 ¹⁾	-384
New issues	2	-	93	-	-	95
Payment for issued warrants	-	-	8	-	-	8
Total transactions with shareholders	2	-	-	-	-384	-281
OPENING BALANCE, 1 JANUARY 2018	242	5	105	-3	4,041	4,390
Comprehensive income						
Net profit for the year	-	-	-	-	1,093	1,093
Other comprehensive income						
Fair value adjustment of hedge instruments	-	-	-	0	-	0
Tax attributable to fair value adjustments	-	-	-	0	-	0
Total comprehensive income	-	-	-	0	1,093	1,093
Transactions with shareholders						
Dividend paid for 2017	-	-	-	-	-453 ²⁾	-453
New issues	0	-	7	-	-	7
Total transactions with shareholders	0	-	7	-	-453	-446
CLOSING BALANCE, 31 DECEMBER 2018	242	5	112	-3	4,681	5,037

¹⁾ The dividend per share for 2016 was SEK 3.20.

²⁾ The dividend per share for 2017 was SEK 3.75. The proposed dividend per share for 2018 is SEK 4.50.

Cash flow statement Parent Company

SEK millions	Note	2018	2017
Operating activities			
Operating profit		-94	-74
<i>Adjustment for</i>			
Depreciation, amortisation and impairment losses	9, 16, 17	0	0
Net profit for sale of operations		-7	-
Other non-cash items		4	1
Paid tax		-124	-76
<i>Change in working capital</i>			
Trade receivables		0	0
Accounts payable, trade		-2	4
Other operating assets and liabilities, net		-713	-399
Interest received		61	47
Interest paid		-46	-44
Group contributions received and dividend income		1,401	1,292
Other financial items		-47	-13
Cash flow from operating activities		433	738
Investing activities			
Acquisitions of subsidiaries	18	-166	-689
Divestment of subsidiaries		8	-
Acquisitions of property, plant and equipment	17	0	-
Decrease/increase in financial assets		-	1
Cash flow from investing activities		-158	-688
Financing activities			
Borrowings		6,149	5,015
Repayment of debt		-5,778	-4,784
Dividend paid out		-453	-384
New issues		7	95
Payment for issued warrants		-	8
Cash flow from financing activities		-75	-50
Cash flow for the year		200	0
Cash and cash equivalents at start of year		0	0
Cash and cash equivalents at end of year	29	200	0

Unless otherwise stated, all amounts in the notes are in SEK million.

The symbols **IS** and **BS** indicate amounts in the notes that can be found in the income statement or balance sheet, respectively.

01

Accounting and valuation principles

General information

The Indutrade Group markets and sells components, systems and services with a high-tech content to industrial companies in selected niches. Business is conducted through more than 200 subsidiaries in 30 countries. Indutrade's shares have been listed on Nasdaq Stockholm since 2005. As of 1 January 2018, the Group is organised in eight business areas.

The Parent Company is a limited liability company with registered office in Stockholm.

This annual report was approved by the Board of Directors for publication on 22 March 2019. The consolidated and parent company income statements and balance sheets will be presented for adoption by the Annual General Meeting on 9 May 2019.

Overarching accounting principles and new standards are reported below. Other important accounting principles are reported in connection with the respective notes.

Basis of preparation

The consolidated accounts of the Indutrade Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union as well as with RFR 1 and the Swedish Annual Accounts Act. Assets and liabilities have been accounted for at historical cost, except for with respect to revaluations of financial assets and liabilities (including derivative instruments), which are measured at fair value.

Preparation of financial statements in accordance with IFRS requires the use of a number of important accounting estimations. Further, application of the Company's accounting principles requires that management makes certain assessments. Areas that involve a high degree of assessment, or areas in which assumptions and estimations are of material significance for the consolidated financial statements, are described below in the section "Important estimations and assumptions for accounting purposes".

Standards, amendments and interpretations that apply as from 1 January 2018

The Indutrade Group began applying IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on 1 January 2018. Accounting principles are reported at the end of Note 2 Risks and Risk Management and Note 21 Trade Receivables and in Note 4 Revenue from Contracts with Customers.

IFRS 9 entails changes in how financial assets are classified, measured and recognised. The standard introduced, among other things, an impairment model based on expected credit losses. Indutrade's bad debt losses over the years have been very limited, and the effects of IFRS 9 have been marginal. No adjustments have been made in the opening balances.

Standards, amendments and interpretations that apply as from 1 January 2019

The new leasing standard IFRS 16, which has been endorsed by the EU, replaces the current IAS 17 on 1 January 2019. The standard entails changes primarily for lessees in that the breakdown of leases into oper-

ating and finance leases has been removed. With a few exceptions, assets and liabilities attributable to all leases are to be recognised on the balance sheet. In the income statement, interest and depreciation are to be reported instead of leasing costs.

Indutrade has decided to report the transition using the simplified method, which means that it is not necessary to recalculate comparison figures. On the asset side, valuation is based on the actual start date of contracts. Short-term leases and contracts where the asset has a low value are not reported. Only identifiable assets are included as leased assets and liabilities, which means that the lease payments associated with such things as service contracts with non-identifiable assets are reported directly in the income statement.

Indutrade's leases are primarily for rented premises. It has been assessed that the standard will have the following impact on the balance sheet as of 1 January 2019: right-of-use assets increase by SEK 807 million, lease liabilities increase by SEK 842 million, equity decreases by SEK 28 million and deferred tax asset increase by SEK 7 million. IFRS 16 is expected to have a slight positive impact on operating profit and a slight negative impact on net financial items.

In instances where interest has not been specified in the lease agreement, Indutrade has (for each currency that applies) used a risk-free interest rate with a duration corresponding to the average term for leases as the basis. A premium has then been added to cover the Group's and subsidiaries' assessed credit risk. An adjustment has also been made based on the type of asset.

Basis of consolidation

The consolidated accounts include subsidiaries in which the Group directly or indirectly has control. Subsidiaries are included in the consolidated accounts from the date control is transferred to the Group. They are excluded from the consolidated accounts from the date control ceases.

The purchase method is used for reporting of the Group's business acquisitions. The purchase price for the acquisition of a subsidiary consists of the fair value of the acquired assets and liabilities. The purchase price also includes the fair value of all assets and liabilities that are the result of an agreement on contingent consideration. Transaction costs in connection with acquisitions are recognised directly in profit for the year as other operating expenses. In cases where contingent consideration is remeasured at fair value, this is recognised in operating profit. Identifiable, acquired assets and liabilities taken over in a business acquisition are initially measured at fair value as per the acquisition date.

For each acquisition, the Group determines if non-controlling interests in the acquired company are to be stated at the holding's proportional share of the fair value of identifiable net assets, excluding goodwill (partial goodwill), or at fair value, which entails that goodwill is also reported for non-controlling interests (full goodwill). Subsequent acquisitions up to 100% are reported as equity transactions.

Goodwill is initially carried at the amount in which the total purchase price and non-controlling interests exceed the fair value of identifiable, acquired assets and liabilities taken over.

Intra-Group transactions and balance sheet items as well as unrealised gains and losses on transactions between Group companies are eliminated.

The Group treats transactions with non-controlling interests as transactions with the Group's shareholders. Transactions with non-controlling interests are reported in equity.

Classification

Non-current assets and non-current liabilities consist essentially of amounts that are expected to be recovered or paid more than 12 months from the balance sheet date. Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within 12 months from the balance sheet date.

Note 1 continued

Translation of foreign currency

Items that are included in the financial statements for the Group's various units have been valued in the currency that is used in the economic environment in which the respective company mainly operates (the functional currency). In the consolidated accounts, Swedish kronor (SEK) is used, which is the Parent Company's functional and reporting currency.

The earnings and financial position of all Group companies that have a different functional currency than their reporting currency are translated to the Group's reporting currency in accordance with the following:

- assets and liabilities on each of the subsidiaries' balance sheets are translated at the exchange rate in effect on the balance sheet date,
- income and expenses in each of the income statements are translated at the average exchange rate for the year, and
- all exchange rate differences that arise are reported in other comprehensive income.

Goodwill and fair value adjustments that arise in connection with the acquisition of a foreign business are treated as assets and liabilities in the acquired business and are translated at the exchange rate in effect on the balance sheet date.

Transactions and balance sheet items in foreign currency

Transactions in foreign currencies are translated to the functional currency at the exchange rate in effect on the transaction date. Exchange rate gains and losses that arise upon payment in such transactions and when translating monetary assets and liabilities in foreign currencies at the exchange rate on the balance sheet date are recognised in profit or loss. An exception to this rule is applied for transactions that constitute hedges that meet the conditions for hedge accounting of cash flows or of net investments, for which gains/losses are recognised in other comprehensive income.

Exchange rate differences that arise upon translation or recognition of operating assets/liabilities are reported as other income/expenses, while exchange rate differences that arise upon payment of financial assets/liabilities are reported as financial income/expenses.

Important estimations and assumptions for accounting purposes

The Group makes estimations and assumptions about the future. By definition, the estimations for accounting purposes that are a consequence of these rarely match the actual outcome. This applies primarily for the need to recognise impairment of goodwill and defined benefit pension obligations. Assumptions and estimations are evaluated continuously and are based on historical experience and anticipations of future events that are considered to be reasonable under prevailing conditions.

Parent company

The Parent Company accounts have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Reporting for Legal Entities. According to RFR 2, in the annual report for a legal entity, the Parent Company shall apply all IFRSs and statements endorsed by the EU as far as possible within the confines of the Annual Accounts Act and taking into account the connection between reporting and taxation. The recommendation indicates which exceptions and amendments are to be applied with respect to IFRS.

Participations in Group companies are reported in the Parent Company using the cost method. In the Parent Company, a change in the liability for contingent consideration affects the value of participations in subsidiaries. Contingent consideration is reported in the Parent Company when it is certain or probable that the obligation will arise.

Untaxed reserves are reported in the Parent Company including deferred tax liabilities and not as in the Group (broken down into deferred tax liabilities and equity).

Group contributions are reported gross as appropriations in accordance with the alternative rule in RFR 2.

02

Risks and risk management

Accounting principles

Financial instruments

The Group mainly has the following financial instruments: trade receivables, cash and cash equivalents, trade payables, borrowings, contingent consideration and derivative instruments.

Accounts payable, trade

Indutrade's trade payable typically fall due within 6 months, which is why they are classified as current liabilities. Initially, trade payables are measured at fair value and thereafter at amortised cost

Derivative instruments

Derivative instruments are reported at fair value in the balance sheet as per the contract date, both initially and for subsequent revaluations. The method for reporting the profit or loss that arises with revaluation depends on how the derivative was identified. The Group identifies certain derivatives as a hedge on a highly probable forecast transaction (cash flow hedge). More information is provided below under Cash Flow Hedging.

For other derivatives, realised and unrealised gains and losses arising from changes in fair value are included in the income statement during the period in which they arise. The costs and earnings impact of forward contracts used to hedge loans are reported as part of financial income and expenses.

Cash flow hedging

The effective portion of changes in the fair value of a derivative instrument that is identified as a cash flow hedge and that meets the conditions for hedge accounting is reported in other comprehensive income. Changes in the value of derivatives, such as forward contracts, are recognised in the income statement on the same line and at the same point in time as the hedged item, typically as part of other operating income/expense.

Indutrade uses interest rate swaps to some extent to hedge borrowings at variable interest rates. The gain or loss that is attributable to the effective portion is recognised in other comprehensive income, while the ineffective portion is recognised immediately in the income statement in the item "Interest expense". Accumulated amounts in equity are restated in the income statement in the periods in which the hedged item affects earnings (e.g., when the prognosticated, hedged interest payment is made). The gain or loss that is attributable to the effective portion of interest rate swaps is reported as interest expense in the income statement.

When a prognosticated transaction is no longer expected to take place, the accumulated gain or loss that was previously reported in the hedging reserve through other comprehensive income is immediately transferred to the income statement.

Holdings of shares and participation in unlisted companies (2017: Available-for-sale financial assets)

This category includes financial assets that are not derivatives and that have been designated to this category at the time of acquisition or have not been classified in any other category. These are included in non-current assets unless the Group has the intention of selling the asset within 12 months after the balance sheet date. The Group has only negligible holdings of such assets. The difference between the carrying amount and fair value is considered to be insignificant.

Note 2 continued

Financial risks

In the course of its business, the Indutrade Group is exposed to various types of financial risk:

- Funding risk
- Interest rate risk
- Currency risk
- Customer and counterparty risks

Finance policy

Indutrade's board of directors sets the Company's finance policy on a yearly basis. This policy establishes the Company's financial strategy and internal delegation of responsibilities. The policy also governs such matters as how financing, liquidity management and currency risk management are to be handled within the Group as well as any restrictions that should be considered with respect to counterparties.

Funding risk and liquidity risk

Funding risk is the risk that funding of the Group's capital requirement will be impeded or become more costly. To mitigate funding risk, the Group strives to maintain a balanced maturity structure, a good liquidity reserve, and diversified borrowing. This creates a preparedness to take necessary alternative actions to raise capital, should this be necessary.

Indutrade manages the Group's funding needs centrally. In principle, all external funding is conducted by the Parent Company, which then funds the Group's subsidiaries, both in and outside Sweden, in local currency. Cash pools are established in Sweden, Finland, Norway, Denmark, Germany, the Netherlands and the UK.

Indutrade has had a commercial paper programme in place since 2014. The framework of the programme is SEK 2,000 million.

In 2018, Indutrade established a Medium Term Note programme (MTN) with a framework amount of SEK 3,000 million. During the year, Indutrade issued three unsecured bonds totalling SEK 1,500 million.

The Group's interest-bearing net debt was SEK 3,909 (3,829) million at year-end.

At year-end 2018, the Group had SEK 708 (464) million in cash and cash equivalents and SEK 2,880 (2,752) million in unutilised overdraft facilities. Of the Group's interest-bearing loans, 59% of the total principal falls due for payment after 31 December 2019. For a more detailed maturity analysis, see the description of the Group's borrowings in Note 23.

The Group strives to maintain a reasonable balance between equity, debt financing and liquidity, to enable the Group to secure funding at a reasonable capital cost. The Group's goal is that the net debt/equity ratio, defined as interest-bearing liabilities less cash and cash equivalents in relation to equity, normally should not exceed 100%. At year-end the debt/equity ratio was 63 (74)%.

Interest rate risk

Interest rate risk is the risk that unfavourable changes in interest rates will have a significant impact on the Group's net financial items and earnings. At year-end, as in the preceding year, most of the Group's loans had variable interest rates.

During the year, the Parent Company entered into a contract to hedge SEK 250 million of its borrowing at variable interest against fixed interest for five years. The contract expires in 2023. In 2018, two contracts for SEK 400 million matured. The difference between the fixed and variable interest is expensed in the income statement. During the year, valuation of interest rate swaps resulted in a gain for the Group of SEK 0 (10) million before tax, which is recognised in other comprehensive income. The Parent Company had a corresponding gain of SEK 0 (10) million.

Based on the loan structure at year-end, a 1% rise in the interest rate on an annualised basis would result in a higher interest expense of approximately SEK 34 (37) million, without taking into account the loans' fixed interest periods. Taking into account the existing interest

rate swaps, the effect would be approximately SEK -32 (-33) million. Profit after tax would be affected by SEK -25 (-26) million.

The table below shows the remaining contractual terms of loans until maturity, including interest on loans, leasing commitments and contingent consideration. Trade payables normally have a term of less than six months.

For information on the utilisation of bank overdraft facilities and granted credit limits, see Note 23.

Maturity dates for loans, leasing commitments and contingent consideration, incl. interest:

	Group		Parent company	
	2018	2017	2018	2017
Maturity in 2018	–	2,746	–	2,549
Maturity in 2019	1,847	717	1,694	575
Maturity in 2020	417	57	326	5
Maturity in 2021	564	516	514	501
Maturity in 2022	516	3	510	–
Maturity 2023 or later	1,109	16	1,006	–
Total borrowings incl. interest, SEK million	4,417	4,055	4,050	3,630

Currency risk

Currency risk is the risk of unfavourable movements in exchange rates affecting consolidated profit and equity measured in SEK:

- Transaction exposure arises as a result of the Group having incoming and outgoing payments in foreign currencies.
- Translation exposure arises as a result of the Group, via its foreign subsidiaries, having net investments in foreign currencies.

The Indutrade Group's transaction exposure arises when subsidiaries import products for sale in the domestic market and/or sell products in foreign currency. Exchange rate effects are eliminated to the extent possible by using currency clauses in customer contracts and by buying and selling in the same currency. In certain cases, forward contracts are used. Indutrade therefore considers its transaction exposure to be limited.

The consolidated income statement includes SEK -7 (1) million, net, in exchange rate differences in operating profit and SEK 2 (-1) million, net, in financial items.

With respect to transaction exposure, at 31 December 2018 Indutrade had net exposure of SEK 102 (45) million in foreign currency. See the breakdown of currencies in the following table.

Net exposure at year-end

Group SEK million	2018		2017	
	local currency	SEK	local currency	SEK
USD	8.0	72	6.2	52
EUR	3.9	40	3.8	38
DKK	4.3	6	4.2	6
GBP	0.4	5	-2.4	-27
CHF	-1.4	-13	-0.7	-6
Other currencies		-8	-2.4	-18
Total		102		45

Financial statements

Note 2 continued

At year-end, the Group had outstanding forward contracts to reduce the currency risk associated with future cash flows. All of the contracts mature within 20 months. Market valuation of outstanding forward contracts as per 31 December 2018 resulted in an unrealised loss of SEK –3 (6) million before tax, which is recognised in other comprehensive income.

Forward contracts

Group SEK million	2018	2017
USD	155	198
EUR	44	6
SGD	23	22
SEK	18	17
NOK	18	–
GBP	10	–
AUD	4	1
Total	272	244

In addition, the Parent Company has hedged outstanding receivables from and liabilities to subsidiaries, contingent consideration and anticipated dividends, as shown in the table below. Receivables from subsidiaries increased during the year.

Forward contracts

Parent Company SEK million	2018	2017
EUR	1,665	1,341
GBP	1,225	1,030
DKK	204	130
USD	170	–
CHF	148	148
NOK	53	17
PLN	29	22
RUB	9	2
SGD	3	15
Total	3,506	2,678

All contracts except those which relates to contingent considerations mature within 12 months.

The Group is exposed to a translation risk associated with translation of the accounts of foreign subsidiaries to the Group currency, SEK. This type of currency risk is not hedged. Net investments in foreign subsidiaries at year-end are shown in the table below. Indutrade also had net investments in other currencies in both 2018 and 2017, but the amounts were insignificant.

Net investments in foreign subsidiaries

Group Net exposure in millions	2018		2017	
	local currency	SEK	local currency	SEK
EUR	221	2,275	203	2,003
GBP	102	1,160	81	904
DKK	533	733	525	695
NOK	560	574	480	480
CHF	30	273	26	222
Total		5,015		4,304

Indutrade estimates that the Company's translation exposure entails that a 1% change in the value of SEK vs. other currencies would result in a yearly positive/negative effect (in the event of a weakening/strengthening of SEK) corresponding to approximately SEK 121 (104) million on net sales and approximately SEK 11 (9) million on net profit. The effect on equity of a 1% change would be SEK 52 (44) million.

Customer and counterparty risks

In the treasury management activities, credit risks arise in connection with investments of cash and cash equivalents, and counterparty risks arise in connection with the use of forward contracts. These risks are limited by working with counterparties that have been approved in accordance with the guidelines stipulated in the finance policy. These have primarily been major Nordic banks.

The risk of the Group's customers failing to meet their obligations, i.e., of payment not being received from customers, constitutes a customer credit risk. Assessment of Indutrade's credit risk in commercial transactions is handled by the respective subsidiaries. The Indutrade Group does business in many countries, which entails a spread of credit risk exposure over several geographic areas. For information on sales per geographic area, see Note 4.

For information on age analysis, doubtful debts and bad debts, see Note 21.

Financial assets and liabilities

Financial instruments are measured at fair value, based on the classification of the fair value hierarchy:

Other observable data, besides listed prices, for assets or liabilities (Level 2), Non-observable market data (Level 3).

No reclassifications between Level 2 and Level 3 were made during the year. Contingent earn-out payments have been discounted to present value using an interest rate that is judged to be in line with the market rate at the time of acquisition. Adjustments are not made on a regular basis for changes in the market interest rate, since the effects of these are judged to be negligible. For further information about contingent consideration and loans, see Note 23.

Contingent consideration

	2018	2017
Opening book value	185	129
Acquisitions during the year	119	128
Consideration paid	–93	–47
Reclassified via income statement	–6	–30
Interest expenses	4	3
Exchange rate differences	6	2
Closing book value	215	185

Note 2 continued

The Group's assets and liabilities measured at fair value 2018

	Interest rate swaps and currency derivatives in hedge accounting	Amortised cost	Holdings of shares and participation in unlisted companies	Contingent consideration	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Fair value hierarchy classification	Level 2		Level 3	Level 3			
Other shares and participations	–	–	14	–	–	14	14
Trade receivables	–	2,877	–	–	–	2,877	2,877
Other receivables	1	11	–	–	–	12	12
Cash and cash equivalents	–	708	–	–	–	708	708
Total	1	3,596	14	–	–	3,611	3,611
Non-current interest-bearing liabilities	–	–	–	96	2,419	2,515	2,513
Current interest-bearing liabilities	–	–	–	119	1,687	1,806	1,806
Accounts payable, trade	–	–	–	–	1,168	1,168	1,168
Other liabilities	4	–	–	–	–	4	4
Total	4	–	–	215	5,274	5,493	5,491

The Group's assets and liabilities measured at fair value 2017

	Interest rate swaps and currency derivatives in hedge accounting	Accounts receivable and loan receivables	Available-for-sale financial assets	Contingent consideration	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Fair value hierarchy classification	Level 2		Level 3	Level 3			
Other shares and participations	–	–	14	–	–	14	14
Trade receivables	–	2,469	–	–	–	2,469	2,469
Other receivables	5	1	–	–	–	6	6
Cash and cash equivalents	–	464	–	–	–	464	464
Total	5	2,934	14	–	–	2,953	2,953
Non-current interest-bearing liabilities	–	–	–	88	1,197	1,285	1,285
Current interest-bearing liabilities	–	–	–	97	2,627	2,724	2,724
Accounts payable, trade	–	–	–	–	1,081	1,081	1,081
Other liabilities	5	–	–	–	–	5	5
Total	5	–	–	185	4,905	5,095	5,095

Segment reporting

Accounting principle

Segment reporting is based on internal reporting to the chief operating decision maker. For Indutrade, this means the Group CEO and the key ratios that are presented for the business areas.

Detailed information on segment revenue is provided in Note 4 Revenue from Contracts with Customers.

Through 31 December 2018 the Group was organised in eight business areas: Benelux, DACH, Finland, Flow Technology, Fluids & Mechanical Solutions, Industrial Components, Measurement & Sensor Technology and UK. They constitute the Group's operating segments.

The Group's business areas conduct business primarily in the Nordic countries and in central and northern Europe. See the Directors' Report for a description of each business area.

According to IFRS, "Other" is the part of operations that does not constitute its own operating segment. At Indutrade, only the Parent Company is included in the segment called "Other". Indutrade AB lacks a major revenue source, which is why the Parent Company does not constitute its own operating segment.

The operating segments are monitored through net sales, which include both external and internal sales. However, the scope of internal sales between the subsidiaries is very limited, which is shown in the eliminations column in the table below.

The earnings measure that is monitored in Indutrade is EBITA. The business areas are followed up using the same accounting principles as the Group.

2018	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	PC	Elim. ¹⁾	Total
Net sales	2,045	1,225	1,743	3,491	1,980	3,371	1,863	1,183	6	-59	16,848
Operating profit	269	103	205	388	230	343	272	146	-94	-35	1,825
Net financial items											-75
Income Tax											-382
Net profit for the period											1,368
EBITA	306	126	213	414	262	400	322	175	-94	-37	2,087
EBITA margin, %	15.0	10.3	12.2	11.9	13.2	11.9	17.3	14.8			12.4
Amortisation of intangible assets	-39	-24	-15	-31	-35	-65	-57	-29	0	-	-295
Depreciation of property, plant and equipment	-36	-24	-11	-34	-32	-31	-33	-28	0	-	-229
Investment in non-current assets	28	52	31	51	44	56	66	44	2	-	374
2017	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	PC	Elim. ¹⁾	Total
Net sales	1,695	945	1,729	3,135	1,859	2,924	1,675	932	5	-56	14,847
Operating profit	216	65	170	311	202	272	243	101	-74	-126	1,380
Net financial items											-70
Income Tax											-280
Net profit for the period											1,030
EBITA	237	79	179	343	233	324	291	127	-74	-126	1,613
EBITA margin, %	14.0	8.4	10.4	10.9	12.5	11.1	17.4	13.6			10.9
Amortisation of intangible assets	-23	-15	-17	-34	-35	-54	-55	-25	0	-	-258
Depreciation of property, plant and equipment	-30	-16	-13	-32	-28	-31	-33	-23	0	-	-206
Investment in non-current assets	22	18	23	46	63	60	42	40	1	-	315

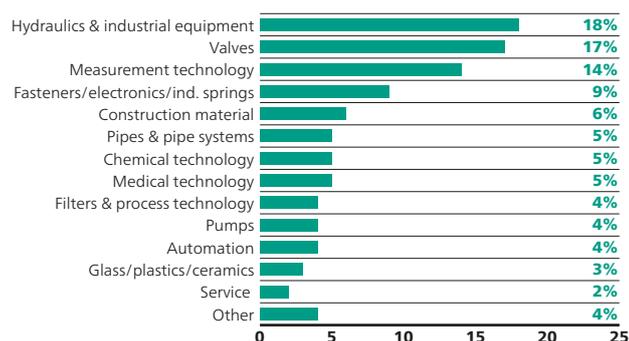
¹⁾ Pertains mainly to elimination of interal sales and interal profit in inventory.

FT – Flow Technology FMS – Fluids & Mechanical Solutions IC – Industrial Components

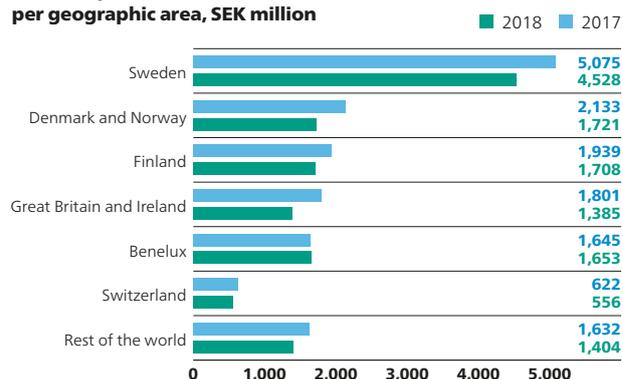
MST – Measurement & Sensor Technology

PC – Parent Company & Group Items

Sales per product area, %



The Group's non-current assets per geographic area, SEK million



Based on where the Group's legal companies have their registered offices, excluding financial assets.

Revenue from Contracts with Customers

Accounting principles

IFRS 15 Revenue from Contracts with Customers, the new IFRS for revenue recognition, has been endorsed by the EU and took effect on 1 January 2018. IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts.

The effects of this change for Indutrade's subsidiaries have been identified in a project that was begun in 2016. No significant deviations have been discovered compared with the previous standards, and no adjustments of opening balances for 2018 have been made.

Most of Indutrade's revenues consist of sales of products that are recognised as revenue at a set point in time. The sale is recognised as revenue when control of the products has been transferred, which typically takes place when the products are delivered to the customer. Delivery takes place when the products have been transported to a specific location, the risk for obsolete or misplaced products has been transferred to the customer, and the customer has either accepted the products in accordance with the contract, the time allowed for objections to the contract has expired, or the Group has objective evidence that all criteria for acceptance have been met.

Certain contracts include services, such as for installation of a product. If installation can be performed by another vendor, the service is reported as a distinct performance obligation. In such case, the transaction price is allocated to the respective separate performance obligations by reference to their stand-alone selling prices. In cases where a stand-alone selling price is not directly observable, the price is estimated based on the expected expenses associated with the product or service plus a profit margin. In a few cases, revenue is generated from service/maintenance agreements. This revenue is recognised on a linear basis over the term of the contract.

Volume discounts are frequently offered to customers and reduce the level of revenue. Historical data is used to estimate the expected

value of the discounts, and the revenue is recognised only to the extent that it is very probable that a significant reversal will not arise.

A few companies work with larger projects where performance does not result in creation of an asset with alternative use and where it is also entitled to payment for services rendered to date, such as manufacturing of a customized product. Increases or decreases in estimated revenue or expenses that are attributable to changed estimations are recognised in the income statement in the period in which the circumstances that gave rise to the change became known.

For fixed-price contracts, the customer pays the agreed-upon price on contracted payment dates. If the products or services that have been delivered exceed the payment, a contractual asset is reported. If the payments exceed the delivered services, a contractual liability is reported.

Warranties are offered and consist mostly of "assurance-type warranties", i.e., the warranty does not represent a separate performance obligation and thus does not affect revenue recognition, but is instead reported as an expense and provision respectively. The right for customers to return products exists only to a very limited scope within the Group.

The Group does not expect to have any significant contracts where the time between transfer of the products or services to the customer and payment from the customer exceed one year. As a result, the Group does not adjust the transaction price for the effects of a significant financing component.

The Group does not have any assets that have arisen from the costs associated with fulfilling a contract, such as costs associated with obtaining a contract with customers, costs prior to entering into a contract or start-up costs.

The Indutrade Group does not receive revenue from any single customer that amounts to 10% of total, which is why no data is reported on this.

2018	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim.	Total
Nordic countries	18	11	1,611	2,106	1,296	2,947	466	76	-23	8,508
Other Europe	1,622	1,152	109	1,173	543	371	680	974	-20	6,604
Americas	221	44	12	28	99	27	526	76	-5	1,028
Asia	141	16	9	164	32	24	162	45	-3	590
Other	43	2	2	20	10	2	29	12	-2	118
IS	2,045	1,225	1,743	3,491	1,980	3,371	1,863	1,183	-53	16,848
When revenue is recognised										
- Over time	66	281	0	31	1	96	200	0	-2	673
- At a specific time	1,979	944	1,743	3,460	1,979	3,275	1,663	1,183	-51	16,175
IS	2,045	1,225	1,743	3,491	1,980	3,371	1,863	1,183	-53	16,848
2017	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim.	Total
Nordic countries	15	4	1,616	1,998	1,209	2,607	496	49	-20	7,974
Other Europe	1,347	894	102	1,018	531	280	592	761	-17	5,508
Americas	124	34	5	19	82	18	390	61	-6	727
Asia	161	10	5	87	31	16	179	47	-2	534
Other	48	3	1	13	6	3	18	14	-2	104
IS	1,695	945	1,729	3,135	1,859	2,924	1,675	932	-47	14,847
When revenue is recognised										
- Over time	58	227	0	31	1	89	189	0	-2	593
- At a specific time	1,637	718	1,729	3,104	1,859	2,835	1,486	932	-45	14,254
IS	1,695	945	1,729	3,135	1,859	2,924	1,675	932	-47	14,847

FT – Flow Technology FMS – Fluids & Mechanical Solutions IC – Industrial Components MST – Measurement & Sensor Technology PC – Parent Company & Group Items

Financial statements

Note 4 continued

	Group	
	2018	2017
Contract assets		
Opening book value	84	55
New contracts and increase in existing contracts	136	66
Reclassification of contract asset to accounts receivable	-124	-37
Exchange rate differences	3	0
BS Closing book value	99	84
Contract liabilities		
Opening book value	123	170
Company divestment	-5	-
Increase in contract liabilities during the year	47	83
Contracts for which revenue has been recognised that were included in contract liabilities at the beginning of the period	-22	-128
Impairment losses	-1	-
Exchange rate differences	6	-2
BS Closing book value	148	123

During 2018 and 2017, the Group did not have any significant revenue from performance obligations that were not fulfilled in prior periods. This type of revenue could consist of customer bonuses that did not need to be paid and changes in the estimated revenue or costs of major products based on changed assumptions.

Remaining long-term customer contracts not yet fulfilled or partially fulfilled as of 31 December 2018 amount to SEK 75 million. Of that amount, SEK 69 million is expected to be recognised as revenue during the 2019 financial year and the remainder, SEK 7 million in 2020.

Other contracts with customers have an original expected duration of 1 year, at most. In accordance with IFRS 15, disclosures of the transaction price have not been provided for these unfulfilled obligations.

05

Income statements classified by type of cost

	Group		Parent company	
	2018	2017	2018	2017
Goods for resale, raw materials and consumables	-8,845	-7,913	-	-
Costs for employee benefits	-3,850	-3,436	-65	-49
Depreciation/amortisation, Notes 9,16,17	-524	-464	0	0
Transport costs	-380	-319	0	0
Marketing costs	-158	-112	-1	-1
Property-related costs	-665	-574	-11	-9
Other costs	-609	-597	-30	-20
IS Total	-15,031	-13,415	-107	-79

06

Other operating income/expenses

	Group		Parent company	
	2018	2017	2018	2017
Other operating income				
Exchange rate gains	75	73	-	-
Revaluation of liabilities pertaining to contingent consideration, Note 2	6	30	-	-
Gain on sale of subsidiaries/operations	11	-	7	-
Insurance benefits and similar benefits	32	4	-	-
IS Total	124	107	7	-
Other operating expenses				
Exchange rate losses	-82	-72	-	-
Transaction costs associated with acquisitions, Note 31	-3	-15	-	-
Loss on sale of subsidiaries/operations	-16	-	-	-
Impairment losses on intangible assets, Note 16	-	-72	-	-
Other	-15	-	-	-
IS Total	-116	-159	-	-
Other operating income/expenses, net	8	-52	7	-

07

Average number of employees

	2018		2017	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent company	15	8	13	6
Subsidiaries in Sweden	1,557	337	1,482	312
Total Sweden	1,572	345	1,495	318
Subsidiaries outside Sweden	5,138	1,221	4,661	1,102
Total	6,710	1,566	6,156	1,420

The Parent Company's board is composed of 2 women and 6 men (same as in preceding year). The subsidiaries' boards and senior executives include 24 (5) women. The Group Management consisted of 3 (1) woman and 11 (8) men through 31 December 2018.

Wages, salaries and other remuneration, and social security costs

Accounting principles

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary departure in exchange for such benefits. The Group reports severance pay when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or to providing termination benefits as a result of an offer made to encourage voluntary departures.

Profit-sharing and bonus plans

The Parent Company and most of the subsidiaries have bonus or profit-sharing systems based on the earnings performance of each unit. The Group reports a liability and an expense for these programmes when it has a formal or constructive obligation to make such payments in exchange for services performed by employees and the amount of such obligations can be calculated in a reliable manner. Reporting is done in the period the cost pertains to.

Wages, salaries and other remuneration, and social security costs

	2018			2017		
	Wages, salaries and other remuneration	Social security costs	Of which, pension costs	Wages, salaries and other remuneration	Social security costs	Of which, pension costs
Parent company	41	21	7	35	16	5
Subsidiaries in Sweden	839	387	97	803	363	88
Total Sweden	880	408	104	838	379	93
Subsidiaries outside Sweden	2,169	371	174	1,866	323	165
Total	3,049	779	278	2,704	702	258

Of the Parent Company's pension costs, SEK 3 (2) million pertains to the Board of Directors and the CEO. The corresponding amount for the Group is SEK 44 (40) million.

Wages, salaries and other remuneration broken down by country (Sweden and other countries) and by category of employee (senior executives and other employees)

	2018			2017		
	Company management ¹⁾	Of which, bonuses and similar	Other employees	Company management ¹⁾	Of which, bonuses and similar	Other employees
Parent company	15	4	26	18	4	17
Subsidiaries in Sweden	103	15	736	103	14	700
Total Sweden	118	19	762	121	18	717
Subsidiaries outside Sweden	207	32	1,962	184	24	1,682
Total	325	51	2,724	305	42	2,399

¹⁾ Board of Directors and CEO

Wages, salaries and remuneration of senior executives

The Chairman and members of the Board of Directors are paid a fee in accordance with a resolution by the Annual General Meeting. At the AGM in April 2018, it was decided that a fee of SEK 550,000 would be paid to the Chairman, and a fee of SEK 414,000 to the Vice Chairman. Other Board members are paid a fee of SEK 277,000 and the Chairman of the Audit Committee is paid a fee of SEK 62,000. A fee of SEK 28,000 is paid to members of the Remuneration Committee.

Remuneration to the President and other senior executives consists of a base salary, variable compensation, other benefits and pension. "Other senior executives" are members of the Group management team. Senior executives employed by the subsidiaries receive their compensation from the respective subsidiaries.

For the President of the Parent Company, the variable compensation is capped at six months' salary, i.e., 50% of base salary. For other senior executives, the variable compensation is capped at two to seven months' salaries, or 17% to 58% of base salary. Variable compensation is related to the earnings performance of the Group or of the respective business areas.

The retirement age for the President is normally 65. In addition to statutory retirement benefits, Indutrade must also pay pension premiums – excluding premiums for disability insurance and waiver of premium protection – corresponding to 35% of the base salary. The President is entitled to choose his pension solution, within the cost framework described above and subject to the approval of the Chairman. Other senior executives are entitled to pension benefits in accordance with the going market rate in the market where they work. The pension age is 65-67 years, depending on the country where the senior executive lives. Earned pension benefits are not conditional upon future employment by Indutrade.

Terms of notice

In the event the Company serves notice, the President is entitled to a 24-month notice period with retained employment benefits. For notice given by the President, a six-month notice period applies. For other senior executives, a notice period of six to 24 months applies for notice served by the respective companies, depending on the employee's current age. Salary paid out during the notice period is not deducted from other income.

Note 8 continued

Incentive programmes

LTI 2014

In April 2014 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTI 2014) comprising a combined maximum of 460,000 warrants in two series for senior executives and other key persons in the Indutrade Group. Shares were subscribed during specially stipulated subscription periods through Friday, 18 May 2018. Incentive programme (LTI 2014) was finalised during 2018

LTI 2017

In April 2017 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTI 2017) comprising a combined maximum of 704,000 warrants in two series for senior executives and other key persons in the Indutrade Group. Shares can be subscribed during specially stipulated subscription periods through Friday, 20 May 2022.

The President acquired 40,000 warrants, and other members of Group Management together acquired 145,000 warrants. In addition to this programme, the President acquired 100,000 warrants via L E Lundbergföretagen. A cash subsidy corresponding to a total of 120% of the price that the participants paid for the warrants will be paid out on two occasions and in equal portions under the condition that the participants do not sell any warrants and continue to be employed by the Group on the payment dates. Half of the subsidy will be paid out in 2019 and half in 2020. The subsidy will be paid for the number of warrants the individual is granted and not for any oversubscription. The subsidy will be expensed over the vesting period. The total cost is SEK 10 million, of which SEK 4 million in 2018.

For further details on the incentive programmes, see page 23 of the Directors' Report.

Guidelines for compensation and other terms of employment for senior executives adopted by the 2018 Annual General Meeting

In this context, senior executives are members of the Group management team. Indutrade shall apply the compensation levels and terms of employment necessary to be able to recruit and retain management with high competence and the capacity to achieve set objectives. The forms of compensation shall motivate members of the Group Management to perform their utmost in order to safeguard the interests of the shareholders.

The forms of compensation shall therefore be in line with the going rate in the market and shall be straightforward, long-term and quantifiable. Compensation of members of Group Management shall normally

consist of a fixed and a variable portion. Fixed salary for members of the Group Management shall be in line with the going rate in the market and shall be commensurate with the individual's expertise, responsibilities and performance. The variable portion shall reward achievement of clearly set goals regarding the Company's and the respective business areas' earnings performance as well as the Group's growth in simple, transparent structures. The variable compensation component for members of the executive management shall normally not exceed seven months' salary and can amount to a maximum of SEK 20 million.

Incentive programmes in the Company shall mainly be share price-related and cover persons in senior positions in the Company who have a significant influence over the Company's earnings and growth, and shall be based on the achievement of set targets. An incentive programme shall contribute to the long-term commitment to the Company's development and shall be implemented on market terms. The Company shall be able to pay cash compensation coupled to senior executives' purchases of shares and share-related instruments. Such cash compensation shall normally not exceed 15% of the executive's fixed salary.

Non-monetary benefits for members of the Group Management shall facilitate the individuals in the execution of their duties and correspond to what can be considered to be reasonable in respect of practice in the market in which the respective executive is active.

Pension terms for members of the Group Management shall be in line with the going rate in the market in respect of what applies for peer executives in the market in which the executive works and should be based on a defined contribution pension solution or a general pension plan (in Sweden, the ITP plan).

Severance pay for members of Group Management shall not exceed a total of 24 months' salary in the event the Company serves notice, and 6 months in the event the member of the executive management gives notice.

The Board's Remuneration Committee prepares and conducts drafting work for decisions on the terms of employment for the CEO, and the Board evaluates the CEO's performance once a year. The Remuneration Committee also prepares and conducts drafting work concerning guidelines for remuneration of members of the Group Management, for decision by the Board. The President consults with the Remuneration Committee regarding the terms of employment for other members of the Group Management.

The Board shall have the right to depart from the aforementioned guidelines for compensation of the Group Management if there are special reasons in a particular case.

Note 8 continued

Compensation and other benefits, 2018

SEK 000s	Base salary/ Directors' fees	Variable compensation ¹⁾	Other benefits	Pension cost	Total
Fredrik Lundberg, Chairman of the Board, Chairman of the Remuneration Committee until the 2018 AGM	284				284
Katarina Martinson, Chairman of the Board, Chairman of the Remuneration Committee as of the 2018 AGM	424				424
Bengt Kjell, Vice Chairman of the Board, Member of the Remuneration Committee	438				438
Susanna Campbell, Director	274				274
Anders Jernhall, Director as of 2018 AGM	138				138
Ulf Lundahl, Director, Chairman of the Audit Committee	335				335
Krister Mellvé, Director	274				274
Lars Pettersson, Director, Member of the Remuneration Committee	301				301
Bo Annvik, President and CEO	8,033	4,050	586	2,730	15,399
Other senior executives (14 persons)	29,120	13,530	1,522	8,039	52,211
Total	39,621	17,580	2,108	10,769	70,078

¹⁾ Including compensation (the year's subsidy cost) for the senior executives who participate in the incentive programmes described above. For the CEO, the cost is SEK 150 thousand for other senior executives it is SEK 840 thousand.

Compensation and other benefits, 2017

SEK 000s	Base salary/ Directors' fees	Variable compensation ¹⁾	Other benefits	Pension cost	Total
Fredrik Lundberg, Chairman of the Board, Member of the Remuneration Committee	567				567
Bengt Kjell, Vice Chairman of the Board, Member of the Remuneration Committee	433				433
Annica Bresky, Director until the 2017 AGM	90				90
Susanna Campbell, Director as of 2017 AGM	181				181
Katarina Martinson, Director	271				271
Ulf Lundahl, Director, Chairman of the Audit Committee	331				331
Krister Mellvé, Director	271				271
Lars Pettersson, Director, Member of the Remuneration Committee	298				298
Johnny Alvarsson, President and CEO until the 2017 AGM	3,487	1,335	40	– ²⁾	4,862
Bo Annvik, President and CEO as of the 2017 AGM	5,301	2,766	420	1,855	10,342
Other senior executives (8 persons)	17,859	9,242	955	6,128	34,184
Total	29,089	13,343	1,415	7,983	51,830

¹⁾ Including compensation (the year's subsidy cost) for the senior executives who participate in the incentive programmes described above. For CEO Johnny Alvarsson the cost amounted to SEK 25 thousand, and for CEO Bo Annvik the cost amounted to SEK 115 thousand. For other senior executives the cost amounted to SEK 575 thousand.

²⁾ After reaching an agreement with the Remuneration Committee, Johnny Alvarsson has opted to take out an amount corresponding to pension premiums as salary.

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Depreciation and amortisation

Depreciation of property, plant and equipment and amortisation of intangible assets are included in the following functions in the following amounts:

	Group		Parent company	
	2018	2017	2018	2017
Cost of goods sold	376	338	–	–
Development costs	11	10	–	–
Selling costs	86	72	–	–
Administrative expenses	51	44	0	0
Total	524	464	0	0

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Operating leases

	Group		Parent company	
	2018	2017	2018	2017
Lease payments expensed during the year	278	249	2	2
<i>Future contracted lease payments</i>				
Maturity year 1	258	244	3	2
Maturity year 2	206	187	3	2
Maturity year 3	136	143	3	2
Maturity year 4	102	86	3	2
Maturity year 5	88	73	3	2
Maturity year 6–	158	102	9	8
Total future lease payments	948	835	24	18

Operating leases in the Parent Company and Group are primarily for rented premises.

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Auditors' fees

	Group		Parent company	
	2018	2017	2018	2017
PricewaterhouseCoopers				
Audit assignment	15	14	1	1
Auditing activities in addition to audit assignment	1	0	–	–
Tax consulting	2	1	–	–
Other services	0	1	0	0
Total fees, PricewaterhouseCooper	18	16	1	1
Other auditing firms				
Auditing fees	5	4	–	–

Other auditing firms refers to several auditing firms where none account for a significant amount in 2018 or the preceding year.

Audit assignment pertains to fees for the statutory audit, i.e., such work that was necessary to issue the audit report as well as audit consulting in connection with the audit assignment.

Fees paid to PwC Sweden for their auditing assignment amounted to SEK 6 million during the year. Fees for auditing services in addition to the audit assignment amounted to SEK 0 million, and fees for tax consulting and other services totalled SEK 0 million.

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Financial income

Accounting principles

Financial income consists of interest income on invested funds, dividends, and gains on hedge instruments recognised in profit for the year.

Interest income is reported in accordance with the effective interest method and includes accrued interest as per the balance sheet date. Dividend income is recognised when the right to payment has been determined.

	Group		Parent company	
	2018	2017	2018	2017
Interest	9	10	61	47
Exchange rate differences	70	41	54	32
Other	–	–	–	–
IS Total financial income	79	51	115	79
<i>Of which, pertaining to Group companies:</i>				
Interest	–	–	59	45

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Financial expenses

Accounting principles

Financial expenses consist of interest expenses on loans and pension liabilities, effects of the dissolution of discounted contingent consideration, losses on hedge instruments recognised in profit for the year, and bank charges. Interest expenses are reported in accordance with the effective interest method.

	Group		Parent company	
	2018	2017	2018	2017
Interest expenses, bank loans	–64	–56	–51	–47
Interest expenses, pension liability	–3	–4	–	–
Interest expenses, finance leases	–2	–2	0	0
Interest expenses, contingent consideration	–4	–3	–2	0
Total interest expenses	–73	–65	–53	–47
Exchange rate differences	–68	–42	–91	–33
Other	–13	–14	–11	–12
IS Total financial expenses	–154	–121	–155	–92
<i>Of which, pertaining to Group companies:</i>				
Interest	–	–	–2	–2

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Profit from participations in Group companies

Parent company	2018	2017
Dividends from subsidiaries	771	753
Impairment of shares in subsidiaries	-35	-
IS Total	736	753

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Taxes

Accounting principles

Income tax consists of current tax and deferred tax. Income taxes are reported in the income statement, except in cases where the tax is attributable to items that are reported in other comprehensive income.

Current tax is tax that is to be paid or received in the current year using the tax rates that apply at the balance sheet date; this also includes adjustments of current tax attributable to earlier periods. Tax is calculated according to the current tax rate in the respective countries.

Deferred taxes attributable to temporary differences between the book value and the taxable value of assets and liabilities are reported in full in the consolidated accounts, while the Parent Company still reports the difference pertaining to machinery and equipment as an untaxed reserve. However, deferred tax liability is not reported if it arises as a result of initial recognition of goodwill. Valuation of deferred tax is based on how the underlying asset or liability is expected to be realised or settled. Deferred tax is calculated using the tax rates that apply on at the balance sheet date or announced as per the balance sheet date and which are expected to apply when the deferred tax asset in question is realised or the tax liability is settled. Deferred tax assets attributable to deductible, temporary differences and unutilised tax-loss carryforwards are reported to the extent that it is probable that they will be utilised in the foreseeable future.

	Group		Parent company	
	2018	2017	2018	2017
<i>Tax expense</i>				
Current tax	-430	-377	-103	-118
Deferred tax	49	100	0	6
Other tax	-1	-3	0	-2
Total	-382	-280	-103	-114

The Group's tax expense amounted to 21.8 (21.4)% of consolidated profit before tax. The difference between the reported tax expense and anticipated tax expense (weighted average tax based on national tax rates) is explained below.

	Group		Parent company	
	2018	2017	2018	2017
Profit before tax	1,750	1,310	1,196	1,260
Weighted average tax based on national tax rates (Group 21.3% and 21.3%, respectively, and Parent Company 22.0% and 22.0%, respectively)	-372	-279	-263	-277
Tax effect of:				
Non-deductible interest expenses on discounted contingent consideration	-1	-1	0	0
Non-deductible transaction costs for acquisitions	-1	-4	-	-
Tax-exempt contingent consideration recognised as income	1	8	-	-
Other non-deductible expenses/tax-exempt income	-3	-4	160	165
Losses, for which loss carryforward not recognised	-12	-	-	-
Utilisation of loss-carryforward where tax was not previously reported	0	1	-	-
Adjustment pertaining to previous years' current tax	1	0	0	-
Change in tax rate	6	2	0	-
Other items	-1	-3	0	-2
IS Total	-382	-280	-103	-114
	21.8%	21.4%	8.6%	9.0%

Financial statements

Note 15 continued

Group, 1 Jan. – 31 Dec. 2017	Intangible assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
Deferred tax, net						
Opening book value	-349	-62	-127	43	29	-466
Deferred tax as per income statement	66	-1	-3	2	34	98
Change in tax rate affecting income statement	2	0	-	0	0	2
Deferred tax recognised in other comprehensive income	-	-	-	0	-4	-4
Deferred tax attributable to acquisitions	-114	-1	-1	-	1	-115
Exchange rate differences	1	0	-	-1	1	1
Closing book value	-394	-64	-131	44	61	-484
As per 31 Dec. 2017						
BS Deferred tax asset	2	1	-	44	55	102
BS Deferred tax liability	-396	-65	-131	0	6	-586
Deferred tax, net	-394	-64	-131	44	61	-484
Group, 1 Jan. – 31 Dec. 2018	Intangible assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
Deferred tax, net						
Opening book value	-394	-64	-131	44	61	-484
Deferred tax as per income statement	53	-3	-12	2	3	43
Change in tax rate affecting income statement	6	1	0	-1	0	6
Deferred tax recognised in other comprehensive income	-	-	-	-1	1	0
Deferred tax attributable to acquisitions	-43	-1	-	-	0	-44
Exchange rate differences	-10	-2	0	2	2	-8
Closing book value	-388	-69	-143	46	67	-487
As per 31 Dec. 2018						
BS Deferred tax asset	4	2	-	46	67	119
BS Deferred tax liability	-392	-71	-143	0	0	-606
Deferred tax, net	-388	-69	-143	46	67	-487

The loss-carryforward, in which deferred tax has been capitalised, amounts to SEK 172 (153) million, corresponding to a tax asset of SEK 52 (46) million. The tax that has been capitalised on loss-carryforwards pertains mainly to German companies. The loss-carryforward is not limited in time. Uncapitalised loss-carryforwards amount to SEK 67 (36) million, corresponding to a tax asset of SEK 19 (9) million. The amount is primarily attributable to companies in Germany and Brazil. The remainder is made of many items, none of which are significant, and which pertain to several countries.

Substantial dividends may be recognised without withholding tax. Of the deferred tax liabilities, SEK 54 million is estimated to be dissolved in 2019. The calculation is based on estimated depreciation of acquisition calculations in the coming years.

Parent Company, 1 Jan. – 31 Dec. 2017	Pension obligations	Other items	Total tax
Deferred tax, net			
Opening book value	3	-8	-5
Deferred tax as per income statement	0	6	6
Deferred tax recognised in other comprehensive income	-	-2	-2
Closing book value	3	-4	-1
As per 31 Dec. 2016			
BS Deferred tax asset	3	1	4
BS Deferred tax liability	-	-5	-5
Deferred tax, net	3	-4	-1

Parent Company, 1 Jan. – 31 Dec. 2018	Pension obligations	Other items	Total tax
Deferred tax, net			
Opening book value	3	-4	-1
Deferred tax as per income statement	0	0	0
Change in tax rate affecting income statement	0	0	0
Deferred tax recognised in other comprehensive income	-	0	0
Closing book value	3	-4	-1
As per 31 Dec. 2017			
BS Deferred tax asset	3	1	4
BS Deferred tax liability	-	-5	-5
Deferred tax, net	3	-4	-1

Intangible assets

Accounting principles**Goodwill**

Goodwill consists of the amount by which the total purchase price and non-controlling interests exceed the fair value of identifiable, acquired assets and liabilities taken over. Goodwill is tested at least annually for impairment and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold. Goodwill is normally allocated at the segment level for impairment testing. For impairment testing during the year, see "Impairment testing of non-financial assets" below.

Agencies, trademarks, customer relationships, etc.

The Group's starting point with respect to acquisitions is that agencies, customer relations, etc., and the item software, licences, etc. have a limited useful life and are carried at cost less accumulated amortisation. Trademarks are possible to identify in connection with major company acquisitions. Trademarks that have been capitalised to date have been judged to have an indefinite useful life, and no amortisation is calculated. Instead, an impairment test is conducted at least annually, as for goodwill.

In connection with nearly all company acquisitions completed by Indutrade, a value is identified for purchased agencies and the customer relations that are included as part of the acquisition. Since most of Indutrade's acquisitions are small, it is not possible to itemise the intangible assets. For small acquisitions, the cost of customer relations and agencies is normally valued at between a half year's and one year's gross profit. According to IFRS, supplementary disclosures are to be made for each significant intangible asset. Since the Indutrade Group's intangible assets consist for the most part of many small sub-items, where none constitutes an item with material impact on the Group's result or position, no supplementary disclosures are made for these smaller intangible non-current assets.

Amortisation is calculated on a straight-line basis to allocate the cost of these assets over their estimated useful lives. The following amortisation schedules are used:

Agencies, customer relations, etc.	5–20 years
Trademarks	–
Software, licences, etc.	5–10 years
Other intangible assets	5–20 years

Development costs

The Group conducts certain product-specific development activities. Outlays for development are reported as development costs in the income statement as they arise. If the requirements in IAS 38 for internally prepared intangible assets are fulfilled, then the development that has been conducted is capitalised and is included in the item "Other intangible assets". The requirements of this standard are that the development costs pertain to identifiable, unique assets that are controlled by the Group. Capitalisation is done if it is technically possible to complete preparation of the asset and the intention is to use or sell the asset, that it can be shown that future economic benefit is probable, and that the costs can be calculated in a reliable manner.

Impairment testing of non-financial assets

Goodwill and trademarks are judged to have an indefinite useful life and are not amortised, but are instead tested at least annually for impairment. Impairment is judged on the basis of a decline in value whenever events or changes in conditions indicate that the carrying amount may not be recoverable. Impairment is recognised in the amount in which the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less selling costs and its value in use. In calculations of value in use, future cash flows are discounted using a discount factor that takes into account risk-free interest and the risk associated with the specific asset. When determining any need to recognise impairment, assets are grouped at the lowest levels in which there are separate, identifiable cash flows (cash-generating units). For Indutrade this normally entails that such determination is normally done at the segment level, which corresponds to Indutrade's business areas. For assets other than financial assets and goodwill for which an impairment loss has previously been recognised, a test is performed as per each balance sheet date to determine if any reversals should be made.

Group, 1 Jan. – 31 Dec. 2017	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
Opening book value	2,388	1,446	279	53	101	4,267
Exchange rate differences	-4	7	-2	1	-2	0
Investments during the year	-	-	0	20	15	35
Company acquisitions	461	472	33	4	4	974
Reclassification	-	-	-	2	0	2
Sales and disposals	-	-	-	-1	-	-1
Adjustment of preliminary purchase price allocation	-	-	-	-	-	-
Amortisation	-	-229	0	-19	-10	-258
Impairment losses	-	-13	-59	-	-	-72
BS Closing book value	2,845	1,683	251	60	108	4,947
As per 31 Dec. 2017						
Cost	2,970	3,145	310	194	171	6,790
Accumulated amortisation and impairment	-125	-1,462	-59	-134	-63	-1,843
BS Book value	2,845	1,683	251	60	108	4,947

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Note 16 continued

Group, 1 Jan. – 31 Dec. 2018	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
Opening book value	2,845	1,683	251	60	108	4,947
Exchange rate differences	65	41	6	2	1	115
Investments during the year	–	–	–	19	10	29
Company acquisitions	268	257	14	17	–	556
Reclassification	–	0	–	1	0	1
Sales and disposals	–	0	–	–1	–1	–2
Adjustment of preliminary purchase price allocation	–2	1	0	–1	–	–2
Amortisation	–	–259	–1	–22	–13	–295
Company divestment	–6	–	–	–4	–	–10
BS Closing book value	3,170	1,723	270	71	105	5,339
As per 31 Dec. 2018						
Cost	3,296	3,495	330	223	180	7,524
Accumulated amortisation and impairment	–126	–1,772	–60	–152	–75	–2,185
BS Book value	3,170	1,723	270	71	105	5,339

Impairment testing of goodwill

Goodwill is not amortised continuously; instead, the value is tested yearly for impairment in accordance with IAS 36. Testing was conducted most recently in December 2018.

Goodwill is apportioned over cash-generating units, which for Indutrade are equated with operating segments. The operating segments correspond to Indutrade's business areas. The companies are organised in business areas to utilise the Group's aggregate position and strength in various customer and product segments. If it is logical from a business sense, coordination of certain support functions, such as warehousing, may be done within the business areas. Impairment testing is therefore done at the smallest, joint unit, which is the business area.

The recoverable value has been calculated according to value in use and is based on the current estimation of cash flows for the next five years. Assumptions have been made on the gross margin, level of overheads, need for working capital and investment need. The parameters have been set to correspond to budgeted earnings for the 2019 financial year. During the rest of the five-year period, an annual growth rate of 2 (2)% has been assumed. Where greater changes are expected, the assumptions have been adapted to better correspond to these expectations. For cash flows beyond the five-year period, the rate of growth has been assumed to correspond to the growth rate during the fifth year, ordinarily 2%. The cash flows have been discounted with a weighted cost of capital that corresponds to approximately 10 (10)% before tax. The weighted cost of capital has been adapted to the prevailing level of interest rates.

Operating segments have operations in more than one country. Operational risk in cash flows is considered to be similar among the segments, and thus the same discount rate (WACC) has been used for all segments. With respect to financial risk, the segments are active in related sectors, and the segments' financing structures are therefore considered to be similar.

The calculation shows that value in use exceeds the carrying amount at the segmental level. A sensitivity analysis shows that the remaining goodwill value would continue to be upheld if the discount rate were to be raised by 1 percentage point or long-term growth were to be decreased by 1 percentage point.

Other impairment testing

Every year impairment testing is conducted for trademarks at the segmental level in accordance with the same principles and at the same point in time as for goodwill.

No events or changed conditions that would motivate impairment testing of other intangible assets that are amortised have been identified.

Group breakdown of goodwill at segmental level

	2018	2017
Benelux	344	262
DACH	252	235
Finland	138	138
Flow Technology	449	382
Fluids & Mechanical Solutions	443	438
Industrial Components	630	602
Measurement & Sensor Technology	609	506
UK	305	282
Total	3,170	2,845

Group breakdown of trademarks at segmental level

	2018	2017
Benelux	–	–
DACH	76	71
Finland	0	0
Flow Technology	10	10
Fluids & Mechanical Solutions	18	17
Industrial Components	7	7
Measurement & Sensor Technology	159	146
UK	0	0
Total	270	251

Note 16 continued

Parent company	2018	2017
Opening cost	2	2
Investments during the year	–	0
Closing accumulated cost	2	2
Opening depreciation	–2	–2
Depreciation for the year	0	0
Closing accumulated depreciation	–2	–2
BS Planned residual value	0	0

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Property, plant and equipment

Accounting principles

Property, plant and equipment are stated at cost less accumulated depreciation according to plan. Cost includes charges that are directly attributable to acquisition of the asset. Additional charges are added to the asset's carrying amount or are reported as a separate asset, depending on which is suitable, only when it is probable that the future economic benefit associated with the asset will accrue to the Group and the asset's cost can be measured in a reliable manner. All other forms of repairs and maintenance are reported as costs in the income statement in the period in which they were incurred.

Property, plant and equipment are depreciated over the asset's estimated useful life. The following amortisation schedules are used:

Buildings	25–40 years
Machinery	5–10 years
Equipment	3–10 years

No depreciation is calculated for land.

The assets' residual value and useful lives are tested for impairment at the end of every reporting period and are adjusted as necessary. Gains and losses on disposals of non-current assets are reported in the function in which depreciation was reported prior to their disposal or, alternatively, in other operating income and expenses.

Impairment testing of non-financial assets

Land is judged to have indefinite useful life and is not depreciated, but is instead tested at least annually for impairment. Impairment is judged on the basis of a decline in value whenever events or changes in conditions indicate that the carrying amount may not be recoverable. Impairment is recognised in the amount in which the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less selling costs and its value in use. In calculations of value in use, future cash flows are discounted using a discount factor that takes into account risk-free interest and the risk associated with the specific asset. When determining any need to recognise impairment, assets are grouped at the lowest levels in which there are separate, identifiable cash flows (cash-generating units). For Indutrade this normally entails that such determination is normally done at the segment level, which corresponds to Indutrade's business areas. For assets other than financial assets and goodwill for which an impairment loss has previously been recognised, a test is performed as per each balance sheet date to determine if any reversals should be made.

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Note 17 continued

Group, 1 Jan – 31 Dec 2017	Land and buildings	Machinery	Equipment	Construction-in-progress	Total property, plant and equipment
Opening book value	803	357	285	6	1,451
Exchange rate differences	12	-3	1	-1	9
Investments during the year ¹⁾	28	89	142	21	280
Company acquisitions	70	30	24	-	124
Sales and disposals ¹⁾	0	-2	-36	0	-38
Reclassification	0	12	1	-15	-2
Depreciation	-29	-80	-97	-	-206
BS Closing book value	884	403	320	11	1,618
As per 31 Dec. 2017					
Cost	1,270	1,393	1,043	11	3,717
Accumulated depreciation and impairment	-386	-990	-723	-	-2,099
BS Book value	884	403	320	11	1,618
Group, 1 Jan – 31 Dec 2018					
Opening book value	884	403	320	11	1,618
Exchange rate differences	26	14	7	0	47
Investments during the year ¹⁾	16	130	159	40	345
Company acquisitions	5	23	6	-	34
Sales and disposals ¹⁾	-	-6	-39	-3	-48
Reclassification	6	15	-6	-16	-1
Adjustment of preliminary purchase price allocation	-	-	1	-	1
Depreciation	-33	-94	-102	-	-229
Company divestment	-19	-8	-4	-	-31
BS Closing book value	885	477	342	32	1,736
As per 31 Dec. 2018					
Cost	1,303	1,646	1,115	32	4,096
Accumulated depreciation and impairment	-418	-1,169	-773	-	-2,360
BS Book value	885	477	342	32	1,736

¹⁾ Of net investments in property, plant and equipment, SEK 270 (201) million had an effect on cash flow, while SEK 53 (62) million pertain to investments financed via finance leases.

The item "equipment" includes leased assets held by the Group under finance leases in the following amounts:

	2018	2017
Cost – capitalised finance leases	179	201
Accumulated depreciation	-65	-78
Book value	114	123

Leased assets consist primarily of cars.

Parent company	2018	2017
Opening cost	4	4
Investments during the year	2	1
Sales and disposals	-2	-1
Closing accumulated cost	4	4
Opening depreciation	-3	-3
Depreciation for the year	0	0
Sales and disposals	1	0
Closing accumulated amortisation	-2	-3
BS Planned residual value	2	1

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Shares and participations

The Group's holdings of shares and participations in other companies

	Domicile	Share of capital %	Share of votes %	No. shares	Book value
Kytäjän Golf Oy	Finland	–	–	6	1
EGA Matic Aps	Denmark	27	27	125	1
Veng Norge AS	Norway	30	30	330	8
Other		–	–	–	3

Holdings of shares and participation in unlisted companies

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For the Group's holdings of shares and participations in other companies, fair value is considered to be equal to cost. See also Note 2.

Shares and participations

	Group		Parent company	
	2018	2017	2018	2017
Opening cost	15	15	6,028	5,200
External acquisitions	–	–	48	726
External divestiture	0	–	–1	–
Shareholder contribution	0	–	81	116
Adjustment of estimated contingent consideration	–	–	–	–14
Increase through company acquisitions	0	0	–	–
Decrease through company divestiture	–2	–	–	–
Exchange rate differences	0	0	–	–
Closing accumulated cost	13	15	6,156	6,028
Opening revaluations	–	–	8	8
Closing acc. revaluations	–	–	8	8
Opening impairment	–	–	–644	–644
Impairment for the year	0	–	–35	–
Closing acc. impairment	0	–	–679	–644
BS Book value	13	15	5,485	5,392

Effect on cash flow

Purchase price, external acquisitions			–48	–726
Purchase price not paid out			5	68
Reversal of contingent consideration			–	10
Purchase price paid for previous years' acquisitions			–7	–13
Shareholder contribution paid out			–116	–28
Total			–166	–689

A complete, statutory specification has been appended to the annual report sent in to the Swedish Companies Registration Office. This specification is available upon request from Indutrade AB.

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Non-current receivables

	Group		Parent company	
	2018	2017	2018	2017
Opening balance	22	19	12	14
Additional receivables	4	4	–	1
Repaid deposits/amortisation	–3	–5	–	–3
Company acquisitions	–	3	–	–
Change in value of pensions	1	1	1	1
Reported net against pension obligations	2	–	0	–1
Exchange rate differences	0	0	–	–
BS Total	26	22	13	12

The Group's non-current receivables pertain mainly to endowment insurance policies. The book value is judged to correspond to fair value. The maturity dates for the endowment insurance policies is dependent on the date of retirement for the persons insured.

The Parent Company's non-current receivables pertain mainly to an endowment insurance policy.

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Inventories

Accounting principles

Inventories

Inventories are stated at the lower of their cost and net realisable value. Cost is calculated using the first-in first-out (FIFO) method. The cost of finished goods and work in progress consists of raw materials, direct wages, other direct costs and related indirect manufacturing costs (based on normal manufacturing capacity).

Net realisable value is the estimated selling price in the normal course of business, less relevant variable selling costs.

Inventories are broken down into the following items:

Group	2018	2017
Raw materials and consumables	513	403
Products-in-process	264	263
Finished products and goods for resale	2,057	1,851
BS Total	2,834	2,517

The cost of goods sold for the Group includes impairment of inventory, totalling SEK 28 (28) million. No significant reversals of previous impairment charges were made in 2018 or 2017.

Trade receivables

Accounting principles

Trade receivables

Trade receivables pertain to goods sold as part of operating activities. Trade receivables are initially reported at fair value and thereafter at amortized cost, since the Group has trade receivables for the purpose of collecting contractual cash flows. According to the previous accounting principles this item was reported and measured in "trade receivables and loan receivables". Bad debt losses are recorded based on an assessment of expected credit losses during the lifespan of receivables. The model is based on historic data and various risk scenarios. The historic loss level is adjusted according to the most probable scenario. The loss is reported in the income statement as part of selling costs. Recoveries of previous impairment losses are credited to selling costs in the income statement. Since the Group consists of more than 200 operating companies, the item "trade receivables" is an accumulation of many smaller individual entries. That fact lowers the overall risk, since subsidiaries can act quickly if a customer does not pay in accordance with the terms and conditions. Since Indutrade's trade receivables normally have a remaining term of less than 6 months, they are classified as current assets

Age breakdown of trade receivables and provisions for impaired trade receivables

Group	2018	2017
Trade receivables		
Trade receivables not yet due	2,027	1,842
Trade receivables 0–3 months past due	678	524
Trade receivables 3–6 months past due	119	54
Trade receivables more than 6 months past due	118	113
Provision for doubtful debts	–65	–64
BS Total	2,877	2,469
Provision for doubtful debts		
Provision for doubtful debts, 0–3 months past due	–6	–4
Provision for doubtful debts, 3–6 months past due	–3	–4
Provision for doubtful debts, older than 6 months	–56	–56
Total	–65	–64
Change in provision for doubtful debts during the year		
Opening provision	–64	–52
Receivables written off as bad debt losses	15	12
Reversed, unutilised provisions	10	7
Provision for doubtful debts for the year	–18	–27
Company acquisitions	–7	–3
Exchange rate differences	–1	–1
Closing provision	–65	–64

For a description of risks associated with the Company's trade receivables, see Note 2.

Prepaid expenses and accrued income

	Group		Parent company	
	2018	2017	2018	2017
Prepaid material costs	51	26	–	–
Prepaid rents	24	21	–	–
Prepaid IT/telecom costs	17	15	0	1
Prepaid insurance premiums	13	12	0	0
Prepaid property costs	12	4	–	–
Other prepaid expenses	37	36	5	4
Accrued income ¹⁾	–	14	–	–
BS Total	154	128	5	5

¹⁾ Contract asset as of 2018.

Non-current and current interest-bearing liabilities

Accounting principles

Borrowings

Loans are stated initially at fair value, net after deducting transaction costs. They are thereafter stated at amortised cost, and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in the income statement allocated over the duration of the loans using the effective interest method. Borrowings are classified as non-current liabilities unless the Group has an unconditional right to defer repayment by at least 12 months after the balance sheet date.

Contingent consideration

Indutrade typically uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. Contingent consideration is typically based on the projected earnings of the acquired company over the next few years. As per the date of the transaction, the contingent consideration is measured at fair value by estimating the present value of the likely outcome. The interest expense is thereafter allocated over the period up until the date of payment. Contingent consideration is remeasured at every reporting date. Excess or deficit amounts are booked as an expense or revenue in the income statement under "Other operating income/expenses". Contingent consideration is reported as a current liability if it is payable within 12 months from the balance sheet date.

Leases

IAS 17 defines a lease as an agreement whereby the lessor conveys to the lessee in return for payment the right to use an asset for an agreed period of time.

The Group leases certain non-current assets, mainly premises and cars.

Leases in which the Group in all essential respects accepts the financial risks and benefits associated with ownership are classified as finance leases. Otherwise, the lease is classified as an operating lease.

At the start of the lease period, finance leases are reported in the balance sheet at the lower of the leased asset's fair value and the present value of the minimum lease payments. Every lease payment is allocated between amortisation of the liability and financial expenses to achieve a fixed rate of interest for the reported liability. Corresponding payment obligations, after deducting financial expenses, are reported in the balance sheet under non-current and current liabilities. Non-current assets held under finance leases are depreciated over the asset's useful life or lease period, whichever is shorter.

Assets leased under operating leases are not reported as assets in the consolidated balance sheet, and neither do operating leases give rise to a liability. Lease payments are expensed on a linear basis over the lease period as operating expenses. See also Note 10.

	Group		Parent company	
	2018	2017	2018	2017
Non-current liabilities				
Future leasing obligations for finance leases	64	70	2	1
SEK-denominated loans with terms longer than 1 year	802	1,009	800	1,000
MTN loans	1,500	–	1,500	–
EUR-denominated loans with terms longer than 1 year	39	81	–	–
Loans in other currencies with terms longer than 1 year	14	37	–	–
Contingent consideration in SEK with payment due later than 1 year	–	15	–	15
Contingent consideration in EUR with payment due later than 1 year	37	34	–	23
Contingent consideration in other currencies with payment due later than 1 year	59	39	5	26
BS Total	2,515	1,285	2,307	1,065
Current liabilities				
Utilised bank overdraft facilities	15	155	0	127
Future leasing obligations for finance leases	44	45	0	1
SEK-denominated loans with terms shorter than 1 year	500	801	500	800
Commercial paper	1,100	1,600	1,100	1,600
EUR-denominated loans with terms shorter than 1 year	0	0	–	–
Loans in other currencies with terms shorter than 1 year	28	26	–	–
Contingent consideration in SEK with payment due less than 1 year	15	1	15	–
Contingent consideration in EUR with payment due less than 1 year	40	45	25	5
Contingent consideration in other currencies with payment due less than 1 year	64	51	28	2
BS Total	1,806	2,724	1,668	2,535

Maturity dates for finance leases, non-current portion	Group	
	2018	2017
Maturity in 2019	–	36
Maturity in 2020	38	29
Maturity in 2021	23	4
Maturity in 2022 or later	5	1
Total	64	70

Externally granted bank overdraft facilities amount to SEK 745 (736) million for the Group and SEK 680 (680) million for the Parent Company.

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Note 23 continued

2018	Group			Parent company
	SEK	EUR	KRW	SEK
Maturity dates for long-term loans, SEK million				
Maturity in 2020	300	22	9	300
Maturity in 2021	500	3	5	500
Maturity in 2022	500	3	–	500
Maturity in 2023 or later	1,002	11	–	1,000
Total	2,302	39	14	2,300
Variable (V)/Fixed (F) interest	V&F ¹⁾	V&F	V	V&F ¹⁾

2017	Group							Parent company
	SEK	EUR	GBP	DKK	NOK	KRW	TRY	SEK
Maturity dates for long-term loans, SEK million								
Maturity in 2019	501	70	0	1	1	9	1	500
Maturity in 2020	1	5	–	1	0	9	1	–
Maturity in 2021	501	3	–	1	–	5	0	500
Maturity 2022 or later	6	3	–	8	–	–	–	–
Total	1,009	81	0	11	1	23	2	1,000
Variable (V)/Fixed (F) interest	V ¹⁾	V	V&F	V&F	V&F	V&F	V&F	V ¹⁾

¹⁾ The Parent Company has entered into contracts to hedge part of the borrowings with variable interest to fixed interest. See Note 2.

2018	Group			Parent company
	EUR	GBP	NOK	EUR
Payment due for long-term contingent consideration, SEK million				
Maturity in 2020	20	54	5	5
Maturity in 2021	17	–	–	–
Total	37	54	5	5
Present value discounting rate, %	2-3	2	2	2

2017	Group						Parent company		
	SEK	EUR	GBP	NOK	KRW	MYR	SEK	EUR	DKK
Payment due for long-term contingent consideration, SEK million									
Maturity in 2019	15	29	11	2	26	0	15	23	26
Maturity in 2020	–	5	–	–	–	–	–	–	–
Total	15	34	11	2	26	0	15	23	26
Present value discounting rate, %	2	2-4	2	2	2	0	2	2	2

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Pension obligations

Accounting principles

The Group has both defined benefit and defined contribution pension plans. A defined benefit pension plan is a pension plan that specifies a level of post-retirement benefits. The Group's defined benefit plans are both funded and unfunded. For funded plans, the assets have been detached (plan assets). A defined contribution pension plan is a pension plan to which the Group makes set contributions to a separate legal entity.

The liability carried on the balance sheet pertaining to defined benefit pension plans consists of the present value of the defined benefit obligations on the balance sheet date, less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is calculated by discounting the anticipated future cash flows using

the rate of interest for high quality corporate bonds (AA-rated), corresponding to the duration of the liability, in countries in which such a market exists (the Netherlands, the UK and Switzerland).

For calculations of defined benefit pension obligations in Sweden, the discount rate has been set in reference to the interest rate for mortgage bonds with a duration that corresponds to the average duration of the obligations. Indutrade has determined that a deep market for high quality corporate bonds exists in Sweden. Indutrade is of the opinion that Swedish mortgage bonds issued by Swedish corporations in the financial sector are covered by the concept of corporate bonds. Based on the outstanding volume, turnover and number of issues in the mortgage bond market, it has been determined that a deep market exists for these bonds. Consequently, mortgage bonds have been used as a basis for the interest rate.

Note 24 continued

Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income after taking into account payroll tax and deferred tax.

Pension costs relating to service in current and past periods are recognised directly in profit or loss.

For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension plans on a statutory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Earnings are charged in pace with employees' earnings of the benefits.

Some of the Group's defined benefit pension obligations have been financed through payment of premiums to the insurance company Alecta. Since relevant information about these cannot be obtained from Alecta, these obligations are reported as a defined contribution plan.

Valuation of pension obligations

In calculations of the liability on the balance sheet pertaining to defined benefit pension plans, various assumptions have been made, as shown in the table.

The Parent Company's pension obligation consists of an endowment insurance policy

Defined benefit plans

In accordance with IAS 19 Employee Benefits, actuaries commissioned by Indutrade have computed the Group's pension liability and the provisions to be made on a regular basis for pensions for the Group's employees.

The pension plans include retirement pensions, disability pensions and family pensions. Calculations are done individually and are based on the employee's salary, previously earned pension benefits and the anticipated remaining service period. Apart from the PRI plan in Sweden, the Group has defined benefit plans primarily in the Netherlands, Switzerland and the UK. Switzerland has a risk-sharing system for defined benefit plans in which the risk is split between the company and the employees. The plan in the UK was closed for new contributions in 2014.

Breakdown of net liability in SEK million

	2018	2017
PRI plan	139	126
Defined benefit plans, Netherlands, Switzerland and the UK	128	129
Total defined benefit plans	267	255
Other pension obligations	29	29
BS Total	296	284

The Group's plan assets, totalling SEK 810 (774) million, consist for Switzerland and the Netherlands of investments with insurance companies, mainly in government bonds, corporate bonds and interest rate derivatives. Plan assets in the UK consist of equities and equity funds, government and corporate bonds, and liquid assets. The pension liability is irrevocable.

Defined contribution plans

The pension plans include retirement pensions, disability pensions and family pensions. Premiums are paid on a regular basis during the year

to independent legal entities. The size of the pension premiums is based on the individual employee's salary, and the cost of the premium is recognised on a continuing basis through profit or loss.

According to a pronouncement from the Swedish Financial Reporting Board, retirement pension and family pension obligations secured through insurance with Alecta for salaried employees in Sweden are classified as multi-employer defined benefit plans. For 2018 Indutrade does not have access to such information that would make it possible to report this plan as a defined benefit plan, which is why the plan is reported as a defined contribution plan. Premiums paid during the year for pension plans with Alecta amounted to approximately SEK 26 (24) million. Premiums for 2019 are expected to be in line with 2018. Alecta's collective funding ratio was 142 (154)% in December 2018.

Assumptions used in actuarial computations

Group, 2018	Sweden	Netherlands	Switzerland	Great Britain
Assumptions in calculating pension obligations				
Discount rate, %	2.25	1.83	1.15	3.00
Future salary increases, %	3.75	1.80	1.00	–
Anticipated inflation, %	1.75	1.80	1.00	3.50
Future pension increases, %	1.75	1.80	0.00	2.50
Employee turnover, %	2.00	1)	1)	–

1) Age-related.

Assumptions used in actuarial computations

Group, 2017	Sweden	Netherlands	Switzerland	Great Britain
Assumptions in calculating pension obligations				
Discount rate, %	2.55	1.90	0.85	2.70
Future salary increases, %	3.70	1.80	1.00	–
Anticipated inflation, %	1.70	1.80	0.50	3.40
Future pension increases, %	1.70	1.80	0.00	2.40
Employee turnover, %	2.00	1)	1)	–

1) Age-related.

Duration

Duration, years	2018	2017
Sweden	20	19
Netherlands	20	20
Switzerland	16	16
Great Britain	13	14

Sensitivity analysis for changes in significant assumptions

Impact on defined benefit obligation, SEK million	Sweden	Netherlands	Switzerland	Great Britain
Discount rate, increase by 1.00%	–21	–78	–52	–8
Discount rate, decrease by 1.00%	27	104	70	8
Salary increase of 1.00%	19	7	6	–

Amounts reported in the balance sheet

	2018	2017
Present value of funded obligations	938	903
Fair value of plan assets	–810	–774

Financial statements

Note 24 continued

Amounts reported in the balance sheet

	2018	2017
	128	129
Present value of unfunded obligations	139	126
	139	126
Net liability, defined benefit plans, in the balance sheet	267	255

Revaluation in other comprehensive income

	2018	2017
Experience-based adjustments of defined benefit obligations	13	8
Return on plan assets, excl. interest income	-4	-10
Demographic adjustments of defined benefit obligations	-4	6
Financial adjustments of defined benefit obligations	-7	-5
Total	-2	-1

Actuarial gains and losses, including payroll taxes in Sweden, are recognised in other comprehensive income. At the end of the financial year, accumulated actuarial losses recognised in comprehensive income amounted to SEK 130 (122) million.

	2018	2017
Present value of pension obligations at start of year	1,029	1,002
Pension costs	29	32
Change of pension terms	1	-
Interest expenses	15	15
Employee contributions	9	8
Pension payments	-30	-27
Redemption of pension liability	-30	-
Actuarial gains (-)/losses (+)	2	9
Exchange rate differences	52	-10
Present value of pension obligations at year-end	1,077	1,029
Plan assets at start of year	774	748
Interest income	12	11
Employee contributions	11	11
Company contributions	22	24
Pension payments	-26	-24
Redemption of pension liability	-30	-
Return on plan assets, excl. interest income	5	10
Exchange rate differences	42	-6
Plan assets at year-end	810	774
Net liability at start of year	255	254
Net cost reported in the income statement	33	36
Pension payments	-6	-6
Company contributions	-22	-24
Actuarial gains (-)/losses (+)	-3	-1
Exchange rate differences in foreign plans	10	-4
Net liability at year-end	267	255

Amounts reported in income statement	2018			2017		
	Defined benefit plans	Defined contribution plans	Total	Defined benefit plans	Defined contribution plans	Total
Current service cost	30	245	275	32	222	254
Interest on obligation	15	-	15	15	-	15
Return on plan assets	-12	-	-12	-11	-	-11
Net cost in income statement	33	245	278	36	222	258
of which, included in selling costs	30	180	210	32	163	195
of which, included in administrative expenses	0	65	65	0	59	59
of which, included in financial items	3	-	3	4	-	4

Anticipated company contributions to defined benefit pension plans in 2019 amount to SEK 23 million.

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Other provisions

Accounting principles

A provision is reported on the balance sheet when the Group has a formal or constructive obligation as a result of an event that has occurred and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been calculated in a reliable manner.

Future obligations for guarantee commitments are based on outlays for similar costs during the financial year or calculated costs for the respective obligations.

	Group		Parent company	
	2018	2017	2018	2017
Guarantee commitments	13	12	–	–
Total long-term provisions	13	12	–	–

	Guarantee commitments
Opening balance, 1 January 2018	12
Guarantee commitments in acquired companies	1
Change in guarantee commitments for the year	0
BS Closing balance, 31 December 2018	13

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Accrued expenses and deferred income

	Group		Parent company	
	2018	2017	2018	2017
Accrued vacation pay	220	210	5	5
Other payroll costs	227	205	11	8
Accrued social security costs	87	86	6	4
Accrued expenses for purchase of materials	78	57	–	–
Customer bonuses and discounts	40	31	–	–
Accrued audit and consulting fees	29	24	2	1
Accrued financial expenses	7	3	7	2
Other	87	59	0	1
BS Total	775	675	31	21

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Pledged assets

	Group		Parent company	
	2018	2017	2018	2017
For own liabilities:				
Real estate mortgages	98	149	–	–
Chattel mortgages	31	44	–	–
Assets subject to liens ¹⁾	114	124	–	–
BS Total	243	317	–	–

¹⁾ Car leases are reported as finance leases in accordance with IFRS, entailing an increase in assets, liabilities and pledged assets.

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Contingent liabilities

Accounting principles

A contingent liability is recognised when a possible obligation arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events, or when an obligation currently exists that is not reported as a liability or provision because it is not probable that an outflow or resources will be required to settle the obligation.

	Group		Parent company	
	2018	2017	2018	2017
Contingent liabilities for subsidiaries' PRI liabilities	–	–	79	77
Guarantees pledged for the benefit of subsidiaries	–	–	39	43
Contingent liabilities for own PRI liabilities	2	2	–	–
Other contingent liabilities	1	3	–	–
BS Total	3	5	118	120

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Cash and cash equivalents

Accounting principles

Cash and cash equivalents include short-term investments with maturities of less than three months, and cash and bank balances. Drawn bank overdraft facilities are stated on the balance sheet under the item "Current interest-bearing liabilities".

Cash and cash equivalents on the balance sheet and in the statement of cash flows consist of:

	Group		Parent company	
	2018	2017	2018	2017
Cash and bank balances	705	461	200	0
Short-term investments	3	3	–	–
BS Total	708	464	200	0

Cash flow

	Non-cash changes										31 Dec 2018
	1 Jan 2018	Items affecting cash flow	Acquisitions	Divestments	Interest	Transfer from short-to long-term	Translation difference	Adjustment in income statement	New loans raised	Fair value	
Current interest-bearing liabilities	2,582	-1,467	16	-	-	510	1	-	-	-	1,642
Non-current interest-bearing liabilities	1,127	1,735	-	-1	-	-510	5	-	-	-	2,356
Finance lease liabilities	115	-43	3	-	2	0	0	-	31	-	108
Total, excl. contingent consideration	3,824	225	19	-1	2	0	6	-	31	-	4,106
Contingent consideration ¹⁾	185	-93	-	-	4	-	6	-6	119	0	215
Total interest-bearing liabilities	4,009	132	19	-1	6	0	12	-6	150	0	4,321
Financial assets used for hedging purposes ²⁾	7	-	-	-	-	-	-	-	-1	0	6
Short-term investments	3	0	-	-	-	-	0	-	-	-	3
Cash and bank balances	461	254	-	-	-	-	-10	-	-	-	705
Total cash and bank balances	464	254	-	-	-	-	-10	-	-	-	708

¹⁾ Items affecting cash flow are reported in investing activities.

²⁾ For liabilities reported in financing activities.

	Non-cash changes										31 Dec 2017
	1 Jan 2017	Items affecting cash flow	Acquisitions	Interest	Transfer from short-to long-term	Translation difference	Adjustment in income statement	New loans raised	Fair value		
Current interest-bearing liabilities	1,595	160	18	0	811	-2	-	-	-	-	2,582
Non-current interest-bearing liabilities	1,856	-38	119	0	-811	1	-	-	-	-	1,127
Finance lease liabilities	99	-6	20	2	0	0	-	-	-	-	115
Total, excl. contingent consideration	3,550	116	157	2	0	-1	-	-	-	-	3,824
Contingent consideration ¹⁾	129	-47	-	3	-	2	-30	128	0	0	185
Total interest-bearing liabilities	3,679	69	157	5	0	1	-30	128	0	0	4,009
Financial assets used for hedging purposes ²⁾	1	-	-	-	-	-	-	7	-1	-	7
Short-term investments	8	-5	-	-	-	-	-	-	-	-	3
Cash and bank balances	324	152	-	-	-	-15	-	-	-	-	461
Total cash and bank balances	332	147	-	-	-	-15	-	-	-	-	464

¹⁾ Items affecting cash flow are reported in investing activities.

²⁾ For liabilities reported in financing activities.

Acquisitions and divestments of subsidiaries

Acquisitions in 2018

All of the shares have been acquired in Zijtveld Grippers B.V. (Netherlands), Gaveco AB (Sweden), RA Howarth Engineering Ltd (UK), Digitrade GmbH (Switzerland), Precision Parts UK Ltd (UK), Norsecraft Tec AS (Norway), and TXRX System (USA) Thermo Electric Instrumentation B.V. (Netherlands) and NRG Automation Ltd (UK).

Benelux

On 21 February Zijtveld Grippers B.V. (Netherlands) was acquired, with annual sales of SEK 130 million. The company designs, manufactures and markets hydraulic grabs for construction machinery. The grabs are used in a wide range of application areas, including demolition, construction, infrastructure, the recycling industry, and materials handling.

DACH

On 23 April Digitrade GmbH (Switzerland) was acquired, with annual sales of SEK 15 million. The company offers gas measurement products and gas alarm systems.

Flow Technology

On 16 February Gaveco AB (Sweden) was acquired, with annual sales of SEK 15 million. The company manufactures components and systems for high pressure gases.

On 8 May Precision Parts UK Ltd (UK) was acquired, with annual sales of SEK 130 million. The company manufactures and supplies medical gas pipeline equipment for hospitals and healthcare facilities

Industrial Components

On 20 July Norsecraft Tec AS (Norway) was acquired, with annual sales of SEK 55 million. The company offers automatic lubrication systems for construction machinery and industrial applications

Measurement & Sensor Technology

On 31 August all of the assets were acquired in the company TXRX System (USA), with annual sales of SEK 120 million. The company is a manufacturer of products and technical solutions for Professional Mobile Radio (PMR) systems.

On 25 October Thermo Electric Instrumentation B.V. (Netherlands) was acquired, with annual sales of SEK 115 million. The company develops, manufactures, markets and calibrates temperature sensors.

UK

On 6 February RA Howarth Engineering Ltd (UK) was acquired, with annual sales of SEK 20 million. The company offers niche CNC machining.

On 30 November, NRG Automation Ltd (UK) was acquired, with annual sales of SEK 60 million. The company is trade supplier of products used in the automation and control of doors and gates.

Divestments

The Tecalemit companies in Finland and the Baltic countries, with combined annual sales of SEK 120 million, have been divested, for a marginal capital loss.

The property company Stålprofil PK Invest AB has been divested. The company had only internal net sales, and the capital gain was SEK 7 million.

Parts of the operations of Novisol GmbH in Germany have been divested. Annual sales for the divested operations amounted to SEK 90 million, and a capital loss of SEK –7 million was realised.

The Lithuanian company UAB Industek, with annual sales of SEK 70 million, has been divested, for a capital loss of SEK –8 million.

The operations of Recair Oy in Finland were divested on two separate occasions during the year. Annual sales for the divested operations amounted to SEK 110 million and a marginal capital loss was realised.

Effects of acquisitions carried out in 2018 and 2017

SEK millions	2018		2017	
	Net sales	EBITA	Net sales	EBITA
Business area				
Benelux	252	60	34	6
DACH	300	39	118	11
Finland	–	–	–	–
Flow Technology	125	22	59	6
Fluids & Mechanical Solutions	–	–	197	25
Industrial Components	195	22	238	21
Measurement & Sensor Technology	69	8	221	48
UK	97	12	265	35
Effect on Group	1,038	163	1,132	152
Acquisitions carried out in 2016	–	–	499	81
Acquisitions carried out in 2017	685	100	633	71
Acquisitions carried out in 2018	353	63	–	–
Effect on Group	1,038	163	1,132	152

If all of the acquired units had been consolidated as from 1 January 2018, net sales would have amounted to SEK 17,147 million, and EBITA would have totalled SEK 2,123 million.

Financial statements

Note 31 continued

Acquired assets

Preliminary purchase price allocation

SEK millions	2018	2017
Purchase price, incl. contingent consideration	756	1,198
of which contingent consideration	119	128

Acquired assets	2018			2017		
	Book value	Fair value adjustment	Fair value	Book value	Fair value adjustment	Fair value
Goodwill	–	266	266	–	461	461
Agencies, trademarks, customer relationships, licences, etc.	3	285	288	58	455	513
Property, plant and equipment	31	4	35	120	4	124
Financial assets	2	–	2	3	–	3
Inventories	83	–	83	221	–	221
Other current assets ¹⁾	151	–	151	269	–	269
Cash and cash equivalents	71	–	71	113	–	113
Deferred tax liability	–1	–45	–46	–3	–112	–115
Provisions including pension liabilities	–1	–	–1	–5	–	–5
Other operating liabilities	–93	–	–93	–380	–	–380
Non-controlling interests	–	–	–	–6	–	–6
	246	510	756	390	808	1,198

¹⁾ Primarily trade receivables.

Since disclosures about the individual acquisitions are insignificant, they are provided here in aggregate form. The cost amount of the value of customer relationships and agencies has been measured at one-half to one year's gross margin and is reported on the balance sheet as agencies, trademarks, customer relationships, licences, etc. They will be amortised over a period of 10 to 20 years, with the exception of trademarks, which are assumed to have indefinite useful life. Trademarks are included in the amount of SEK 14 (33) million. Goodwill is justified by the good profitability and personnel included in the acquired companies.

Indutrade typically uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. Initially, the contingent consideration is valued at the present value of the likely outcome, which for the acquisitions made during the year amounts to SEK 119 (128) million. The contingent consideration falls due for payment within three years and can amount to a maximum of SEK 124 (132) million. If the conditions are not met, the outcome can be in the range of SEK 0-124 (0-132) million.

Transaction costs for the acquisitions carried out during the year totalled SEK 3 (15) million and are included in Other operating expenses in the income statement. A revaluation of contingent consideration has been made SEK 6 (30) million. Income recognised as a result of this restatement is reported under Other operating income in the amount of SEK 6 (30) million and under Net financial items in the amount of SEK 0 (0) million.

The purchase price allocation calculations for the companies acquired through December 2017 have now been finalised. No significant adjustments have been made to the calculations. For other acquisitions, the purchase price allocation calculations are preliminary.

Indutrade regards the calculations as preliminary during the time that uncertainty exists with respect to, for example, the outcome of guarantees in the acquisition agreements concerning inventories and trade receivables.

Cash flow impact

SEK millions	2018	2017
Purchase price, incl. contingent consideration	756	1,198
Purchase price not paid out	–119	–128
Cash and cash equivalents in acquired companies	–71	–113
Payments pertaining to previous years' acquisitions	98	50
Total cash flow impact	664	1,007

Acquisitions and divestments after the end of the reporting period

On 1 March, Indutrade acquired Wholesale Welding Supplies Ltd (UK) with annual sales of SEK 100 million. It is a leading supplier of equipment, supplies and training services to the industrial welding market.

On 4 March, Indutrade acquired all of the shares in STRIHL Scandinavia AB with annual sales of nearly SEK 60 million. The company is a leading supplier of outdoor light fixtures.

The operations of Wilhelm Sander Fertigung GmbH in Germany were divested as part of a restructuring effort that began in 2017 of the Sander Meson Group. Annual sales amounted to SEK 60 million.

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Related party transactions

Intra-Group purchases and sales were only limited in extent. Investments with and borrowings from Group companies have been made on an arm's length basis.

The Indutrade Group's related parties consist mainly of senior executives. Disclosures of transactions with these related parties are provided in Note 8, Wages, salaries and other remuneration, and social security costs.

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Events after the balance sheet date

During January-March 2019, two company acquisitions were made and one business was divested. For further information, see Note 31.

In other respects, no significant events for the Group have occurred after the end of the reporting period.

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Disclosures about Parent Company

Indutrade AB, reg. no. 556017-9367, is the Parent Company of the Group. The Company is a Swedish limited liability company with registered office in Stockholm, Sweden. Address:

Indutrade AB
Box 6044
SE-164 06 Kista
Sweden Tel: +46 (0)8 703 03 00
Website: www.indutrade.com

The share capital of Indutrade AB as per 31 December 2018 consisted of 120,855,000 shares with a share quota value of SEK 2, for a total of SEK 242 million.

At the Annual General Meeting on 9 May 2019, a dividend of SEK 4.50 per share will be proposed for the 2018 financial year, for a total of SEK 544 million. The proposed dividend has not been reported as a liability in these financial statements.

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Tax allocation reserves

	Parent Company	
	2018	2017
Provision 2012	–	62
Provision 2013	94	94
Provision 2014	73	73
Provision 2015	110	110
Provision 2016	108	108
Provision 2017	142	142
Provision 2018	120	–
BS Total	647	589

Auditor's report

To the general meeting of the shareholders of Indutrade AB (publ), corporate identity number 556017-9367.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Indutrade AB (publ) for the year 2018, with the exception of the Corporate Governance Report on pages 27-35. The annual accounts and consolidated accounts of the company are included on pages 10-11, 15-19, 23-36 and 38-75 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not cover the Corporate Governance Report on pages 27-35. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered areas where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Indutrade markets and sells components, systems and services with high-tech content in selected niches to the industry. The Group consists

of more than 200 companies in 30 countries and has a clearly defined acquisition strategy. Since the stock market introduction in 2005, the Group has grown, mainly through acquisitions, by 12 percent in average per year. The single largest company in the Group is HP Valves Odenzaal BV in the Netherlands. With the exception of this company the Group consists of individually small entities with respect to the Group as a total. The most significant balance sheet items are inventories and accounts receivables.

In order to ensure that we in our audit of the consolidated accounts have a common focus on important areas, and to ensure that we obtain a sufficient coverage of the Group's net sales, the Group audit team have assigned each subsidiary one out of five audit scopes. These scopes vary from no audit (non-significant subsidiary or no statutory audit obligation) to so called full audit which means interim audit procedures during fall with a focus on internal controls, review procedures as of September 30 and year-end audit procedures. Through this scope of our work we as Group auditors obtain enough coverage from subsidiaries in Group reporting scope when we issue this Auditor's report. In addition, local statutory audit procedures are performed for all legal entities within the Group subject to such requirements according to local law.

The strongly decentralized governance model adopted by Indutrade, means local management in the individual subsidiaries have important responsibilities in terms of establishing and maintaining proper internal controls. Within the Indutrade Group there is an annual process for self-assessment whereby the companies respond to an internal controls questionnaire. Answers are summarized and evaluated by the parent company's finance department and business area controllers. In addition, we perform as part of our audit a validation of selected questions in the self-assessment.

On Group level we audit areas such as impairment of goodwill, actuarial reports for significant pension plans and acquisition balances.

Our audit is carried out continuously during the year. In 2018, with respect to the interim reports for the third quarter and year-end, we reported our main observations to Group management and the Board of Directors. For the third quarter, we issued a public review report.

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter**How our audit addressed the Key audit matter**

Valuation of inventories

Inventories is a significant item in the consolidated balance sheet. As per December 31 2018 inventory amounts to SEK 2.8 billion. The existence and valuation of inventories are important factors to consider. The obsolescence provisions are to some extent affected by management's judgments.

Refer to the Annual Report Note 20 – Inventories

In our audit we have mapped and assessed the companies' inventory processes including routines for valuation and assessment of obsolescence in order to gain an understanding of risks and controls. We have also participated in stocktaking and performed audit procedures of pricing of articles in stock.

Considering the company's operations, system support, inventory turnover and other relevant factors we have tested the obsolescence models in the subsidiaries against Indutrade's general accounting principles considering.

Valuation of trade receivables

Accounts receivable amount to SEK 2.8 billion as of December 31, 2018 which constitutes a significant balance sheet item. Key audit areas to consider when auditing accounts receivable are existence and valuation. Accounts receivables also are affected by elements of management's judgments in terms of impaired accounts receivable and assessment of credit risk.

Refer to the Annual Report Not 2 – Risk and risk management and note 21 – Trade accounts receivable

The sales process, covering controls related to credit assessment, follow-up and monitoring of receivables past due and valuation of impaired accounts receivable, is an important process to focus on in our audit. In connection with the year-end audit we have had a specific focus in our audit on provisions for impaired trade accounts receivable, where we need to assess the chosen model for provisioning and management's judgment with respect to significant credit risks or customers with payment difficulties. We have also performed tests over subsequent payments in order to confirm existence of accounts receivable.

Based on our work, we had no material observations for the overall audit on Indutrade's valuation of accounts receivable.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-9, 12-14, 20-22, 37 and page 80-84. Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Indutrade AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website:

www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance report

The Board of Directors is responsible for that the Corporate Governance Report on pages 27-35 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Indutrade AB (publ) by the general meeting of the shareholders on April 26, 2018 and has been the company's auditor since before 1994.

Stockholm March 25, 2019

PricewaterhouseCoopers AB

Michael Bengtsson

Authorised Public Accountant

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Indutrade AB, corporate identity number 556017-9367

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 4-7, 12-14 and 24-25 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the

statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm den 25 mars 2019

PricewaterhouseCoopers AB

Michael Bengtsson

Authorised Public Accountant

Multi-year overview and definitions

Condensed income statements

SEK millions	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net sales	16,848	14,847	12,955	11,881	9,746	8,831	8,384	7,994	6,745	6,271
Cost of goods sold	-11,099	-9,881	-8,607	-7,847	-6,464	-5,833	-5,545	-5,268	-4,480	-4,207
Development costs	-204	-178	-156	-133	-107	-110	-95	-74	-48	-44
Selling costs	-2,737	-2,463	-2,179	-2,044	-1,708	-1,601	-1,527	-1,430	-1,224	-1,169
Administrative expenses	-991	-893	-791	-635	-535	-449	-426	-398	-376	-323
Other operating income/expenses	8	-52	50	13	49	18	6	-2	-3	-3
Operating profit	1,825	1,380	1,272	1,235	981	856	797	822	614	525
Financial income/expenses	-75	-70	-78	-98	-86	-100	-83	-93	-61	-64
Profit after financial items	1,750	1,310	1,194	1,137	895	756	714	729	553	461
Income Tax	-382	-280	-258	-243	-192	-169	-145	-189	-148	-120
Net profit for the year	1,368	1,030	936	894	703	587	569	540	405	341
EBITA	2,087	1,613	1,484	1,427	1,134	990	905	917	703	594
EBITA margin, %	12.4	10.9	11.5	12.0	11.6	11.2	10.8	11.5	10.4	9.5

Condensed balance sheets

SEK millions	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Assets										
Goodwill	3,170	2,845	2,388	1,942	1,572	1,308	1,188	822	712	514
Other intangible assets	2,169	2,102	1,879	1,636	1,445	1,286	1,215	888	761	555
Property, plant and equipment	1,736	1,618	1,451	1,117	971	849	741	706	657	563
Financial assets	158	139	117	101	87	61	59	45	50	48
Inventories	2,834	2,517	2,249	1,931	1,617	1,546	1,472	1,328	1,183	1,064
Trade receivables	2,877	2,469	2,292	1,995	1,702	1,435	1,411	1,263	1,047	901
Other receivables	418	412	345	300	336	208	204	149	164	125
Cash and cash equivalents	708	464	332	339	357	261	243	264	219	229
Total assets	14,070	12,566	11,053	9,361	8,087	6,954	6,533	5,465	4,793	3,999
Liabilities and equity										
Equity	6,218	5,168	4,399	3,707	3,162	2,626	2,290	2,064	1,744	1,644
Non-current interest-bearing liabilities, incl. pension liabilities	2,811	1,569	2,274	1,260	1,216	2,201	1,158	837	939	886
Other non-current liabilities and provisions	619	600	563	480	412	353	333	255	231	132
Current interest-bearing liabilities	1,806	2,724	1,686	2,028	1,635	381	1,424	1,083	841	462
Accounts payable, trade	1,168	1,081	968	848	763	602	586	556	493	424
Other current liabilities	1,448	1,424	1,163	1,038	899	791	742	670	545	451
Total liabilities and equity	14,070	12,566	11,053	9,361	8,087	6,954	6,533	5,465	4,793	3,999

Condensed cash flow statements

SEK millions	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Cash flow from operating activities before changes in working capital	1,821	1,514	1,318	1,315	970	790	720	764	616	438
Changes in working capital	-461	40	-111	-239	-66	69	-201	-55	40	120
Cash flow from operating activities	1,360	1,554	1,207	1,076	904	859	519	709	656	558
Net capital expenditures in non-current assets	-299	-236	-320	-221	-124	-206	-127	-139	-111	-90
Company acquisitions and divestments	-586	-1,007	-1,164	-878	-585	-444	-572	-467	-684	-188
Change in other financial assets	0	1	8	-1	3	1	-5	13	0	0
Cash flow from investing activities	-885	-1,242	-1,476	-1,100	-706	-649	-704	-593	-795	-278
Net borrowing	225	116	620	303	165	88	442	134	321	-12
Dividend paid out	-453	-384	-360	-310	-282	-282	-270	-204	-172	-256
Payment for issued warrants	0	8	-	-	-	-	-	-	-	-
New issues	7	95	-	-	-	-	-	-	-	-
Cash flow from financing activities	-221	-165	260	-7	-117	-194	172	-70	149	-268
Cash flow for the period	254	147	-9	-31	81	16	-13	46	10	12
Cash and cash equivalents at start of year	464	332	339	357	261	243	264	219	229	223
Exchange rate differences	-10	-15	2	13	15	2	-8	-1	-20	-6
Cash and cash equivalents at end of year	708	464	332	339	357	261	243	264	219	229

Financial metrics

SEK millions	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Non-current interest-bearing liabilities	2,811	1,569	2,274	1,260	1,216	2,201	1,158	837	939	886
Current interest-bearing liabilities	1,806	2,724	1,686	2,028	1,635	381	1,424	1,083	841	462
Cash and cash equivalents	-708	-464	-332	-339	-357	-261	-243	-264	-219	-229
Interest-bearing net debt	3,909	3,829	3,628	2,949	2,494	2,321	2,339	1,656	1,561	1,119
Net debt/equity ratio, %	63	74	82	80	79	88	102	80	90	68
Interest coverage ratio, times	25.1	21.1	16.5	14.6	12.2	8.9	9.0	8.9	9.4	7.6
Equity ratio, %	44	41	40	40	39	38	35	38	36	41
Net debt/EBITDA, times	1.7	2.1	2.2	1.8	1.9	2.1	2.3	1.6	2.0	1.6
Return measures										
Average operating capital, SEK million	9,839	8,444	7,491	6,537	5,324	4,894	4,078	3,680	3,605	3,211
Return on operating capital, %	21	19	20	22	21	20	22	25	19	18
Average equity, SEK million	5,715	4,746	3,976	3,440	2,818	2,377	2,113	1,849	1,672	1,602
Return on equity, %	24	22	24	26	25	25	27	29	24	21
Number of employees										
Average number of employees	6,710	6,156	5,495	4,978	4,418	4,151	3,939	3,778	3,420	3,122
Number of employees at year-end	6,778	6,545	5,705	5,107	4,578	4,218	4,086	3,807	3,444	3,040

Key ratios per share

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Share price at 31 December, SEK	205,60	223.60	183.00	160.17	104.00	89.50	65.67	61.00	77.33	45.00
Market cap at 31 December, SEK million	24,848	27,011	21,960	19,220	12,480	10,740	7,880	7,320	9,280	5,400
Dividend, SEK	4.50 ¹⁾	3.75	3.20	3.00	2.58	2.35	2.35	2.25	1.70	1.43
Earnings before dilution, SEK	11.31	8.54	7.80	7.44	5.87	4.89	4.74	4.50	3.39	2.84
Earnings after dilution, SEK	11.31	8.53	7.78	7.44	5.87	4.89	4.74	4.50	3.39	2.84
Number of shares outstanding, 000s	120,855	120,799	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Average number of shares before dilution, '000	120,832	120,457	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Average number of shares after dilution, '000	120,843	120,617	120,251	120,094	120,000	120,000	120,000	120,000	120,000	120,000
Number of shareholders at 31 December	9,553	9,816	10,518	7,965	5,970	6,038	5,721	5,025	5,388	5,369
Highest price paid during the financial year, SEK	249.20	233.10	191.00	162.77	106.50	90.83	76.50	79.67	78.00	51.00
Lowest price paid during the financial year, SEK	202.00	167.10	136.23	103.50	80.33	66.00	58.33	51.17	44.83	23.17
Dividend yield ²⁾ , %	2.2	1.7	1.7	1.9	2.5	2.6	3.6	3.7	2.2	3.2
Shareholders' equity, SEK	51.34	42.64	36.58	30.86	26.33	21.86	19.07	17.18	14.52	13.70
Cash flow from operating activities, SEK	11.26	12.90	10.06	8.97	7.53	7.16	4.33	5.91	5.47	4.65

¹⁾ Proposed for 2018 by the Board of Directors.

²⁾ Dividend divided by the share price on 31 December.

Definitions

In this annual report Indutrade presents certain key ratios (Alternative Performance Measures – APMs) that complement the financial measures defined in IFRS. Indutrade believes that these key ratios provide valuable information to readers, as they contribute to assessment of the Group's performance, trends, ability to repay debt and invest in new business opportunities, and they reflect the Group's acquisition-intensive business model.

Since not all companies calculate their financial key ratios in the same way, they are not always comparable. They should therefore not be regarded as a substitute for the key ratios defined in IFRS. Following are definitions of Indutrade's key ratios, of which most are APMs.

Return on operating capital

EBITA calculated on a 12-month rolling basis divided by average operating capital per month.

Return on equity

Net profit for the period on a 12-month rolling basis divided by average shareholders' equity per month.

Gross margin

Gross profit divided by net sales.

EBITA

Operating profit before amortisation of intangible non-current assets arising in connection with company acquisitions (Earnings Before Interest, Tax and Amortisation). EBITA-margin

EBITA margin

EBITA divided by net sales.

EBITDA

Operating profit before depreciation and amortisation (Earnings Before Interest, Tax, Depreciation and Amortisation).

Equity per share

Shareholders' equity attributable to owners of the parent divided by the number of shares outstanding.

Net capital expenditures

Purchases less sales of intangible assets and of property, plant and equipment, excluding those included in acquisitions and divestments of subsidiaries and operations.

Net debt/equity ratio

Interest-bearing net debt divided by shareholders' equity

Net debt/EBITDA

Interest-bearing net debt at the end of the period divided by EBITDA on a 12-month rolling basis.

Operating capital

Shareholders' equity plus interest-bearing net debt.

Earnings per share before dilution

Net profit for the period attributable to owners of the parent divided by the average number of shares outstanding.
Definition according to IFRS.

Earnings per share after dilution

Net profit for the period attributable to owners of the parent divided by the average number of shares outstanding after dilution.

Interest-bearing net debt

Interest-bearing liabilities including pension liability and estimated earn-outs for acquisitions, less cash and cash equivalents.

Interest coverage ratio

Operating profit before interest income divided by interest expenses.

Equity ratio

Shareholders' equity divided by total assets.

Quarterly overview

Net sales

SEK millions	2018					2017				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	2,045	517	492	556	480	1,695	416	391	430	458
DACH	1,225	312	301	316	296	945	280	218	231	216
Finland	1,743	443	420	483	397	1,729	461	415	452	401
Flow Technology	3,491	914	909	898	770	3,135	794	810	799	732
Fluids & Mechanical Solutions	1,980	499	485	519	477	1,859	474	441	487	457
Industrial Components	3,371	932	756	895	788	2,924	831	719	706	668
Measurement & Sensor Technology	1,863	558	452	435	418	1,675	447	399	434	395
UK	1,183	287	315	301	280	932	243	251	220	218
Parent company and Group items	-53	-16	-15	-13	-9	-47	-14	-11	-10	-12
	16,848	4,446	4,115	4,390	3,897	14,847	3,932	3,633	3,749	3,533

EBITA

SEK millions	2018					2017				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	306	76	68	85	77	237	49	52	60	76
DACH	126	35	32	29	30	79	15	21	23	20
Finland	213	61	61	53	38	179	43	53	51	32
Flow Technology	414	119	118	103	74	343	82	99	91	71
Fluids & Mechanical Solutions	262	69	58	70	65	233	52	57	64	60
Industrial Components	400	108	93	114	85	324	96	81	79	68
Measurement & Sensor Technology	322	96	88	73	65	291	75	70	80	66
UK	175	38	51	44	42	127	29	34	30	34
Parent company and Group items	-131	-34	-44	-28	-25	-200	-142	-17	-20	-21
	2,087	568	525	543	451	1,613	299	450	458	406

EBITA margin

SEK millions	2018					2017				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	15.0	14.7	13.8	15.3	16.0	14.0	11.8	13.3	14.0	16.6
DACH	10.3	11.2	10.6	9.2	10.1	8.4	5.4	9.6	10.0	9.3
Finland	12.2	13.8	14.5	11.0	9.6	10.4	9.3	12.8	11.3	8.0
Flow Technology	11.9	13.0	13.0	11.5	9.6	10.9	10.3	12.2	11.4	9.7
Fluids & Mechanical Solutions	13.2	13.8	12.0	13.5	13.6	12.5	11.0	12.9	13.1	13.1
Industrial Components	11.9	11.6	12.3	12.7	10.8	11.1	11.6	11.3	11.2	10.2
Measurement & Sensor Technology	17.3	17.2	19.5	16.8	15.6	17.4	16.8	17.5	18.4	16.7
UK	14.8	13.2	16.2	14.6	15.0	13.6	11.9	13.5	13.6	15.6
	12.4	12.8	12.8	12.4	11.6	10.9	7.6	12.4	12.2	11.5

Annual General Meeting and reporting dates

Annual General Meeting

Time and place

The Annual General Meeting (AGM) will be held at 4 p.m. on Thursday, 9 May 2019, at IVA Konferenscenter, Grev Turegatan 16, Stockholm.

Who is entitled to participate?

To be entitled to participate in the AGM, shareholders must be listed in the shareholder register maintained by Euroclear Sweden AB on Friday, 3 May 2019, and have notified the Company of their intention to participate by Friday, 3 May 2019 at the latest.

How to become registered in the shareholder register?

Shareholders who have registered their shares in their own name with Euroclear are automatically entered in the shareholder register. Shareholders whose shares are registered in the names of a trustee must have their shares re-registered temporarily in their own names well in advance of 3 May 2019 to be eligible to participate in the AGM.

Notification of attendance

Notification of intention to attend the AGM can be made:

- on the Company's website: www.indutrade.com
- by regular mail to: Indutrade AB, Årsstämma. c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm
- by phone +46 (0)8 401 43 12

Upon notification, shareholders must indicate their:

- name
- personal identity number or corporate identity number
- address and phone number

Notification must be received by the Company no later than Friday, 3 May 2019.

Proxies

Shareholders may exercise their right to participate in the AGM through appointment of a proxy with power of attorney. Such power of attorney must be in writing and should be sent to the Company well in advance of the AGM at the above address. Proxies for legal entities must also submit a certified copy of a certificate of incorporation or corresponding authorisation document.

Dividend

The dividend will be paid to shareholders who on the record date, 13 May 2019 are registered in the shareholder register. Provided that the AGM resolves in accordance with the Board's proposal, payment of the dividend is expected to be made via Euroclear Sweden on 16 May 2019.

Reporting dates

Interim reports

1 January – 31 March 2019	25 April 2019
1 January – 30 June 2019	18 July 2019
1 January – 30 September 2019	25 October 2019

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