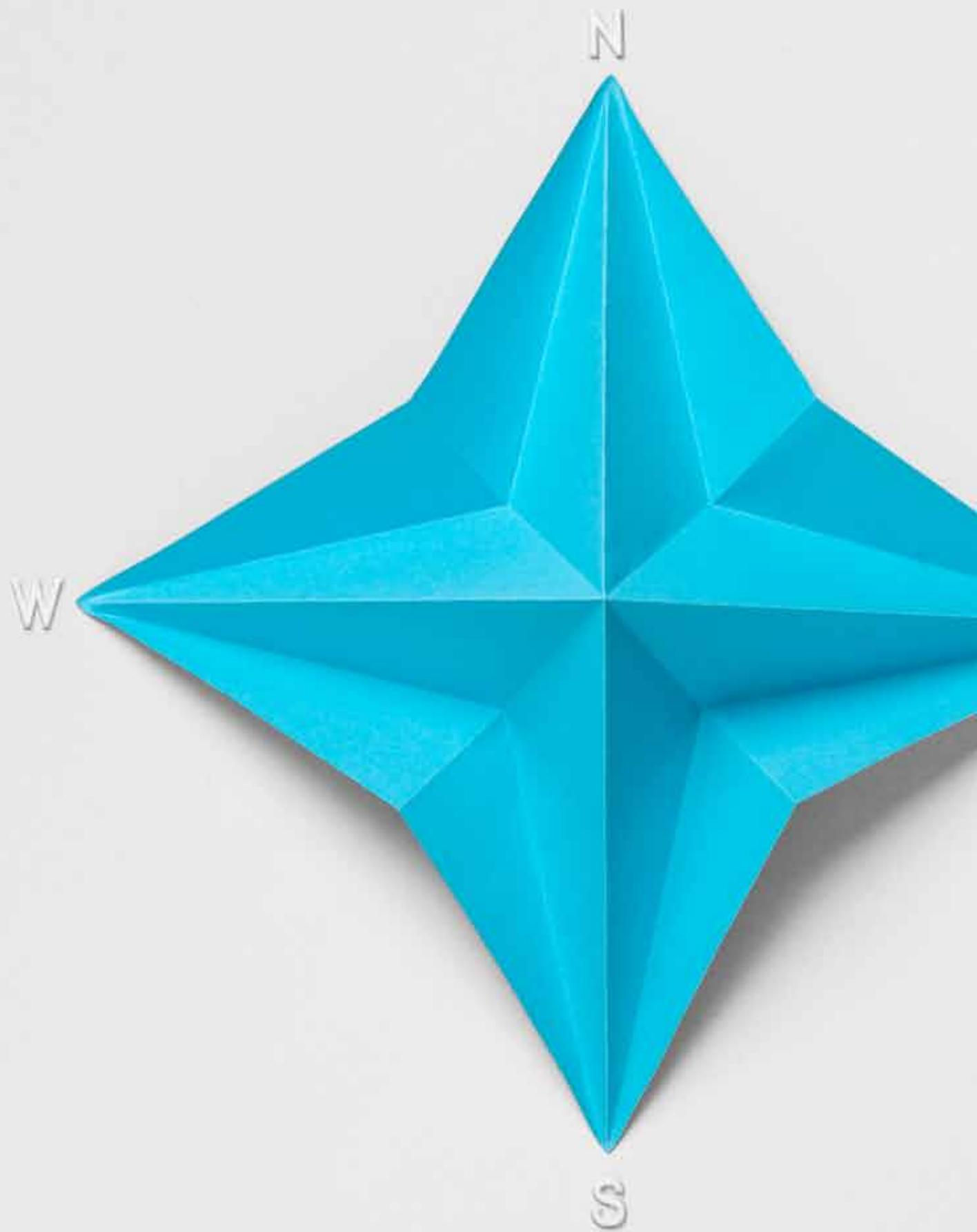


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We chart  
our own  
course



# A business philosophy

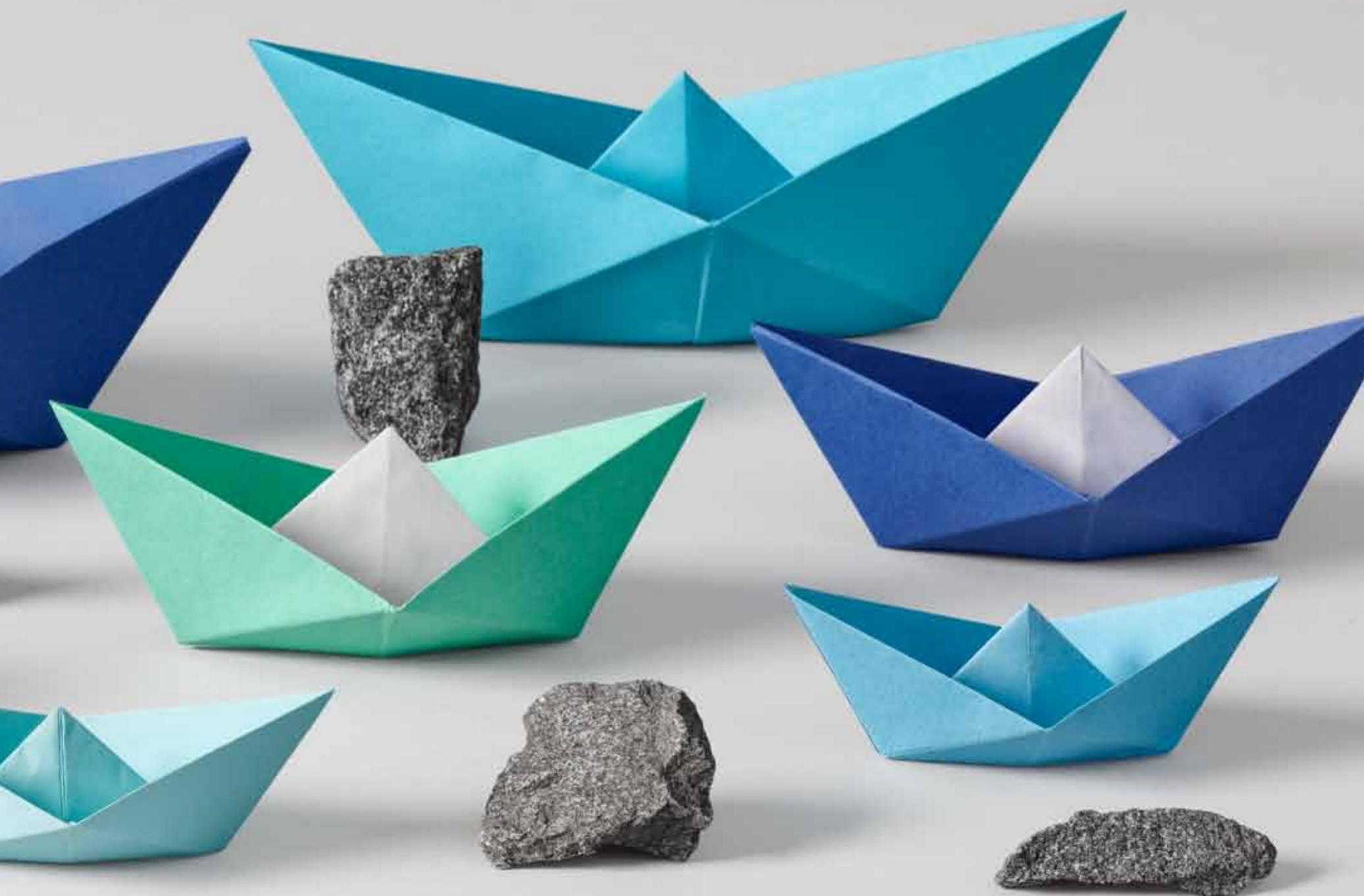
MANAGEMENT OUR WAY:

- Small is smart
- Decentralise
- Entrepreneurship
- Multi-brand strategy
- Acquire and develop
- Long-term thinking
- Continuity



# based on diversity

At year-end 2011 Indutrade consisted of 160 freestanding companies. This fleet of small, easily manoeuvrable enterprises moves in markets they know well, and in their pursuit of growth they can act quickly on opportunities and avoid obstacles. With our support they decide how they can best grow their business and what is the right course for success. It is a straightforward and long-term strategy that has proved to be successful since the start more than 30 years ago.



# Acquire

# Strengthen

# Refine

## NET SALES

Net sales in 2011 rose 19% to SEK 7,994 million. During the period 2007-2011 the average annual growth was 12%.

# 7,994

SEK million in net sales in 2011

## EXPANSION IN CENTRAL EUROPE

In 2011, two new countries were added to Indutrade's map through Indutrade's acquisition of the strategically important Abima Group (now Indutrade Switzerland). Indutrade is thereby established in 23 countries in four parts of the world.

# 23

Indutrade today has a presence in 23 countries

## EARNINGS PER SHARE

Earnings per share for 2011 amounted to SEK 13.50. This represents an increase of 33% compared with 2010. Since Indutrade's stock market introduction in 2005, the annual total return has averaged 9%.

# 13.50

SEK in earnings per share in 2011

**CAREFULLY CONSIDERED ACQUISITIONS** Selling a company to Indutrade is to secure the future. We acquire companies that are successful and well-run, with a well defined market and clear offering. We acquire companies in which the owner wants to continue to run and grow the business, but without being the owner. The rationale for selling is often that the owners want to see their life's work live on when the time eventually comes to begin slowing down and perhaps retire.

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**STRENGTHENED POSITION** Our companies should do what they are best at: creating business and meeting customers' expectations. We give them the opportunity to perform better at the same time that we support them with advice. By being part of a large network, all our companies can strive for best practice, and with a clear system for benchmarking, it becomes clear what works and what doesn't. Full speed ahead, but with eyes on the horizon, you could summarise it.

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**OPPORTUNITY TO REFINE** There comes a time when a company may need to make a major investment in order to grow. It can involve developing a new product, gaining a foothold in a new market or making an acquisition of its own. In such cases the company's president can rest assured that Indutrade has both the experience and financial muscle needed for the investment to be successful. Sometimes a company may need to move in the opposite direction. As markets contract or products become outdated, a company may need to restructure, and in such cases as well, it is good to be backed by experience.

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## WE EXCEED OBJECTIVES – OFTEN BY A WIDE MARGIN

Our long-term goal is to grow by 10% per year – in 2011 our sales rose nearly 20%. We reached all of our targets – and most by a wide margin. I read the headlines in business magazines during the autumn with a certain amount of wonder. In industry, where most of our 160 companies are active, 2011 was a good year. Most of the decline in Europe took place in countries south of the Alps, where we do not have much business.

One of the major events in 2011 was our acquisition of Abima, a group of companies operating in Switzerland, Germany and Austria. By establishing a hub there, we have established a springboard for growth in an important industrial region that surrounds these three countries.

When we went public in 2005, many analysts asked if we really could grow more. At the time we owned 60 companies – today we own 160. We are picky in our choice

of companies to acquire. There are considerably more who want to sell to us than with whom we strike a deal. With a clear acquisition strategy and detailed checklist, we can continue to grow in new markets. We only buy good companies where we can easily see what they sell, how they sell, and to whom. We pass at overly complicated products or business models.

We also like successful companies with experienced management. Our oldest company president, Dieter Maier, scaled back this year at 71 years of age. In the 30 years during which he led the company, the six last ones were those in which he performed best. In fact, of our top-performing company presidents, several are over 60 years old. This notwithstanding, our development is built upon a foundation of the competent and committed employees who work in all of the Group's companies.

Johnny Alvarsson, President and CEO, Indutrade



# Acquire

# 90

.....  
companies acquired  
in ten years  
.....



**With Indutrade we can expand faster in new markets, in new customer segments and new products, both through acquisitions and internal growth.**

Andreas Brägger,  
President of Avintos



Andreas Brägger with a butterfly valve used in gas turbines, among others.

.....  
**ABIMA GROUP**  
.....  
**IN BRIEF**  
.....

Abima Group, with head offices in Rheinfelden, Switzerland, was established in 1961 and consists of seven niche sales companies focused on technical problem-solving. The companies have specialist expertise in control and regulation of flows, insulation against cold, heat and sound, and cleaning and passivation technologies for high quality stainless steel surfaces. Valves and actuators are key product groups.

Customers are primarily in the pharmaceuticals, energy, chemicals, petrochemicals, food, pulp and paper, and water/sewage industrial segments.

One of the bigger companies in the Group is Avintos.

In 2011 Indutrade carried out 11 acquisitions with combined sales of approximately SEK 700 million. The acquired companies are in Sweden, the Netherlands, Switzerland and Finland. The largest acquisition was Abima Group, with sales of SEK 420 million in 2011.

#### INDUTRADE'S ACQUISITIONS 2011

Company	Business	Web	Net sales SEK m <sup>1</sup>
Dantherm Filtration Oy <sup>2</sup>	Air filtration	www.tecalemitfiltration.fi	30
Abima Group <sup>3</sup>	Flow control, insulation against cold, heat and sound, rust/corrosion prevention	www.indutrade.ch	400
Mijnsbergen and ATB Automation	Power transmission and motion control	www.mijnsbergen.nl	60
Abelko Innovation AB	Energy measurement, remote control, automation	www.abelko.se	60
Alcatraz Interlocks BV	Interlock systems	www.alcatraz.nl	20
Torell Pump AB	Pumps and compressors	www.torellpump.se	40
Hamberger Armaturen AG	Pumps and valves	www.hamberger-ag.ch	10
Enervert (assets)	Air handling systems	www.recair.fi	17
MW-Instruments BV	Instrument service	www.mw-instruments.nl	10
AD MediCal AB	Medical technology equipment	www.ad-medical.se	30
AG Johansons Metallfabrik AB	Valves and corrosion-resistant pipe components	www.agjohanson.se	12

1) Estimated annual sales at the time of acquisition

2) Name changed to Tecalemit Filtration Oy

3) Name changed to Indutrade Switzerland AG

● Abima is a Swiss company grouping with a 50-year history. It was founded in 1961 by Albert Salz, as Alfa Ingenieurbüro AG, in Rheinfelden, near Basel. The company grew steadily and in 1973 began selling valves and actuation. Today Abima is led by Albert's son, Christian Salz. Under his direction the company expanded to form a group with 160 employees in Switzerland, Germany and Austria.

In January 2011 Indutrade acquired Abima, whose name has subsequently been changed to Indutrade Switzerland.

#### NEW HUB IN CENTRAL EUROPE

The acquisition of Abima has – not only by virtue of its size – more strategic significance for Indutrade than many other acquisitions Indutrade have carried out in recent years. Through the acquisition, Indutrade has established a hub for expansion in Central Europe. Indutrade Switzerland has already managed to carry out an acquisition of its own – Hamberger Armaturen – and its ambition is to carry out more.

One of the bigger companies in the Group is

Avintos, which is headed by President Andreas Brägger. He joined the company in 1993 and became president in 1999. “For most of the employees and for all of our customers, everything remained the same,” says Brägger. “The fact is, prior to the acquisition, we in the company grouping already acted like a ‘mini-Indutrade’. Indutrade lets us manage our own affairs, but they are always on hand if we need them.”

#### ONLY ADVANTAGES

One year after the acquisition, he sees only advantages in being part of Indutrade. “I am convinced that we made a very good decision, and I believe in both Indutrade's concept and strategy,” he says.

Naturally, there have been some changes. In the beginning there were quite a few meetings, so the companies could get to know each other. “They were constructive meetings, and they helped us build the confidence that is fundamental to successful companies,” notes Brägger. “Plus it is energising and challenging to be part of the benchmarking that Indutrade continuously performs.”

# Strengthen

# 70

SEK million in net sales –  
a typical Indutrade company

“ Indutrade is always involved in strategic matters and as a backbone. For a company keen on maintaining its operating independence, Indutrade is the perfect owner.

Anders Edenhammar,  
President of Damalini

## DAMALINI

### IN BRIEF

Damalini is a technological leader in laser-based measurement and alignment systems. The company's proprietary laser system Easy-Laser® is used for a host of industrial applications, including shaft alignment, belt alignment and geometric measurement. The company has more than 25 years of experience in its field. Through aggressive product development and market cultivation, Damalini has achieved a market-leading position, with sales to more than 70 countries.

Among other things, Damalini supplies measurement systems to the biggest players in the world's wind power industry.



Anders Edenhammar shows the Easy-Laser®, a laser alignment system with a resolution down to the thousands of millimetres.

Indutrade's strategy after an acquisition is to let management continue to run the company in the same way as before. We work with a lean staff and have a simple system for reporting. In return, our companies gain access to a broad base of experience and a tool for benchmarking.

● Gothenburg-based Damalini was acquired by Indutrade in 2006. In connection with this, the company's founder handed over the President's office to the sales manager at the time, Anders Edenhammar. He still runs Damalini with an entrepreneurial flair, which he asserts is how all Indutrade companies are run.

"Indutrade knows that the knowledge exists within their companies," says Edenhammar. "Sure, it requires a little extra reporting, since Indutrade is a listed company. But it is a very simple process and allows us to spend more time on our companies."

#### GOOD TO BE BACKED UP WITH SOME MUSCLE

Sometimes it can be good to be backed up with some muscle. Recently Damalini has felt the effects of a tough global market and aggressive competition. After having had stable growth of between 5% and 15% per year, volume flattened initially in 2011, mainly due to a weaker market for wind power and mounting competition. But thanks to a flurry of activity in November and December, the year ended on a positive note.

The positive trend is expected to continue in 2012. New products made it to market at the end of 2011 at the same time that wind power projects began generating business again.

#### WELL GROUNDED OPTIMISM

Despite a slightly tougher year in 2011, Anders Edenhammar credits Indutrade's continued support. "Indutrade supported us with resources for technological development, and we were able to make needed investments – which is a sure sign they believe in us. As long as we show how we plan to proceed, they leave the rest to us," says

Edenhammar with characteristic Gothenburg optimism. His optimism has proved to be well grounded. The many investments in wind power that were put on hold when worries in the world market were at their apex are now picking up momentum again, and with rising energy prices over time, wind power is becoming increasingly attractive economically. After all, the fuel is free.

"In the long term, wind power is a market with enormous expansion potential, not least in China," notes Edenhammar. "Once again we now have the best products for that market, so we can begin growing again seriously."

Johnny Alvarsson, President and CEO of Indutrade:

## "Niche is one of our key watchwords"

Our companies should be – if not the market leaders – reasonably strong in their respective niches, both with respect to their markets and products. In some areas, especially valves, we own several companies that compete for the same customers in the same markets. They must maintain credibility with their customers and suppliers, and they may not co-ordinate their activities. If customers lose confidence, you lose the customer – it's as simple as that. Nor do we demand any dramatic growth from our acquired companies. They typically sell tried-and-tested products in mature markets. With this strategy we succeeded in growing stronger through the Swedish currency crisis in the early 1990s, the IT crash in 2001, and the debt crisis in 2008.

# Refine

# 35

.....  
% share of sales of own  
products  
.....

“ We still have the same suit as before we were acquired by Indutrade. The only difference is that our new owners have helped us grow, and we have gained a fantastic industrial network.

Juha Kujala, President of Kontram

.....  
**KONTRAM**  
.....  
**IN BRIEF**  
.....

Kontram is Finland's leading supplier of systems and solutions in automation and measurement technology for customers in the process industry, mining and machine manufacturing. Products include valves, measurement instruments and electromechanical components.

The company was established in 1966 and has 56 employees. Sales in 2011 amounted to SEK 236 million, compared with SEK 178 million in 2010.

Kontram received the award for "Best Performance 2011" in Indutrade's annual benchmarking contest.

Juha Kujala beside a water sampling system that protects analysers from high temperatures and pressures.



Indutrade acquires companies to own and develop. We don't sell companies. Once a company has become part of the Indutrade family, it stays put. In 2011 a significant amount of our work was focused on finding successors for company presidents who have gone into retirement – and we succeeded well at this work.

● The Finnish company Kontram was acquired by Indutrade in 2003. Kontram sells equipment to companies like Stora Enso, Neste Oil, Wärtsilä and ABB. With a strong home market in Finland and by following strong Nordic companies out into the world market, Kontram grew by nearly 40% in 2011.

“Our success factors are active sales and close co-operation with customers. We develop with them and they with us,” says Juha Kujala, President of Kontram.

#### NETWORK AND SUPPORT

Being part of Indutrade is not something that directly affects daily operations. Like all other Indutrade companies, Kontram is run autonomously and with a high degree of independence. “There is great value in being able to talk with other companies in the Group and learn from each other. In addition, Indutrade has contributed a lot of knowledge and an occasionally different perspective on many important matters,” says Kujala, who is convinced that Kontram would have had a less fortunate life – in several respects – without Indutrade. “They are committed and engaged people who know what they want and what we need,” he says.

Despite the uncertainty in the market, the future looks fairly good for Kontram, according to Kujala. The customers are mostly large, stable industrial companies, and the outlook for the Nordic market, with Sweden and Finland as the engines of growth, looks far from negative.

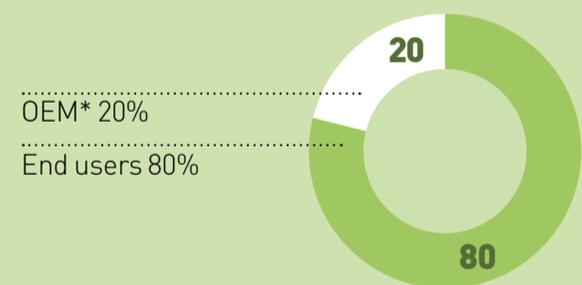
#### NEW PRODUCTS

“Even though it can be hard to grow organically in a sluggish market, it is always possible to find new

products and cultivate new markets,” Kujala notes. “We have a couple of new product families on their way in to the portfolio, and we will also be focusing on the export of products for which we are currently the market leader in Finland.”

But the most important success factor is the company's people. “Sure, products and systems are important. But true value is created by our employees, and that requires that they are motivated. Management's responsibility is to make sure that everyone has meaningful work duties and opportunities to develop in their work,” says Juha Kujala.

Sales to OEM customers versus end users 2011



The large share of sales to end users creates stability through economic fluctuations.

80%

\*Customers that integrate Indutrade's products in their own products.

**OUR CUSTOMERS' CONCERNS ARE OURS** Success in a high-tech market requires solid technical expertise. But just as important is knowledge and understanding of the customers' needs – today and in the future. Successful companies act swiftly, they speak the customers' language, and they know what direction the market is moving. Successful companies live near their customers.

## Companies with own brands

35% of Indutrade's net sales



● Indutrade's fundamental governing principle is based on decentralisation of decision-making as well as of responsibility. Today the group consists of some 160 companies working with own brands, own strategies and under the direction of own company presidents. A high level of technical expertise and the ability to forge long-term relationships with customers and suppliers are key characteristics of Indutrade's companies, and have generated results. During the last five years the Group has experienced average sales growth of 12%.

### AFTER AN ACQUISITION – BUSINESS AS USUAL

The companies that Indutrade acquires retain their management and can continue to develop based on their specific conditions. A high degree of self-determination ensures customer-focused leadership, but is also a prerequisite for the subsidiaries to achieve favourable growth over time. Acquired companies are not sold. It is decentralisation in its most concrete form that distinguishes Indutrade from what is the common norm today.

### ENTREPRENEURS TO THE CORE

Indutrade's company culture is permeated by entrepreneurship. A typical Indutrade company has sales of approximately SEK 70 million, a strong position in its market and a niche offering. All of the subsidiaries have their own profitability and growth targets, but through a Group-wide benchmarking model, the companies can compare themselves with and be spurred by other companies in the Group.

Although we may live in an increasingly faster and more high-tech world, Indutrade relies on the same truth today as at its start in 1978 – that the best decisions are those that are made close to the customer.

## Companies with trading brands

65% of Indutrade's net sales



# Facts

Indutrade is a group of some 160 companies in 23 countries in four parts of the world. The business has two main focuses – companies active in industrial technology sales and companies that manufacture their own products.

The Group's fundamental governing principle is based on decentralisation of decision-making as well as of responsibility. The organisation is distinguished by entrepreneurship and technical niche expertise combined with a well balanced spread of risk with respect to customers, products, suppliers, industries and geographic markets.

The broad spread of risk reduces the Group's sensitivity to economic fluctuations.

## 30

% INCREASE IN EBITA

## 11

NUMBER OF ACQUISITIONS IN 2011

## 13.50

EARNINGS PER SHARE (SEK)

## 6.75

PROPOSED DIVIDEND FOR 2011  
(SEK PER SHARE)

NET SALES AND EARNINGS TREND, SEK MILLION



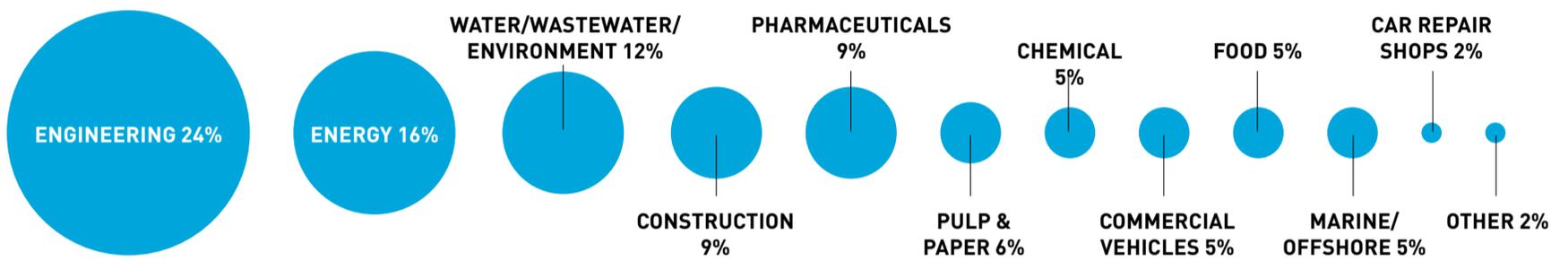
KEY DATA

	2011	2010	% <sup>1</sup>
Net sales, SEK million	7,994	6,745	19
EBITA, SEK million	917	703	30
EBITA margin, %	11.5	10.4	1.1 <sup>2</sup>
Net profit for the year, SEK million	540	405	33
Earnings per share, SEK	13.50	10.18	33
Return on operating capital, %	26	23	3 <sup>2</sup>
Average number of employees	3,778	3,420	11

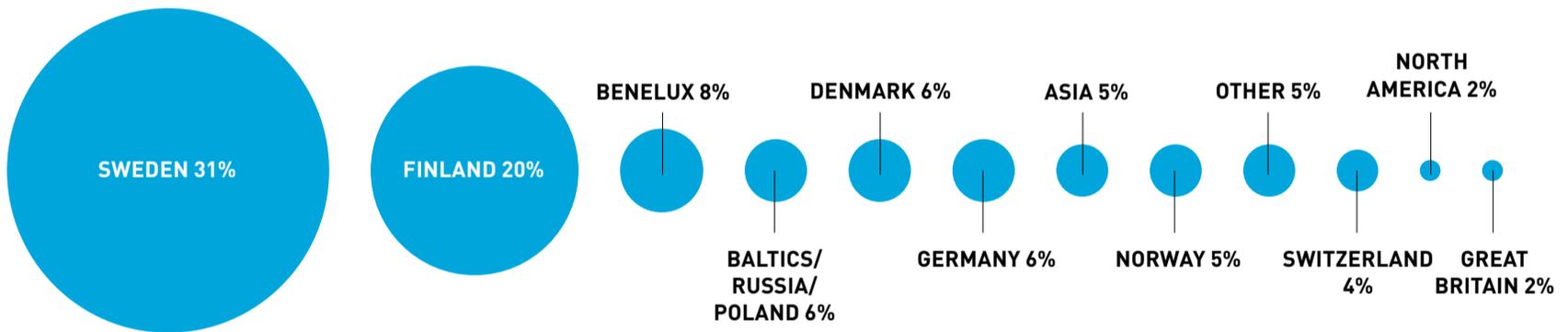
<sup>1</sup>Change in percent

<sup>2</sup>Percentage points

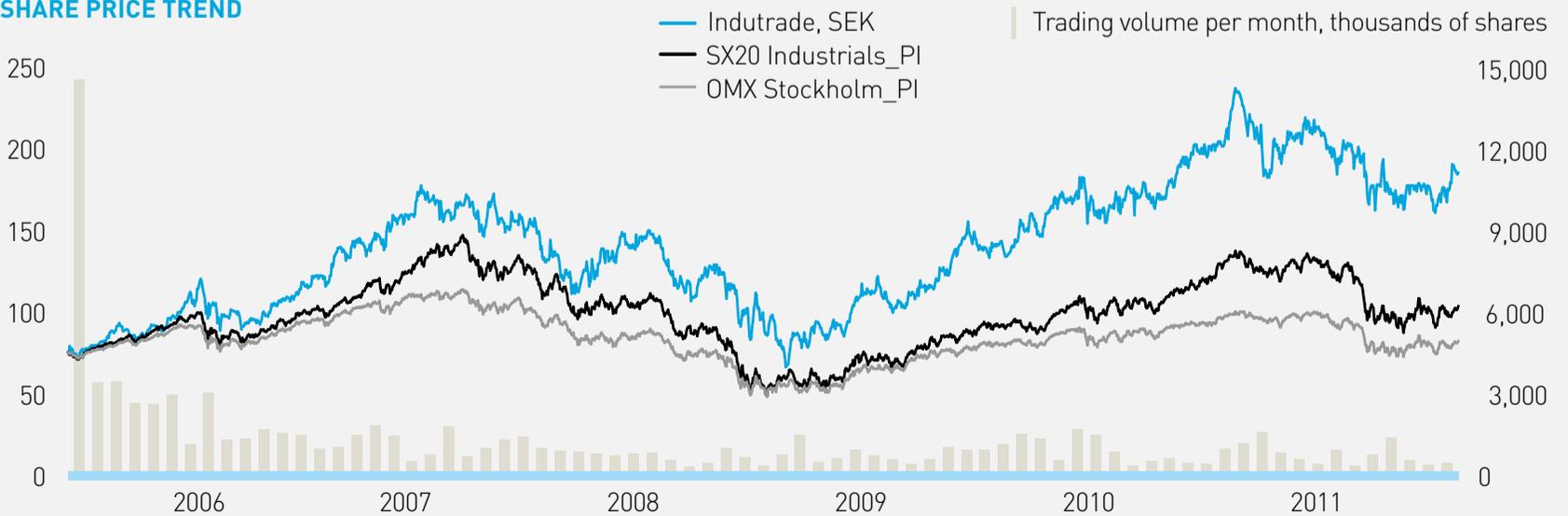
NET SALES PER CUSTOMER SEGMENT



NET SALES PER MARKET



SHARE PRICE TREND



## Indutrade around the world



Austria



Belgium



Brazil



China



Denmark



Estonia



Finland



Germany



Great Britain



Latvia



Lithuania



The Netherlands



Norway



Poland



Romania



Russia



Singapore



South Korea



Spain



Sri Lanka



Sweden



Switzerland



USA