Indutrade

Annual Report 2012

Contents

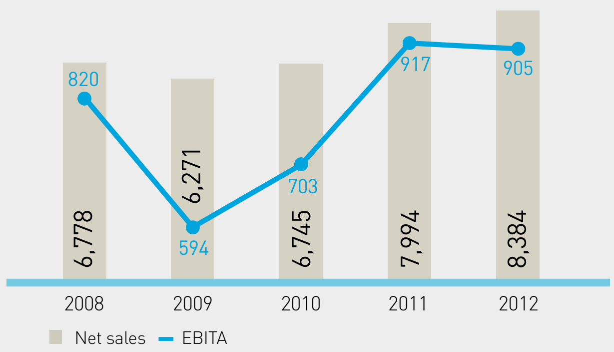
Cover photo: Indutrade.

Indutrade AB's statutory annual report consists of pages 12-71. These pages have been reviewed by the company's auditor in accordance with the audit report on page 72–73.

Year in brief

10.8	12	7.05
EBITA margin, %	Number of acquisitions	Proposed dividend, SEK

NET SALES AND EARNINGS TRENDS, SEK M



- Net sales amounted to SEK 8,384 million (7,994), an increase of 5%. The increase for comparable units was 1%.
- Operating profit before amortisation of intangible assets (EBITA) decreased by 1% to SEK 905 million (917).
- Earnings per share were SEK 14.13 (13.50).
- Twelve acquisitions were carried out, of which eleven were consolidated by year-end.
- The Board of Directors proposes a dividend of SEK 7.05 per share (6.75).

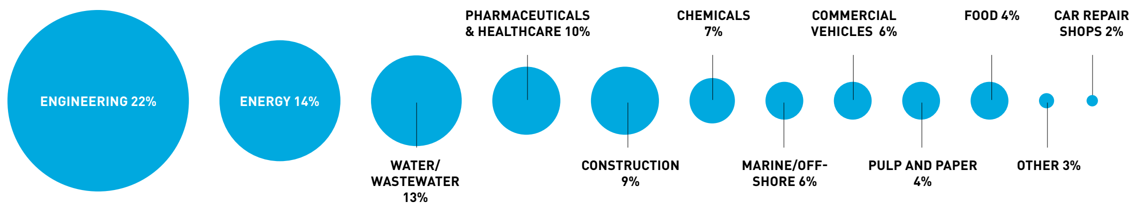
KEY RATIOS

	2012	2011
Net sales, SEK million	8,384	7,994
EBITA, SEK million	905	917
EBITA margin, %	10.8	11.5
Profit for the year after tax, SEK million	565	540
Earnings per share, SEK	14.13	13.50
Return on operating capital, %	22	25
Average number of employees	3,939	3,778

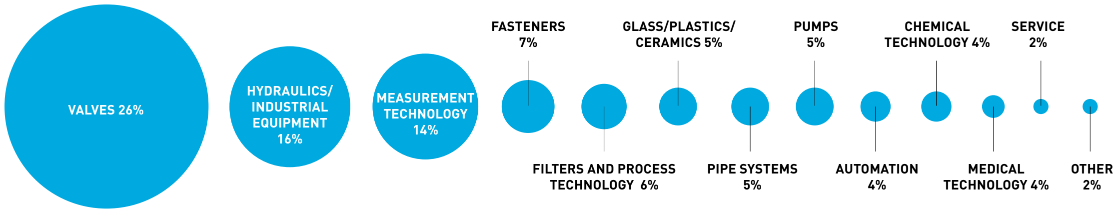
Indutrade at a glance

- Indutrade is a group of 180 companies in 25 countries in four parts of the world. From 1 January 2013 the group is organised in five business areas; Engineering & Equipment, Flow Technology, Fluids & Mechanical Solutions, Industrial Components and Special Products.
- Indutrade markets and sells components, systems and services with a high-tech content in selected niches.
- The business has two main focuses – companies engaged in industrial technology sales and companies that manufacture their own products.
- The Group's fundamental governing principle is based on decentralisation of decision-making and 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.

NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



Indutrade's business philosophy is anchored in three fundamental concepts: Acquire. Strengthen. Refine.

Acquire

Carefully considered acquisitions. We are very particular when we acquire companies. Above all, the companies we take an interest in should be led by talented people, be characterised by a genuine entrepreneurial spirit and have a depth of technical expertise in their specialised niches.

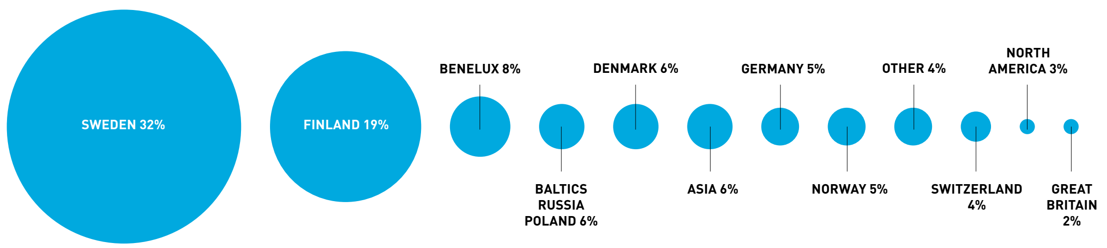
Strengthen

Strengthened position. All companies in the Indutrade Group have clearly decentralised responsibility. At the same time, the companies all share a group affiliation. The companies in the Group stimulate each other and share knowledge. Indutrade provides support through industrial know-how, financing, business development and management by objective.

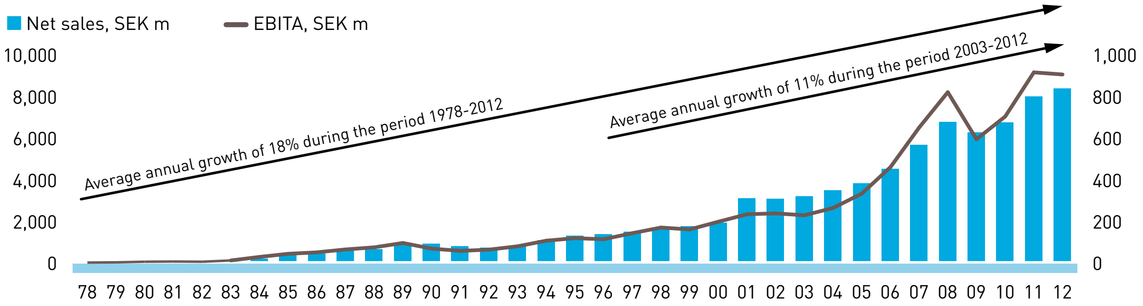
Refine

Opportunity to refine. The companies that have been part of the Group for a long time have been able to refine their ways of working and their product offerings step by step. We have given them room to manoeuvre – both mental and financial – and thereby the opportunity to add new dimensions to their business.

NET SALES PER MARKET



EARNINGS AND GROWTH HISTORY



Stable course ahead

2012 was characterised by turbulence, uncertainty and the economic downturn. For Indutrade, the recession has resulted in sharp fluctuations in order intake.

Against that backdrop, I can say that on the whole 2012 was still a stable year for Indutrade. Net sales rose 5%, while profit after tax totalled SEK 565 million, compared with SEK 540 million in 2011.

The year began with generally cautious optimism, but after only a couple of months, uncertainty gained hold as result of a poorer business outlook. We could see early signs of a slowdown and urged our subsidiary presidents to exercise caution. The rule at Indutrade is relatively simple: if costs rise faster than sales, then there is only one thing to do: apply the brakes in good time.

Overall we noted a year marked by a general slowing in all market segments, with the exception of the traditional energy sector. Wind power and the forest equipment industry, which account for 7%–8% of total sales, were particularly hard-hit. The marine sector has also taken a hard blow, with a decrease in maintenance and service at the same time that ship newbuilding activity has essentially come to a halt.

But of course, there were bright spots during the year. Indutrade has great breadth, with 180 companies in a range of different sectors and industries. A negative trend in one industry can be balanced by success in another – even in a slowing economy. The traditional energy sector is one such bright spot, particularly gas and coal, where we have seen a steady rise in demand for our products.

The acquisition of the Swiss company grouping ABIMA two years ago, with operations in Switzerland, Austria and Germany, has played out very well. During the year we acquired another two Swiss companies, which strengthen our position in a very expansive region.

Our pace of acquisitions, with 10-12 companies every year, continues unabated despite the recession and nervous times. During the past year we added 12 new companies to the Indutrade Group with operations in such diverse areas as water and wastewater technology, control and measurement technology, gas and water analysis, medical technology, hydraulic components, leak detection and proof testing.

Our acquisition model is very simple. We don't buy companies; we sell a business philosophy. Indutrade's successes are built on an ability to find the right kind of entrepreneurs who are passionate about their business and who want to drive their companies forward.

Acquiring a company takes more into consideration than just the owner's needs. It's equally important that management and employees work together and see the advantages of being part of Indutrade. Anyone who still has doubts about what happens when they sell their company only has to pick up the phone and talk with any of the other entrepreneurs and hear what they have to say. What's gratifying to note in this context is the large number of former business owners who have spontaneously expressed afterwards how valuable they feel that it is to have Indutrade as a new owner – even though the list of interested buyers has been long from the start.

An important lesson that we also try to convey to entrepreneurs who have built up a successful business and who are thinking about selling is to avoid external, passive owners. We are only interested in entrepreneurs who believe in what they are doing and who want to continue running the business – backed by Indutrade's financial strength.

Our companies are organised in five business areas. Each of these is a concentration of specialist expertise in which the respective company presidents can discuss industry-specific issues with colleagues, while also obtaining advice and support.

FOCUS ON IMPROVING EFFICIENCY

What, then, does the immediate future hold for "one of the Stockholm Stock Exchange's most successful industrial groups with a steady ascent since its stock market introduction in 2005", to quote a financial journalist?

The uncertainty that we live with today is something we will have to continue living with in 2013. With a very nervous autumn behind us, it is important that we take a good look at our operations, keep costs down and only invest in things that will generate a return within a reasonable amount of time. Our focus is therefore on improving efficiency and cutting costs in all segments.

A budget is based on assumptions about costs and revenue streams. One is easy to control – the other considerably more difficult. Even if we try to look on the broader horizon and identify macro-trends, it is hard to draw conclusions with the volatile market we live in. We therefore prefer to talk about outlooks rather than budgets.

What we know is that we will continue to grow and find new, exciting candidates that fit in well with Indutrade and that will play an active part in our continued success. Two areas that we will be dedicating extra attention to are companies in the medical and measurement technology sectors. We also have great expectations that the energy industry will continue to develop well.

The business philosophy that permeates Indutrade has proved to be successful over time. It gives us a certain measure of security, but at the same time we know that it requires that we continuously adapt and take the right actions where needed.

There are people who question our ability to continue growing in the way that we have done during the past decade. While they are wondering if and how this is possible, we will be busy taking our next step.

Johnny Alvarsson
President and CEO

Share data

Indutrade's shares are listed on Nasdaq OMX Stockholm, Mid Cap list. Indutrade's market capitalisation on 31 December 2012 was SEK 7,880 million (7,320).

Indutrade's share price rose from SEK 183 to SEK 197 during the year, an increase of 8%. The Stockholm Stock Exchange gained 12% for the year, and the OMX Industrials PI index rose 18%. Including reinvested dividends, the total return for Indutrade shares was 11%. The highest price paid in 2012 was on 20 February SEK 229.50, and the lowest price paid was on 5 June SEK 175.00. Since the stock market introduction on 5 October 2005 until 31 December 2012, Indutrade's shares have delivered a total return of 238% including reinvested dividends, while the SIX Return Index, which measures the total return of the market as a whole, showed a total return of 60% during the same period.

TRADING VOLUME

A total of 6.0 million (8.0) Indutrade shares were traded for a combined value of SEK 1.1 billion (1.5). This corresponds to a turnover rate of 15% (20%). Average daily trading volume was 24,113 shares (31,563), with 98 (119) transactions.

SHARE CAPITAL

Indutrade's share capital amounted to SEK 40 million on 31 December 2012 (40), divided among 40,000,000 shares (40,000,000) with a share quota value of SEK 1. All shares have equal voting power.

OWNERSHIP STRUCTURE

Indutrade had 5,721 shareholders on 31 December 2012 (5,025). At year-end the ten largest owners controlled 73% of the capital and votes (73%). Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 78% of the capital and votes at year-end (80%). Foreign ownership in the Company was 15% (13%).

INCENTIVE PROGRAMMES

In May 2010, the Board of Directors of Indutrade, in co-operation with AB Industrivärden and pursuant to a resolution by the Annual General Meeting, directed an offer to senior executives to participate in an incentive programme. The aim of the programme is to promote management's long-term commitment and engagement in the Company. The term of the programme extends until 31 October 2013.

Forty-nine senior executives have acquired a combined total of 358,000 stock options, issued by AB Industrivärden, and 10,000 shares. Indutrade pays a subsidy of SEK 22 for every purchased stock option and share under the condition that the participants continue to be employed and that they have not sold their purchased stock options/shares at the time of payment of the subsidy. The subsidy is payable by Indutrade to the participants on two occasions in two equal parts, in December 2011 and June 2013. The total cost for the Company will amount to approximately SEK 9 million, corresponding to approximately SEK 3 million per year.

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 will amount to a minimum of 50% of net profit. During the last five-year period, of Indutrade's aggregate profit after tax, totalling SEK 2,361 million, dividends of SEK 1,184 million have been paid to the shareholders (including the proposed dividend for 2012), which corresponds to 50% of net profit.

CONTACTS WITH INVESTORS AND ANALYSTS

Indutrade maintains regular contact with various players in the financial market in an effort to provide clear information about the Company's performance and events. This is done, among other things, through presentations in connection with quarterly reports and through participation in conferences and seminars.

For more information about IR activities and the analysts who monitor Indutrade, visit www.indutrade.se.

10 LARGEST SHAREHOLDERS AT 31 DECEMBER 2012

	No. shares	Share of capital and votes, %
AB Industrivärden	14,727,800	36.8
L E Lundbergföretagen	5,500,000	13.8
AFA Insurance	2,224,183	5.6
SHB Retirement Fund, Pension foundation and others	1,975,652	4.9
Lannebo funds	1,606,098	4.0
Handelsbanken Fondbolag RE JPMCB	837,000	2.1
The Confederation of Swedish Enterprise	700,000	1.8
SEB Investment Management	646,783	1.6
KDTC	605,365	1.5
Handelsbanken funds RE JPMEL	477,163	1.2
Others	10,699,956	26.7

SHAREHOLDERS GROUPED BY SIZE

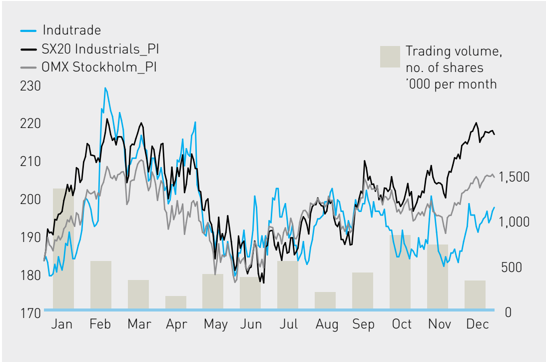
Size class	No. share-holders	Share of capital and votes, %
1 – 500	4,172	1.8
501 – 1,000	766	1.5
1,001 – 2,000	379	1.5
2,001 – 5,000	211	1.7
5,001 – 10,000	71	1.3
10,001 – 20,000	38	1.4
20,001 – 50,000	21	1.7
50,001 – 100,000	25	4.5
100,001 – 500,000	30	17.1
500,001 – 1,000,000	3	5.4
1,000,001 – 5,000,000	3	11.5
5,000,001 – 10,000,000	1	13.8
10,000,001 –	1	36.8

KEY DATA PER SHARE

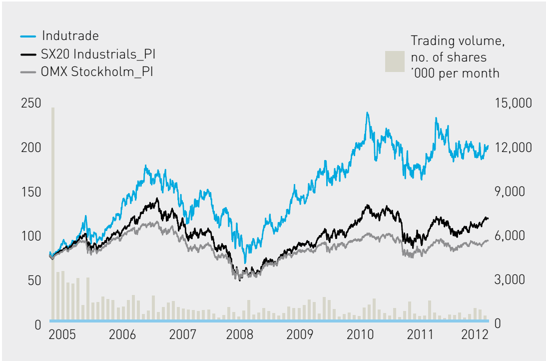
	2012	2011
Share price per 31 December, SEK	197.00	183.00
Market cap per 31 December, SEK	7,880	7,320
Dividend, SEK	7.05[1]	6.75
Earnings, SEK	14.13	13.50
No. of shares outstanding, thousands	40,000	40,000
No. of shareholders per 31 December	5,721	5,025
Highest price paid during the financial year, SEK	229.50	239.00
Lowest price paid during the financial year, SEK	175.00	153.50
Dividend yield[2], %	3.6	3.7
Shareholders' equity, SEK	57.20	51.55
Cash flow from operating activities, SEK	12.98	17.73

1) Proposed by the Board of Directors.
2) Dividend divided by the share price on 31 December.

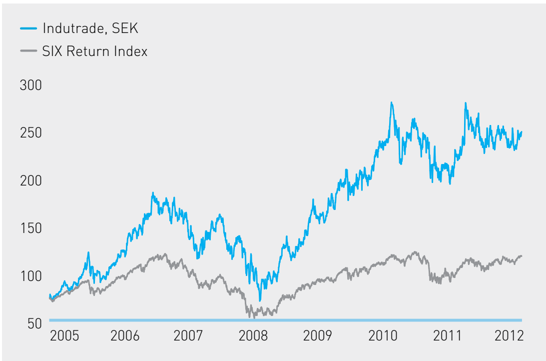
SHARE PRICE TREND 2012



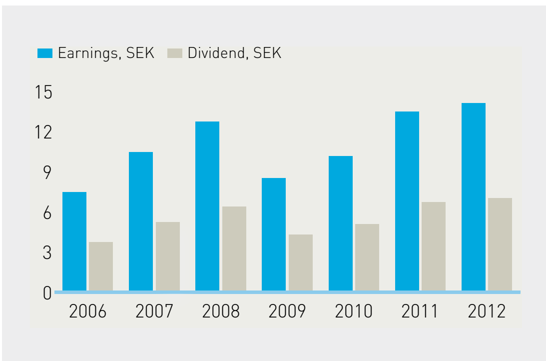
SHARE PRICE TREND OCT 2005–2012



TOTAL RETURN FOR INDUTRADE SHARES OCT 2005–2012



EARNINGS AND DIVIDEND PER SHARE



Quarterly overview

	2012					2011				
Net sales, SEK million	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	1,584	402	384	418	380	1,560	424	409	388	339
Flow Technology	2,015	555	491	490	479	1,930	515	513	479	423
Industrial Components	1,531	405	357	403	366	1,488	401	350	366	371
Special Products	3,308	927	764	844	773	3,052	833	740	788	691
Parent company and Group items	-54	-22	-8	-8	-16	-36	-15	-7	-6	-8
	8,384	**2,267**	**1,988**	**2,147**	**1,982**	**7,994**	**2,158**	**2,005**	**2,015**	**1,816**

EBITA, SEK million	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	117	21	40	29	27	121	34	39	29	19
Flow Technology	186	49	46	53	38	221	52	71	56	42
Industrial Components	165	45	41	44	35	167	43	38	42	44
Special Products	486	156	105	121	104	452	129	107	124	92
Parent company and Group items	-49	-11	-13	-13	-12	-44	-7	-10	-13	-14
	905	**260**	**219**	**234**	**192**	**917**	**251**	**245**	**238**	**183**

EBITA-margin, %	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	7.4	5.2	10.4	6.9	7.1	7.8	8.0	9.5	7.5	5.6
Flow Technology	9.2	8.8	9.4	10.8	7.9	11.5	10.1	13.8	11.7	9.9
Industrial Components	10.8	11.1	11.5	10.9	9.6	11.2	10.7	10.9	11.5	11.9
Special Products	14.7	16.8	13.7	14.3	13.5	14.8	15.5	14.5	15.7	13.3
	10.8	**11.5**	**11.0**	**10.9**	**9.7**	**11.5**	**11.6**	**12.2**	**11.8**	**10.1**

Pro forma business areas according to new structure from 01-01-2013

	2012					2011				
Net sales (SEK million)	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	1,325	339	320	341	325	1,304	355	332	321	296
Flow Technology	2,123	577	516	524	506	2,032	543	539	504	446
Fluids & Mechanical Solutions	1,020	273	240	257	250	1,007	263	243	270	231
Industrial Components	1,531	405	357	403	366	1,489	402	350	367	370
Special Products	2,444	696	564	632	552	2,206	613	548	563	482
Parent company and Group items	-59	-23	-9	-10	-17	-44	-18	-7	-10	-9
	8,384	**2,267**	**1,988**	**2,147**	**1,982**	**7,994**	**2,158**	**2,005**	**2,015**	**1,816**

EBITA (SEK million)	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	105	20	36	24	25	114	33	36	26	19
Flow Technology	196	51	48	57	40	225	52	73	57	43
Fluids & Mechanical Solutions	125	33	30	31	31	134	32	29	40	33
Industrial Components	165	44	41	45	35	168	43	39	42	44
Special Products	364	124	76	91	73	320	97	79	86	58
Parent company and Group items	-50	-12	-12	-14	-12	-44	-6	-11	-13	-14
	905	**260**	**219**	**234**	**192**	**917**	**251**	**245**	**238**	**183**

EBITA margin, %	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	7.9	5.9	11.3	7.0	7.7	8.7	9.3	10.8	8.1	6.4
Flow Technology	9.2	8.8	9.3	10.9	7.9	11.1	9.6	13.5	11.3	9.6
Fluids & Mechanical Solutions	12.3	12.1	12.5	12.1	12.4	13.3	12.2	11.9	14.8	14.3
Industrial Components	10.8	10.9	11.5	11.2	9.6	11.3	10.7	11.1	11.4	11.9
Special Products	14.9	17.8	13.5	14.4	13.2	14.5	15.8	14.4	15.3	12.0
	10.8	**11.5**	**11.0**	**10.9**	**9.7**	**11.5**	**11.6**	**12.2**	**11.8**	**10.1**

Several-year overview

Condensed income statement (SEK m)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Net sales	8,384	7,994	6,745	6,271	6,778	5,673	4,516	3,822	3,486	3,197
Cost of goods sold	-5,545	-5,268	-4,480	-4,207	-4,520	-3,826	-3,027	-2,582	-2,367	-2,166
Development costs	-95	-74	-48	-44	-32	-20	-15	-12	-11	-10
Selling costs	-1,527	-1,430	-1,224	-1,169	-1,169	-972	-835	-725	-677	-663
Administrative expenses	-426	-398	-376	-323	-299	-250	-205	-182	-177	-167
Other operating income/expenses	6	-2	-3	-3	2	4	2	3	0	4
Operating profit	797	822	614	525	760	609	436	324	256	195
Financial income and expenses	-87	-93	-61	-64	-68	-31	-20	-15	-13	-13
Profit after financial items	710	729	553	461	692	578	416	309	243	182
Tax	-145	-189	-148	-120	-182	-159	-116	-87	-75	-67
Net profit for the year	565	540	405	341	510	419	300	222	168	115
EBITA	905	917	703	594	820	650	460	333	264	229
EBITA-margin, %	10.8	11.5	10.4	9.5	12.1	11.5	10.2	8.7	7.6	7.2

Condensed balance sheets (SEK m)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Assets										
Goodwill	1,190	822	712	514	574	378	265	210	156	167
Other intangible assets	1,215	888	761	555	599	364	183	88	15	4
Property, plant and equipment	741	706	657	563	554	388	327	287	277	266
Financial assets	59	45	50	48	52	43	25	31	18	13
Inventories	1,472	1,328	1,183	1,064	1,207	936	719	615	556	567
Trade account receivable	1,411	1,263	1,047	901	1,102	859	679	532	461	422
Current receivables	204	149	164	125	100	100	69	53	56	58
Cash and cash equivalents	243	264	219	229	223	203	119	117	97	168
Total assets	6,535	5,465	4,793	3,999	4,411	3,271	2,386	1,933	1,636	1,665
Liabilities and equity										
Equity	2,290	2,064	1,744	1,644	1,597	1,189	892	714	708	688
Non-current interest-bearing liabilities and pension liabilities	1,158	837	939	886	930	431	406	415	183	283
Other non-current liabilities and provisions	335	255	231	132	148	237	73	44	16	39
Current interest-bearing liabilities	1,424	1,083	841	462	622	393	236	116	204	188
Accounts payable - trade	586	556	493	424	584	470	398	322	263	228
Other current liabilities	742	670	545	451	530	551	381	322	262	239
Total liabilities and equity	6,535	5,465	4,793	3,999	4,411	3,271	2,386	1,933	1,636	1,665

Figures for 2003 not adjusted according to IFRS.

Estimated contingent consideration in connection with acquisitions has been reclassified as interest-bearing liabilities. Comparative figures have been recalculated.

Condensed cash flow statements (SEK m)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Cash flow from operating activities before changes in working capital	720	764	616	438	619	526	369	313	251	210
Changes in working capital	-201	-55	40	120	-129	-127	-104	9	16	-8
Cash flow from operating activities	519	709	656	558	490	399	265	322	267	202
Net investment in non-current assets	-127	-139	-111	-90	-130	-67	-41	-41	-24	-53
Company acquisitions and divestments	-572	-467	-684	-188	-276	-307	-157	-148	-14	-57
Change in other financial assets	-5	13	0	0	0	1	-16	-8	2	-
Cash flow from investing activities	-704	-593	-795	-278	-406	-373	-214	-197	-36	-110
Net borrowing	442	134	321	-12	131	203	65	192	-157	-83
Dividend payout, Group contributions and shareholder contributions	-270	-204	-172	-256	-210	-150	-110	-301	-144	-11
Cash flow from financing activities	172	-70	149	-268	-79	53	-45	-109	-301	-94
Cash flow for the year	-13	46	10	12	5	79	6	16	-70	-2
Cash and cash equivalents at start of year	264	219	229	223	203	119	117	97	168	172
Exchange rate differences	-8	-1	-20	-6	15	5	-4	4	-1	-2
Cash and cash equivalents at end of year	243	264	219	229	223	203	119	117	97	168

Financial metrics (SEK m)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Non-current interest-bearing liabilities	1,158	837	939	886	930	431	406	415	183	283
Current interest-bearing liabilities	1,424	1,083	841	462	622	393	236	116	204	188
Cash and cash equivalents	-243	-264	-219	-229	-223	-203	-119	-117	-97	-168
Group net debt	2,339	1,656	1,561	1,119	1,329	621	523	414	290	303
Net debt/equity ratio, %	102	80	90	68	83	52	59	58	41	44
Interest coverage ratio, times	9.0	8.9	9.4	7.6	10.4	15.8	18.4	18.2	16.3	10.7
Equity ratio, %	35	38	36	41	36	36	37	37	43	41
Net debt/EBITDA, times	2.3	1.6	2.0	1.6	1.5	0.9	1.0	1.1	1.0	1.1

Return ratios	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Return on equity, %	27	29	24	21	38	41	39	33	24	17
Return on operating capital, %	22	25	19	18	33	38	35	30	26	24

Key data per employee	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Average number of employees	3,939	3,778	3,420	3,122	2,728	1,929	1,673	1,510	1,415	1,377
Net sales, SEK 000	2,128	2,116	1,972	2,009	2,485	2,941	2,699	2,531	2,464	2,322
Pre-tax profit, SEK 000	180	193	162	148	254	300	249	205	172	132

Key data per share	2012	2011	2010	2009	2008	2007	2006	2005
Share price at 31 December, SEK	197.00	183.00	232.00	135.00	66.25	123.75	135.00	89.00
Market cap at 31 December, SEK m	7,880	7,320	9,280	5,400	2,650	4,930	5,400	3,560
Dividend[1], SEK	7.05	6.75	5.10	4.30	6.40	5.25	3.75	2.75
Earnings, SEK	14.13	13.50	10.18	8.53	12.75	10.48	7.50	5.55
Number of outstanding shares, thousands	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Number of shareholders on 31 December	5,721	5,025	5,388	5,369	4,577	4,739	5,230	6,165
Highest price paid during the financial year, SEK	229.50	239.00	234.00	153.00	149.00	172.00	139.00	91.00
Lowest price paid during the financial year, SEK	175.00	153.50	134.50	69.50	63.75	117.00	80.50	65.00
Dividend yield[2], %	3.6	3.7	2.2	3.2	9.7	4.3	2.8	3.8
Shareholders' equity, SEK	57.20	51.55	43.55	41.10	39.93	29.73	22.30	17.85
Cash flow from operating activities, SEK	12.98	17.73	16.40	13.95	12.25	9.98	6.63	8.05

1) Proposed for 2011 by the Board of Directors.
2) Dividend divided by the share price on 31 December.

Definitions

Earnings per share
Net profit for the period divided by the average number of shares outstanding.

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

EBITA margin
EBITA as a percentage of net sales for the period.

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

Equity per share
Equity divided by the number of shares outstanding.

Equity ratio
Shareholders' equity as a percentage of total assets.

Gross margin
Gross profit divded by net sales.

Interest-bearing net debt
Borrowings, including pension liabilities and estimated contingent consideration for acquisitions, less cash and cash equivalents.

Interest coverage ratio
Gross profit plus financial income divided by financial expenses.

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.

Operating capital
Interest-bearing net debt and shareholders' equity.

Return on quity
Net profit for the period divided by average equity per quarter.

Return on operating capital
EBITA as a percentage of average operating capital per quarter.

Directors' Report

The Board of Directors and President of Indutrade AB (publ), reg. no. 556017-9367, herewith submit the annual report for the 2012 financial year.

OPERATIONS

Indutrade markets and sells components, systems and services with a high-tech content to industrial companies in selected niches. Through solid knowledge about customers' systems and processes, combined with a high level of technical expertise, Indutrade aspires to be the most effective partner for customers and suppliers alike.

Starting in 2013 the Group is organised in five business areas: Engineering & Equipment, Flow Technology, Fluid & Mechanical Solutions, Industrial Components and Special Products. Business is conducted through approximately 180 subsidiaries in 25 countries in four parts of the world. Indutrade's shares are listed on Nasdaq OMX Stockholm, Mid Cap list.

OVERALL GOALS

The Group strives for continuous growth in selected geographic markets, product areas and niches while maintaining limited business risk. Growth is pursued organically as well as through acquisitions. The Group's overall goals for creating profitable growth are:

- to be the leading technology sales group in northern Europe in terms of net sales, profitability and technical expertise. The technology sales companies' sales are mainly to customers based in local markets.
- to be an international group with proprietary products and brands. The companies conduct own product development and sales in selected technological and market niches. The business is distinguished by innovation, high-tech content and good profitability. Customers are international, and sales are mainly for export.

- Average sales growth shall amount to 10% per year over a business cycle, of which organic growth is to exceed GDP growth in the geographic markets in which Indutrade operates. The remaining growth is to be achieved through acquisitions. During the last five-year period, average annual sales growth was 8%. Net sales in 2012 rose 5%, of which organic growth was 1% and acquired growth was 5%. The currency effect in 2012 was -1%.
- The target EBITA margin is a minimum of 10% per year over a business cycle. The average EBITA margin during the last five years was 10.9%. The EBITA margin in 2012 was 10.8%.
- Return on operating capital shall exceed 25% on average per year over a business cycle. During the last five years, the average return on operating capital was 23%. In 2012 the return was 22%.
- The net debt/equity ratio should normally not exceed 100%. During the last five years, the net debt/equity ratio varied between 68% and 102% at the end of each year. The debt/equity ratio at year-end 2012 was 102%.

FINANCIAL TARGETS

Goals and goal fulfilment	Long-term target	Outcome 2012	2008–2012
Total sales growth, %	10	5	8
EBITA margin, %	10.0	10.8	10.9
Return on operating capital, %	25	22	23
Net debt/equity ratio, %	≤100	102	68-102
Dividend, % of earnings/ share	50	50	50

STRATEGIES

Indutrade's strategy for profitable growth has been the same since the Group's formation in 1978 and consists of a combination of development of existing businesses (organic growth) and growth through acquisitions.

Growth with limited business risk

Growth is pursued in three dimensions:

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

As companies in the Indutrade Group grow and strengthen their respective positions in the market, the entry barriers for potential competitors also rise. Business development and growth are thus strategic tools for lowering business risk.

Acquisitions

Indutrade acquires well managed, long-term successful, often owner-led industrial companies whose managements are eager to continue running and growing the business. These companies manufacture or sell products in a distinct market.

Indutrade normally does not sell companies, does not change the names of the companies it acquires, and does not combine companies, which means that the seller knows that the company will continue to be active in the market. The Group works according to a strongly decentralised governance model, which requires that acquired companies are in good working order both in terms of their business and management.

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 secures 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 in the geographic markets in which Indutrade operates. A range of market-leading products from the best suppliers, coupled with Indutrade's technical and market know-how, makes Indutrade an attractive business partner for existing and potential customers.

Companies with proprietary products and brands

Indutrade balances its technology sales companies with companies that have proprietary products and brands. The products should have a high-tech content, while the companies should have a strong market position and favourable growth potential. Since 2004 the share of sales of proprietary products has increased by 27 percentage points, and in 2012 they accounted for 36% of consolidated net sales.

High share of repetitive sales and focus on selected customer segments

Indutrade offers components, systems and services for customers with a recurring need. This contributes to business stability and predictability in revenue flows. 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.

Sales organisation with high level of technical expertise

Indutrade's range of products and services, which are aimed at both end users and OEM customers (customers that integrate Indutrade's products in their own products), are to have a high-tech content and incorporate a high level of service and qualified technical consulting. Indutrade's sales representatives have a high level of technical expertise in their respective fields and a depth of knowledge about the customers' products and production processes. This makes Indutrade an attractive business partner that can create 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. The subsidiaries are responsible for their own profitability, which contributes to greater flexibility and a stronger entrepreneurial spirit.

PERFORMANCE 2012

Net sales in 2012 were the highest ever for the Group and passed the SEK 8 billion mark by a good margin. Order intake during the year outpaced sales, despite a weak final quarter. The year was characterised by a gradually softening in demand in many markets and niches. The downturn was most noticeable in the forest, marine and wind power sectors. Several other segments also noted downturns, albeit considerably less severe. Some of the Group's companies succeeded in compensating for the weaker business climate by capturing market shares. The biggest exception to the general downturn was products for the conventional energy sector, which have performed strongly since the end of 2011.

First quarter

Following a strong start to the year on pace with the close of 2011, the latter part of the first quarter was characterised by a slower rate of growth and rising uncertainty. All business areas except for Industrial Components noted increases in order intake for comparable units for the quarter as a whole. The positive trend from 2011, with good demand from the international energy sector, continued into the first quarter of 2012. Demand for components for the general engineering industry and commercial vehicles weakened slightly, while most other segments were characterised by stable or growing demand.

Second quarter

For many of the Group's companies, the trend during the second quarter was characterised by a lower level of continuing business, such as in the general engineering industry in the Nordic countries and the rest of Europe as well as for the water/wastewater segment; however, projects compensated for this and contributed to an overall increase in order intake. All business areas except for Industrial Components noted increases in order intake for comparable units during the quarter as well as accumulated for the first half of the year. On the whole, the market situation can be described as weaker.

The positive trend from 2011 and the first quarter of the year, with favourable demand from the international energy sector, also had an impact on the second quarter of the year.

Third quarter

Following the strong start to the year, the trend turned, and the third quarter was summed up with a decrease in order intake for comparable units. The weaker business climate covered most geographical markets and customer segments of importance for the Group. Order intake from many customers showed signs of uncertainty about the future level of activity, resulting in orders on short notice and in smaller volumes than what is characteristic of a stable market situation.

One exception to this downturn continued to be the international energy sector, where demand stabilised at a high level from mid-year.

During the third quarter, all business areas noted a decrease in order intake for comparable units. On an accumulated basis, Flow Technology and Special Products showed increases for comparable units, owing to strong order intake for projects, while Engineering & Equipment and Industrial Components showed declines.

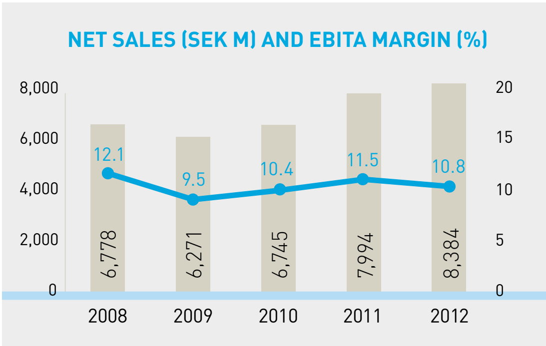
Fourth quarter

Compared with the start of the year, performance during the second half of the year was weaker. The pattern was the same as earlier in the year, with a weaker business climate across most geographic markets and customer segments of importance for the Group. Activity in the international energy sector remained stable at a high level during the latter part of 2012.

All business areas noted a decrease in order intake for comparable units during the fourth quarter. For the year as a whole, Flow Technology showed an increase for comparable units, owing to strong order intake for projects during the year, while the other business units showed decreases.

ORDER INTAKE, NET SALES AND EARNINGS

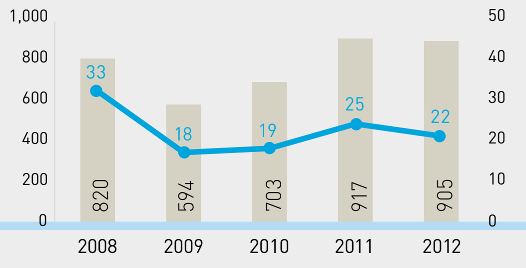
Order intake for the year amounted to SEK 8,444 million (8,315), an increase of 2%. For comparable units, order intake decreased by 2%, while acquired growth was 5%. Currency movements affected order intake negatively by 1%.



Net sales for the year totalled SEK 8,384 million (7,994), an increase of 5%. For comparable units, the increase was 1%, while acquired growth was 5%. Negative currency movements were -1%.

Operating profit before amortisation of intangible assets (EBITA) amounted to SEK 905 million (917) for the year, a decrease of 1%. The operating margin before amortisation of intangible assets (the EBITA margin) was 10.8% (11.5%). The gross margin on an accumulated basis was slightly lower than for the preceding year, at 33.9% (34.1%). The lower profit and lower EBITA margin were partly an effect of the lower gross margin, but above all they were due to a slightly higher level of overheads in all business areas. The efficiency-enhancement and cost-cutting measures that were taken by a large number of the Group's companies against the background of the weakened business climate took gradual effect during the year.

EBITA (SEK M) AND RETURN ON OPERATING CAPITAL (%)



Currency effects from translation of foreign units affected EBITA negatively by SEK -17 million, or -2%.

Net financial items totalled SEK -87 million (-93), of which net interest expense accounted for SEK -81 million (-87). Net interest expense was favourably affected by a lower average interest rate, which compensated for the higher average level of net debt.

Tax on profit for the year was SEK -145 million (-189), corresponding to a tax rate of 20.4% (25.9%). The tax expense for the year decreased by approximately SEK 30 million as a result of a deferred tax revenue attributable to the tax reduction that was decided on in Sweden, which corresponded to a lower effective tax rate by 4 percentage points for the full year.

Profit after tax rose 5% to SEK 565 million (540). Earnings per share increased to SEK 14.13 (13.50). The tax reduction of SEK 30 million referred to above corresponded to an increase in earnings per share by approximately SEK 0.75.

BUSINESS AREAS

In 2012 the Group was organised in four business areas.

Engineering & Equipment (EE)

Net sales rose 2% during the year, to SEK 1,584 million (1,560). For comparable units, net sales decreased by 1%. Acquisitions contributed 6%, while currency movements affected net sales negatively by 3%.

Following a positive start to the year with favourable demand in the Finnish market, where the business area has most of its business, the trend turned downward in the second quarter. Finnish industrial activity was weak across a broad front from spring onwards, which had a negative impact on many of the business area's companies. One sector with positive development was the mining industry. The important water/wastewater segment for the business area showed flat demand during the year as a result of uncertainty over structural changes in the municipal sector in Finland.

EBITA for the year decreased by 3% to SEK 117 million (121), corresponding to an EBITA margin of 7.4% (7.8%). Acquisitions made a considerable, positive contribution to earnings. The end of the year was dampened by a negative calendar effect, at the same time that measures and adaptations in the business area designed to create conditions for improved profitability gave rise to temporarily higher costs.

In early March the company Geotrim Oy was acquired, with annual sales of approximately SEK 100 million.

Flow Technology (FT)

Net sales amounted to SEK 2,015 million (1,930) for the year, an increase of 4%. The increase for comparable units was 2%, and acquired growth was also 2%. Currency movements had only a marginal effect on net sales.

The year began with a rising level of activity, but the volume of continuing business weakened already by the second quarter. The level of domestic and international projects in areas such as water and wastewater systems, energy and chemicals was favourable for most of the year and compensated for the decline in continuing business. One area with particularly weak performance since the summer was the marine sector. The level of vessel newbuilding activity decreased significantly during the year and had a negative impact on the business area.

EBITA for the year decreased by 16% to SEK 186 million (221), and the EBITA margin was 9.2% (11.5%). The lower EBITA margin was attributable in part to a lower gross margin associated with a greater share of large projects during the year, and in part to a higher level of overheads.

In January the company Rostfria VA-system i Storfors AB was acquired, with annual sales of approximately SEK 15 million, and in September the company Euroflon Tekniska Produkter AB was acquired, with annual sales of approximately SEK 40 million.

Industrial Components (IC)

Net sales rose 3% during the year, to SEK 1,531 million (1,488). For comparable units, net sales decreased by 5%. Acquisitions contributed 9%, while currency movements had a negative impact of 1%.

Apart from a temporary stabilisation during the second quarter of the year, business was weak during the year, with declining sales for comparable units. Most industrial customer segments were affected by the weaker business climate, except for demand for investment goods for the vehicle and automotive industry, which was stable. A slight softening in demand was noticed for medical technology equipment.

BUSINESS AREAS

KEY DATA PER BUSINESS AREA	Engineering & Equipment		Flow Technology		Industrial Components		Special Products	
	2012	2011	2012	2011	2012	2011	2012	2011
Net sales, SEK m	1,584	1,560	2,015	1,930	1,531	1,488	3,308	3,052
EBITA, SEK m	117	121	186	221	165	167	486	452
EBITA margin, %	7.4	7.8	9.2	11.5	10.8	11.2	14.7	14.8
Return on operating capital, %	24	27	20	25	26	32	21	23
Average number of employees	599	620	628	656	485	481	2,227	2,020

EBITA for the year decreased by 1% to SEK 165 million (167), corresponding to an EBITA margin of 10.8% (11.2%). Acquisitions made a positive contribution to earnings. Active work with efficiency-enhancing and cost-cutting measures in the business area limited the drop in margins, despite declining net sales for comparable units.

In April the company Rubin Medical AB was acquired, with annual sales of approximately SEK 100 million, in June the company Conroy Medical AB was acquired, with annual sales of approximately SEK 30 million, and in August the company Hydnet AB was acquired, with annual sales of approximately SEK 80 million.

Special Products (SP)

Net sales rose 8% during the year, to SEK 3,308 million (3,052), with a 5% increase for comparable units. Acquired growth was 5%, while currency movements affected net sales negatively by 2%.

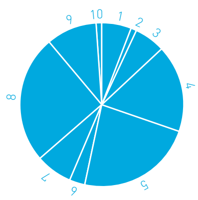
The strong demand from the international energy market toward the end of 2011 and start of 2012 stabilised during the second quarter at a high level. For the year as a whole, order intake outpaced net sales, despite substantial deliveries in the latter part of the year. Aside from the energy sector, the engineering industry is the business area's most important customer segment, where – as earlier in the year – demand overall was a bit flat during the final quarter of the year. The trend for the business area's companies in this segment was essentially the same in the Nordic countries as in the rest of Europe.

EBITA increased by 8% to SEK 486 million (452), and the EBITA margin was 14.7% (14.8%). Both the gross margin and overheads were level with the preceding year, despite the higher share of large projects compared with the same period a year ago.

In January, the company Dasa Control Systems AB was acquired, with annual sales of approximately SEK 50 million, and in March the Swiss company Eco Analytics AG was acquired, with annual sales of SEK 22 million. During the second quarter, the company Topflight AB was acquired, with annual sales of approximately SEK 60 million. In October, the company Krämer AG was acquired, with annual sales of approximately SEK 70 million, and in December the company Nolek AB was acquired, with annual sales of approximately SEK 160 million.

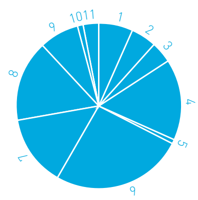
EE: NET SALES PER CUSTOMER SEGMENT

1. Pulp and paper 6%
2. Food 1%
3. Chemicals 6%
4. Construction 17%
5. Water/wastewater 23%
6. Energy 3%
7. Car repair shops 7%
8. Engineering 25%
9. Commercial vehicles 10%
10. Other 1%



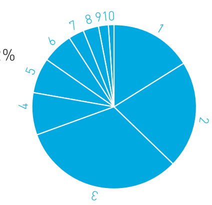
FT: NET SALES PER CUSTOMER SEGMENT

1. Pulp and paper 7%
2. Pharmaceuticals/healthcare 5%
3. Food 4%
4. Chemicals 16%
5. Construction 1%
6. Water/wastewater 26%
7. Energy 14%
8. Marine/offshore 16%
9. Engineering 8%
10. Commercial vehicles 1%
11. Other 3%



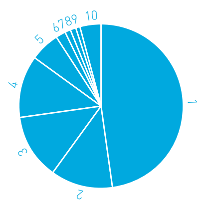
EE: NET SALES PER PRODUCT AREA

1. Valves 16%
2. Measurement technology 21%
3. Hydraulics and industrial equipment 32%
4. Pipe systems 8%
5. Pumps 7%
6. Service 6%
7. Automation 3%
8. Fasteners 3%
9. Filter & Process technology 2%
10. Other 1%



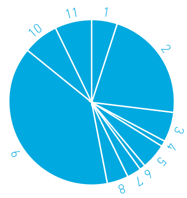
FT: NET SALES PER PRODUCT AREA

1. Valves 48%
2. Measurement technology 12%
3. Pumps 13%
4. Pipe systems 12%
5. Hydraulics and industrial equipment 6%
6. Filter & Process technology 2%
7. Glass/Plastics/Ceramics 1%
8. Service 1%
9. Fasteners 1%
10. Other 4%



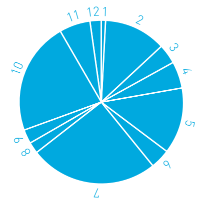
IC: NET SALES PER CUSTOMER SEGMENT

1. Pulp and paper 5%
2. Pharmaceuticals/healthcare 22%
3. Food 6%
4. Chemicals 1%
5. Construction 5%
6. Water/wastewater 1%
7. Energy 3%
8. Marine/offshore 4%
9. Engineering 39%
10. Commercial vehicles 7%
11. Other 7%



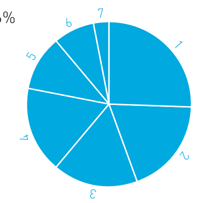
SP: NET SALES PER CUSTOMER SEGMENT

1. Pulp and paper 1%
2. Pharmaceuticals/healthcare 12%
3. Food 4%
4. Chemicals 5%
5. Construction 13%
6. Water/wastewater 4%
7. Energy 25%
8. Car repair shops 2%
9. Marine/offshore 3%
10. Engineering 22%
11. Commercial vehicles 6%
12. Other 2%



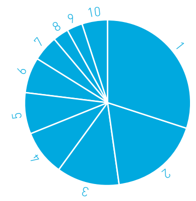
IC: NET SALES PER PRODUCT AREA

1. Hydraulics and industrial equipment 26%
2. Medical technology 19%
3. Fasteners 17%
4. Chemical technology 17%
5. Automation 11%
6. Filter & Process technology 8%
7. Other 3%

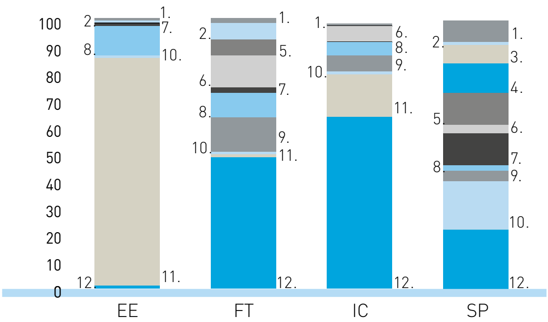


SP: NET SALES PER PRODUCT AREA

1. Valves 30%
2. Measurement technology 18%
3. Glass/Plastic/Ceramics 12%
4. Hydraulics and industrial equipment 9%
5. Filter & Process technology 8%
6. Fasteners 7%
7. Automation 5%
8. Chemical technology 3%
9. Pipe systems 3%
10. Other 5%



GEOGRAPHICAL DISTRIBUTION OF NET SALES PER BUSINESS AREA %



1. Other
2. Great Britain
3. North America
4. Switzerland
5. Asia
6. Norway
7. Germany
8. Baltics/Russia/Poland
9. Denmark
10. Benelux
11. Finland
12. Sweden

COMPANY ACQUISITIONS AND DIVESTMENTS

The following company acquisitions were carried out during the year:

Possession	Acquisition	Business area	Sales/ SEK m*	No. employees*
January	Rostfria VA-system i Storfors AB	Flow Technology	15	5
	Dasa Control Systems AB	Special Products	50	27
March	Geotrim Oy	Engineering & Equipment	100	30
	Eco Analytics AG	Special Products	22	8
April	Rubin Medical AB	Industrial Components	100	18
June	Conroy Medical AB	Industrial Components	30	17
	Topflight AB	Special Products	60	42
August	Hydnet AB	Industrial Components	80	10
September	Euroflon Tekniska Produkter AB	Flow Technology	40	16
October	Krämer AG	Special Products	70	35
December	Nolek AB	Special Products	160	75
			727	**283**

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

Rostfria VA-system i Storfors AB, with annual sales of approximately SEK 15 million, is consolidated in the Group as from 1 January 2012. The company supplies pump stations and pipe systems to water treatment plants.

Dasa Control Systems AB, with annual sales of approximately SEK 50 million, supplies proprietary advanced control and communication systems for heavy vehicles. The company is consolidated in the Group as from 1 January 2012.

Geotrim Oy, in Helsinki, Finland, supplies instruments, systems and software for geospatial solutions in qualified, satellite-based positioning. The company provides networks with nationwide coverage in Finland. Geotrim Oy has annual sales of approximately SEK 100 million and is consolidated in the Group as from 1 March 2012.

Eco Analytics AG, with annual sales of approximately SEK 22 million, is active in gas and water analysis and offers a comprehensive production programme of gas meters for toxic or explosive gases. Eco Analytics AG is consolidated in the Group as from 1 March 2012.

Rubin Medical AB supplies medical technology products with a focus on diabetes therapy in Scandinavia. The company has annual sales of approximately SEK 100 million and is consolidated in the Group as from 1 April 2012.

Conroy Medical AB, with annual sales of approximately SEK 30 million, is consolidated in the Group as from 1 June 2012. The company manufactures and sells medical technology products mainly for blood handling.

Topflight AB develops, manufactures and supplies labelling solutions for industrial use. The company has annual sales of approximately SEK 60 million and is consolidated in the Group as from 1 June 2012.

Hydnet AB supplies hydraulic components and industrial shock absorbers from leading manufacturers in hydraulics and motion control. The company has annual sales of approximately SEK 80 million and is consolidated in the Group as from 1 August 2012.

Euroflon Tekniska Produkter AB, with annual sales of approximately SEK 40 million, is consolidated in the Group as from 1 September 2012. The company is a supplier of customised metal, PTFE and silicon tubing, compensators and quick-connect fittings.

Krämer AG, with annual sales of approximately SEK 70 million, is a leading manufacturer of equipment for the pharmaceutical market and specialises in tablet dedusters. The company is consolidated in the Group as from 1 October 2012.

Nolek AB is a leading producer of instruments and machines for leak testing, leak detection and proof testing, with annual sales of approximately SEK 160 million. Nolek AB is consolidated in the Group as from 1 December 2012.

In November, Indutrade sold the company AB Novum, which is active in cables and electrical components. The company, which was part of the Special Products business area, had annual sales of approximately SEK 50 million during the last 12-month period, with 13 employees. The sale had a marginal impact on earnings.

PROFITABILITY, FINANCIAL POSITION AND CASH FLOW

The return on operating capital was 22% (25%) for the year, and the return on equity was 27% (29%).

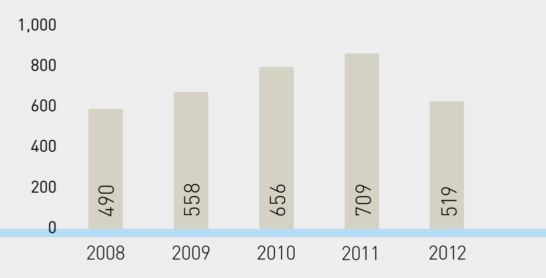
Shareholders' equity amounted to SEK 2,290 million (2,064) at year-end, and the equity ratio was 35% (38%).

Cash and cash equivalents amounted to SEK 243 million (264). In addition to this, the Group had unutilised credit promises of SEK 896 million (710). Interest-bearing net debt amounted to SEK 2,339 million (1,656). The net debt/equity ratio at year-end was 102% (80%).

Cash flow from operating activities was SEK 519 million (709) for the year. Cash flow after net capital expenditures in intangible non-current assets and property, plant and equipment (excluding company acquisitions) was SEK 392 million (570). The lower cash flow is mainly attributable to a higher level of tied up working capital during the year.

The Group's net capital expenditures, excluding company acquisitions, amounted to SEK 127 million (139). Depreciation of property, plant and equipment amounted to SEK 107 million (102). Investments in company acquisitions amounted to SEK 591 million (467), of which earn-out payments pertaining to previous years' acquisitions amounted to SEK 72 million (117).

CASH FLOW FROM OPERATING ACTIVITIES (SEK M)



EMPLOYEES

The number of employees was 4,086 at the end of the year (3,807), and the average number of employees was 3,939 million (3,778). A total of 283 employees were added through acquisitions.

BUSINESS RISKS

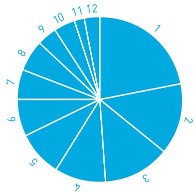
Indutrade conducts business in 25 countries in four parts of the world through some 180 companies. This diversification, together with a large number of customers in numerous industries and a large number of suppliers in various technology areas limits the business risks.

Changes in the economy

Indutrade's business is dependent on customers' purchases and investments. The effect of economic fluctuations in specific sectors and geographic markets is mitigated by the Company's involvement in many different sectors and geographic markets. In addition, the diversification of sales among OEM components, consumables, maintenance products, investment goods and service has an equalising effect. It is reasonable to assume that demand for Indutrade's products over time will follow GDP growth in the Group's geographic markets.

NET SALES PER CUSTOMER SEGMENT

1. Engineering 22%
2. Energy 14%
3. Water/wastewater 13%
4. Pharmaceuticals/healthcare 10%
5. Construction 9%
6. Chemicals 7%
7. Marine/Offshore 6%
8. Commercial vehicles 6%
9. Pulp and paper 4%
10. Food 4%
11. Car repair shops 2%
12. Other 3%



Outsourcing of operations

Outsourcing of industrial production to low-cost countries takes place in markets in which Indutrade is active, but has had a limited impact on Indutrade. This is largely because the Group has chosen to focus on customers with a recurring need in industries with a high degree of automation and/or large initial investments, for example.

Competition from low-cost countries

An increase in products from low-cost countries can be seen in Indutrade's markets. To counter the effects of this competition, Indutrade offers products and services with a high-tech content, a high level of service and qualified technical advice. In addition, Indutrade strives to establish close partnerships with customers by becoming involved early in the planning and development stage, where the Group's employees can contribute their expertise about various processes.

Changes at the supplier level

There is always a risk of suppliers leaving a partnership with a technology sales company to set up their own sales operation. Consolidation among manufacturers is one trend in the market that points to this. 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. To ensure that an acquired company does not lose its product agency agreements, its primary suppliers must give their consent to the acquisition.

Key person dependence

The risk of losing experienced employees is elevated in connection with company acquisitions. Consequently, Indutrade's acquisition strategy entails ensuring that the target company's key employees are motivated to continue running the company after the acquisition. To attract and retain key personnel, Indutrade conducts continuous competence development and special management development programmes.

Environmental matters

Ten 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. None of the Group's companies are involved in any environment-related disputes.

FINANCIAL RISKS

In the course of its business, Indutrade is exposed to various types of financial risks: financing and liquidity risk, interest rate risk, currency risk, and customer and counterparty risks (credit risk). The Group's financial activities are centralised in the Parent Company in order to benefit from economies of scale and minimise handling risks. Activities are co-ordinated by the Parent Company, which executes all significant external financial transactions and serves as an internal bank for intra-Group financing and carries out the Group's transactions in the foreign exchange and bond markets.

Each year Indutrade's board of directors adopts a finance policy, which serves as the framework for managing financial risks and financial activities. The policy also regulates the applicable limits for counterparties.

For a more detailed description on how Indutrade manages its various financial risks, see Note 2.

INCENTIVE PROGRAMMES

In co-operation with AB Industrivärden and pursuant to a resolution by the Annual General Meeting in May 2010, the Board of Directors of Indutrade directed an offer to senior executives to participate in an incentive programme. The aim of the programme is to promote management's long-term commitment and involvement in the Company. The programme runs until 31 October 2013.

Forty-nine senior executives have acquired a combined total of 358,000 stock options, issued by AB Industrivärden, and 10,000 shares. Indutrade pays a subsidy of SEK 22 for every purchased stock option and share under the condition that the participants continue to be employed and that they have not sold their purchased stock options/shares at the time of payment of the subsidy.

The subsidy is payable by the Company to the participants on two occasions in two equal parts, in December 2011 and June 2013. The total cost for the Company will amount to approximately SEK 9 million, corresponding to approximately SEK 3 million per year.

GUIDELINES FOR COMPENSATION OF SENIOR EXECUTIVES

The guidelines for compensation of senior executives that applied in 2012 are outlined in Note 6 on page 50. The Company's auditors have performed a review to ensure adherence to the guidelines set by the Annual General Meeting. Ahead of the 2013 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:

- Indutrade shall apply the compensation levels and terms of employment necessary to be able to recruit and retain management with a high level of expertise and the capacity to achieve set objectives. The forms of compensation shall motivate members of the executive 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 the executive management shall normally consist of a fixed and a variable portion. The variable portion shall reward clear, goal-related results and improvements in simple, transparent structures and shall have a cap.
- The fixed salary component for members of the executive management shall be in line with the going rate in the market and shall be commensurate with the individual's expertise, responsibilities and performance. Variable compensation for members of the executive management shall normally not exceed 7 months' salary and shall be coupled to the achievement of goals to improve the Company's and respective business areas' level of earnings, and the Group's growth. Variable salaries can amount to a maximum of SEK 7 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 results of operations and growth, and shall be based on the achievement of set targets. An incentive programme shall ensure 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 purchases of instruments issued within the scope of incentive programmes. Such cash compensation shall normally not exceed 20% of the executive's fixed salary.
- Non-monetary benefits for members of the executive 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 executive 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.
- Severance pay for members of the executive management shall not exceed a total of 24 months' salary in the event the Company serves notice, and 6 months in the event a member of the executive management gives notice.
- By executive management is meant in this context the President and CEO, the Chief Financial Officer, the Business Area presidents, and the Group Controller.
- The Board's Remuneration Committee deals with 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 executive management, for decision by the Board.
- The Board shall have the right to depart from the aforementioned guidelines for compensation of the executive management if there are special reasons in a particular case.

RESEARCH AND DEVELOPMENT

Development of proprietary products is conducted primarily by companies in the Special Products business area.

PARENT COMPANY

The primary functions of Indutrade AB are to take responsibility for business development, acquisitions, financing, governance and analysis. The Parent

Company's net sales, which consist entirely of internal invoicing of services, amounted to SEK 3 million (4) during the year. The Parent Company's investments in financial assets, consisting mainly of shares in subsidiaries, amounted to SEK 597 million (324). During the year, the Parent Company acquired shares in four new companies. The Parent Company did not make any major investments in intangible non-current assets or in property, plant and equipment. The number of employees on December 31 was 10 (10).

EVENTS AFTER THE BALANCE SHEET DATE

Effective 1 January 2013, the Indutrade Group is organised in five business areas, instead of four as previously. The change was carried out by splitting away a grouping of companies in the area of Fluids & Mechanical Solutions from the Special Products business area, forming a separate business area. In connection with this, a number of companies have been moved between the Group's various business areas. The motive for the change is to strengthen focus and thus the conditions for continued growth in the Group. Comparative figures for the 2012 financial year according to the new structure are provided on page 49 of 2012 Annual Report.

In early January, the acquisition was completed of Thermotech AS (Norway), with annual sales of approximately SEK 70 million. The company sells products and services in heat treatment, machine service, assembly equipment and bolt tension. Customers are mainly in the Norwegian oil and gas industry, both on- and offshore.

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

FUTURE OUTLOOK

2012 was a year of considerable uncertainty in the international economy and also in industry. The year ended on a weak note. Optimism rose in general at the start of 2013. Indutrade's ambition over time is to achieve its set targets for growth and profitability while maintaining continued financial balance. No forecast is being issued for 2013.

CORPORATE GOVERNANCE REPORT

Indutrade applies the Swedish Code of Corporate Governance (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 can depart from individual rules, provided that they give an explanation for each departure. Indutrade has no departures to report for the 2012 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 elected committees and the CEO 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 40 million, divided among 40,000,000 shares with a share quota value of SEK 1. All shares have equal voting power. Indutrade, which was previously a wholly owned subsidiary of AB Industrivärden, was listed on the Stockholm Stock Exchange on 5 October 2005. At year-end 2012 Indutrade had 5,721 shareholders (5,025). The ten largest shareholders controlled 73% of the share capital. Swedish legal entities, including institutions such as insurance companies and mutual funds, held 78% of the share capital and votes at year-end. Foreign investors held 15% of the share capital and votes.

At year-end, two shareholders each controlled 10% or more of the share capital and votes:

- AB Industrivärden 36.8%
- L E Lundbergföretagen AB 13.8%

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

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 the Company's website within the time frame prescribed by the Swedish Companies Act. An announcement shall be posted in the Swedish daily newspaper Dagens Nyheter that notice of the Annual General Meeting has been issued. In votes at general meetings of shareholders, there is no limitation on 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 (where applicable) are elected, 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 are entitled to attend the meeting and vote for the total number of shares they have. Shareholders can be represented by proxy. More information about the 2013 AGM is provided on page 74 of this Annual Report and on the Company's website.

The notice of the AGM scheduled for 6 May 2013 is expected to be published on 5 April 2013 in the Official Swedish Gazette and on Indutrade's website. The notice will include a detailed proposed agenda including proposals for the dividend, the election of directors, directors' fees (broken down by the Chairman and other directors), auditors' fees, and proposed guidelines on compensation of the Company's senior executives.

2012 Annual General Meeting

At the AGM on 3 May 2012, shareholders representing 72.1% of the shares and votes were in attendance. Attorney Klaes Edhall was appointed to serve as AGM chairman. At the AGM, the annual report and audit report were presented. In connection with this, Chairman of the Board Bengt Kjell provided information on the work of the Board and reported on the guidelines for compensation of the executive management and on the work of the Audit and Remuneration Committees. In addition, CEO Johnny Alvarsson gave an address reviewing Indutrade's operations in 2011. The auditors reported on their audit work and presented relevant parts of their audit report for 2011.

The 2012 AGM made the following resolutions:

- to adopt the financial statements for 2011
- to set the dividend at SEK 6.75 per share
- to discharge the members of the Board of Directors and the President from liability for the past financial year
- to re-elect directors Eva Färnstrand, Bengt Kjell, Martin Lindqvist, Ulf Lundahl, Mats Olsson and Johnny Alvarsson, and to elect Krister Mellvé as a new director
- to re-elect Bengt Kjell as Chairman of the Board
- in accordance with the Nomination Committee's recommendation, that the Nomination Committee shall consist of representatives of four of the largest shareholders in terms of votes as well as the Chairman of the Board until the composition of the next year's nomination committee has been publicly announced
- that the Nomination Committee's composition shall be based on ownership data as per 31 August 2012 and announced not later than six months before the Annual General Meeting
- in accordance with the Board's recommendation, 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.

Members of the Board of Directors

Indutrade's board of directors, which is elected by the AGM, consists of seven members including the President and 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. Except for Michael Bertorp, the board members elected by the 2011 AGM were re-elected by the 2012 AGM. In addition, Krister Mellvé was elected as a new director.

The Chairman of the Board, Bengt Kjell, is a former Executive Vice President of Industrivärden and is currently CEO of AB Handel och Industri. Eva Färnstrand is a former Site Manager at Södra Cell Mönsterås and is currently Chairman of Profilgruppen and Infranord. Martin Lindqvist is President and CEO of SSAB and has previously served in other executive positions in the SSAB Group. Ulf Lundahl is an Executive Vice President of L E Lundbergföretagen. Krister Mellvé has been active in the Robert Bosch Group. Mats Olsson is Chairman of Know IT and has been active in Investment AB D Carnegie, among other companies. Johnny Alvarsson is President and CEO of Indutrade.

A presentation of the current assignments of the members of the Board can be found on page 27 of this Annual Report. The Company's CFO serves as company secretary. Other executives participate at board meetings in a reporting role when necessary.

All of the directors, except for Johnny Alvarsson, are independent in relation to Indutrade. Johnny Alvarsson, Eva Färnstrand, Bengt Kjell, Martin Lindqvist, Krister Mellvé and Mats Olsson 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, Johnny Alvarsson, has an operational role in the Company.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2012

Board member	Year Elected	Board meetings	Remuneration committee	Audit committee	Independent in relation to company	Independent in relation to major shareholders
Johnny Alvarsson	2004	12			No	Yes
Eva Färnstrand	1998	12		3	Yes	Yes
Bengt Kjell (Chairman of the Board)	2002	12	4	3	Yes	Yes
Martin Lindqvist	2011	11		3	Yes	Yes
Ulf Lundahl	2006	11	4	2	Yes	No
Krister Mellvé[1]	2012	7		2	Yes	Yes
Mats Olsson	2010	11		2	Yes	Yes

1) Elected at 2012 AGM

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 following up 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 executive 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 demanded by the situation.

In 2012 the Board held a total of twelve meetings including the statutory meeting. The Board conducted its work in 2012 in accordance with the Board's work plan. Matters requiring special attention by the Board during the year pertained to strategy, finance and acquisitions.

As part of the Board's work during the year, a number of subsidiary presidents and all of the business area presidents 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. The Chairman is also responsible for making sure that an annual evaluation is conducted of the Board's and the CEO's work and that the results of this evaluation are presented to the Nomination Committee. The Chairman represents the Company on ownership matters.

Remuneration Committee

The Board has appointed a remuneration committee consisting of the Chairman, Bengt Kjell, and one other director, Ulf Lundahl. The Remuneration Committee draws up "the Board's proposed guidelines for compensation and other terms of employment for senior executives". This proposal is discussed by the Board and submitted to the AGM for approval.

The Remuneration Committee attends to and conducts preparatory work for matters pertaining to compensation for members of the executive management, for decision by the Board. The Remuneration Committee thus conducts preparatory work and drafts a recommendation for decision regarding the terms of employment for the CEO. The CEO consults with the Remuneration Committee on the terms of employment for the other members of the executive management. The Remuneration Committee met on four occasions during the year.

Audit Committee

The Board has appointed an audit committee, consisting of the entire board except for the CEO. Mats Olsson is Audit Committee chair.

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. The Audit Committee held three meetings in 2012. At one of these meetings, two members were not present.

On two occasions in 2012 the committee performed reviews and received reports from the Company's external auditors. The auditors' reports did not give rise to any special action by the Audit Committee.

Directors' fees

Fees are payable to the Chairman of the Board and directors in accordance with a resolution by the AGM. The Chairman receives a fee of SEK 450,000, and the other directors receive a fee of SEK 225,000 each. However, no fee is payable to directors who are employed by a company within the Indutrade Group. The Audit Committee chair is paid a fee of SEK 50,000, while no special fee is payable for other committee work. Total fees payable pursuant to the AGM resolution amount to SEK 1,625,000.

Nomination Committee

On 3 May 2012 the AGM resolved that the Nomination Committee shall consist of representatives of four of the largest shareholders in terms of votes as well as 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 2013 Annual General Meeting is to be based on ownership data as per 31 August 2012 and is to be publicly announced not later than six months prior to the AGM. The composition of the Nomination Committee ahead of the 2013 AGM was announced on 5 October 2012.

Ahead of the 2013 AGM, the Nomination Committee was composed of the following members:

- Anders Nyberg, Industrivärden (committee chair)
- Claes Boustedt, LE Lundbergföretagen
- Anders Algotsson, AFA Insurance
- Håkan Sandberg, Handelsbanken Pension Foundation, Handelsbanken Pension Fund and Handelsbanken Employee Foundation
- Bengt Kjell, Chairman of the Board of Indutrade.

The Nomination Committee held two meetings during the year, at which – among other items of business – the evaluation of the Board's work during the past year was presented and the Board's composition was discussed. 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, auditors' fees and, where applicable, election of the auditor, and the principles for the appointment of the new Nomination Committee.

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 currently 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.

Ahead of the 2013 AGM, the Nomination Committee has proposed the re-election of directors Bengt Kjell, Eva Färnstrand, Martin Lindqvist, Ulf Lundahl, Krister Mellvé, Mats Olsson and Johnny Alvarsson. Bengt Kjell has been nominated for re-election as Chairman of the Board. The Nomination Committee's proposal entails that the number of directors on the Board will be unchanged during the coming mandate period and that the Board will thereby have a total of seven members. A more detailed presentation of the members of the Board is provided on page 27 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 executive management team. The CEO's decision-making authority regarding investments and financing matters is governed by rules set by the Board.

President and CEO

Indutrade's President and CEO, Johnny Alvarsson, has been employed by Indutrade since 2004. He was CEO of Elektronikgruppen from 2001 to 2004, CEO of Zeteco AB from 1988 to 2000, and held various management positions at Ericsson from 1975 to 1987. Johnny Alvarsson owns 8,050 shares of Indutrade stock and 50,000 stock options issued by Industrivärden.

Auditors

At the 2010 Annual General Meeting, the chartered accounting firm PricewaterhouseCoopers AB ("PwC") was appointed as auditor for a term extending through the 2014 Annual General Meeting.

The auditors maintain regular contact with the Chairman of the Board, the Audit Committee and the executive management.

Lennart Danielsson, Authorised Public Accountant, is chief auditor and has been in charge of Indutrade's audits since 2006. He will be leaving his assignment as chief auditor in connection with the 2013 AGM. PwC intends to appoint Michael Bengtsson, Authorised Public Accountant, as the new chief auditor. In 2012 PwC had a total of 100 audit assignments for companies listed on Nasdaq OMX Stockholm and seven auditing assignments for companies listed on NGM Equity. Auditors' fees are reported in Note 13 on page 55 of this Annual Report.

Quarterly review by the auditors

During the 2012 financial year, Indutrade's nine-month interim report was reviewed by the external 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, a policy for social responsibility and environmental work, a policy for economic and financial reporting, a finance policy and an investment policy. These policies are followed up and revised as needed. The executive 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 earnings follow-up.

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 multitude 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 accounts receivable and inventories.

In addition, continuous risk assessment is conducted in connection with strategic planning, budgeting, forecasts and acquisition activities, aimed at 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

As from the start of 2013 the Group's companies are organised in five business areas. In addition to a business area president, 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 that have an impact on financial reporting. 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 the internal control over financial reporting. This is a process that involves several parts.

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. A minimum acceptable level of internal control has been determined for each respective group, which served as the baseline for the evaluation.

All companies owned by Indutrade at the start of 2012 were required to respond to the assessment 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. Both the evaluation performed by the Company and the result of the auditors' validation have been 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 overall evaluation of the assessment 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.

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 factors.

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 Company 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 Company is checked by the controllers on a regular basis at the business area and Parent Company level. 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 the financial reporting. In view of the above, the Board has opted to not have any special internal audit function.

PROPOSED DISTRIBUTION OF EARNINGS

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

Retained earnings	1,162
Net profit for the year	468
Total	**1,630**

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

Dividend of SEK 7.05 per share	282
To be carried forward	1,348
Total	**1,630**

The dividend proposed by the Board of Directors corresponds to 17% of the Parent Company's equity and 12% of the Group's equity. Indutrade's dividend policy is that the dividend shall, over time, amount to at least 50% of net profit. 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 31%. After payment of the proposed dividend, it is judged that Indutrade will continue to have a favourable financial position.

Board of Directors and Auditors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1 BENGT KJELL

Chairman of the Board since 2005
Director since 2002
President and CEO of AB Handel och Industri
Born: 1954
Education: MBA, Stockholm School of Economics
Professional experience: Executive Vice President and Head of Investment Operations, Industrivärden; Authorised Public Accountant; Head of Corporate Finance, Securum; Senior Partner, Navet
Other directorships: Chairman of Hemfosa Fastigheter, Director of Höganäs, Pandox, Helsingborgs Dagblad, Skånska Byggvaror and Swegon
Number of shares: 30,100

2 JOHNNY ALVARSSON

Director since 2004
President and CEO
Employed since: 2004
Born: 1950
Education: B.Sc. Eng., Management studies
Professional experience: President and CEO, Elektronikgruppen; President and CEO, Zeteco; various management positions at Ericsson
Other directorships: Director of VBG Group and Ostnor
Number of shares: 8,050
Number of options: 50,000

3 EVA FÄRNSTRAND

Director since 1998
Born: 1951
Education: M.Sc. Chemistry, Royal Institute of Technology
Professional experience: Site Manager, Södra Cell Mönsterås; President, Tidningstryckarna Aftonbladet Svenska Dagbladet; Newsprint Business Area Manager, SCA Graphic Sundsvall
Other directorships: Chairman of ProfilGruppen and Infranord. Director of Sveaskog
Number of shares: 1,000

4 MARTIN LINDQVIST

Director since 2011
President and CEO of SSAB
Born: 1962
Education: B.Sc. Econ.
Professional experience: Business area head, SSAB EMEA; Divisional Manager SSAB Strip Products; Chief Financial Officer, SSAB; Chief Financial Officer, SSAB Tunnplåt; Head Controller, NCC
Other directorships: Chairman of Jernkontoret. Director of SSAB and Industriarbetsgivarna
Number of shares: 0

5 ULF LUNDAHL

Director since 2006
Executive Vice President and Deputy CEO, L E Lundbergföretagen
Born: 1952
Education: LL.B. and B.Sc. Econ.
Professional experience: CEO of Östgöta Enskilda Bank, Head of Swedish operations for Danske Bank; CEO, Danske Securities
Other directorships: Chairman of Fidelio Capital. Vice Chairman of Brandkontoret. Director of Holmen, Husqvarna and SHB Regional Bank Stockholm
Number of shares: 4,000

6 KRISTER MELLVÉ

Director since 2012
Born: 1949
Education: B.Sc. Econ.
Professional experience: Various management positions at Robert Bosch Group
Number of shares: 5,000

7 MATS OLSSON

Director since 2010
Born: 1948
Education: M. Pol. Sc., Linköping University
Professional experience: Subsidiary Head, Investment D Carnegie; President and CEO, Custodia; President and CEO, Merchant Holding; President and CEO, Kipling Holding; President and CEO, Displayit
Other directorships: Chairman of KnowIT and KIAB Fastighetsutveckling. Director of Fenix Outdoor
Number of shares: 0

AUDITORS

PricewaterhouseCoopers AB
Chief Auditor:
Lennart Danielsson, Authorised Public Accountant
Born: 1959
Auditor of Indutrade since 2006
Other auditing assignments: Clas Ohlson, Sweco and Studsvik

Executive Management


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1 JOHNNY ALVARSSON
Position: President and CEO, President of Special Products business area
Employed since: 2004
Born: 1950
Education: B.Sc. Eng., Management studies
Professional experience: President and CEO, Elektronikgruppen; President and CEO, Zeteco; various management positions at Ericsson
Number of shares: 8,050
Number of options: 50,000

2 KENNET GÖRANSSON
Position: CFO
Employed since: 2010
Born: 1963
Education: B.Sc. Econ.
Professional experience: CFO, Addtech; Vice President, Addtech; CFO, Bergman & Beving
Number of shares: 1,500
Number of options: 15,000

3 CLAES HJALMARSON
Position: Group Controller
Employed since: 1984
Born: 1954
Education: B.Sc. Econ.
Professional experience: CFO, Colly Group; CFO, G A Lindberg Group; Auditor, Ernst & Young
Number of shares: 4,200
Number of options: 15,000

4 PETER ERIKSSON
Position: President of Flow Technology business area
Employed since: 1995
Born: 1953
Education: Technical college engineer, Market Economics degree, IFL
Professional experience: President, Alnab; Sales Manager, Alnab
Number of shares: 13,450
Number of options: 30,000

5 JUHA KUJALA
Position: President of Engineering & Equipment business area
Employed since: 2006
Born: 1967
Education: Technical college engineer
Professional experience: President Kontram Oy, President Maansähkö Oy, Sales Manager Kontram Oy, Export Manager Kalmar Industries Oy.
Number of shares: 400
Number of options: 7,000

6 OLOF PAULSSON
Position: President of Industrial Components business area
Employed since: 1983
Born: 1949
Education: Technical college engineer, Market Economics degree, IFL
Professional experience: President, Colly Filtreringsteknik; President, Colly Components; Divisional Manager, Colly Company
Number of shares: 6,200
Number of options: 15,000

7 GÖTE MATTSSON
Position: President of Fluids & Mechanical Solutions business area
Employed since: 1999
Born: 1955
Education: B.Sc. Econ., Management studies
Professional experience: President and partner Industri Belos, President J Sörling, Controller Transventor Group, Vice President Parator.
Number of shares: 5,400
Number of options: 5,000

Consolidated income statement

GROUP

SEK MILLION	Note	2012	2011
Net sales	3	8,384	7,994
Cost of goods sold		-5,545	-5,268
GROSS PROFIT		**2,839**	**2,726**
Development costs		-95	-74
Selling costs		-1,527	-1,430
Administrative expenses		-426	-398
Other operating income	4	69	35
Other operating expenses	4	-63	-37
OPERATING PROFIT	5, 6, 7, 8, 13, 30	**797**	**822**
Financial income	9	12	12
Financial expenses	10	-99	-105
PROFIT AFTER FINANCIAL ITEMS		**710**	**729**
Tax	12	-145	-189
NET PROFIT FOR THE YEAR		**565**	**540**
PROFIT ATTRIBUTABLE TO:			
Equity holders of the parent		565	540
Non-controlling interests		0	0
		565	**540**
Earnings per share attributable to equity holders of the parent[1)]		14.13	13.50
Proposed dividend per share		7.05	6.75

[1)] Profit for the period divided by 40,000,000 shares. There is no dilutive effect.

Consolidated statement of comprehensive income

GROUP

SEK MILLION	Note	2012	2011
NET PROFIT FOR THE YEAR		**565**	**540**
OTHER COMPREHENSIVE INCOME			
Fair value adjustment of hedge instruments	2	-13	-33
Tax attributable to fair value adjustment	2	2	9
Actuarial gains/losses	23	-12	15
Tax attributable to actuarial gains/losses	23	2	-5
Exchange rate differences		-48	-2
OTHER COMPREHENSIVE INCOME, NET AFTER TAX		**-69**	**-16**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**496**	**524**
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		496	524
Non-controlling interests		0	0
		496	**524**

Consolidated balance sheet

GROUP

SEK MILLION	Note	31 Dec. 2012	31 Dec. 2011
ASSETS			
Non-current assets			
Intangible assets	14		
Goodwill		1,190	822
Other intangible assets		1,215	888
TOTAL INTANGIBLE ASSETS		**2,405**	**1,710**
Property, plant and equipment	15		
Land and buildings		404	383
Machinery		144	144
Equipment		189	169
Construction in progress and advances for property, plant and equipment		4	10
TOTAL PROPERTY, PLANT AND EQUIPMENT		**741**	**706**
Financial assets			
Financial assets available for sale	16	6	6
Non-current receivables	17	13	11
Deferred tax assets	12	40	28
TOTAL FINANCIAL ASSETS		**59**	**45**
TOTAL NON-CURRENT ASSETS		**3,205**	**2,461**
Current assets			
Inventories	18	1,472	1,328
Accounts receivable – trade	19	1,411	1,263
Current tax assets		42	28
Other current receivables		94	55
Prepaid expenses and accrued income	20	68	66
Cash and cash equivalents	29	243	264
TOTAL CURRENT ASSETS		**3,330**	**3,004**
TOTAL ASSETS		**6,535**	**5,465**

Consolidated balance sheet, cont.

GROUP

SEK MILLION	Note	31 Dec. 2012	31 Dec. 2011
EQUITY AND LIABILITIES			
Equity			
Share capital		40	40
Reserves		-117	-58
Profit brought forward incl. net profit for the year		2,365	2,080
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**2,288**	**2,062**
Non-controlling interests		2	2
TOTAL EQUITY		**2,290**	**2,064**
Non-current liabilities			
Non-current interest-bearing liabilities	22	991	682
Other non-current liabilities		0	0
Pension obligations	23	167	155
Deferred tax liabilities	12	330	251
Other provisions	24	5	4
TOTAL NON-CURRENT LIABILITIES		**1,493**	**1,092**
Current liabilities			
Current interest-bearing liabilities	22	1,424	1,083
Accounts payable – trade		586	556
Current tax liabilities		75	70
Other current liabilities		258	254
Accrued expenses and deferred income	25	409	346
TOTAL CURRENT LIABILITIES		**2,752**	**2,309**
TOTAL EQUITY AND LIABILITIES		**6,535**	**5,465**
Pledged assets	27	183	149
Contingent liabilities	28	8	9

Estimated earn-out from acquisitions have been reclassified to interest-bearing liabilities.
The comparative year has been adjusted.

Consolidated statement of changes in equity

GROUP

SEK MILLION	Share capital	Reserves	Profit brought forward	Total	Total non-controlling interests	Total equity
	Attributable to owners of the parent					
OPENING BALANCE, 1 JANUARY 2011	**40**	**-32**	**1,734**	**1,742**	**2**	**1,744**
COMPREHENSIVE INCOME						
Net profit for the year	–	–	540	540	0	540
OTHER COMPREHENSIVE INCOME						
Fair value adjustment of hedge instruments	–	-33	–	-33	–	-33
Tax attributable to fair value adjustment	–	9	–	9	–	9
Actuarial gains/losses	–	–	15	15	–	15
Tax attributable to actuarial gains/losses	–	–	-5	-5	–	-5
Exchange rate differences	–	-2	–	-2	0	-2
TOTAL COMPREHENSIVE INCOME	**–**	**-26**	**550**	**524**	**0**	**524**
TRANSACTIONS WITH SHAREHOLDERS						
Dividend paid for 2010	–	–	-204[1]	-204	–	-204
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**–**	**–**	**-204**	**-204**	**-**	**-204**
OPENING BALANCE, 1 JANUARY 2012	**40**	**-58**	**2,080**	**2,062**	**2**	**2,064**
COMPREHENSIVE INCOME						
Net profit for the year	–	–	565	565	0	565
OTHER COMPREHENSIVE INCOME						
Fair value adjustment of hedge instruments	–	-13	–	-13	–	-13
Tax attributable to fair value adjustment	–	2	–	2	–	2
Actuarial gains/losses	–	–	-12	-12	–	-12
Tax attributable to actuarial gains/losses	–	–	2	2	–	2
Exchange rate differences	–	-48	–	-48	0	-48
TOTAL COMPREHENSIVE INCOME	**–**	**-59**	**555**	**496**	**0**	**496**
TRANSACTIONS WITH SHAREHOLDERS						
Dividend paid for 2011	–	–	-270[2]	-270	–	-270
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**–**	**–**	**-270**	**-270**	**–**	**-270**
CLOSING BALANCE, 31 DECEMBER 2012	**40**	**-117**	**2,365**	**2,288**	**2**	**2,290**

[1] The dividend per share in 2010 was SEK 5.10.
[2] The dividend per share in 2011 was SEK 6.75. The proposed dividend per share for 2012 is SEK 7.05.

Consolidated statement of cash flows

GROUP

SEK MILLION	Note	2012	2011
OPERATING ACTIVITIES			
Cash flow from operations	29	801	971
Interest received		10	6
Interest paid		-73	-78
Tax paid		-219	-190
CASH FLOW FROM OPERATING ACTIVITIES		**519**	**709**
INVESTING ACTIVITIES			
Acquisitions of subsidiaries	26	-591	-467
Sale of subsidiary	26	19	-
Acquisitions of property, plant and equipment	15	-119	-146
Sales of property, plant and equipment	15	19	25
Acquisitions of intangible non-current assets	14	-27	-18
Decrease/increase in financial assets		-5	13
CASH FLOW FROM INVESTING ACTIVITIES		**-704**	**-593**
FINANCING ACTIVITIES			
Borrowings		704	624
Repayment of debt		-262	-490
Dividend		-270	-204
CASH FLOW FROM FINANCING ACTIVITIES		**172**	**-70**
CASH FLOW FOR THE YEAR		**-13**	**46**
Cash and cash equivalents at start of year		264	219
Exchange rate differences in cash and cash equivalents		-8	-1
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	**243**	**264**

Parent Company income statement

PARENT COMPANY

SEK MILLION	Note	2012	2011
Net sales		3	4
GROSS PROFIT		**3**	**4**
Administrative expenses		-49	-47
Other operating income/expenses	4	-1	0
OPERATING LOSS	5, 6, 7, 8, 13, 30	**-47**	**-43**
Financial income	9	41	32
Financial expenses	10	-72	-71
Profit from participations in Group companies	11	656	767
		625	**728**
PROFIT AFTER FINANCIAL ITEMS		**578**	**685**
Change in tax allocation reserve		-62	-106
Excess depreciation of equipment		0	0
PROFIT BEFORE TAX		**516**	**579**
Tax	12	-48	-82
NET PROFIT FOR THE YEAR		**468**	**497**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK MILLION	Note	2012	2011
Net profit for the year		468	497
Other comprehensive income		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**468**	**497**

Parent Company balance sheet

SEK MILLION	Note	31 Dec. 2012	31 Dec. 2011
ASSETS			
Non-current assets			
Intangible non-current assets	14		
Software and licences		1	1
Property, plant and equipment	15		
Equipment		1	1
Financial assets			
Participations in Group companies	16	2,573	2,028
Non-current receivables	17	4	3
Deferred tax assets	12	1	0
TOTAL FINANCIAL ASSETS		**2,578**	**2,031**
TOTAL NON-CURRENT ASSETS		**2,580**	**2,033**
Current assets			
Current receivables			
Receivables from Group companies		1,701	1,292
Current tax assets		12	–
Other receivables		5	0
Prepaid expenses and accrued income	20	1	2
TOTAL CURRENT RECEIVABLES		**1,719**	**1,294**
Cash and cash equivalents	29	0	7
TOTAL CURRENT ASSETS		**1,719**	**1,301**
TOTAL ASSETS		**4,299**	**3,334**

Estimated earn-out from acquisitions have been reclassified to interest-bearing liabilities.
The comparative year has been adjusted.

SEK MILLION	Note	31 Dec. 2012	31 Dec. 2011
EQUITY AND LIABILITIES			
Equity	21		
Restricted equity			
Share capital		40	40
Statutory reserve		5	5
		45	**45**
Unrestricted equity			
Profit brought forward		1,162	935
Net profit for the year		468	497
		1,630	**1,432**
TOTAL EQUITY		**1,675**	**1,477**
Untaxed reserves			
Tax allocation reserve		221	159
Excess depreciation of equipment		0	1
TOTAL UNTAXED RESERVES		**221**	**160**
Non-current liabilities			
Non-current interest-bearing liabilities		831	531
Pension obligations	23	6	3
TOTAL NON-CURRENT LIABILITIES		**837**	**534**
Current liabilities			
Current interest-bearing liabilities	22	1,053	674
Accounts payable – trade		1	1
Liabilities to Group companies		494	457
Current tax liabilities		–	14
Other current liabilities		1	3
Accrued expenses and deferred income	25	17	14
TOTAL CURRENT LIABILITIES		**1,566**	**1,163**
TOTAL EQUITY AND LIABILITIES		**4,299**	**3,334**
Pledged assets	27	4	3
Contingent liabilities	28	340	406

Parent Company statement of changes in equity

PARENT COMPANY

SEK MILLION	Share capital	Reserves	Retained profit	Total
OPENING BALANCE, 1 JANUARY 2011	**40**	**5**	**1,139**	**1,184**
COMPREHENSIVE INCOME				
Net profit for the year	–	–	497	497
Other comprehensive income	–	–	–	–
TRANSACTIONS WITH SHAREHOLDERS				
Dividend paid for 2010	–	–	-204[1]	-204
OPENING BALANCE AT 1 JANUARY 2012	**40**	**5**	**1,432**	**1,477**
COMPREHENSIVE INCOME				
Net profit for the year	–	–	468	468
Other comprehensive income	–	–	–	–
TRANSACTIONS WITH SHAREHOLDERS				
Dividend paid for 2011	–	–	-270 [2]	-270
CLOSING BALANCE, 31 DECEMBER 2012	**40**	**5**	**1,630**	**1,675**

[1] The dividend per share for 2010 was SEK SEK 5.10.
[2] The dividend per share for 2011 was SEK 6.75. The proposed dividend per share for 2012 is SEK 7.05.

Parent Company cash flow statement

PARENT COMPANY

SEK MILLION	Note	2012	2011
OPERATING ACTIVITIES			
Cash flow from operations	29	-555	-89
Interest received		35	29
Interest paid		-55	-65
Group contributions received and dividend income		876	537
Tax paid		-75	-41
CASH FLOW FROM OPERATING ACTIVITIES		**226**	**371**
INVESTING ACTIVITIES			
Acquisitions of subsidiaries	16	-428	-372
Sale of subsidiary		19	-
Acquisitions of property, plant and equipment	15	0	0
Acquisitions of intangible non-current assets	14	–	–
Change in financial assets		-2	-1
CASH FLOW FROM INVESTING ACTIVITIES		**-411**	**-373**
FINANCING ACTIVITIES			
Borrowings		701	580
Repayment of debt		–	-71
Change in current financial liabilities		-253	-301
Dividends paid		-270	-204
CASH FLOW FROM FINANCING ACTIVITIES		**178**	**4**
CASH FLOW FOR THE YEAR		**-7**	**2**
Cash and cash equivalents at start of year		7	5
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	**0**	**7**

Notes

Amounts stated in the notes are in SEK million unless indicated otherwise.

Note 1 GENERAL 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. Through 31 December 2012 the Group was organised in four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products. Starting on 1 January 2013 the Group is organised in five business areas, which are described in note 3. Business is conducted through subsidiaries in 25 countries. Indutrade's shares are listed on Nasdaq OMX Stockholm, Mid Cap list.

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 2013. The consolidated and parent company income statements and balance sheets will be presented for adoption by the Annual General Meeting on 6 May 2013.

BASIS OF PREPARATION

The consolidated accounts for the Indutrade Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and in accordance 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) and available-for-sale financial assets, which are stated at fair value through profit or loss.

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. See the section "Important estimations and assumptions for accounting purposes".

Standards, amendments and interpretations that apply as from 1 January 2012

For 2012, no new IFRSs or interpretations have emerged that are applicable for the Group.

No newly issued IFRSs or interpretations have been applied prospectively.

Standards, amendments and interpretations that apply as from 1 January 2013

Starting on 1 January 2013 the Group will apply the amended IAS 19 Employee Benefits. This will have a marginal impact on the Group, as actuarial gains and losses are already reported in other comprehensive income. There are no new IFRSs or IFRIC pronouncements that will have a significant impact on the Group's result of operations and position in 2013.

No newly issued IFRSs or interpretations have been applied prospectively.

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 has been used for reporting of the Group's business acquisitions. The purchase price for acquisition of a subsidiary consists of the fair value of the transferred 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 restated at fair value, this is done in operating profit. Identifiable, acquired assets and liabilities taken over in a business acquisition are initially carried 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 reported at fair value or at the non-controlling interests proportional share of the acquired company's net assets.

Goodwill is initially carried in the amount in which the total purchase price and fair value of 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 interestes are reported in equity.

CLASSIFICATION

Non-current assets and non-current liabilities consist essentially of amounts that are expected to be recovered or paid after 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.

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 as 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.

INTANGIBLE NON-CURRENT ASSETS

Goodwill

Goodwill consists of the amount by which the cost exceeds the fair value of the Group's share of the acquired subsidiary's identifiable net assets at the time of acquisition. 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 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 relationships, 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 recognised. 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 relationships 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 relationships and agencies is normally valued at between a half year's and one year's gross margin. 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 intangible 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 relationships, etc	5–20 years
Trademarks	–
Software, licences, etc.	5–10 years
Other intangible assets	5–20 years

PROPERTY, PLANT AND EQUIPMENT

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 their estimated useful lives. The following depreciation schedules are used:

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

No depreciation is booked 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.

IMPAIRMENT TESTING OF NON-FINANCIAL ASSETS

Goodwill, land 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 at 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. When calculating value in use, future cash flows are discounted using a discounting factor that takes into account risk-free interest and the risk associated with the particular 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 entails that such determination is done at the segment level. 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 done.

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.

FINANCIAL INSTRUMENTS

The Group mainly has the following financial instruments: trade accounts receivable, cash and cash equivalents, trade accounts payable, borrowings, contingent consideration and derivative instruments.

Trade accounts receivable

Trade accounts receivable are stated initially at fair value and thereafter in the amount that is expected to be received after individual assessment. A provision for decreases in the value of trade accounts receivable is made when there is objective evidence that the Group will not be able to receive all amounts due according to the original terms of the receivable. Testing is conducted locally in the respective subsidiaries. The asset's carrying amount is reduced by use of a value impairment account, and the loss is recognised in the income statement under the item "Selling costs". Recoveries of previous impairment losses are credited to selling costs in the income statement. Since the Group consists of more than 180 operating companies, the item trade accounts receivable consists of many small amounts. The subsidiaries have close contact with their customers, and thus valuation of trade accounts receivable does not pose any difficulty. The risk is lower, and the subsidiaries can act quickly if a customer does not pay in accordance with the terms and conditions. See also note 2. Since Indutrade's trade accounts receivable normally have a remaining term of less than six months, the carrying amount is considered to reflect the fair value.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand. Drawn bank overdraft facilities are stated on the balance sheet under the item "Current interest-bearing liabilities".

Trade accounts payable

Trade accounts payable are initially stated at fair value and thereafter at amortised cost using the effective interest method. Since Indutrade's trade accounts payable normally have a remaining term of less than six months, the carrying amount is considered to reflect fair value.

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 stated 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 normally uses an acquisition structure consisting of basic consideration and contingent consideration. At 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/expense. Contingent consideration is reported as current if it is payable within 12 months from the balance sheet date.

Derivative instruments

Derivative instruments are reported at fair value on the balance sheet as per the contract date, both initially and for subsequent revaluations. The method for reporting the gain or loss that arises in connection with revaluation depends on whether the derivative instrument has been identified as a hedge instrument and, if such is the case, the nature of the item that has been hedged. The Group identifies certain derivatives as a hedge of a particular risk that is coupled to a reported asset or liability, or a very probable, prognosticated transaction (cash flow hedge). The Group's other derivatives consist of forward contracts. Realised and unrealised gains and losses as a result of changes in fair value are included in the income statement during the period in which they arise. Gains and losses arising from forward cover of payments in foreign currencies are posted as other operating income/expense, and the earnings effect of forward contracts used to hedge loans is reported among 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. Presently Indutrade uses interest rate swaps to hedge borrowings at variable interest rates. The gain or loss that is attributable to the ineffective portion is reported 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 interest payment that is hedged 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 has been reported in equity is immediately transferred to financial items in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or have not been classified in any other category. These are included in non-current assets unless management 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 carrying amount is not considered to deviate noticeably from the fair value.

FINANCIAL INCOME AND EXPENSE

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

Financial expenses consist of interest expenses on loans, effects of the dissolution of discounted contingent consideration, losses on hedge instruments recognised in profit for the year, and banking charges.

Interest income and expenses are reported in accordance with the effective interest method. Dividend income is recognised when the right to payment has been determined.

PROVISIONS

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.

CONTINGENT LIABILITIES

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 of resources will be required to settle the obligation.

LEASES

IAS 17 defines a lease as an agreement whereby a lessor conveys to the lessee in return for a payment or series of payments 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 carried on 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 on the balance sheet under long-term and short-term borrowings. Non-current assets held under finance leases are depreciated during the shorter of the asset's useful life or lease period.

Assets leased under operating leases are not carried as assets on the consolidated balance sheet; nor do operating leases give rise to any liability. Lease payments are expensed on a linear basis over the lease period as operating expenses.

SEGMENT REPORTING

The Group applies IFRS 8. 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.

TAXES

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 on 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 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.

EMPLOYEE BENEFITS

Pension obligations

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. 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 in countries in which such a market exists or, alternatively, mortgage bonds with maturities that correspond to the pension obligations and currency.

Actuarial gains and losses arising from experience 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 past service 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. The contributions are reported as payroll cost when they are due for payment.

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 cost 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.

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 "Other intangible assets" in note 14. 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.

REVENUE RECOGNITION

The Group recognises revenue when its amount can be measured in a reliable manner and it is probable that future economic benefit will accrue to the Company. Revenue is recognised excluding value added tax and discounts. The Group's sales consist in all essential respects of sales of products. Revenue from sales of products is recognised when ownership, i.e., the benefits and risks, has been transferred to the buyer. The date on which ownership is transferred is regulated in most sales made by the Group in written agreements with the buyer. For the small portion of sales that pertain to sales of services, revenue is recognised when the services are rendered.

Interest income is recognised taking into account accrued interest on the balance sheet date. Dividend income is recognised when the right to receive payment has been determined.

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 (note 14) and employee benefit–based pension obligations (note 23). 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.

Impairment testing of non-financial assets

Each year an impairment test is conducted to determine if there is any need to recognise impairment of non-financial assets. The recoverable value for cash-generating units has been determined by calculating value in use. For these calculations, certain assumptions must be made. These are shown in note 14.

Valuation of pension obligations

In calculating the liability on the balance sheet pertaining to defined benefit pension plans, various assumptions have been made, as described in note 23.

The discount rate for defined benefit pension plans in the Netherlands and Switzerland has been determined through reference to the market rate of return for high-quality corporate bonds. For calculations of defined benefit pension obligations in Sweden, as from 2011 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.

If the discount rate were to be lowered by 1 percentage point, the PRI liability would increase by SEK 23 million, including payroll tax, and other defined benefit plans would increase by SEK 77 million. If the discount rate were to be increased by 1 percentage point, the PRI liability would decrease by SEK 18 million, including payroll tax, and other defined benefit plans would decrease by SEK 65 million.

PARENT COMPANY

The Parent Company has prepared its annual report 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 recommendations indicate 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 in the Parent Company in accordance with the same principles as dividends received, i.e., as financial income. Group contributions rendered by the Parent Company to a subsidiary are reported in the Parent Company income statement. The Parent Company thus reports Group contributions net.

Note 2 RISKS AND RISK MANAGEMENT

MARKET RISKS

The Indutrade Group conducts business in 25 countries. This geographic spread along with a large number of customers and products provides relatively limited risk exposure and sensitivity to economic fluctuations. The Group's operations are conducted with two main focuses: trading companies with industrial technology sales, and companies that manufacture their own products.

For the companies involved in trading, there is the risk of an agency relationship being terminated. This could occur, for example, in connection with a structural change at the supplier level. This is a natural occurrence in an agency's operations, and the organisation has experience in dealing with this. Indutrade has more than 100 trading companies with a few main agencies per company, complemented with a number of smaller agencies. Because of the large number of agencies, no individual agency accounts for a decisive economic risk from the Group's perspective.

The risk associated with major customers deciding to bypass the agency level and trade directly with the producers is limited, since customers place great value on the technical expertise, availability and delivery reliability provided by an inventory-holding local technology sales company such as Indutrade. Indutrade's companies also provide aftermarket services such as servicing.

FINANCIAL RISKS

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

- Financing risk
- Interest rate risk
- Currency risk
- Customer and counterparty risk

Finance policy

Indutrade's board of directors adopts 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 should be handled within the Group and the restrictions that should be considered in terms of counterparties.

Funding risk

By funding risk is meant the risk that funding of the Group's capital requirement will be impeded or become more expensive. This is mitigated as far as possible by ensuring that the Company has a maturity structure that creates conditions to take necessary alternative actions to raise capital should this be necessary.

Indutrade takes a central approach to the Group's funding. 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. Group account systems are established in Sweden, Finland, Norway, Denmark and the Netherlands.

At year-end 2012 the Parent Company had external interest-bearing loans worth SEK 1,884 million (1,205). The corresponding amount for the Group was SEK 2,415 million (1,765). The Group's interest-bearing net debt was SEK 2,339 million at year-end, compared with SEK 1,656 million a year earlier.

At year-end 2012 the Group had SEK 243 million (264) in cash and cash equivalents and SEK 896 million (710) in unutilised overdraft facilities. Of the Group's interest-bearing loans, 41% of the total amount falls due for payment after 31 December 2013. For a more detailed analysis of maturities, see the description of the Group's borrowings in note 22.

The Group strives to strike 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, should normally not exceed 100%. At year-end the debt/equity ratio was 102% (80%).

Interest rate risk

By interest rate risk is meant the risk that unfavourable changes in interest rates will have an excessive impact on the Group's net financial items and earnings. At year-end 2012, as in the preceding year, most of the Group's loans carried variable rates of interest.

The Parent Company has entered into contracts to hedge SEK 800 million of its borrowing at variable interest to fixed interest for five years. Of this amount, SEK 500 million is due in 2015 and SEK 300 million is due in 2016. The difference between the fixed and variable interest is expensed in the income statement. During the year, valuation of the interest rate swaps resulted in a loss of SEK 12 million (27) before tax, which is recognised in other comprehensive income.

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 20 million (15), without taking into account the loans' fixed interest periods. Taking into account the existing fixed interest periods, the effect would be approximately SEK 12 million (7). Profit after tax would be affected by SEK -9 million (-5).

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

For information on the utilisation of bank overdraft facilities and granted credit limits, see note 22.

Maturity dates for loans and contingent earn-out payments:	Group 2012	Group 2011	Parent company 2012	Parent company 2011
Maturity 2012	–	1,135	–	712
Maturity 2013	1,519	347	1,137	251
Maturity 2014	186	48	106	12
Maturity 2015	388	20	356	12
Maturity 2016	421	319	389	301
Maturity 2017 or later	28	0	–	–
Total borrowings incl. interest, SEK million	**2,542**	**1,869**	**1,988**	**1,288**

Currency risk

By currency risk is meant the risk of unfavourable movements in exchange rates affecting consolidated earnings 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. Exchange rate effects are eliminated as far as possible by using currency clauses in customer contracts and by buying and selling in the same currency. In special cases, forward contracts are used. Indutrade therefore considers its transaction exposure to be limited.

The consolidated income statement includes SEK 1 million (-3), net, in exchange rate differences in operating profit and SEK -1 million (-2), net, in financial items.

With respect to transaction exposure, at 31 December 2012 Indutrade had net exposure of SEK 9 million in foreign currency (-47). See the breakdown of currencies in the following table.

NET EXPOSURE AT YEAR-END

GROUP

in millions	2012 local currency	2012 SEK	2011 local currency	2011 SEK
EUR	-2.9	-25	-3.8	-34
GBP	-0.8	-8	-2.5	-27
USD	5.3	35	2.6	18
CHF	-0.8	-6	-1.2	-9
DKK	9.6	11	5.8	7
Other currencies		2		-2

At year-end the Group had outstanding forward contracts worth SEK 178 million (69) to reduce the currency risk associated with future flows, of which SEK 10 million (14) pertains to EUR, and SEK 168 million (55) pertains to USD. The contracts in EUR expire within 10 months from year-end, while the USD contracts expire within 25 months. A market valuation of outstanding forward contracts as per 31 December 2012 has resulted in an unrealised loss (loss) of SEK -1 million (-1), which is recognised in other comprehensive income.

In addition, the Parent Company has hedged outstanding receivables from subsidiaries. Forward contracts have been taken out for the following currencies and amounts: DKK – SEK 14 million (28); NOK – SEK 34 million (1); GBP – SEK 20 million (20); CHF – SEK 37 million (44); SGD – SEK 9 million (19); EUR – SEK 308 million (154); PLN - SEK 13 million (-); and RUR - SEK 7 million (-). All contracts have a term of less than one year.

The Group is exposed to a translation risk associated with translation of the accounts of foreign subsidiaries into the Group currency, SEK. This type of currency risk is not hedged. Net investments in foreign subsidiaries at year-end are shown in the following table. Indutrade also had net investments in other currencies in both 2012 and 2011, but the amounts were insignificant.

NET INVESTMENTS IN FOREIGN SUBSIDIARIES

GROUP

Net exposure in millions	2012 Local currency	2012 SEK	2011 Local currency	2011 SEK
EUR	75.5	651	74.5	666
CHF	30.8	219	26.7	196
DKK	71.3	82	79.7	81
GBP	7.8	82	7.3	78
LKR	1,490	76	2,381	145
NOK	65.5	76	81.2	93

Indutrade estimates that the Company's translation exposure entails that a 1% weakening/strengthening in the value of the Swedish krona vs. other currencies would result in a yearly positive/negative effect corresponding to approximately SEK 54 million (49) on net sales and approximately SEK 4 million (7) on net profit. The effect of a 1% change on equity would amount to SEK 13 million (13).

Customer and counterparty risks

Credit risks in the treasury management activities arise in connection with investments of cash and cash equivalents, and as counterparty risks 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.

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. Indutrade's exposure to individual customers is small, and the risk spread is considered to be favourable. No single customer accounts for more than 3% (3%) of consolidated sales. The Indutrade Group does business in many countries, which entails a spread of credit risk exposure over several geographic areas. For information on sales and profit per geographic area, see note 3.

For information on age analysis, provisions for impaired trade accounts receivable and customer losses, see note 19.

CALCULATION OF FAIR VALUE

The table below shows financial instruments at fair value, based on the classification of the fair value hierarchy. The various levels are defined as follows:
1. Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
2. Other observable data for assets and liabilities than quoted prices included in level 1, either directly (i.e., through price listings) or indirectly (i.e., stemming from price listings) (level 2)
3. Data for the asset or liability that is not based on observable market data (i.e., non-observable market data) (level 3)

THE GROUP'S ASSETS AND LIABILITIES AT FAIR VALUE AS PER 31 DECEMBER 2012

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	–	–	6	6
Derivative instruments held for hedging purposes	2	–	–	2
Liabilities				
Derivative instruments held for hedging purposes	29	–	–	29

THE GROUP'S ASSETS AND LIABILITIES AT FAIR VALUE AS PER 31 DECEMBER 2011

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	–	–	6	6
Derivative instruments held for hedging purposes	2	–	–	2
Liabilities				
Derivative instruments held for hedging purposes	15	–	–	15

Note 3 SEGMENT REPORTING

Through 31 December 2012 the Group was organised in four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products, which constitute the Group's operating segments. The Group's business areas conduct business primarily in the Nordic countries and northern Europe.

The Engineering & Equipment business area offers customised niche products, design solutions, aftermarket service and special processing. Products consist primarily of hydraulics and pneumatics, industrial equipment, flow products, transmissions and measuring instruments.

The Flow Technology business area offers components and systems for regulating, controlling and monitoring flows. Products consist primarily of valves, pumps, measuring and analysis instruments, pipe systems, hydraulics, compressors and service.

The Industrial Components business area offers a wide range of technically advanced components and systems for production and maintenance. The product areas consist mainly of fasteners, mechanical components, pumps, lubricants, rust and corrosion prevention products, adhesives and chemical technology products, cutting tools, transmissions and automation, medical technology products, filters and process technology products.

The Special Products business area offers custom-fabricated niche products, design solutions, aftermarket service, assembly and special processing. The product areas are primarily valves, electrical components, glass, technical ceramics, measurement technology products, special plastics, filter and process technology, industrial springs, piston rings and hydraulics.

According to IFRS, the part of operations that does not constitute its own operating segment is to be called "Other". At Indutrade, only the Parent Company has a 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 followed up 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 metric that is followed up in Indutrade is EBITA. The table below also shows "Profit before tax", as required by IFRS.

The business areas are followed up using the same accounting principles as the Group.

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.

Investments in non-current assets include purchases of intangible assets (note 14), and property, plant and equipment (note 15).

The principle for breaking down external revenue and non-current assets per geographic area in the tables below is that such reporting is based on the location of the subsidiary's registered office.

The products that Indutrade sells can be broken down into roughly 20 product categories. The largest, valves, accounted for 26% of net sales in 2012, or SEK 2,197 million (2,168). Hydraulics and industrial equipment accounted for 16%, or SEK 1,311 million (1, 361), and measurement technology for 14%, or SEK 1,148 million (1,128). Other product categories each accounted for 7% or less of net sales.

Starting on 1 January 2013, the Indutrade Group is organised in five, instead of four, business areas. The change was carried out by splitting away a grouping of companies in the area of Fluids & Mechanical Solutions from the Special Products business area, forming a separate business area. In connection with this, a number of companies have been moved between the Group's various business areas. The motive for the changes is to strengthen focus and thus the conditions for continued growth in the Group. Pro forma data for the 2011 and 2012 financial years, according to the new structure, is provided below.

INDUTRADE'S OPERATING SEGMENTS ACCORDING TO BUSINESS AREA STRUCTURE THROUGH 31/12 2012

2012	EE	FT	IC	SP	PC	Elim.	Total
Net sales	1,584	2,015	1,531	3,308	3	-57	8,384
Operating profit	106	165	146	429	-47	-2	797
Net financial items	-7	-20	-8	-25	625	-652 1)	-87
Profit before tax	99	145	138	404	578	-654 1)	710
Amortisation of intangible assets	-17	-22	-20	-59	0	–	-118
EBITA	117	186	165	486	-47	-2	905
EBITA margin, %	7.4	9.2	10.8	14.7	–	–	10.8
Depreciation of property, plant and equipment	-8	-22	-18	-59	0	–	-107
Sales growth, %	2	4	3	8	–	–	5
Operating capital	497	964	732	2,631	1,582	-1,777 1)	4,629
Return on operating capital, %	24	20	26	21	–	–	22
Investments in non-current assets	23	28	22	76	0	–	149
Total assets	725	1,534	1,187	3,594	4,299	-4,804 1)	6,535
Total liabilities	471	1,266	740	1,518	2,624	-2,374 1)	4,245

2011	EE	FT	IC	SP	PC	Elim.	Total
Net sales	1,560	1,930	1,488	3,052	4	-40	7,994
Operating profit	112	200	153	401	-43	-1	822
Net financial items	-7	-21	-6	-23	728	-764 1)	-93
Profit before tax	105	179	147	378	685	-765 1)	729
Amortisation of intangible assets	-14	-21	-15	-53	-1	–	-104
EBITA	121	221	167	452	-43	-1	917
EBITA margin, %	7.8	11.5	11.2	14.8	–	–	11.5
Depreciation of property, plant and equipment	-8	-20	-17	-57	0	–	-102
Sales growth, %	16	18	6	27	–	–	19
Operating capital	438	807	483	2,041	1,198	-1,247 1)	3,720
Return on operating capital, %	27	25	32	23	–	–	25
Investments in non-current assets	19	32	28	92	0	–	171
Total assets	687	1,518	924	2,840	3,334	-3,838 1)	5,465
Total liabilities	429	1,267	610	1,162	1,798	-1,865 1)	3,401

Through 31 December 2012
EE – Engineering & Equipment
FT – Flow Technology
IC – Industrial Components
SP – Special Products
PC – Parent Company

1) Pertains mainly to elimination of the Parent Company's dividends from subsidiaries, shares in subsidiaries and loans to and from subsidiaries.

Starting on 1 January 2012, a couple of companies within Indutrade Group, changed between business areas. The comparative year has been adjusted.

INDUTRADE'S OPERATING SEGMENTS ACCORDING TO BUSINESS AREA STRUCTURE AS FROM 1/1 2013 PRO FORMA

2012	EE	FT	FM	IC	SP	PC	Elim.	Total
Net sales	1,325	2,123	1,020	1,531	2,444	3	-62	8,384
Operating profit	94	174	105	146	327	-47	-2	797
Net financial items	-7	-20	-2	-8	-24	625	-651[1]	-87
Profit before tax	87	154	103	138	303	578	-653[1]	710
Amortisation of intangible assets	-16	-23	-19	-20	-40	0	–	-118
EBITA	105	196	125	165	364	-47	-3	905
EBITA margin, %	7.9	9.2	12.3	10.8	14.9	–	–	10.8
Depreciation of property, plant and equipment	-7	-22	-17	-18	-43	0	–	-107
Sales growth, %	2	4	1	3	11	–	–	5
Operating capital	458	980	608	732	2,057	1,582	-1,788[1]	4,629
Return on operating capital, %	23	21	20	26	21	–	–	22
Investments in non-current assets	22	28	16	22	61	0	–	149
Total assets	641	1,574	923	1,187	2,735	4,299	-4,824[1]	6,535
Total liabilities	444	1,290	370	740	1,170	2,624	-2,393[1]	4,245

2011	EE	FT	FM	IC	SP	PC	Elim.	Total
Net sales	1,304	2,032	1,007	1,489	2,206	4	-48	7,994
Operating profit	105	204	115	153	288	-43	0	822
Net financial items	-7	-21	-3	-6	-20	728	-764[1]	-93
Profit before tax	98	183	112	147	268	685	-764[1]	729
Amortisation of intangible assets	-13	-22	-19	-15	-34	-1	–	-104
EBITA	114	225	134	168	320	-43	-1	917
EBITA margin, %	8.7	11.1	13.3	11.3	14.5	–	–	11.5
Depreciation of property, plant and equipment	-7	-21	-16	-16	-42	0	–	-102
Sales growth, %	16	19	13	6	34	–	–	19
Operating capital	392	824	565	484	1,518	1,198	-1,261[1]	3,720
Return on operating capital, %	29	25	23	32	23		–	25
Investments in non-current assets	17	34	27	28	65	0	–	171
Total assets	601	1,555	882	925	2,022	3,334	-3,854[1]	5,465
Total liabilities	400	1,286	381	609	802	1,798	-1,875[1]	3,401

As from 1 January 2013
EE – Engineering & Equipment
FT – Flow Technology
FM – Fluids & Mechanical Solutions
IC – Industrial Components
SP – Special Products
PC – Parent Company

1) Pertains mainly to elimination of the Parent Company's dividends from subsidiaries, shares in subsidiaries and loans to and from subsidiaries.

REVENUE FROM EXTERNAL CUSTOMERS PER GEOGRAPHIC AREA

GROUP

	2012	2011
Sweden	3,337	3,201
Finland	1,646	1,643
Benelux	992	784
Denmark and Norway	762	757
Other world	1,647	1,609
Total	**8,384**	**7,994**

Based on where the Group's legal companies have their registered offices.

NON-CURRENT ASSETS PER GEOGRAPHIC AREA

GROUP

	2012	2011
Sweden	2,081	1,412
Finland	254	209
Benelux	191	206
Other world	620	589
Total	**3,146**	**2,416**

Based on where the Group's legal companies have their registered offices, excluding financial assets. The information on page 3 is based on where the customers are located.

Note 4 OTHER OPERATING INCOME/EXPENSES

	Group		Parent Company	
	2012	2011	2012	2011
Other operating income				
Exchange rate gains	40	30	1	0
Revaluation of loans pertaining to contingent consideration	9	-	–	–
Gain on sale of subsidiary	13	-	–	-
Other	7	5	–	-
	69	**35**	**1**	**0**
Other operating expenses				
Exchange rate losses	-39	-33	-2	0
Transaction costs for acquisitions	-2	-2	–	–
Other[1)]	-22	-2	–	–
	-63	**-37**	**-2**	**0**
Other operating income/expenses	**6**	**-2**	**-1**	**0**

1) Mainly nonrecurring expenses.

Note 5 AVERAGE NUMBER OF EMPLOYEES

	2012		2011	
	Average no. employees	Of whom, women	Average no. employees	Of whom, women
Parent Company	10	6	9	5
Subsidiaries in Sweden	1,216	253	1,111	213
Total Sweden	**1,226**	**259**	**1,120**	**218**
Subsidiaries outside Sweden	**2,713**	**525**	**2,658**	**734**
Group total	**3,939**	**784**	**3,778**	**952**

The Parent Company's board is composed of one woman and six men, which is the same as in the preceding year. The subsidiaries' boards of directors and management include four women (2011: three women). There are no women in the Parent Company's management.

Note 6 WAGES, SALARIES AND OTHER REMUNERATION, AND SOCIAL SECURITY COSTS

	2012			2011		
	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	18	11	4	17	11	4
Subsidiaries in Sweden	530	241	59	467	212	52
Total Sweden	**548**	**252**	**63**	**484**	**223**	**56**
Subsidiaries outside Sweden	**846**	**165**	**91**	**802**	**153**	**85**
Group total	**1,394**	**417**	**154**	**1,286**	**376**	**141**

Of the Parent Company's pension costs, SEK 2 million (2) pertains to the Board of Directors and President.

The corresponding amount for the Group is SEK 26 million (24).

WAGES, SALARIES AND OTHER REMUNERATION BROKEN DOWN BY COUNTRY AND BETWEEN THE COMPANIES' MANAGEMENT AND OTHER EMPLOYEES

	2012			2011		
	Companies' management	Of which, bonuses and similar	Other employees	Companies' management	Of which, bonuses and similar	Other employees
Parent Company	8	1	10	8	2	9
Subsidiaries in Sweden	63	3	467	53	9	414
Total Sweden	**71**	**4**	**477**	**61**	**11**	**423**
Subsidiaries outside Sweden	**90**	**9**	**756**	**75**	**9**	**727**
Group total	**161**	**13**	**1,233**	**136**	**20**	**1,150**

WAGES, SALARIES AND REMUNERATION OF SENIOR EXECUTIVES

Information provided at the 2012 Annual General Meeting pertaining to the 2012 financial year

The Chairman and members of the Board of Directors are paid a fee in accordance with a resolution by the Annual General Meeting. According to the current AGM resolution, a fee of SEK 450,000 is payable to the Chairman. A fee of SEK 225,000 is payable to each of the other non-executive directors, and a fee of SEK 50,000 is payable to the Audit Committee chair.

Compensation for the CEO and other senior executives consists of a base salary, variable compensation, other benefits and pension. By other senior executives is meant five persons: the Chief Financial Officer (CFO), three business area presidents and the Group Controller.

Senior executives employed by the subsidiaries receive their compensation from the respective subsidiaries. For the CEO 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 3–7 months' salaries, or 25%–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 CEO is 65. In addition to statutory retirement benefits, Indutrade is to pay pension premiums – excluding premiums for disability insurance and waiver of premium protection – corresponding to 35% of his base salary.

The CEO 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 retirement benefits corresponding to an average of 32% of their respective base salaries. The retirement age is 65. Earned retirement benefits are not conditional upon future employment by Indutrade.

Terms of notice

In the event of the Company serves notice, the CEO is entitled to a 24-month notice period with retained employment benefits. For notice given by the CEO, a six-month notice period applies. For other senior executives, a notice period of 6–24 months applies for notice served by the respective companies, depending on the employee's age. Salary paid out during the notice period is not deducted from other income.

Incentive programmes

In May 2010, the Board of Directors of Indutrade, in co-operation with AB Industrivärden and pursuant to a resolution by the Annual General Meeting, directed an offer to senior executives to participate in an incentive programme. The aim of the programme is to promote management's long-term commitment and involvement in the Company. The programme remains in effect through 31 October 2013.

Within this programme, 49 senior executives have acquired a combined total of 358,000 stock options, issued by AB Industrivärden, and 10,000 shares. Indutrade pays a subsidy of SEK 22 for every purchased stock option and share under the condition that the participants continue to be employed and that they have not sold their purchased stock options/shares at the time of payment of the subsidy. Half of the subsidy was paid out by the Company to the participants in December 2011, and the rest will be paid out in June 2013. The total cost for the Company will amount to approximately SEK 9 million, corresponding to approximately SEK 3 million per year.

The Board's proposed principles for compensation and other terms of employment for members of the executive management, to be presented to the 2013 Annual General Meeting

By executive management is meant in this context the President and CEO, the Chief Financial Officer, the business area presidents, and the Group Controller. Indutrade shall apply compensation levels and terms of employment necessary to be able to recruit and retain management with high qualifications and the capacity to achieve set objectives.

The forms of compensation shall motivate members of the executive 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 executive management shall normally consist of a fixed and a variable portion. The variable portion shall reward clear, goal-related results and improvements to these in simple, transparent structures and shall have a cap.

Fixed salary for members of the executive 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 compensation component for members of the executive management shall normally not exceed 7 months' salary and shall be coupled to the achievement of the goals related to improve the Company's and respective business areas' level of earnings, and the Group's growth. Variable compensation for members of the executive management can amount to a maximum of approximately SEK 7 million at 2012 salary levels.

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 results of operations 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 purchases of instruments issued within the scope of incentive programmes. Such cash compensation shall normally not exceed 20% of the executive's fixed salary.

Non-monetary benefits for members of the executive 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 executive 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.

Severance pay for members of executive 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 deals with 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 executive management, for decision by the Board. The CEO consults with the Remuneration Committee regarding the terms of employment for other members of the executive management.

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

COMPENSATION AND OTHER BENEFITS, 2012

SEK 000s	Base salary/ directors' fees	Variable compensation[1]	Other benefits	Pension cost	Total
Bengt Kjell, Chairman of the Board	450	–	–	–	450
Eva Färnstrand, Director	225	–	–	–	225
Michael Bertorp, Director, Audit Committee chair	275	–	–	–	275
Martin Lindqvist, Director	225	–	–	–	225
Ulf Lundahl, Director	225	–	–	–	225
Krister Mellvé, Director	225	–	–	–	225
Johnny Alvarsson, President and CEO	5,520	1,051	100	2,012	8 ,683
Other senior executives (5 persons)	9,771	859	512	3,145	14,287
Total	**16,916**	**1,910**	**612**	**5,157**	**24,595**

[1] Incl. compensation for senior executives participating in the incentive programme described above.

COMPENSATION AND OTHER BENEFITS, 2011

SEK 000s	Base salary/ directors' fees	Variable compensation[1]	Other benefits	Pension cost	Total
Bengt Kjell, Chairman of the Board	450	–	–	–	450
Eva Färnstrand, Director	225	–	–	–	225
Michael Bertorp, Director, Audit Committee chair	275	–	–	–	275
Martin Lindqvist, Director	225	–	–	–	225
Ulf Lundahl, Director	225	–	–	–	225
Mats Olsson, Director	225	–	–	–	225
Johnny Alvarsson, President and CEO	4,920	1,745	100	1,791	8,556
Other senior executives (5 persons)	8,597	2,822	492	2,826	14,737
Total	**15,142**	**4,567**	**592**	**4,617**	**24,918**

[1] Incl. compensation for senior executives participating in the incentive programme described above.

Note 7 DEPRECIATION AND AMORTISATION

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT AND AMORTISATION OF INTANGIBLE NON-CURRENT ASSETS ARE INCLUDED IN THE FOLLOWING FUNCTIONS IN THE FOLLOWING AMOUNTS:

	Group		Parent Company	
	2012	2011	2012	2011
Cost of goods sold	148	136	–	-
Development costs	7	3	–	-
Selling costs	50	47	–	-
Administrative expenses	20	20	0	1
Total	**225**	**206**	**0**	**1**

Note 8 OPERATING LEASES

	Group		Parent Company	
	2012	2011	2012	2011
Lease payments expensed during the year:	**143**	**123**	**1**	**1**
Future contracted lease payments				
Maturity year 1	141	123	1	1
Maturity year 2	120	100	2	2
Maturity year 3	91	81	2	2
Maturity year 4	66	61	1	2
Maturity year 5	43	47	–	1
Maturity year 6-	61	55	–	–
Total future lease payments	**522**	**467**	**6**	**8**

Operating leases in the Parent Company and Group pertain primarily to premises.

Note 9 FINANCIAL INCOME

	Group		Parent Company	
	2012	2011	2012	2011
Interest	9	6	39	29
Exchange rate differences	2	6	2	3
Other	1	0	–	–
Total	**12**	**12**	**41**	**32**
Of which, pertaining to Group companies:				
Interest	–	–	36	28

Note 10 FINANCIAL EXPENSES

	Group		Parent Company	
	2012	2011	2012	2011
Interest expenses, bank loans	-71	-76	-62	-61
Interest expenses, pension liability	-9	-7	–	–
Interest expenses, finance leases	-2	-2	0	0
Interest expenses, earn-out payments	-8	-8	-4	-5
Total interest expenses	**-90**	**-93**	**-66**	**-66**
Exchange rate differences	-3	-8	-1	-1
Other	-6	-4	-5	-4
Total financial expenses	**-99**	**-105**	**-72**	**-71**
Of which, pertaining to Group companies:				
Interest	–	–	-6	-6

Note 11 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY

	2012	2011
Dividends from subsidiaries	375	266
Capital gain on sale of subsidiary	10	–
Impairment of shares in subsidiaries	-45	–
Group contributions, net	316	501
Total	**656**	**767**

Note 12 TAXES

	Group		Parent Company	
	2012	2011	2012	2011
Tax expense				
Current tax	-190	-209	-49	-82
Deferred tax	46	21	1	0
Other tax	-1	-1	–	–
Total	**-145**	**-189**	**-48**	**-82**

The Group's tax expense amounts to 20.4% (25.9%) of consolidated profit before tax. The difference between the reported tax expense and anticipated tax expense (weighed average tax based on national tax rates) is explained below.

	Group		Parent Company	
	2012	2011	2012	2011
Profit before tax	710	729	516	579
Weighed average tax based on national tax rates (Group 23.5% and 25.0%, respectively, and Parent Company 26.3% and 26.3%, respectively)	-167	-182	-136	-152
Tax effect of:				
Non-deductible interest expenses on discounted earn-out payments	-2	-2	-1	-1
Non-deductible transaction costs for acquisitions	0	0	0	–
Non-taxable earn-out payments recognised as income	2	–	–	–
Other non-deductible expenses/non-taxable income	-7	-6	89	71
Utilisation of loss-carry-forward where tax was not previously reported	0	1	–	–
Adjustment pertaining to tax rate in previous years	-3	0	–	–
Change in tax rate	30	1	0	–
Other items	2	-1	–	–
Total	**-145**	**-189**	**-48**	**-82**
	20,4%	25,9%	**9,3%**	14,2%

The corporate tax rate in Sweden was lowered from 26.3% to 22%, effective 1 January 2013. Deferred tax liabilities and deferred tax assets have been recalculated, resulting in a tax revenue of SEK 30 million.

The loss-carry forward amounts to SEK 10 million (8). Deferred tax assets in temporary differences and loss-carry forward whose value has not been calculated amount to SEK 3 million (0).

Substantial dividends may be recognised without withholding tax.

In applying IFRS, Indutrade has utilised the option to report the total effect of actuarial gains and losses related to pensions in other comprehensive income. At the end of the financial year, the deferred tax asset for this was SEK 13 million (11).

GROUP

	Intangible non-current assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
As per 1 Jan. 2012						
Deferred tax, net	**-179**	**-27**	**-45**	**17**	**11**	**-223**
1 Jan.-31 Dec. 2012						
Deferred tax as per income statement	29	-1	-16	1	3	16
Change in tax rate affecting income statement	19	1	10	0	0	30
Deferred tax recognised in other comprehensive income	–	–	–	2	2	4
Deferred tax attributable to acquisitions	-98	-7	-13	1	0	-117
Reclassification	1	2	-3	–	–	0
Exchange rate differences	1	0	0	-1	0	0
Deferred tax, net	**-227**	**-32**	**-67**	**20**	**16**	**-290**
As per 31 Dec. 2012						
Deferred tax asset	3	1	–	20	16	40
Deferred tax liability	-230	-33	-67	0	0	-330
Deferred tax, net	**-227**	**-32**	**-67**	**20**	**16**	**-290**

GROUP

	Intangible non-current assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
As per 1 Jan. 2011						
Deferred tax, net	**-154**	**-25**	**-43**	**19**	**6**	**-197**
1 Jan.-31 Dec. 2011						
Deferred tax as per income statement	23	-2	-1	1	0	21
Change in tax rate affecting income statement	1	0	–	0	–	1
Deferred tax recognised in other comprehensive income	–	–	–	-4	8	4
Deferred tax attributable to acquisitions	-49	–	-1	1	-2	-51
Exchange rate differences	0	0	–	0	-1	-1
Deferred tax, net	**-179**	**-27**	**-45**	**17**	**11**	**-223**
As per 31 Dec. 2011						
Deferred tax asset	2	1	–	17	8	28
Deferred tax liability	-181	-28	-45	0	3	-251
Deferred tax, net	**-179**	**-27**	**-45**	**17**	**11**	**-223**

PARENT COMPANY

	Pension obligations	Other items	Total tax
As per 1 Jan. 2012			
Deferred tax, net	**1**	**-1**	**0**
1 Jan.-31 Dec. 2012			
Deferred tax as per income statement	0	1	1
Deferred tax, net	**1**	**0**	**1**
As per 31 Dec. 2011			
Deferred tax asset	1	0	1
Deferred tax liability	–	–	–
Deferred tax, net	**1**	**0**	**1**

PARENT COMPANY

	Pensions-förpliktelser	Övriga poster	Summa skatt
As per 1 Jan. 2011			
Deferred tax, net	**–**	**0**	**0**
1 Jan.-31 Dec. 2011			
Deferred tax as per income statement	1	-1	0
Deferred tax, net	**1**	**-1**	**0**
As per 31 Dec. 2011			
Deferred tax asset	1	-1	0
Deferred tax liability	–	–	–
Deferred tax, net	**1**	**-1**	**0**

Of the deferred tax liabilities, SEK 28 million will be dissolved in 2013. The calculation is based on estimated depreciation of acquisition calculations in coming years.

Note 13 AUDITORS' FEES

	Group		Parent Company	
	2012	2011	2012	2011
PricewaterhouseCoopers				
Auditing assignment	8	8	1	1
Auditing activities in addition to auditing assignment	2	2	0	0
Tax consulting	1	2	0	0
Other services	1	1	0	0
Total fees PricewaterhouseCoopers	**12**	**13**	**1**	**1**
Other auditing firms				
Auditing fees	2	2		

Other auditing firms refers to several auditing firms where none account for a significant amount in 2012 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.

Note 14 INTANGIBLE ASSETS

GROUP

	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
As per 1 Jan. 2011						
Cost	714	837	172	55	23	1,801
Accumulated amortisation and impairment charges	-2	-288	–	-26	-12	-328
Book value	**712**	**549**	**172**	**29**	**11**	**1,473**
1 Jan.–31 Dec. 2010						
Opening book value	712	549	172	29	11	1,473
Exchange rate differences	0	0	1	0	0	1
Investments during the year	–	–	–	8	10	18
Company acquisitions	98	177	34	0	4	313
Sales and disposals	–	–	–	-2	-1	-3
Reclassification	–	-8	–	8	–	–
Adjustment of preliminary acquisition calculation	12	–	–	–	–	12
Amortisation (note 7)	–	-94	–	-9	-1	-104
Closing book value	**822**	**624**	**207**	**34**	**23**	**1,710**
As per 31 Dec. 2011						
Cost	824	990	207	79	38	2,138
Accumulated amortisation and impairment charges	-2	-366	–	-45	-15	-428
Book value	**822**	**624**	**207**	**34**	**23**	**1,710**

	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
1 Jan.–31 Dec. 2012						
Opening book value	822	624	207	34	23	1, 710
Exchange rate differences	-8	-4	-1	-1	-3	-17
Investments during the year	–	–	–	13	14	27
Company acquisitions	378	381	32	0	11	802
Sales and disposals	–	–	–	0	–	0
Reclassification	–	–	–	3	–	3
Adjustment of preliminary acquisition calculation	-2	–	–	–	–	-2
Amortisation (note 7)	–	-108	–	-9	-1	-118
Closing book value	**1,190**	**893**	**238**	**40**	**44**	**2,405**
As per 31 Dec. 2012						
Cost	1,192	1,363	238	88	67	2,948
Accumulated amortisation and impairment charges	-2	-470	–	-48	-23	-543
Book value	**1,190**	**893**	**238**	**40**	**44**	**2,405**

TESTING FOR IMPAIRMENT OF GOODWILL

Goodwill is not amortised continuously; instead, the value is tested at least yearly for impairment in accordance with IAS 36. Testing was conducted most recently in December 2012.

Goodwill is apportioned over cash-generating units, which for Indutrade are equated with segments.

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 2013 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. The cash flows have been discounted with a weighed cost of capital that corresponds to approximately 14% (14%) before tax. The calculation shows that value in use exceeds the carrying amount. Thus the result of the impairment test is that there was no need to recognise impairment. A sensitivity analysis shows in general that the 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 trade-marks at the segment level in accordance with the same principles and at the same point in time as for goodwill. No events or changed conditions have been identified that warrant impairment testing for other intangible non-current assets that are amortised.

GROUP BREAKDOWN OF GOODWILL AT SEGMENTAL LEVEL

	2012	2011
Engineering & Equipment	125	103
Flow Technology	210	195
Industrial Components	154	77
Special Products	701	447
Total	**1,190**	**822**

GROUP BREAKDOWN OF TRADEMARKS AT SEGMENTAL LEVEL

	2012	2011
Engineering & Equipment	0	0
Flow Technology	59	59
Industrial Components	–	–
Special Products	179	148
Total	**238**	**207**

GROUP BREAKDOWN OF GOODWILL AT SEGMENTAL LEVEL ACCORDING TO NEW STRUCTURE AS FROM 1/1 2013 – PRO FORMA

	2012	2011
Engineering & Equipment	121	99
Flow Technology	213	198
Fluids & Mechanical Solutions	205	181
Industrial Components	154	77
Special Products	497	267
Total	**1,190**	**822**

GROUP BREAKDOWN OF TRADEMARKS AT SEGMENTAL LEVEL ACCORDING TO NEW STRUCTURE AS FROM 1/1 2013 – PRO FORMA

	2012	2011
Engineering & Equipment	0	0
Flow Technology	59	59
Fluids & Mechanical Solutions	–	–
Industrial Components	–	–
Special Products	179	148
Total	**238**	**207**

PARENT COMPANY

	2012	2011
Opening cost	2	2
Investments during the year	–	–
Closing accumulated cost	**2**	**2**
Opening amortisation	-1	0
Amortisation for the year	0	-1
Closing accumulated amortisation	**-1**	**-1**
Planned residual value	**1**	**1**

Note 15 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and buildings	Machinery	Equipment	Construction in progress	Total property, plant and equipment
As per 1 Jan. 2011					
Cost	508	377	513	25	1,423
Accumulated depreciation and impairment charges	-170	-241	-355	–	-766
Book value	**338**	**136**	**158**	**25**	**657**
1 Jan.–31 Dec. 2012					
Opening book value	338	136	158	25	657
Exchange rate differences	-1	-1	0	0	-2
Investments during the year[1)]	18	31	80	24	153
Company acquisitions	13	4	8	–	25
Transferred from construction in progress	32	7	–	-39	–
Sales and disposals	0	-2	-23	–	-25
Depreciation (Note 7)	-17	-31	-54	–	-102
Closing book value	**383**	**144**	**169**	**10**	**706**
As per 31 Dec. 2011					
Cost	574	415	556	10	1,555
Accumulated depreciation and impairment charges	-191	-271	-387	–	-849
Book value	**383**	**144**	**169**	**10**	**706**
1 Jan.–31 Dec. 2012					
Opening book value	383	144	169	10	706
Exchange rate differences	-5	-5	-1	0	-11
Investments during the year[1)]	8	29	82	3	122
Company acquisitions	35	8	15	-	58
Transferred from construction in progress	0	1	1	-2	–
Sales and disposals	0	-1	-18	–	-19
Reclassification	3	0	0	-6	-3
Divestment	-2	-1	-1	-1	-5
Depreciation (Note 7)	-18	-31	-58	–	-107
Closing book value	**404**	**144**	**189**	**4**	**741**
As per 31 Dec. 2012					
Cost	609	462	602	4	1,677
Accumulated depreciation and impairment charges	-205	-318	-413	–	-936
Book value	**404**	**144**	**189**	**4**	**741**

1) Of net investments in property, plant and equipment, SEK 100 million (121) had an effect on cash flow, while SEK 3 million (7) pertain to investments financed via finance leases.

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

	2012	2011
Cost – capitalised finance leases	102	91
Accumulated depreciation	-32	-28
Book value	**70**	**63**

Leased assets consist primarily of cars.

PARENT COMPANY

	2012	2011
Opening cost	4	5
Investments during the year	0	0
Sales and disposals	-1	-1
Closing accumulated cost	**3**	**4**
Opening depreciation	-3	-4
Depreciation for the year	0	0
Sales and disposals	1	1
Closing accumulated depreciation	**-2**	**-3**
Planned residual value	**1**	**1**

Note 16 SHARES AND PARTICIPATIONS

THE PARENT COMPANY'S DIRECT HOLDINGS OF SHARES AND PARTICIPATIONS IN SUBSIDIARIES

Company name/Reg. no.	Domicile	Share	No. shares	Book value
Gustaf Fagerberg Holding AB, 556040-9087	Gothenburg	100%	100,000	17
Bengtssons Maskin AB, 556037-8670	Arlöv	100%	2,000	21
C&M Plast AB, 556554-3856	Malmö	100%	1,000	0
GEFA Processtechnik GmbH, Germany	Dortmund	100%	–	25
Colly Company AB, 556193-8472	Stockholm	100%	30,000	31
ETP Transmission AB, 556158-5398	Linköping	100%	20,000	28
Indutrade A/S, Denmark	Glostrup	100%	167,443	45
Indutrade Benelux B.V., Holland	Uithoorn	100%	3,502	33
Indutrade Flödesteknik AB, 556364-7469	Stockholm	100%	1,000	210
Indutrade Oy, Finland	Helsinki	100%	42,000	48
Ingenjörsfirman GA Lindberg AB, 556606-8747	Stockholm	100%	1,000	8
Saniflex AB, 556441-5882	Stockholm	100%	2,500	2
Pentronic AB, 556042-5141	Västervik	100%	30,000	22
Carlsson & Möller AB, 556057-0011	Helsingborg	100%	1,800	15
Eie Maskin AB, 556029-6336	Stockholm	100%	30,000	24
Robota AB, 556042-4912	Täby	100%	1,000	13
Gedevelop AB, 556291-8945	Helsingborg	100%	9,868	22
Spinova AB, 556188-7430	Torsås	100%	20,000	59
Tribotec AB, 556234-6089	Mölnlycke	100%	4,000	33
Damalini AB, 556474-3705	Mölndal	100%	1,000,000	64
Palmstiernas Svenska AB, 556650-7314	Karlstad	100%	100	6
International Plastic Systems Ltd, UK	Newcastle	100%	10,000	112
Carrab Industri AB, 556092-1214	Mönsterås	100%	10,000	13
Aluflex System AB, 556367-4067	Helsingborg	100%	20,000	41
Precision Products Ltd, UK	Chesterfield	100%	157,500	53
EssMeditec AB, 556111-3670	Härryda	100%	40,000	22
Flintec Group AB, 556736-7098	Västerås	100%	100,000	304
Kabetex Kullager & Transmission AB, 556254-1523	Mark	100%	2,500	11
Techno Skruv i Värnamo AB, 556459-4116	Värnamo	100%	1,000	94
Filterteknik Sverige AB, 556271-3577	Karlstad	100%	10,000	62
Lekang Maskin AS, Norway	Hölen	100%	5,000	64
Filterteknik A/S, Denmark	Copenhagen	100%	530	17
Lekang Filtersystem AS, Norway	Hölen	100%	3,500	9
Stålprofil PK AB, 556629-6066	Vårgårda	100%	5,000	132
Indutrade Switzerland AG, Switzerland	Rheinfelden	100%	100	254
Abelko Innovation AB, 556444-0112	Luleå	100%	8,086	62
Dasa Control Systems AB, 556360-4338	Växjö	100%	1,000	59
Topflight AB, 556352-9691	Ängelholm	100%	5,000	58
Hydnet AB, 556552-9848	Västra Frölunda	100%	500	131
Nolek AB. 556331-7915	Norsborg	100%	10,000	349
Total				**2,573**

THE GROUP'S HOLDINGS OF SHARES AND PARTICIPATIONS IN OTHER COMPANIES

	Domicile	Share of capital,%	Share of votes,%	No. shares	Book value
A S Fors MW	Estonia	11	11	14,324	3
Honkakoli Oy	Finland	–	–	18	1
Kytäjän Golf Oy	Finland	–	–	6	1
Other		–	–	–	1
Available-for-sale financial assets					**6**

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	
	2012	2011	2012	2011
Opening cost	6	6	2,571	2,220
External acquisitions	–	–	601	316
Internal restructuring	–	–	-29	–
Shareholder contribution	–	–	31	29
Sales	–	–	-9	–
Adjustment of estimated earn-out payments	–	–	-4	6
Company acquisitions	0	0	–	–
Exchange rate differences	0	0	–	–
Closing accumulated cost	**6**	**6**	**3,161**	**2,571**
Opening revaluations	–	–	8	8
Closing accumulated revaluations	**–**	**–**	**8**	**8**
Opening impairment charges	–	–	-551	-551
Impairment charges during the year	–	–	-45	–
Closing accumulated impairment charges	**–**	**–**	**-596**	**-551**
Book value	**6**	**6**	**2,573**	**2,028**
Effect on cash flow				
Purchase price, external acquisitions			-601	-316
Purchase price not paid			191	59
Reversal of contingent consideration			4	–
Purchase price paid from previous years			-31	-115
Divestment of subsidiary			19	–
Shareholder contribution paid out			-20	–
Internal restructuring			29	–
Total			**-409**	**-372**

Note 17 NON-CURRENT RECEIVABLES

	Group		Parent Company	
	2012	2011	2012	2011
Opening balance	11	13	3	1
Additional receivables	1	1	–	2
Repaid deposits/ Amortisation	0	0	–	–
Company acquisitions	2	2	–	–
Change in value of pensions	0	0	0	0
Reported net against pension obligations	1	-5	1	–
Exchange rate differences	0	0	–	–
Other changes	-2	-	–	-
Total	**13**	**11**	**4**	**3**

The Group's non-current receivables pertain primarily to endowment insurance policies, but also to deposits. 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 to one endowment insurance policy.

Note 18 INVENTORIES

GROUP

Inventories are broken down into the following items:	2012	2011
Raw materials and consumables	253	239
Products in process	68	62
Finished products and goods for resale	1,151	1,027
Total	**1,472**	**1,328**

The cost of goods sold for the Group includes impairment of inventory, totalling SEK 29 million (30). No significant reversals of previous impairment charges were made in 2012 or 2011.

Note 19 TRADE ACCOUNTS RECEIVABLE

AGE BREAKDOWN OF TRADE ACCOUNTS RECEIVABLE AND PROVISIONS FOR IMPAIRED TRADE ACCOUNTS RECEIVABLE

GROUP

Trade accounts receivable	2012	2011
Trade accounts receivable not due	1,008	953
Trade accounts receivable 0–3 months past due	315	254
Trade accounts receivable 3–6 months past due	55	35
Trade accounts receivable more than 6 months past due	58	46
Provision for doubtful trade accounts receivable	-25	-25
Total	**1,411**	**1,263**
Provision for doubtful trade accounts receivable		
Provision for trade accounts receivable, less than 3 months past due	-2	-2
Provision for trade accounts receivable, 3–6 months past due	-2	-2
Provision for trade accounts receivable, more than 6 months past due	-21	-21
Total	**-25**	**-25**

Trade accounts receivable, cont.	2012	2011
Change in the provision for doubtful trade accounts receivable during the year		
Opening provision	-25	-21
Receivables written off as customer losses	9	3
Reversed, unutilised provisions	2	2
Provision for the year for doubtful trade accounts receivable	-11	-9
Company acquisitions	0	0
Exchange rate differences	0	0
Closing reserve	**-25**	**-25**

For a description of risks associated with the Company's trade accounts receivable, see note 2.

Note 20 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2012	2011	2012	2011
Prepaid rents	13	13	–	–
Prepaid insurance premiums	7	6	0	0
Other prepaid expenses	41	44	1	1
Accrued income	5	1	–	–
Derivative instruments	2	2	0	1
Total	**68**	**66**	**1**	**2**

Note 21 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 OF HEAD OFFICES:

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

The share capital of Indutrade AB as per 31 December 2011 and 2012 consisted of 40,000,000 shares with a share quota value of SEK 1.

At the Annual General Meeting on 6 May 2013, a dividend of SEK 7.05 per share, for a total of SEK 282 million, will be proposed for the 2012 financial year. The proposed dividend has not been reported as a liability in these financial statements.

Note 22 NON-CURRENT AND CURRENT INTEREST-BEARING LIABILITIES

	Group		Parent Company	
	2012	2011	2012	2011
Long-term				
Future leasing obligations for finance leases	42	38	0	–
SEK-denominated loans with terms longer than 1 year	604	473	600	472
EUR-denominated loans with terms longer than 1 year	90	59	78	–
Loans in other currencies with terms longer than 1 year	16	20	–	–
Contingent consideration in SEK with payment due later than 1 year	168	24	153	14
Contingent consideration in EUR with payment due later than 1 year	27	18	–	–
Contingent consideration in other currencies with payment due later than 1 year	44	50	–	45
	991	**682**	**831**	**531**
Short-term				
Utilised bank overdraft facilities	320	296	217	168
Future leasing obligations for finance leases	28	26	0	0
SEK-denominated loans with terms shorter than 1 year	743	481	742	480
EUR-denominated loans with terms shorter than 1 year	192	203	–	–
Loans in other currencies with terms shorter than 1 year	10	1	–	–
Contingent consideration in SEK with payment due less than 1 year	76	61	54	22
Contingent consideration in EUR with payment due less than 1 year	6	11	–	–
Contingent consideration in other currencies with payment due less than 1 year	49	4	40	4
	1,424	**1,083**	**1,053**	**674**
Total	**2,415**	**1,765**	**1,884**	**1,205**

Car leases are reported as finance leases in accordance with IFRS, entailing an increase in both assets and liabilities of SEK 70 million (64). Of the Group's long-term leasing obligations, SEK 24 million falls due for payment in 2014, SEK 17 million in 2015, and SEK 1 million in 2016.

Externally granted bank overdraft facilities amounted to SEK 844 million (686) for the Group and SEK 622 million (450) for the Parent Company.

	Group		Parent Company	
Amounts in EUR million	2012	2011	2012	2011
Maturities for long-term loans in EUR:				
Maturity 2013	–	5.2	–	–
Maturity 2014	0.2	0.2	–	–
Maturity 2015	0.2	0.1	–	–
Maturity 2016	0.1	0.1	–	–
Maturity 2017 or later	9.9	1.0	9.0	–
Total long-term borrowings in EUR million	**10.4**	**6.6**	**9.0**	**–**
Corresponding amounts in SEK million	**90**	**59**	**78**	**–**

All long-term loans in EUR carry variable rates of interest. The carrying amount corresponds to fair value.

	Group		Parent Company	
Amounts in SEK million	2012	2011	2012	2011
Maturities for long-term loans in SEK:				
Maturity 2013	–	173	–	172
Maturity 2014	1	0	–	–
Maturity 2015	300	–	300	–
Maturity 2016	300	300	300	300
Maturity 2017 or thereafter	3	–	–	–
Total long-term borrowings in SEK million	**604**	**473**	**600**	**472**

Long-term loans in SEK carry variable rates of interest. The carrying amount corresponds to fair value. The Parent Company has entered into contracts to hedge part of its borrowing that is at variable interest rates to fixed interest rates. See note 2.

	Group		Parent Company	
Amounts in SEK million	2012	2011	2012	2011
Maturities for long-term loans in other currencies:				
Maturity 2013	–	4	–	–
Maturity 2014	1	4	–	–
Maturity 2015	1	4	–	1
Maturity 2016	1	4	–	–
Maturity 2017 or thereafter	13	4	–	–
Total long-term borrowings in SEK million	**16**	**20**	–	**1**

By other currencies is meant GBP, KRW, DKK, LKR and MYR. The loans have both variable and fixed rates of interest. The difference between fair value and the carrying amount is negligible.

	Group		Parent Company	
Amounts in EUR million	2012	2011	2012	2011
Payment due for long-term contingent consideration in EUR				
Payable in 2013	–	1.0	–	–
Payable in 2014	2.5	0.8	–	–
Payable in 2015	0.7	0.3	–	–
Total long-term contingent consideration in EUR million	**3.2**	**2.1**	**–**	**–**
Corresponding amount in SEK million	**27**	**18**	–	–

	Group		Parent Company	
Amounts in EUR million	2012	2011	2012	2011
Payment due for long-term contingent consideration in SEK				
Payable in 2013	–	19	–	14
Payable in 2014	41	5	26	–
Payable in 2015	39	–	39	–
Payable in 2016	88	–	88	–
Total long-term contingent consideration in SEK million	**168**	**24**	**153**	**14**

The present value is calculated using an interest rate of 4% for payments of SEK 153 million and an interest rate of 5% for payments of SEK 15 million.

	Group		Parent Company	
Amounts in EUR million	2012	2011	2012	2011
Payment due for long-term contingent consideration in other currencies				
Payable in 2013	–	50	–	45
Payable in 2014	13	–	–	–
Payable in 2015	4	–	–	–
Payable in 2016	27	–	–	–
Total long-term contingent consideration in other currencies	**44**	**50**	–	**45**

By other currencies is meant CHF, KRW and MYR. The present value is calculated using an interest rate of 4% for payments of SEK 11 million and an interest rate of 5% for payments of SEK 33 million.

Note 23 PENSION OBLIGATIONS

The pension plans in the Indutrade Group are both defined benefit and defined contribution plans.

DEFINED BENEFIT PLANS

In accordance with IAS 19 Employee Benefits, an actuary has, under assignment by Indutrade, 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. Apart from the PRI plan in Sweden, the Group has defined benefit plans primarily in the Netherlands and Switzerland.

Breakdown of net liability in SEK million

	2012	2011
PRI plan	105	105
Defined benefit plans, Netherlands and Switzerland	51	40
Total defined benefit plans	**156**	**145**
Other pension obligations	11	10
Total	**167**	**155**

The Group's plan assets, totalling SEK 383 million (307), consist of investments with insurance companies, mainly in bonds. 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. In 2012 Indutrade did 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 17 million (15). Alecta's collective funding ratio was 129% (113%) in December 2012.

ASSUMPTIONS USED IN ACTUARIAL COMPUTATIONS

The discount rate for defined benefit plans in the Netherlands and Switzerland is based on the market return of high-quality corporate bonds. For calculations of defined benefit pension obligations in Sweden, as from 2011 the discount rate is based on the yield of mortgage bonds with a term that corresponds to the average term for the obligations.

The anticipated return on plan assets is a weighed average of the anticipated return from the respective asset classes.

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 55 million (44).

GROUP

	2012			2011			2010		2009		2008	
Assumptions in calculating pension obligations	Sweden	Netherlands	Switzerland	Sweden	Netherlands	Switzerland	Sweden	Netherlands	Sweden	Netherlands	Sweden	Netherlands
Discount rate, %	3.20	3.60	2.25	3.60	5.00	2.40	3.60	5.00	3.80	5.65	3.00	6.40
Anticipated return on plan assets, %	–	3.60	2.65	–	5.50	2.65	–	5.00	–	5.65	–	6.40
Future salary increases, %	3.50	2.50	1.00	3.50	2.50	2.00	3.50	2.50	3.50	2.50	3.50	2.50
Anticipated inflation, %	2.00	2.00	0.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Future pension increases, %	2.00	2.00	0.00	2.00	2.00	0.10	2.00	2.00	2.00	2.00	2.00	1.80
Employee turnover, %	2.00	[1]	[1]	2.00	[1]	[1]	2.00	[1]	2.00	[1]	2.00	[1]

1) Age-related

Note 23, cont.

Amounts reported on balance sheet	2012	2011	2010	2009	2008
Present value of funded obligations	434	347	237	213	173
Fair value of plan assets	-383	-307	-196	-199	-164
	51	**40**	**41**	**14**	**9**
Present value of unfunded obligations	105	105	104	96	113
	105	**105**	**104**	**96**	**113**
Net liability, defined benefit plans, on balance sheet	**156**	**145**	**145**	**110**	**122**
Experience-based adjustments of defined benefit obligations	**9**	**4**	**7**	**3**	**-4**
Experience-based adjustments of plan assets	**-54**	**-49**	**14**	**33**	**6**

	2012	2011
Present value of pension obligations at start of year	452	341
Pension costs	14	18
Interest expenses	17	19
Employee contribution	4	4
Pension payments	-12	-9
Sale of subsidiary	-12	–
Company acquisitions	24	140
Actuarial gains (-)/losses (+)	65	-60
Exchange rate differences	-13	-1
Present value of pension obligations at year-end	**539**	**452**
Plan assets at start of year	306	196
Return on plan assets	8	12
Employee contributions	6	5
Company contributions	12	12
Pension payments	-9	-6
Company acquisitions	18	133
Actuarial gains (+)/losses (-)	53	-45
Exchange rate differences	-11	-1
Plan assets at year-end[1]	**383**	**306**
Net liability at start of year	145	145
Net cost reported in the income statement	22	19
Pension payments	-3	-3
Company contributions	-12	-8
Sale of subsidiary	-12	–
Company acquisitions	6	7
Actuarial gains (-)/losses (+)	12	-15
Exchange rate differences in foreign plans	-2	0
Net liability at year-end	**156**	**145**

[1] Actual return on plan assets amounted to SEK 61 million (-33).

GROUP

Amounts reported in income statement	2012 Def. benefit plans	2012 Def. contrib. plans	2012 Total	2011 Def. benefit plans	2011 Def. contrib. plans	2011 Total
Current service cost	13	132	145	12	122	134
Change in pension terms	–	–	–	–	–	–
Interest on obligation	17	–	17	19	–	19
Anticipated return on plan assets	-8	–	-8	-12	–	-12
Net cost in income statement	**22**	**132**	**154**	**19**	**122**	**141**
Of which, included in selling costs	13	103	116	12	95	107
Of which, included in administrative expenses	0	29	29	0	27	27
Of which, included in financial items	9	–	9	7	–	7

Anticipated company contributions to defined benefit pension plans in 2013 amount to SEK 13 million (8).

Note 24 OTHER PROVISIONS

	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Guarantee commitments	5	4	–	–
Total long-term provisions	**5**	**4**	**–**	**–**

	Guarantee commitments
Opening balance, 1 January 2012	**4**
Guarantee commitments in acquired companies	0
Change in guarantee commitments for the year	1
Closing balance, 31 December 2012	**5**

Note 25 ACCRUED EXPENSES AND DEFERRED INCOME

	Group 2012	Group 2011	Parent Company 2012	Parent Company 2011
Accrued personnel-related expenses	258	254	7	8
Derivative instruments	29	15	–	–
Interest	9	6	8	5
Other	113	71	2	1
Total	**409**	**346**	**17**	**14**

Note 26 ACQUISITIONS AND DIVESTMENTS OF SUBSIDIARIES

ACQUISITIONS 2012

All of the shares were acquired in the Swedish companies Rostfria VA-system i Storfors AB, Dasa Control Systems AB, Rubin Medical AB, Conroy Medical AB, Topflight AB, Hydnet AB, Euroflon Tekniska Produkter AB and Nolek AB; in Eco Analytics AG and Krämer AG (Switzerland); and in Geotrim Oy (Finland).

ENGINEERING & EQUIPMENT

Geotrim Oy, in Helsinki, Finland, supplies instruments, systems and software for geospatial solutions in qualified, satellite-based positioning. The company provides networks with nationwide coverage in Finland. Geotrim Oy has annual sales of approximately SEK 100 million and is consolidated in the Group as from 1 March 2012.

FLOW TECHNOLOGY

Rostfria VA-system i Storfors AB, with annual sales of approximately SEK 15 million, is consolidated in the Group as from 1 January 2012. The company supplies pump stations and pipe systems to water treatment plants.

Euroflon Tekniska Produkter AB, with annual sales of approximately SEK 40 million, is consolidated in the Group as from 1 September 2012. The company is a supplier of customised metal, PTFE and silicon tubing, compensators and quick-connect fittings.

INDUSTRIAL COMPONENTS

Rubin Medical AB supplies medical technology products with a focus on diabetes therapy in Scandinavia. The company has annual sales of approximately SEK 100 million and is consolidated in the Group as from 1 April 2012.

Conroy Medical AB, with annual sales of approximately SEK 30 million, is consolidated in the Group as from 1 June 2012. The company manufactures and sells medical technology products mainly for blood handling.

Hydnet AB supplies hydraulic components and industrial shock absorbers from leading manufacturers in hydraulics and motion control. The company has annual sales of approximately SEK 80 million and is consolidated in the Group as from 1 August 2012.

SPECIAL PRODUCTS

Dasa Control Systems AB, with annual sales of approximately SEK 50 million, supplies proprietary advanced control and communication systems for heavy vehicles. The company is consolidated in the Group as from 1 January 2012.

Eco Analytics AG, with annual sales of approximately SEK 22 million, is active in gas and water analysis and offers a comprehensive production programme of gas meters for toxic or explosive gases. Eco Analytics AG is consolidated in the Group as from 1 March 2012.

Topflight AB develops, manufactures and supplies labelling solutions for industrial use. The company has annual sales of approximately SEK 60 million and is consolidated in the Group as from 1 June 2012.

Krämer AG, with annual sales of approximately SEK 70 million, is a leading manufacturer of equipment for the pharmaceutical market and specialises in tablet dedusters and related equipment for pharmaceutical manufacturers. The company is consolidated in the Group as from 1 October 2012.

Nolek AB is a leading producer of instruments and machines for leak testing, leak detection and proof testing, with annual sales of approximately SEK 160 million. Nolek AB is consolidated in the Group as from 1 December 2012.

EFFECTS OF ACQUISITIONS MADE IN 2011 AND 2012

Refers to impact on the income statement for 2012	Jan.–Dec.	
SEK million	Net sales	EBITA
Business area		
Engineering & Equipment	95	16
Flow Technology	42	2
Industrial Components	136	23
Special Products	146	21
Effect on Group	**419**	**62**
Acquisitions completed 2011	55	4
Acquisitions completed 2012	364	58
Effect on Group	**419**	**62**

If the units acquired in 2012 had been consolidated as from 1 January 2012, net sales would have would have increased by SEK 358 million to SEK 8,742 million, and EBITA would have increased by SEK 68 million to SEK 973 million.

Acquired assets in Rostfria VA-system i Storfors AB, Dasa Control Systems AB, Eco Analytics AG, Geotrim Oy, Rubin Medical AB, Conroy Medical AB, Topflight AB, Hydnet AB, Euroflon Tekniska Produkter AB, Krämer AG and Nolek AB.

Preliminary purchase price calculation	SEK million
Purchase price, incl. contingent consideration totalling SEK 261 million	943

	Book value	Fair value adjust-ment	Fair value
Acquired assets			
Goodwill	–	378	378
Agencies, trademarks, customer relationships, licences, etc.	11	413	424
Property, plant and equipment	45	13	58
Financial assets	0	–	0
Inventories	159	5	164
Other current assets[1]	146	–	146
Cash and cash equivalents	163	–	163
Deferred tax liability	-18	-100	-118
Borrowings and pension obligations	-37	-6	-43
Other operating liabilities	-229	–	-229
	240	**703**	**943**

1) Mainly trade accounts receivable.

Since disclosures about the individual acquisitions are insignificant, they are provided here in aggregate form. The cost of customer relationships and agencies has been valued at a half to one year's gross margin and has been recorded on the balance sheet as agencies, trademarks, customer relationships, licences, etc., and are amortised over a period of 10-20 years, while trademarks are assumed to have an indefinite lifetime. Trademarks are included in the amount of SEK 32 million. Goodwill is justified by the good profitability and personnel included in the acquired companies.

Indutrade normally uses an acquisition structure entailing a base level of consideration plus contingent consideration. 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 261 million. The contingent consideration falls due for payment within one to three years and can amount to a maximum of SEK 280 million. If the conditions are not met, the outcome may be in the range of SEK 0–280 million.

Transaction costs for the acquisitions carried out during the year totalled SEK 2 million (2) and are included in "Other income and expenses" in the income statement. Contingent consideration has been revalued by SEK 9 million (0). The income is reported among Other income and expenses in the income statement.

The acquisition calculations for Rostfria VA-system i Storfors AB and Dasa Control Systems AB are definitive. No significant adjustments have been made in the acquisition calculations. For other acquisitions, the acquisition calculations are preliminary. Indutrade treats the calculations as preliminary during the time there is uncertainty regarding matters such as the outcome of guarantees in the acquisition agreements concerning inventories and trade accounts receivable.

Effect on cash flow	
Purchase price, incl. contingent consideration	943
Contingent consideration not paid out	-261
Cash and cash equivalents in acquired companies	-163
Contingent consideration paid out for previous years' acquisitions	72
Total effect on cash flow	**591**

DIVESTMENT 2012

In November, Indutrade sold the company AB Novum, which is active in cables and electrical components. Annual sales of the company, which had 13 employees and was part of the Special Products business area, totalled approximately SEK 50 million during the last 12-month period. The sale had a marginal impact on earnings.

ACQUISITIONS IN 2011

All of the shares were acquired in the Abima Group's parent company, Aschera AG (name subsequently changed to Indutrade Switzerland); Hamberger Armaturen AG, Switzerland; Dantherm Filtration Oy (name subsequently changed to Tecalemit Filtration Oy), Finland; ATB Automation n.v.-s.a., Belgium; Mijnsbergen b.v., Alcatraz Interlocks BV and MW Instruments BV, the Netherlands; and Abelko Innovation AB, Torell Pump AB, AD MediCal AB and AG Johansons Metallfabrik AB, Sweden. In addition, the air treatment business of Enervent Oy, Finland, was acquired.

ENGINEERING & EQUIPMENT

Tecalemit Filtration Oy, with annual sales of approximately SEK 30 million, is consolidated in the Group as from 1 January 2011. The company specialises in air filtration and provides customised solutions and components to customers in the forest, paper, metal and recycling industries, among others. In August, a business that manufactures automated air treatment systems, with annual sales of approximately SEK 17 million, was acquired from Enervent Oy in Finland.

FLOW TECHNOLOGY

Torell Pump AB, with annual sales of approximately SEK 40 million, is consolidated in the Group as from 1 June 2011. The company sells pumps, compressors and equipment for purification of municipal and industrial wastewater, process water and sewage. AG Johansons Metallfabrik AB, with annual sales of approximately SEK 12 million, is consolidated in the Group as from 1 October 2011. The company manufactures and markets valves and high-alloy stainless steel pipe components.

INDUSTRIAL COMPONENTS

AD MediCal AB, with annual sales of approximately SEK 30 million, is consolidated in the Group as from 1 October 2011. The company provides products, service and maintenance of advanced medical technology equipment.

SPECIAL PRODUCTS

The Swiss industrial group Abima, with annual sales of approximately SEK 400 million, is active in control and regulation of flows, insulation against cold, heat and sound, rust/corrosion prevention and fire safety. Mijnsbergen b.v. and ATB Automation n.v.-s.a., with combined annual sales of approximately SEK 60 million, deliver customised solutions with a broad range of products in power transmission and motion control. These companies are consolidated in the Indutrade Group as from 1 January 2011.

Abelko Innovation AB, with annual sales of approximately SEK 60 million, is consolidated in the Group as from 1 February 2011. The company offers specially adapted solutions for energy measurement, remote control, building automation, energy optimisation and operational monitoring.

Alcatraz Interlocks BV, with annual sales of approximately SEK 20 million, is consolidated in the Group as from 1 April 2011. The company designs and manufactures interlocking systems that secure critical installations. Its applications are used in the oil, gas, chemical and offshore industries, among others.

Hamberger Armaturen AG, with annual sales of approximately SEK 10 million, is consolidated in the Group as from 1 July 2011. The company is active in pumps and valves, among other areas.

MW-Instruments BV, with annual sales of approximately SEK 10 million, is consolidated in the Group as from 1 September 2011. The company is active in instrument service.

EFFECTS OF ACQUISITIONS MADE IN 2010 AND 2011

Refers to impact on the income statement for 2011	Jan.–Dec.	
SEK million	Net sales	EBITA
Business area		
Engineering & Equipment	46	2
Flow Technology	133	19
Industrial Components	8	0
Special Products[1]	611	68
Effect on Group	**798**	**89**
Acquisitions completed 2010	143	17
Acquisitions completed 2011	655	72
Effect on Group	**798**	**89**
1) Of which, Indutrade Switzerland	418	37

If the units acquired in 2011 had been consolidated as from 1 January 2011, net sales would have increased by SEK 64 million to SEK 8,058 million, and EBITA would have increased by SEK 7 million to SEK 924 million.

Acquired assets in Indutrade Switzerland AG

Preliminary purchase price calculation	SEK million
Purchase price including contingent consideration of SEK 45 million	252

	Book value	Fair value adjust-ment	Fair value
Acquired assets			
Goodwill	–	40	40
Agencies, trademarks, customer relationships, licences, etc.	1	73	74
Property, plant and equipment	6	–	6
Financial assets	15	–	15
Inventories	45	–	45
Other current assets[1]	131	–	131
Cash and cash equivalents	13	–	13
Deferred tax liability	-3	-13	-16
Borrowings and pension obligations	–	-7	-7
Other operating liabilities	-49	–	-49
	159	**93**	**252**

1) Mainly trade accounts receivable.

Indutrade Switzerland AG has four operating units: Avintos, Novisol, Ateco and Firentis. The surplus value in Ateco and Firentis has been assumed to constitute goodwill in its entirety, as these are relatively newly started businesses which together make up a limited part of Indutrade Switzerland. The Avintos and Novisol trademarks, along with the customer relationships for these operations, are reported at the discounted present value of future payment flows. The assumptions forming the basis of the fair value calculation consist of a forecast through 2014 and thereafter a long-term rate of growth of 2% per year. The discount rate corresponds to the required rate of return on equity of 16.3% after tax for Aventis and Novisol. Calculations of the value of the Avintos and Novisol trademarks are based on assumed annual royalties of 1.25% and 1.0%, respectively. The value of customer relationships has been calculated with the assumption of a customer attrition rate of 10% for Avintos and 20% for Novisol. The trademarks are judged to have an indefinite useful life, while customer relationships are judged to have a useful life of 10 years. Goodwill is justified by good profitability and the competence of the employees in the acquired companies.

Acquired assets in Tecalemit Filtration Oy, Mijnsbergen BV, ATB Automation N.V-S.A., Abelko Innovation AB, Alcatraz Interlocks BV, Torell Pump AB, Hamberger Armaturen AG, MW-Instruments BV, AD Medical AB, AG Johansons Metallfabrik AB and an air treatment business.

Preliminary purchase price calculation	SEK million
Purchase price including contingent consideration of SEK 55 million	230

	Book value	Fair value adjust-ment	Fair value
Acquired assets			
Goodwill	–	58	58
Agencies, trademarks, customer relationships, licences, etc.	5	136	141
Property, plant and equipment	19	–	19
Inventories	33	–	33
Other current assets [1]	45	–	45
Cash and cash equivalents	19	–	19
Deferred tax liability	2	-37	-35
Borrowings and pension obligations	-3	0	-3
Other operating liabilities	-47	–	-47
	73	**157**	**230**

1) Mainly trade accounts receivable.

Since disclosures about the individual acquisitions are insignificant (with the exception of Indutrade Switzerland AG), they are provided here in aggregate form. The cost of customer relationships and agencies has been valued at a half to one year's gross margin and has been recorded on the balance sheet as agencies, trademarks, customer relationships, licences, etc., and is amortised over a period of ten years. Goodwill is justified by the good profitability and competence of the employees of the acquired companies.

Indutrade normally uses an acquisition structure entailing a base level of consideration plus contingent consideration. Initially, the earn-out payments are valued at the present value of the likely outcome, which for the acquisitions made during 2011 amounted to SEK 100 million. The earn-out payments fall due for payment within one to four years and can amount to a maximum of SEK 111 million. If the conditions are not met, the outcome may be in the range of SEK 0-111 million.

Transaction costs for the acquisitions carried out during the period amounted to SEK 2 million and are included in Other income and expenses in the income statement. No revaluation of contingent consideration has been done.

Effect on cash flow	
Purchase price, including contingent consideration	482
Purchase price not yet paid out	-100
Cash and cash equivalents in acquired companies	-32
Contingent consideration paid out for previous years' acquisitions	117
Total effect on cash flow	**467**

ACQUISITIONS AFTER THE END OF THE REPORTING PERIOD

One acquisition was made at the start of 2013. Thermotech AS (Norway), with annual sales of approximately SEK 70 million, sells products and services in heat treatment, machine service and bolt tension. The company is part of the Industrial Components business area as from 1 January 2013.

Acquired assets in Thermotech AS

Preliminary purchase price calculation	SEK million
Purchase price including contingent consideration of SEK 11 million	105

Acquired assets	Book value	Fair value adjust-ment	Fair value
Goodwill	–	58	58
Agencies, customer relationships, licences, etc.	–	58	58
Property, plant and equipment	3	–	3
Inventories	5	–	5
Other current assets [1]	19	–	19
Cash and cash equivalents	8	–	8
Deferred tax liability	0	-16	-16
Other operating liabilities	-30	–	-30
	5	**100**	**105**

1) Mainly trade accounts receivable.

Agencies, customer relationships, licences, etc. will be amortised over a 10-year period. Indutrade normally uses an acquisition structure entailing a base level of consideration plus contingent consideration. Initially, the contingent consideration is valued at the present value of the likely outcome, which for this acquisition amounts to SEK 11 million. The contingent consideration falls due for payment within two years and can amount to a maximum of SEK 12 million. If the conditions are not met, the outcome may be in the range of SEK 0–12 million.

Note 27 PLEDGED ASSETS

	Group		Parent Company	
	2012	2011	2012	2011
For own liabilities				
Real estate mortgages	70	70	–	–
Chattel mortgages	34	11	–	–
Assets subject to liens	70	63	–	–
Shares in subsidiaries	–	–	–	–
Endowment insurance policies	6	5	4	3
Other	3	0	–	–
Total	**183**	**149**	**4**	**3**

Car leases are reported as finance leases in accordance with IFRS, entailing an increase in assets, liabilities and pledged assets of SEK 70 million (63).

Note 28 CONTINGENT LIABILITIES

	Group		Parent Company	
	2012	2011	2012	2011
Contingent liabilities for subsidiaries' PRI liabilities	–	–	75	80
Guarantees pledged on behalf of subsidiaries	–	–	265	326
Contingent liabilities for own PRI liabilities	2	2	–	–
Other contingent liabilities	6	7	–	–
Total	**8**	**9**	**340**	**406**

Note 29 CASH FLOW FROM OPERATIONS

	Group		Parent Company	
	2012	2011	2012	2011
Net profit for the year	565	540	468	497
Adjustments for:				
Income tax	145	189	48	82
Amortisation of intangible assets	118	104	0	1
Depreciation of property, plant and equipment	107	102	0	0
Gain/loss on sale of property, plant and equipment	0	0	0	–
Net change in other provisions	-20	-2	65	108
Financial income	-12	-12	-41	-32
Financial expenses	99	105	72	71
Dividend income, etc.	–	–	-656	-767
Total adjustments	**437**	**486**	**-512**	**-537**

	Group		Parent Company	
	2012	2011	2012	2011
Changes in working capital:				
Inventories	-20	-70	–	–
Trade accounts receivable and other receivables	-88	-49	-506	-7
Trade accounts payable and other liabilities	-93	64	-5	-42
Total changes in working capital	**-201**	**-55**	**-511**	**-49**
Cash flow from operations	**801**	**971**	**-555**	**-89**

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

	2012	2011	2012	2011
Cash and bank balances	243	264	0	7
Short-term investments	–	–	–	–
Total	**243**	**264**	**0**	**7**

Note 30 INCOME STATEMENT CLASSIFIED BY TYPE OF COST

	Group		Parent Company	
	2012	2011	2012	2011
Goods for resale, raw materials and consumables	-4,391	-4,263	–	–
Costs for employee benefits	-1,811	-1,664	-29	-28
Depreciation/amortisation/impairment charges	-225	-207	0	-1
Other costs	-1,166	-1,036	-20	-18
Total	**-7,593**	**-7,170**	**-49**	**-47**

Note 31 RELATED PARTY TRANSACTIONS

Intra-Group purchases and sales were negligible. Investments with and borrowings from Group companies have been made at market terms.

The Parent Company and eleven of the Group's subsidiaries rent premises in the Malax 3 property in Akalla, Sweden, from the Group company Colly Company AB, which in turn rents the property from an external party.

The Indutrade Group's related parties consist mainly of senior executives. Disclosures of transactions with these related parties are provided in note 6, Wages, salaries and other remuneration, and social security costs.

Note 32 EVENTS AFTER THE BALANCE SHEET DATE

Apart from the acquisition of Thermotech AS, with possession taking place in 2013 and which is presented in note 26, no significant events have taken place for the Group after the end of the reporting period.

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 preceding income statements, balance sheets, cash flow statements and notes.

Stockholm, 22 March 2013

Bengt Kjell
Chairman of the Board

Eva Färnstrand Director	Martin Lindqvist Director	Ulf Lundahl Director	Krister Mellvé Director	Mats Olsson Director

Johnny Alvarsson
President and CEO, Director

Our audit report was submitted on 25 March 2013.
PricewaterhouseCoopers AB

Lennart Danielsson
Authorised Public Accountant

Auditor's report

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF INDUTRADE AB (PUBL), CORPORATE IDENTITY NUMBER 556017-9367

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Indutrade AB (publ) for the year 2012 except for the corporate governance statement on pages 21-26. The annual accounts and consolidated accounts of the company are included in this document on pages 12-71.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards , as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

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 2012 and of its financial performance and its cash flows 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 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 21-26. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Indutrade AB (publ) for the year 2012. We have also conducted a statutory examination of the corporate governance statement.

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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory 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.

Opinions

We recommend to the annual 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. A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Stockholm, 25 March 2013
PricewaterhouseCoopers AB

Lennart Danielsson
Authorized Public Accountant

Annual General Meeting and reporting dates

ANNUAL GENERAL MEETING

Time and place

The Annual General Meeting will be held at 4 p.m. on Monday, 6 May 2013, at Summit, Razorfish lecture hall, Grev Turegatan 30, Stockholm.

Who is entitled to participate?

To be entitled to participate in the Annual General Meeting, shareholders must be listed in the shareholder register maintained by Euroclear Sweden AB on Monday, 29 April 2013, and have notified the Company of their intention to participate by Monday, 29 April 2013, 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 29 April to be eligible to participate in the Annual General Meeting.

Notification of attendance

Notification of intention to attend the Meeting can be made using one of the following alternatives:

- On the Company's website: www.indutrade.se
- By post to: Indutrade AB, Box 6044, SE-164 06 Kista
- By phone +46 8 703 03 00

Upon notification, shareholders must indicate their:

- name
- national ID number or company registration number
- address and phone number

Notification must be received by the Company no later than Monday, 29 April 2013.

Proxies

Shareholders may exercise their right to participate in the Annual General Meeting 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 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, 10 May 2013, are registered in the shareholder register. Provided that the Annual General Meeting resolves in accordance with the Board's proposal, payment of the dividend is expected to be made via Euroclear Sweden on 15 May 2013.

REPORTING DATES

Interim reports

1 January–31 March 2013	6 May 2013
1 January–30 June 2013	24 July 2013
1 January–30 September 2013	5 November 2013

CONTACT DETAILS

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