



Indutrade

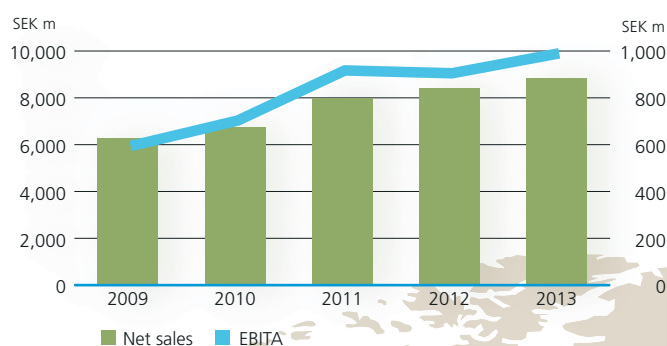
Annual Report 2013

Year in brief

- Order intake rose 7% to SEK 9,014 million (8,444).
- Net sales rose 5% to 8,831 million (8,384).
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) rose 9% to SEK 990 million (905).
- Earnings per share were SEK 14.68 (14.23). The one-time effect of the tax reduction on earnings per share in 2012 was SEK 0.75.
- Indutrade gained foothold in Ireland and strengthened its presence in the UK.
- Eight acquisitions were carried out, with total annual sales of SEK 500 million, of which seven were consolidated by year-end.
- The Board of Directors proposes a dividend of SEK 7.05 (7.05) per share.

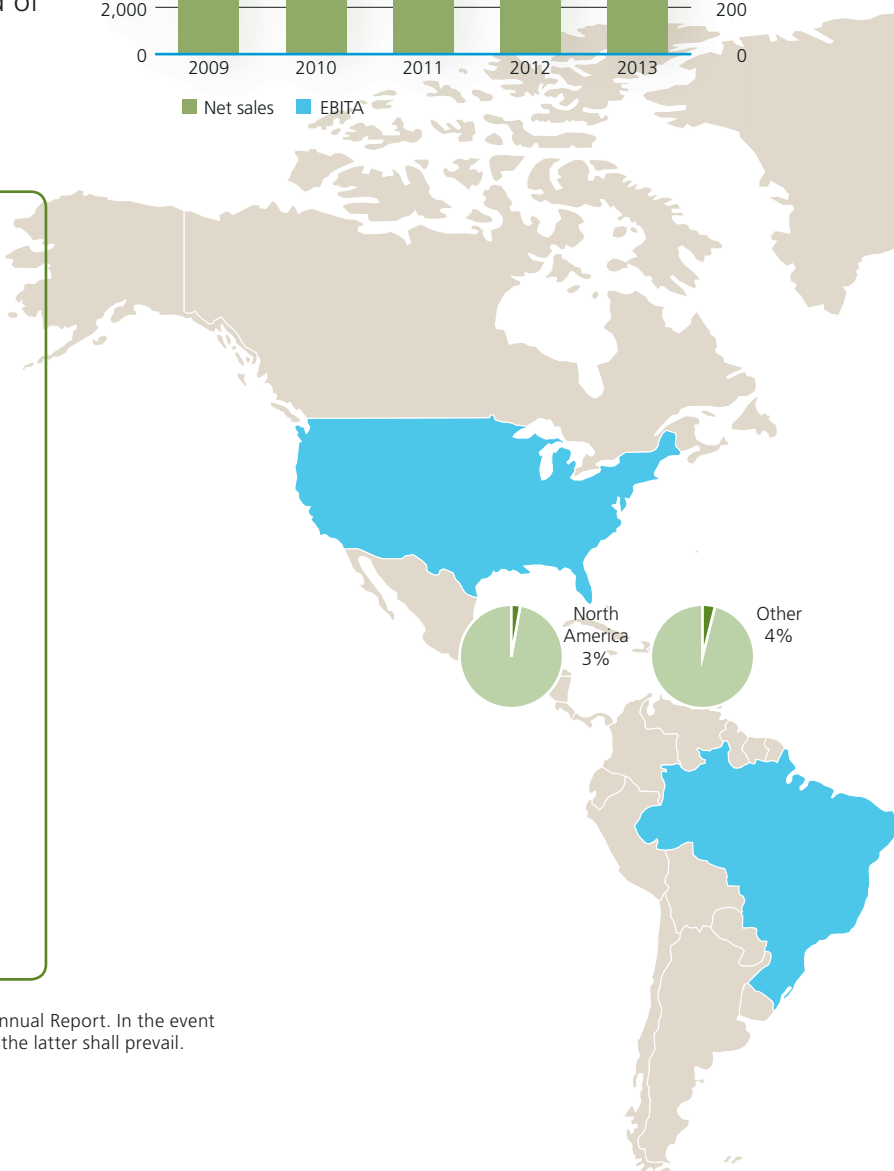
Key data	2013	2012
Net sales, SEK m	8,831	8,384
EBITA, SEK m	990	905
EBITA margin, %	11.2	10.8
Profit for the year after tax, SEK m	587	569
Earnings per share, SEK	14.68	14.23
Return on operating capital, %	20	22
Average number of employees	4,151	3,939

Net sales and earnings



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Business concept

Indutrade **markets** and **sells** components, systems and services with **high-tech content** in selected niches. By having good 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.

EBITA margin, %

11.2

Number of acquisitions

8

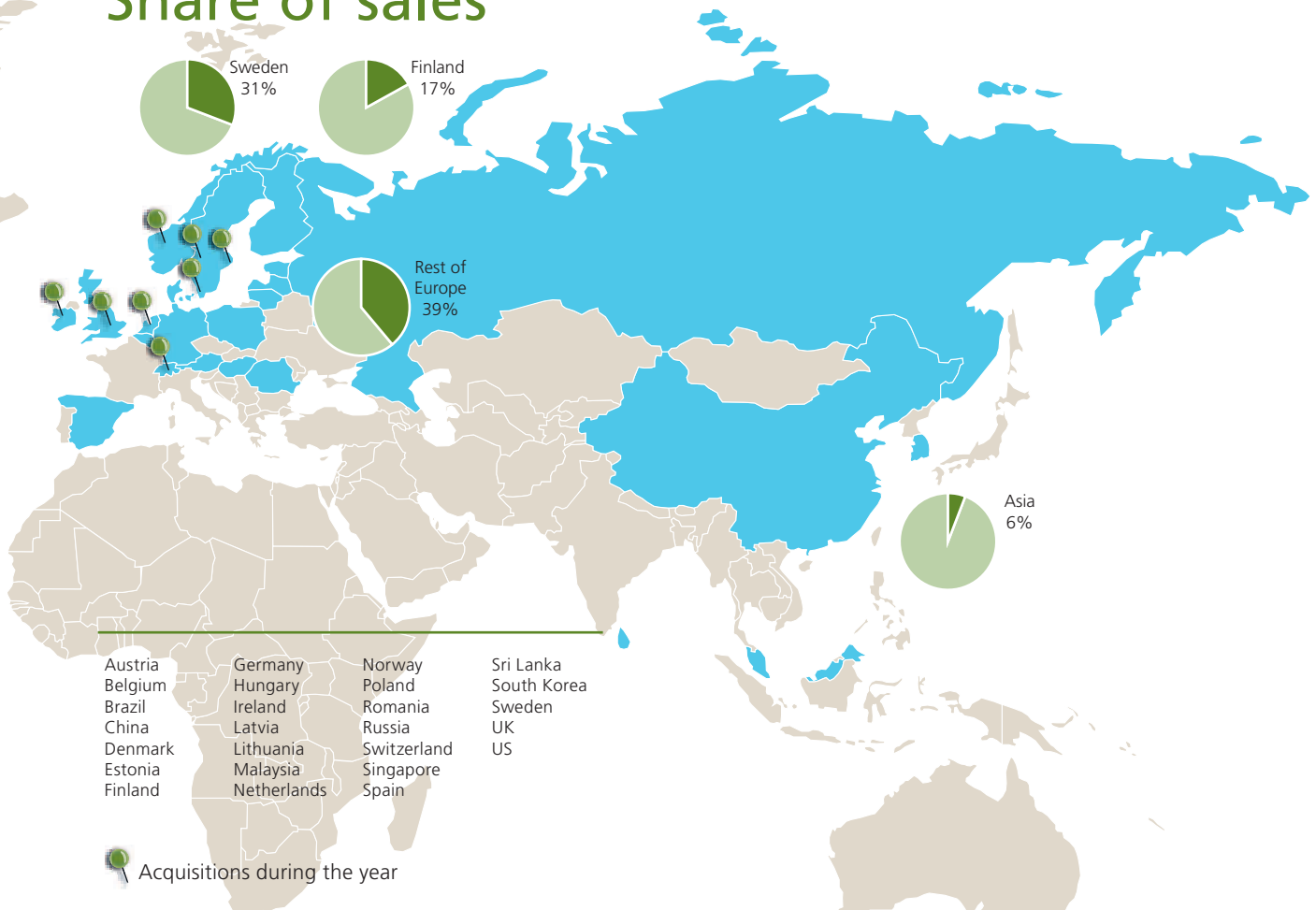
Proposed dividend, SEK

7.05

Sales growth, %

5

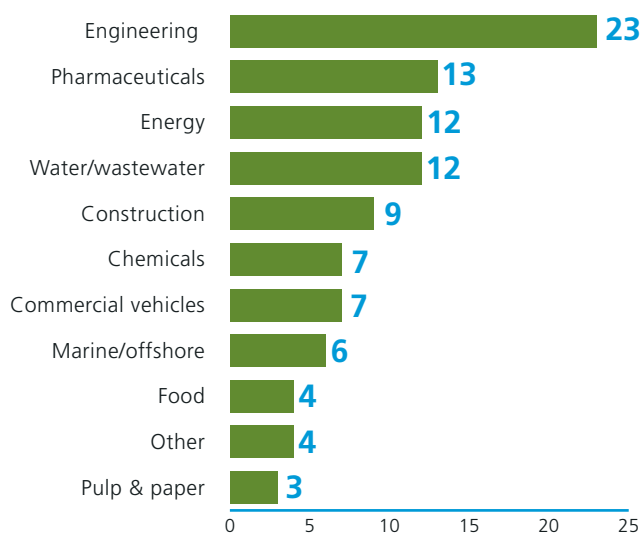
Share of sales



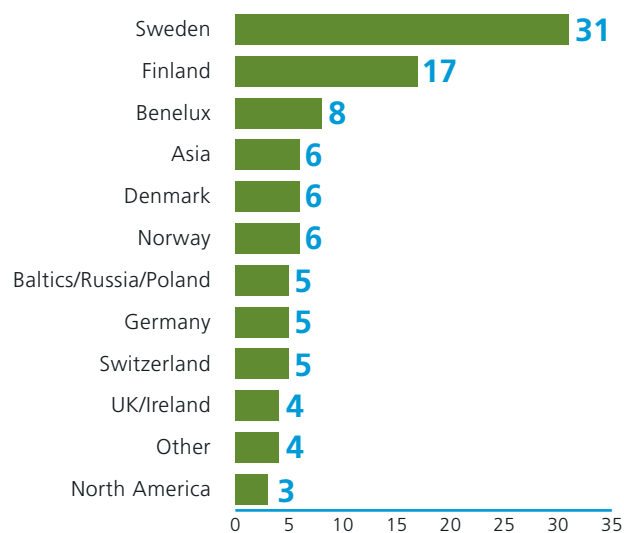
Indutrade in brief

- » During the last 35 years we have grown by an average of 17% per year, and our sales now amount to approximately SEK 9 billion. Indutrade today comprises more than 180 companies in 26 countries on four continents. Our companies are characterised by high-tech know-how and an ability to build enduring, close relationships with customers and suppliers.
- » Our business philosophy is based on entrepreneurship, self determination and customer-adapted leadership.
- » We continue to pursue our acquisition strategy of buying companies that are successful and well-managed, with a clearly defined market and distinct offering.

Net sales per customer segment, %



Net sales per market, %



Acquire



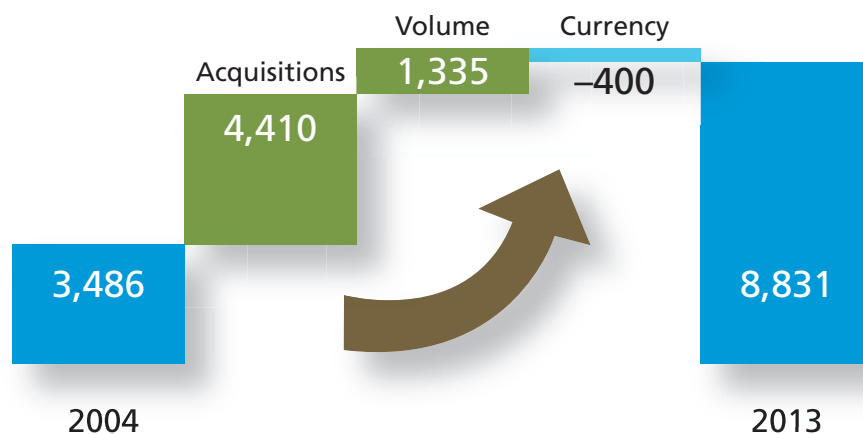
We set high standards for the companies we acquire. They are successful and well-managed, with a clearly defined market and distinct offering. They are run by entrepreneurs with a passion for their business concept and who want to further develop the business. We acquire companies in which the owner wants to continue leading and developing the business, without being the owner. The rationale for selling can vary. Perhaps their company is facing an expansion or investment phase. Or maybe they want to see their life's work live on. By selling their company to Indutrade, they will secure its future.

Develop



Being part of the Indutrade Group means that a company can retain its original identity at the same time that it gains access to everyone's combined experience and knowledge. The companies in the Group stimulate each other and benefit from information-sharing. Various types of network interfaces and internal benchmarking help to adopt best practice that can be spread throughout the Group. All Indutrade companies have clearly decentralised responsibility. Indutrade supports them through industrial know-how, financing, business development and management by objective.

Sales growth, SEK m



Indutrade stable despite weak markets



The world's markets continue to be unstable and were characterised again in 2013 by uncertainty and turbulence. In Europe, industry is marred by genuine uncertainty, which is making many companies hesitant about making investments. For the Indutrade Group as a whole, the year resulted in flat organic growth, and the sales growth that we can report is entirely attributable to acquisitions. That same goes for our earnings growth.

Broad exposure

Owing to our broad market and sector exposure, with more than 180 companies in 26 countries, some of our companies experienced a tough year. The areas in which we have noticed the largest downturns are in the forest industry and sectors based on wood products. Investments in these areas are declining, and we see no immediate signs of a brightening. Because of this, our Engineering & Equipment business area, with extensive business in Finland, had a tough year. However, by focusing on cost-cutting and efficiency improvements, the business area managed to post a slight earnings improvement compared with the preceding year, despite lower sales.

But our breadth also means that we have companies that work in niches that have performed well and have thus reported positive development. Segments in which demand has risen are mainly the energy, measurement technology and medical technology fields, and there is reason to believe that these segments will remain strong in the coming year.

The eight acquisitions carried out during the year were

slightly fewer than in recent years. What's important for us, however, is not the number, but that we buy the right companies that meet our acquisition criteria. Two of the year's acquisitions were in Ireland and the UK, respectively. In these markets we expect to grow considerably in the years ahead, both organically and through acquisitions. The region has many good companies that fit well into our business model. I believe that the number of quality companies for sale will generally increase going forward.

Manufacturing moving out from Sweden

While markets outside the Nordic region are expected to account for a growing share of our future sales, Sweden is still our largest market. During the year, we noted an increase in the move of manufacturing out from Sweden. This has not been reflected in any big newspaper headlines, most likely because in most cases it has involved the relocation of numerous small and midsize plants rather than individual, large production facilities. Many of these moves are being made to other countries in Europe.

The fact that companies are choosing to concentrate their production to fewer and more efficient units is not surprising in itself. What is concerning in the long run, however, is that fewer are choosing to keep their manufacturing in Sweden.

For Indutrade's part, this expatriation trend means that we are extra careful about acquiring Swedish companies and are focusing in such cases on companies with customers in businesses that cannot move abroad, such as water and wastewater systems or other infrastructure.

» Owing to our “acquisition centres” in the Netherlands, Switzerland, and now also in the UK, we can spread awareness about our business philosophy and thereby strengthen our positions outside the Nordic region.



Another factor that is putting small and midsize Swedish companies at a disadvantage is the common practice by large corporations to force small companies to accept unfavourable payment terms, often as long as 90 days. This means essentially that small companies are having to serve as banks for large corporations. This is restricting small businesses' access to working capital and impeding growth. Here I would like to see Sweden's lawmakers be a bit tougher and force companies to adhere to the EU recommendation for 30 days payment terms. This would considerably improve the conditions for large corporations' vendors as well as their prospects for growth.

Continued growth outside the Nordic region

Despite the uncertainty in 2013, I dare believe in a more favourable trend in 2014. At year-end 2013, our orderbooks looked quite good, and during the fourth quarter of 2013, order intake was up 14%, of which 8% was organic growth. Our total order intake has passed SEK 9 billion, and our next goal is for sales to also pass this level.

We will also continue to acquire companies. Our way of working is uncommon outside of the Nordic countries. How-

ever, owing to our “acquisition centres” in the Netherlands, Switzerland, and now also in the UK, we can spread awareness about our business philosophy and thereby strengthen our positions outside the Nordic region.

Towards Large Cap list

In connection with our introduction on the stock market in autumn 2005, Indutrade was valued at SEK 2.6 billion. Since then, we have grown slowly but surely, and our market cap today is nearing SEK 12 billion. During the same period, we have paid out approximately SEK 1.7 billion to our shareholders. If our market cap by the end of this year exceeds EUR 1 billion, we will achieve another one of our goals, namely, to be moved up to the Stockholm Stock Exchange's Large Cap list, which would benefit the Company as well as its stock.

Johnny Alvarsson
President and CEO Indutrade

The share

Indutrade's shares are listed on Nasdaq OMX Stockholm, Mid Cap list. Indutrade's market capitalisation on 31 December 2013 was SEK 10,740 million (7,880).

Indutrade's share price rose from SEK 198.00 to SEK 268.50 during the year, an increase of 36%. The Stockholm Stock Exchange gained 23% for the year, and the OMX Industrial PI index rose 12%. Including reinvested dividends, the total return for Indutrade shares was 41%. The highest price paid in 2013 was on 27 December SEK 272.50, and the lowest price paid was on 2 January and 7 January SEK 198.00. Since the stock market introduction on 5 October 2005 until 31 December 2013, Indutrade's shares have delivered a total return of 376% including reinvested dividends, while the SIX Return Index, which measures the total return of the market as a whole, showed a total return of 104% during the same period.

Trading volume

A total of 21.2 million (6.0) Indutrade shares were traded for a combined value of SEK 4.9 billion (1.1). This corresponds to a turnover rate of 53% (15%). Average daily trading volume was 84,890 Indutrade shares (24,113), with 193 transactions (98).

Share capital

Indutrade's share capital amounted to SEK 40 million on 31 December 2013 (40), divided among 40,000,000 shares (40,000,000) with a share quota of SEK 1. All shares have equal voting power.

Ownership structure

Indutrade had 6,038 shareholders on 31 December 2013 (5,721). At year-end the ten largest owners controlled 66% of the capital and votes (73%). Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 72% of the capital and votes at year-end (78%). Foreign ownership in the Company was 20% (15%).

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 was to promote management's long-term commitment and engagement in the Company.

Forty-nine senior executives acquired a combined total of 358,000 stock options, issued by AB Industrivärden, and 10,000 shares. The stock options were exercised during the term of the programme, which expired on 31 October 2013.

Indutrade paid a subsidy of SEK 22 for every purchased stock option and share under the condition that the participants continued to be employed and that they had not sold their purchased stock options/shares at the time of payment of the subsidy. The subsidy was paid by Indutrade to the participants on two occasions in two equal parts, in December 2011 and June 2013. The total cost for the Company amounted to approximately SEK 9 million, corresponding to approximately SEK 3 million per year.

The Board of Directors has decided to propose the Annual General Meeting on 28 April 2014 to approve a new long-term share-based incentive programme for approximately 140 senior executives and other key persons in the Group. The programme, which will be presented in the AGM notice, will have a duration of four years and will be based on stock options.

Dividend and dividend policy

The Board's goal is to provide the shareholders an attractive dividend yield and high dividend growth. The goal is that over time, the dividend shall amount in the range of 30% and 60% of net profit. During the last five-year period, of Indutrade's aggregate profit after tax, totalling SEK 2,442 million, dividends of SEK 1,210 million have been paid to the shareholders (including the proposed dividend for 2013), 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 2013

	No. shares	Share of capital and votes, %
L E Lundbergföretagen	9,500,000	23.8
Lannebo funds	3,843,811	9.6
AMF - Insurance and funds	3,404,593	8.5
Nordea Investment Funds	1,798,388	4.5
SHB Retirement Fund, Pension foundation and others	1,749,300	4.4
SEB Investment Management	1,702,422	4.3
Didner & Gerge funds	1,137,864	2.8
Afa Insurance	1,075,011	2.7
Handelsbanken Fonder AB RE JPMEL	1,033,921	2.6
Handelsbanken Fondbolag RE JPMCB	976,000	2.4
Other	13,778,690	34.4

Shareholders grouped by size

Size class	No. shareholders	Share of capital and votes, %
1 – 500	4,310	2.0
501 – 1,000	859	1.7
1,001 – 2,000	397	1.6
2,001 – 5,000	235	2.0
5,001 – 10,000	79	1.4
10,001 – 20,000	42	1.5
20,001 – 50,000	38	3.1
50,001 – 100,000	27	5.0
100,001 – 500,000	38	20.8
500,001 – 1,000,000	6	11.0
1,000,001 – 5,000,000	6	26.1
5,000,001 – 10,000,000	1	23.8
10,000,001 –	0	0

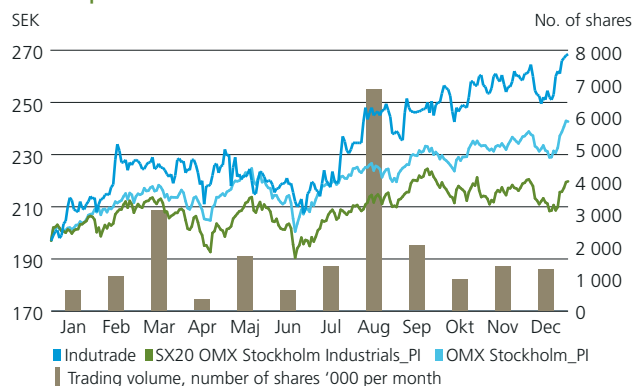
Key data per share

	2013	2012
Share price per 31 December, SEK	268.50	197.00
Market cap per 31 December, SEK	10,740	7,880
Dividend, SEK	7.05 ¹⁾	7.05
Earnings, SEK	14.68	14.23
No. of shares outstanding, thousands	40,000	40,000
No. of shareholders per 31 December	6,038	5,721
Highest prices paid during the financial year, SEK	272.50	229.50
Lowest price paid during the financial year, SEK	198.00	175.00
Dividend yield ²⁾ , %	2.6	3.6
Shareholders' equity, SEK	65.58	57.20
Cash flow from operating activities, SEK	21.48	12.98

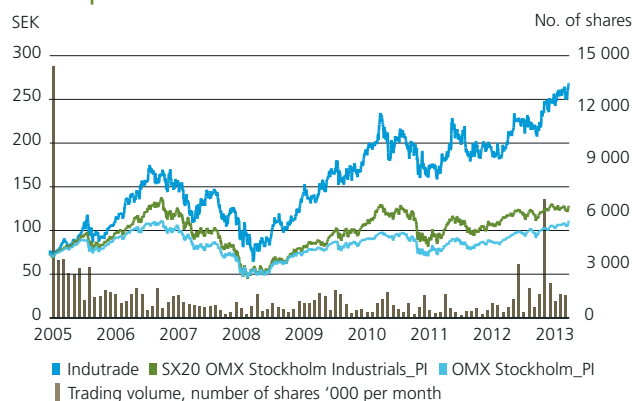
1) Proposed by the Board of Directors.

2) Dividend divided by share price on 31 December.

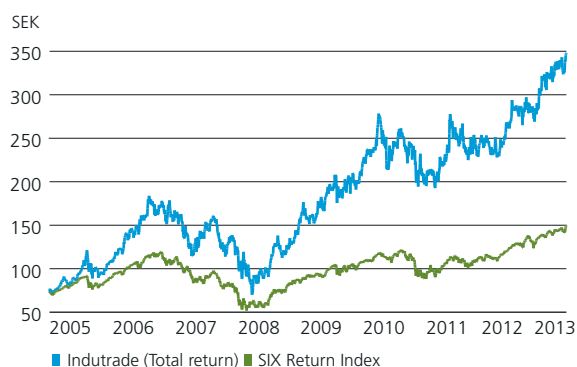
Share price trend 2013



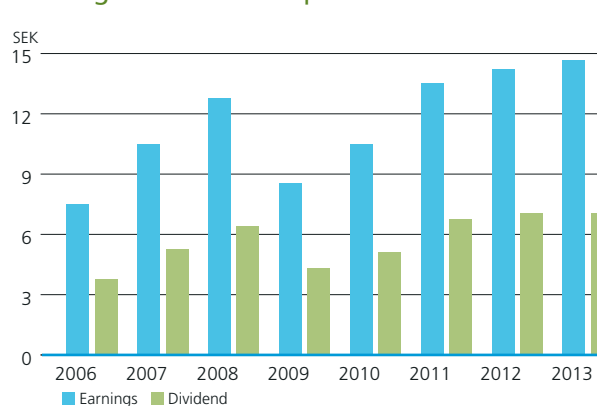
Share price trend October 2005-2013



Total return for Indutrade shares October 2005-2013



Earnings and dividend per share



Goals and strategies

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 profitable growth are:

- » to be the leading technical sales group in northern Europe in terms of net sales, profitability and technical expertise;
- » to be an international group with proprietary products and brands.

Financial targets

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

The target EBITA margin is a minimum of 10% per year over a business cycle.

Return on operating capital should be a minimum of 20% per year over a business cycle.

1) The target for return on operating capital was changed in the beginning of 2014 to be 20% instead of previously 25%.

Net debt/equity ratio should normally not exceed 100%.

Dividend payout ratio should amount in the range of 30% and 60% of net profit.

1) The target for dividend payout ratio was previously a minimum of 50% of net profit.

Target achievement

During the last five-year period, average annual sales growth was 5%. Net sales in 2013 rose 5%, of which organic growth was marginal and acquired growth was 6%. The currency effect in 2013 was -1%.

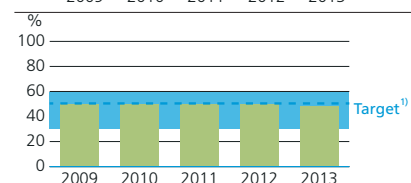
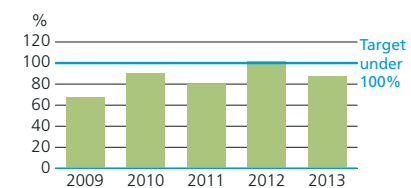
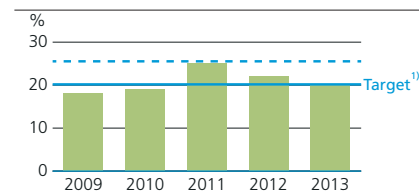
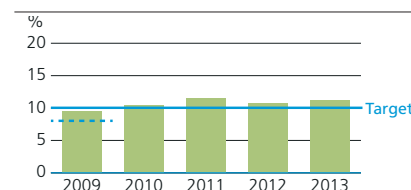
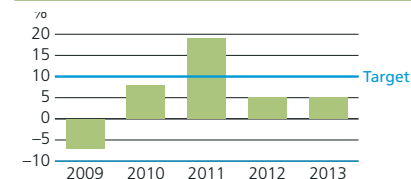
The average EBITA margin during the last five years was 10.7%. The EBITA margin in 2013 was 11.2%.

During the last five years, the average return on operating capital was 21%. In 2013 the return was 20%.

During the last five years, the net debt/equity ratio varied between 68% and 102% at the end of each year. The net debt/equity ratio at year-end 2013 was 88%.

Dividend pay-out for 2009-2012 was 50%. For 2013 a dividend of SEK 7.05 has been proposed, corresponding to 48% of net profit.

Historical achievement



Strategies

To achieve its goals, Indutrade is pursuing the following strategies:

Growth with limited business risk

Growth will be 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

Growth will take place organically as well as through acquisitions. As companies in the Indutrade Group grow, the entry barriers for potential competitors are also expected to rise. At the same time, the risk of Indutrade's suppliers establishing own sales organisations in the Company's markets decreases.

- » Business development and growth are 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 distinct markets.

- » Indutrade normally does not sell companies. Nor do we change the companies' names or combine companies, which means that the seller knows that the company will continue as a player in the market.

Strong market positions

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

- » Strong market positions are often a prerequisite for good profitability. They also make it easier to attract the best suppliers, which further strengthens 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 has a number of companies with 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.

- » Proprietary products and brands balance the Group's technology sales companies. Since 2004 the share of sales of proprietary products has grown by 29 percentage points, and in 2013 they accounted for 38% of consolidated net sales.

High share of repetitive sales and focus on selected customer segments

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

- » This contributes to business stability and predictability of revenue flows.

Sales organisation with high level of technical expertise

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

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

Decentralised organisation with strong local ties

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

- » The subsidiaries are responsible for their own profitability, which contributes to greater flexibility and a stronger entrepreneurial spirit.

Driving forces and business environment

Global macro-trends, such as population growth, longer lives, climate change and energy shortages drive our customers to continuously renew themselves and improve the efficiency of their manufacturing processes. Indutrade is an important partner that supports them in their development.

» Population growth and growing middle class

The world's population is projected to reach nearly 9 billion by 2050, according to UN calculations. Parallel with this, industrialisation in developing countries is contributing to rising incomes and thus a growing middle class. The market balance is also changing, as emerging markets account for a growing share of the global economy. Taken together, these trends are leading to rising demand for capital and consumer goods.

» Limited resources

The world's combined resources are in limited supply, and commodity prices tend to move upwards. In addition, demands are rising for sustainable growth and environment-friendly manufacturing methods. At the same time, population growth, a rapidly expanding middle class and growing purchasing power mean that more people are consuming more. It is therefore necessary for companies and manufacturers to increase their productivity and to use energy efficiently so that they can meet growing demand from a growing population.

» Ageing population

People around the world are living longer, which is creating a greater need above all in the healthcare sector. Demand needs to be met for new medicines and medical equipment for the growing numbers of elderly people.

» Globalisation

Globalisation has contributed to growth in international trade and the spread of both goods and expertise. Consumers as well as businesses expect to have access to the newest products and technologies.

» Sustainable development

Growing international trade has historically entailed manufacturing in one part of the world and consumption in another. However, growing environmental awareness and demands for sustainable development are now leading to growing consumer demand that products be produced locally.

More environment-friendly production with Indutrade

Indutrade's products and solutions help customers conduct their businesses in a more energy-efficient and environment-friendly way.

Our growth strategy is to focus on sectors with high demands for efficiency improvement and thus a high level of automation. Products that help industries measure, govern, control, automate and streamline their processes, together with products that support industries' environmental requirements and energy needs, are prioritised.

Diversification of risk

In order to spread risks and reduce sensitivity to economic swings, Indutrade works with products and solutions in a diversified range of sectors.

In view of rising demands for a generally improved environment and more efficient energy production, together with growth in international trade, the segments that are judged to be the most important for Indutrade's continued expansion and development are:

- Energy
- Water and wastewater
- Environment
- Transportation
- Pharmaceuticals
- Engineering
- Food

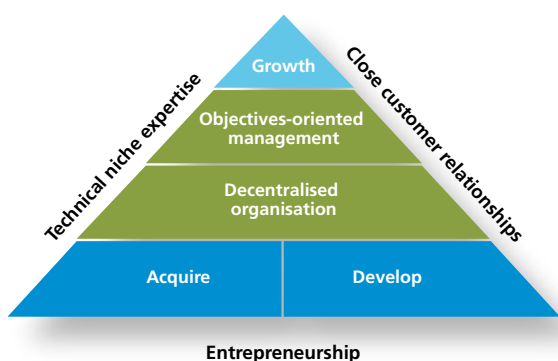
The segments in which Indutrade currently has its highest level of sales are engineering, pharmaceuticals, energy and water/wastewater.

» Indutrade's products and solutions help customers conduct their businesses in a more energy-efficient and environment-friendly way.

Business philosophy and acquisition process

Our business philosophy builds upon entrepreneurship, self-determination, and customer-adapted leadership. We buy profitable, well managed companies which, after being acquired, are allowed to continue doing business as previously, retaining their name, culture and management.

Giving the subsidiaries a great amount of freedom contributes to customer adaptation and flexibility, and creates favourable conditions to continue fostering entrepreneurship in the organisation. Our governance model is highly decentralised, which puts demands on acquired companies to have a well-working operation and management.



The benefit of being part of Indutrade

Indutrade supports its subsidiaries with industrial know-how, financing, business development and management by objective. We are a stable, stock exchange-listed owner that takes responsibility for our subsidiaries' long-term success. The Group's financial strength facilitates the subsidiaries' expansion and creates stability.

At internal networking seminars, we provide opportunities for our subsidiaries to make comparisons and informally share ideas and experiences. Every quarter a benchmarking process is conducted in the form of a ranking list, which is designed to concretise the companies' goals and give the company presidents knowledge about other companies' development in the Group.

Indutrade's acquisition process

Identification

Indutrade strives to establish a dialogue with the owners of potentially interesting companies at an early stage. In doing so, Indutrade is often positioned as a natural discussion partner for business owners prior to a possible sale. At any given time, Indutrade is in discussions with five to ten acquisition candidates.

Evaluation

Potential acquisitions are evaluated on the basis of such parameters as market position, the market segment's attractiveness, customers, competitors, the principal supplier's strategic and technical focus, repetitive features in the product offering, financial position, history, key persons' continued involvement, and the value-added that the company can create for customers and suppliers. Thorough evaluation minimises the operational and financial risk associated with an acquisition.

Negotiation

The main purpose of the negotiation phase is to ensure:

- that the acquisition can be carried out at a price that makes the deal a value-creating endeavour. Historically, Indutrade has acquired businesses at a price of four to eight times net profit given a normal capital structure;
- the continued involvement of key persons after the acquisition. As the key persons are often part-owners of the company being acquired, normally an acquisition structure entailing earn-out payments is used. Key persons are thereby given an incentive to continue working in the Group and contribute to continued growth;
- that the acquisition candidate's main suppliers give their consent to the acquisition, thereby ensuring that key product agencies are not lost.

Implementation

In connection with an acquisition, a structured review is conducted that focuses primarily on the acquired company's:

- customers and suppliers, with a view to broadening the customer base and product offering,
- organisation, with a view to improving efficiency and increasing focus on customers and sales,
- costs, margins and inventory turnover with a view to raising profitability.

New financial targets – adapted to the company's conditions – are set.

Follow-up

The Group's management and the management of the pertinent business area conduct a continuous dialogue with the company's management. The ongoing governance is goal-oriented, with focus on growth, margins and working capital management.



Quarterly overview

Net sales, SEK m	2013					2012				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	1,265	334	301	331	299	1,325	339	320	341	325
Flow Technology	1,979	508	471	531	469	2,123	577	516	524	506
Fluids & Mechanical Solutions	993	258	234	258	243	1,020	273	240	257	250
Industrial Components	1,717	466	409	438	404	1,531	405	357	403	366
Special Products	2,920	795	741	730	654	2,444	696	564	632	552
Parent company & Group items	-43	-9	-8	-8	-18	-59	-23	-9	-10	-17
	8,831	2,352	2,148	2,280	2,051	8,384	2,267	1,988	2,147	1,982

EBITA, SEK m	2013					2012				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	103	28	25	30	20	105	20	36	24	25
Flow Technology	159	39	40	54	26	196	51	48	57	40
Fluids & Mechanical Solutions	110	26	25	29	30	125	33	30	31	31
Industrial Components	212	64	55	53	40	165	44	41	45	35
Special Products	443	122	120	110	91	364	124	76	91	73
Parent company & Group items	-37	4	-13	-12	-16	-50	-12	-12	-14	-12
	990	283	252	264	191	905	260	219	234	192

EBITA-margin, %	2013					2012				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	8.1	8.4	8.3	9.1	6.7	7.9	5.9	11.3	7.0	7.7
Flow Technology	8.0	7.7	8.5	10.2	5.5	9.2	8.8	9.3	10.9	7.9
Fluids & Mechanical Solutions	11.1	10.1	10.7	11.2	12.3	12.3	12.1	12.5	12.1	12.4
Industrial Components	12.3	13.7	13.4	12.1	9.9	10.8	10.9	11.5	11.2	9.6
Special Products	15.2	15.3	16.2	15.1	13.9	14.9	17.8	13.5	14.4	13.2
	11.2	12.0	11.7	11.6	9.3	10.8	11.5	11.0	10.9	9.7

Several-year overview

Condensed income statement (SEK m)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net sales	8,831	8,384	7,994	6,745	6,271	6,778	5,673	4,516	3,822	3,486
Cost of goods sold	-5,833	-5,545	-5,268	-4,480	-4,207	-4,520	-3,826	-3,027	-2,582	-2,367
Development costs	-110	-95	-74	-48	-44	-32	-20	-15	-12	-11
Selling costs	-1,601	-1,527	-1,430	-1,224	-1,169	-1,169	-972	-835	-725	-677
Administrative expenses	-449	-426	-398	-376	-323	-299	-250	-205	-182	-177
Other operating income/expenses	18	6	-2	-3	-3	2	4	2	3	0
Operating profit	856	797	822	614	525	760	609	436	324	256
Financial income and expenses	-100	-83	-93	-61	-64	-68	-31	-20	-15	-13
Profit after financial items	756	714	729	553	461	692	578	416	309	243
Tax	-169	-145	-189	-148	-120	-182	-159	-116	-87	-75
Net profit for the year	587	569	540	405	341	510	419	300	222	168
EBITA	990	905	917	703	594	820	650	460	333	264
EBITA margin, %	11.2	10.8	11.5	10.4	9.5	12.1	11.5	10.2	8.7	7.6

Condensed balance sheets (SEK m)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Assets										
Goodwill	1,308	1,188	822	712	514	574	378	265	210	156
Other intangible assets	1,286	1,215	888	761	555	599	364	183	88	15
Property, plant and equipment	849	741	706	657	563	554	388	327	287	277
Financial assets	61	59	45	50	48	52	43	25	31	18
Inventories	1,546	1,472	1,328	1,183	1,064	1,207	936	719	615	556
Trade account receivable	1,435	1,411	1,263	1,047	901	1,102	859	679	532	461
Current receivables	208	204	149	164	125	100	100	69	53	56
Cash and cash equivalents	261	243	264	219	229	223	203	119	117	97
Total assets	6,954	6,533	5,465	4,793	3,999	4,411	3,271	2,386	1,933	1,636
Liabilities and equity										
Equity	2,626	2,290	2,064	1,744	1,644	1,597	1,189	892	714	708
Non-current interest-bearing liabilities and pension liabilities	2,201	1,158	837	939	886	930	431	406	415	183
Other non-current liabilities and provisions	353	333	255	231	132	148	237	73	44	16
Current interest-bearing liabilities	381	1,424	1,083	841	462	622	393	236	116	204
Accounts payable – trade	602	586	556	493	424	584	470	398	322	263
Other current liabilities	791	742	670	545	451	530	551	381	322	262
Total liabilities and equity	6,954	6,533	5,465	4,793	3,999	4,411	3,271	2,386	1,933	1,636

Revised IAS19 Employee Benefits applies as from 2013. Comparative figures for 2012 have been recalculated.

Condensed cash flow statements (SEK m)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Cash flow from operating activities before changes in working capital	790	720	764	616	438	619	526	369	313	251
Changes in working capital	69	-201	-55	40	120	-129	-127	-104	9	16
Cash flow from operating activities	859	519	709	656	558	490	399	265	322	267
Net investment in non-current assets	-206	-127	-139	-111	-90	-130	-67	-41	-41	-24
Company acquisitions and divestments	-444	-572	-467	-684	-188	-276	-307	-157	-148	-14
Change in other financial assets	1	-5	13	0	0	0	1	-16	-8	2
Cash flow from investing activities	-649	-704	-593	-795	-278	-406	-373	-214	-197	-36
Net borrowing	88	442	134	321	-12	131	203	65	192	-157
Dividend payout	-282	-270	-204	-172	-256	-210	-150	-110	-301	-144
Cash from from financing activities	-194	172	-70	149	-268	-79	53	-45	-109	-301
Cash flow for the year	16	-13	46	10	12	5	79	6	16	-70
Cash and cash equivalents at start of year	243	264	219	229	223	203	119	117	97	168
Exchange rate differences	2	-8	-1	-20	-6	15	5	-4	4	-1
Cash and cash equivalents at end of year	261	243	264	219	229	223	203	119	117	97
Financial metrics (SEK m)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Non-current interest-bearing liabilities	2,201	1,158	837	939	886	930	431	406	415	183
Current interest-bearing liabilities	381	1,424	1,083	841	462	622	393	236	116	204
Cash and cash equivalents	-261	-243	-264	-219	-229	-223	-203	-119	-117	-97
Group net debt	2,321	2,339	1,656	1,561	1,119	1,329	621	523	414	290
Net debt/equity ratio, %	88	102	80	90	68	83	52	59	58	41
Interest coverage ratio, times	8.9	9.0	8.9	9.4	7.6	10.4	15.8	18.4	18.2	16.3
Equity ratio, %	38	35	38	36	41	36	36	37	37	43
Net debt/EBITDA, times	2.1	2.3	1.6	2.9	1.6	1.5	0.9	1.0	1.1	1.0
Return ratios	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Return on equity, %	25	27	29	24	21	38	41	39	33	24
Return on working capital, %	20	22	25	19	18	33	38	35	30	26
Key data per employee	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Average number of employees	4,151	3,939	3,778	3,420	3,122	2,728	1,929	1,673	1,510	1,415
Net sales, SEK 000	2,127	2,128	2,116	1,972	2,009	2,485	2,941	2,699	2,531	2,464
Pre-tax profit, SEK 000	182	180	193	162	148	254	300	249	205	172

Key data per share	2013	2012	2011	2010	2009	2008	2007	2006	2005
Share price per 31 December, SEK	268.50	197.00	183.00	232.00	135.00	66.25	123.75	135.00	89.00
Market cap per 31 December, SEK m	10,740	7,880	7,320	9,280	5,400	2,650	4,930	5,400	3,560
Dividend ¹⁾ , SEK	7.05	7.05	6.75	5.10	4.30	6.40	5.25	3.75	2.75
Earnings, SEK	14.68	14.23	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	40,000
Number of shareholders per 31 December	6,038	5,721	5,025	5,388	5,369	4,577	4,739	5,230	6,165
Highest price paid during the financial year, SEK	272.50	229.50	239.00	234.00	153.00	149.00	172.00	139.00	91.00
Lowest price paid during the financial year, SEK	198.00	175.00	153.50	134.50	69.50	63.75	117.00	80.50	65.00
Dividend yield ²⁾ , %	2.6	3.6	3.7	2.2	3.2	9.7	4.3	2.8	3.8
Shareholders' equity, SEK	65.58	57.20	51.55	43.55	41.10	39.93	29.73	22.30	17.85
Cash flow from operating activities, SEK	21.48	12.98	17.73	16.40	13.95	12.25	9.98	6.63	8.05

1) Proposed for 2013 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 divided by net sales for the period.

EBITDA

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

Equity per share

Equity divided by the number of shares outstanding.

Equity ratio

Shareholders' equity divided by total assets.

Gross margin

Gross profit divided by net sales.

Interest-bearing net debt

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

Interest coverage ratio

Gross profit plus financial income divided by financial expenses.

Net capital expenditure

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 equity

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

Return on operating capital

EBITA divided by 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 2013 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.

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 26 countries on four continents. Indutrade's shares are listed on Nasdaq OMX Stockholm, Mid Cap list.

Performance 2013

The market for Indutrade's companies improved gradually in 2013. Net sales as well as order intake reached record levels of just below and slightly higher than SEK 9 billion, respectively. Growth was unevenly balanced, however; certain segments and markets showed no growth at all, while others posted very favourable growth.

First Quarter

The business climate was generally weak at the start of the year, and the trend from 2012 – with gradually softening demand in many markets and niches – remained unbroken during the first quarter of the year. One exception was demand from the international energy sector, which has experienced favourable growth since the latter part of 2011 and which stabilised at a high level during the second half of 2012. During the first quarter of the year, demand rose for wind power components, and some stabilisation was also noted among certain customers in the commercial vehicles sector, for example.

All business areas except Special Products showed like-for-like decreases in order intake during the start of the year. Special Products posted a small rise overall.

The Engineering & Equipment business area experienced continued weak performance, owing to the trend in Finnish industry. Cost-cutting measures were carried out to improve profitability. Flow Technology noted weak order intake during the quarter. The single largest explanation was the downturn in the marine sector, while sluggish demand from the

process industry also played a role. Cost-savings were also carried out in this business area. Fluids & Mechanical Solutions experienced weak development in certain segments, such as hydraulics for commercial vehicles, while it met a more favourable business climate in other areas. Demand was generally weak for Industrial Components, but owing to acquisitions, the business area recorded higher sales. Special Products achieved organic growth in both order intake and invoicing, mainly driven by favourable performance of the business area's operations in Switzerland as well as for internationally active companies with proprietary products. In the energy segment, which is an important part of the business area, activity remained at a high level.

Second Quarter

The generally weak business climate continued into the second quarter. Demand from the international energy sector remained favourable, and for some of the Group's internationally active companies with proprietary products, such as in measurement technology, demand continued to improve during the second quarter of the year.

In the Nordic countries, business was weak in Finland and Denmark. Sweden – and to some extent Norway – had more positive development in certain segments that showed growth. Outside the Nordic countries, Indutrade Switzerland continued to show strong growth – both organic and via acquisitions. Other important countries, like Germany, Benelux, the UK and Ireland, were stable.

During the second quarter, all business areas except for Special Products showed decreases in order intake for comparable units.

The Engineering & Equipment business area had continued weak performance due to dampened development for Finnish industry. Flow Technology reported weak order intake for the period, despite an improvement towards the end of the second quarter. Order intake was generally weak in the marine sector and in the process industry in Sweden. Fluids & Mechanical Solutions experienced dampened development in certain segments, such as hydraulics for the commercial vehicles sector, while in other areas it encountered a more favourable business climate. Demand was generally weak for Industrial Components, but owing to acquisitions, the business area showed an increase in both sales and order intake. Commercial vehicles continued to show favourable development at the same time that certain med-tech segments had a slow start to the year. Special Products managed to show growth in both order intake and invoicing, owing in part to high activity in the energy segment.

Third Quarter

A slight improvement took place in the business climate during the third quarter, where an increase in demand for comparable units reflected a slightly stronger business climate in most segments and geographic markets. During the first half of the year, only the Special Products business area showed organic growth. During the third quarter, both the Engineering & Equipment and Industrial Components business areas reported growth for comparable units. For the other two business areas, the decrease for comparable units as a percentage was lower in the third quarter than during the start of the year.

Special Products, which experienced the strongest growth during the year, was positively affected by favourable performance in Switzerland as well as for internationally active companies with proprietary products, such as in measurement technology. Activity in the international energy market remained at a high level for conventional power. Industrial Components was favourably affected by higher activity in the medical technology field, the automotive industry and certain parts of the engineering industry, which also had an impact on business for Fluids & Mechanical Solutions. Flow Technology continued to show a weakening in business compared with a year ago as a result of weak demand in the process industry and marine sector. Activity in Finland, where Engineering & Equipment has most of its business, remained weak after the summer.

Fourth Quarter

The increase in order intake for comparable units during the fourth quarter reflected a slightly stronger business climate in most segments and geographic markets. Four of the five business areas recorded order intake that was higher than in the corresponding period a year ago. Only Engineering & Equipment had lower order intake during the quarter as a result of continued weak performance in Finland in most sectors. Business was also weak in Denmark. Sweden had more positive development, with growth in several segments. Outside the Nordic countries, operations in Switzerland, the UK and Ireland continued to experience strong growth. Other important countries like Germany and Benelux were stable.

Flow Technology posted growth in order intake. The increase was not general in nature, as there were still several segments that have not yet begun to grow. For Fluids & Mechanical Solutions, order intake rose as a result of favourable development for several companies, and the previously weak hydraulics sector shifted into growth during the period. Industrial Components had continued strong development, with both organic and acquisition-driven growth. Most companies showed growth, including those working with medical technology, mechanical components and chemical products

for the engineering industry. Special Products continued to perform strongly, with a 32% rise in order intake, driven mainly by favourable development for comparable units, good growth in the energy segment and in the Swiss operations, and contributions from completed acquisitions.

Order Intake, Net Sales And Earnings

Order intake for the year amounted to SEK 9,014 million (8,444), an increase of 7%. For comparable units, order intake rose 2%, while acquired growth was 6%. Currency movements affected order intake negatively, by 1%. For the Industrial Components and Special Products business areas, order intake increased for comparable units during the year. For the other business areas, like-for-like order intake decreased.

Net sales SEK m, EBITA margin, %

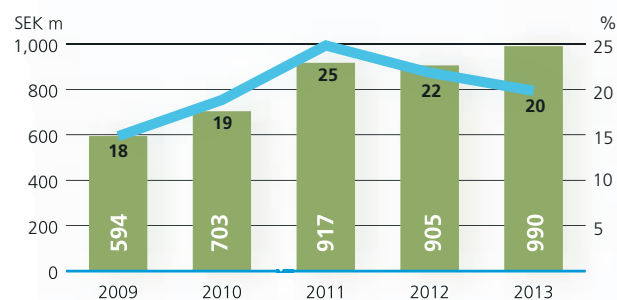


Net sales for the year totalled SEK 8,831 million (8,384), an increase of 5%. For comparable units, the increase was marginal, while acquired growth was 6%. Currency movements were negative, by 1%.

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 990 million (905) for the year, an increase of 9%. The operating margin before amortisation of intangible assets (the EBITA margin) was 11.2% (10.8%). The gross margin for the Group as a whole was level with the preceding year, at 33.9% (33.9%). The earnings increase and strengthening of the EBITA margin were mainly attributable to the contribution from acquisitions. With only a marginal increase in net sales for comparable units, strict cost control played a key role in the Group's earnings performance. For the full year, three of the Group's five business areas attained an EBITA margin that was higher than the Group's target of an EBITA margin exceeding 10%. Currency effects from translation of foreign units had a negative effect on EBITA by SEK -11 million, or -1%. Net financial items totalled SEK -100 million (-83), of which net interest expense accounted for SEK -90 million (-77). Net interest income/expense was positively affected by a lower average interest rate, which partly compensated for higher average net debt. Tax on profit for the year was SEK

–169 million (–145), corresponding to a tax rate of 22.4% (20.3%). The tax rate in the preceding year decreased by 4.2 percentage points as a result of a deferred tax revenue of approximately SEK 30 million in connection with the reduced corporate tax rate in Sweden, which took effect on 1 January 2013. Profit after tax rose 3% to SEK 587 million (569). Earnings per share increased to SEK 14.68 (14.23).

EBITA SEK m, Return on operating capital %



Profitability, Financial Position And Cash Flow

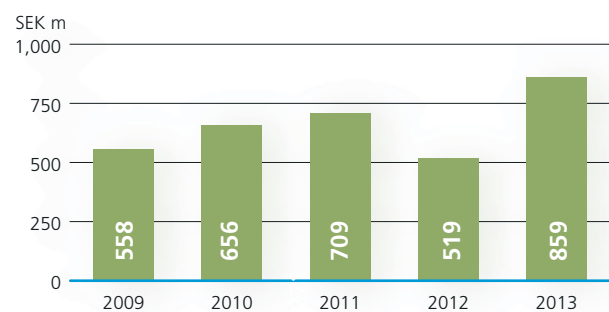
The return on operating capital was 20% (22%), and the return on equity was 25% (27%).

Shareholders' equity amounted to SEK 2,626 million (2,290), and the equity ratio was 38% (35%).

Cash and cash equivalents amounted to SEK 261 million (243). In addition to this, the Group had unutilised credit promises of SEK 1,233 million (896). Interest-bearing net debt amounted to SEK 2,321 million (2,339). The net debt/equity ratio at year-end was 88% (102%).

Cash flow from operating activities was SEK 859 million (519) for the year. Cash flow after net capital expenditures in intangible non-current assets and property, plant and equipment (excluding company acquisitions) was SEK 653 million (392). The higher cash flow was mainly attributable to a lower level of tied up working capital.

Cash flow from operating activities, SEK m



The Group's net capital expenditures, excluding company acquisitions, amounted to SEK 206 million (127). Investments in property totalling SEK 99 million – mainly in a few of the Group's manufacturing companies – led to the increase in in-

vestment level. Depreciation of property, plant and equipment amounted to SEK 114 million (107). Investments in company acquisitions amounted to SEK 335 million (519). In addition, payments of contingent consideration for previous years' acquisitions amounted to SEK 128 million (72). During the year, a small operation was divested for SEK 19 million (19).

Business Areas

Engineering & Equipment

Net sales decreased by 5% during the year, to SEK 1,265 million (1,325). The decrease for comparable units was 5%. Acquisitions contributed 1%, while currency movements had a negative effect on net sales, by 1%.

Finnish industrial performance had been weak since previously across a broad front, and this trend remained unbroken during the year. The business area was affected by a low level of international and domestic projects in the process industry, lower activity in the construction sector, and investment restraint in Finland.

EBITA decreased by 2% to SEK 103 million (105), corresponding to an EBITA margin of 8.1% (7.9%). Completed cost-cutting and efficiency improvement measures countered the effect of lower sales.

Engineering & Equipment

Net sales per customer segment, %		Net sales per product area, %	
Engineering	27	Hydraulics & Industrial equipment	30
Water/Wastewater	25	Measurement technology	21
Construction	12	Valves	15
Infra structure	9	Service	10
Chemicals	7	Pumps	8
Car repair shops	6	Pipes & Pipe systems	5
Commercial vehicles	5	Automation	4
Energy	4	Filter & Process technology	3
Pulp & Paper	4	Fasteners/Electronics/Industrial springs	3
Food	1	Chemical technology	1

Flow Technology

Net sales for the year totalled SEK 1,979 million (2,123), a decrease of 7%. For comparable units the decrease was 7%, while acquired growth was 1%. Currency movements had a negative impact on net sales, by 1%.

The year as a whole was characterised by tentative demand, with lower order intake for domestic and international projects in the process industry, the water/wastewater segment and the marine segment. The weaker business climate was reflected in lower sales for many of the business area's companies. However, the business climate strengthened slightly during the fourth quarter, both in comparison with the preceding quarter and the corresponding quarter a year ago. The strengthening pertained to most segments, except for marine/offshore.

EBITA decreased by 19% to SEK 159 million (196), and the EBITA margin was 8.0% (9.2%). The decrease in sales for comparable units resulted in lower earnings and margins.

Flow Technology

Net sales per customer segment, %		Net sales per product area, %	
Water/Wastewater	25	Valves	48
Energy	14	Measurement technology	13
Chemicals	14	Pipes & Pipe systems	12
Marine/Offshore	13	Pumps	12
Engineering	10	Hydraulics & Industrial equipment	7
Pharmaceuticals/Healthcare	7	Service	2
Pulp & Paper	6	Medical technology	2
Food	5	Fasteners/Electronics/Industrial springs	1
Construction	2	Glass/Plastics/Ceramics	1
Commercial vehicles	1	Other	2
Other	3		

Fluids & Mechanical Solutions

Net sales decreased by 3% during the year, to SEK 993 million (1,020). For comparable units, the decrease was 5%. Acquisitions contributed 3%, while currency movements had a negative impact on net sales, by 1%.

Certain companies in the business area strengthened their positions in their respective markets during the year, including industrial plastic components, design solutions for façades, and fluid filtration products. For companies with broader exposure to the Nordic engineering industry, the trend was mixed. Companies with customers in the commercial vehicles segment were hurt by the market trend mainly during the first half of the year, while a more positive trend was noted starting in the early autumn.

EBITA decreased by 12% to SEK 110 million (125), and the EBITA margin was 11.1% (12.3%). In the companies that were hurt the most by the weaker business climate and lower sales, actions were taken to adapt overheads.

Fluids & Mechanical Solutions

Net sales per customer segment, %		Net sales per product area, %	
Engineering	32	Filter & Process technology	24
Construction	19	Hydraulics & Industrial equipment	20
Water/Wastewater	13	Valves	11
Commercial vehicles	8	Glass/Plastics/Ceramics	10
Food	7	Fasteners/Electronics/Industrial springs	9
Infra structure	6	Pipe & Pipe systems	6
Pharmaceuticals/Healthcare	3	Chemical technology	6
Marine/Offshore	3	Automation	5
Pulp & Paper	2	Pumps	2
Car repair shops	2	Other	7
Chemicals	2		
Energy	1		
Other	2		

Industrial Components

Net sales rose 12% during the year, to SEK 1,717 million (1,531). The increase for comparable units was 2%. Acquisitions contributed 10%, while currency movements had a marginal impact.

The business climate for commercial vehicles recovered gradually during the year. Demand from the vehicle manufacturing plants was favourable during the year, with a number of interesting projects. For customers in the mining industry, business during the year was weak. For the business area's companies focused on the general engineering industry, the trend was mixed. Following a weak first half of the year, positive movement in demand was noted during the third and fourth quarters for medical technology equipment, mainly for general health care applications, but to some extent also for ophthalmology.

EBITA rose 28% to SEK 212 million (165), corresponding to an EBITA margin of 12.3% (10.8%). Acquisitions accounted for most of the earnings and margin improvement.

In January, the company Thermotech AS was acquired, with annual sales of SEK 70 million. In July the company AMAB (Allen Myrin Aktiebolag) was acquired, with annual sales of SEK 35 million, and in September the operations of Micro Joining KB were acquired, with annual sales of SEK 15 million. In October, the company Medexa Diagnostisk Service AB was acquired, with annual sales of SEK 25 million.

Industrial Components

Net sales per customer segment, %	Net sales per product area, %
Engineering	37
Pharmaceuticals/Healthcare	23
Commercial vehicles	8
Marine/Offshore	7
Food	5
Construction	4
Pulp & Paper	4
Energy	2
Water/Wastewater	1
Chemicals	1
Other	8

Special Products

Net sales rose 19% for the year, to SEK 2,920 million (2,444). The increase for comparable units was 10%. Acquired growth was 11% on an accumulated basis, while currency movements had a negative impact on net sales, by 2%.

The increase in net sales for comparable units is mainly attributable to the success of the Group's operations in Switzerland. In addition, increases were noted in several other areas, including deliveries to the international, conventional power generation market, operations in Benelux, and certain internationally active companies with proprietary products in measurement technology. Despite substantial invoicing in the energy market, order intake from this segment was higher than invoicing during the year.

EBITA increased by 22% to SEK 443 million (364), and the EBITA margin was 15.2% (14.9%). For the year as a whole, the increase in earnings was distributed essentially equally among comparable units and new acquisitions.

In April the company ESI Technologies Ltd was acquired, with annual sales of SEK 160 million, and in November two companies were acquired: Kin Pompentechniek B.V., with annual sales of SEK 76 million, and Verplas Ltd, with annual sales of SEK 80 million.

Special Products

Net sales per customer segment, %	Net sales per product area, %
Energy	24
Engineering	21
Food	19
Construction	12
Chemicals	7
Commercial vehicles	5
Food	4
Water/Wastewater	3
Marine/Offshore	3
Pulp & Paper	1
Other	1

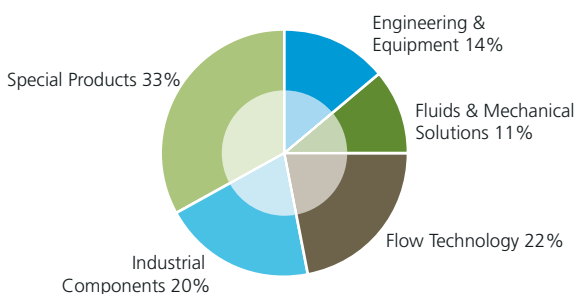
Geographical distribution of net sales per business area, %

Country	Engineering & Equipment	Flow Technology	Fluids & Mechanical Solutions	Industrial Components	Special Products
Asia	1	4	1		14
Baltics/Russia/Poland	2	8	20	4	1
Benelux	1		1	2	24
Denmark		14	12	5	1
Finland	92	7		13	
Germany	2	1	2	1	14
North America			1		9
Norway		11	10	10	
Sweden	1	47	47	64	8
Switzerland			1		15
UK & Ireland		7			6
Other	1	1	5	1	8

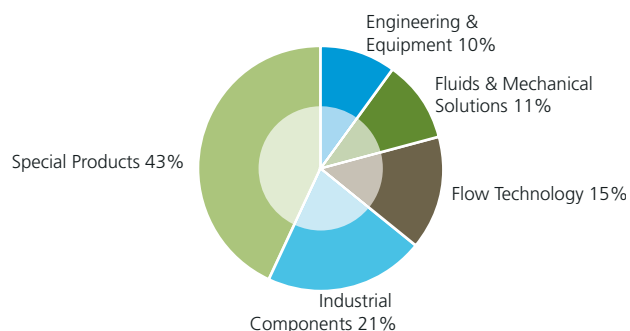
Key data per business area

	Engineering & Equipment		Flow Technology		Fluids & Mechanical Solutions		Industrial Components		Special Products	
SEK m	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net sales, SEK m	1,265	1,325	1,979	2,123	993	1,020	1,717	1,531	2,920	2,444
EBITA, SEK m	103	105	159	196	110	125	212	165	443	364
EBITA margin, %	8.1	7.9	8.0	9.2	11.1	12.3	12.3	10.8	15.2	14.9
Return on operating capital, %	23	23	16	21	18	20	25	26	20	21
Average number of employees	484	508	645	669	452	442	565	500	1,996	1,920

Net sales per business area, %



EBITA per business area, %



Acquisitions 2013

Possession	Acquisition	Country	Business area	Sales, SEK m ¹⁾	No. employees
January	Thermotech AS	Norway	Industrial Components	70	54
April	ESI Technologies Ltd	Ireland	Special Products	160	47
July	AMAB	Sweden	Industrial Components	35	13
September	Micro Joining (operations)	Sweden	Industrial Components	15	2
October	Medexa Diagnostisk Service AB	Sweden	Industrial Components	25	9
November	Kin Pompentechniek B.V.	The Netherlands	Special Products	76	19
November	Verplas Ltd	UK	Special Products	80	85
Total				461	229

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

- » **Thermotech AS** sells products and services in the areas of heat treatment, machine service and bolt tension. Thermotech has annual sales of approximately SEK 70 million and is consolidated in the Group as from 1 January 2013.
- » **ESI Technologies Ltd**, with annual sales of approximately SEK 160 million, is a technology sales company specialising in flow technology. Business is conducted in Ireland and the UK. Customers are mainly in the pharmaceutical, chemical, and oil and gas industries. The company is consolidated in the Group as from 1 April 2013.
- » **AMAB** is one of the market's leading suppliers of medical alert systems, monitoring systems and security systems to the healthcare sector. AMAB has annual sales of approximately SEK 35 million and is consolidated in the Group as from 1 July 2013.

- » The operations of **Micro Joining KB** are consolidated in the Group as from 1 September 2013. Micro Joining sells adhesives and equipment for micro-electronics, with annual sales of approximately SEK 15 million.
- » **Medexa Diagnostisk Service AB** specialises in high-end technology for healthcare with a focus on foetal surveillance and ultrasound applications. Medexa has annual sales of SEK 25 million and is consolidated in the Group as from 8 October 2013.
- » **Kin Pompentechniek B.V.**, with annual sales of SEK 76 million, sells pumps from leading suppliers and is consolidated in the Group as from 1 November 2013.
- » **Verplas Ltd**, with annual sales of SEK 80 million, manufactures and distributes a range of rigid and flexible ventilation products, and is consolidated in the Group as from 22 November 2013.

Risks And Risk Management

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

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

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

Indutrade conducts business in 26 countries on four continents, through some 180 companies. This spread of risk along with a large number of customers in diversified industries and a large number of suppliers in various technology areas limits the business risks.

Risk	Risk management
Changes in the economy	
Indutrade's business is dependent on customers' purchases and investments, and is affected by changes in the economy.	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 a balancing effect.
Outsourcing of operations	
Outsourcing of industrial production to low-cost countries takes place in markets in which Indutrade is active.	Outsourcing has had a limited impact on Indutrade, since 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.
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 with their expertise about various processes, who not tend to outsource.
Operational risk	
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.	Termination of an agency relationship is a natural occurrence in an agency company's operations, and the organisation has experience in dealing with this. Indutrade has some 100 trading companies with a few main agencies per company, complemented by 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.

Risk	Risk management
Changes at the supplier level	
<p>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.</p>	<p>Indutrade mitigates this risk by choosing suppliers who view a partnership with Indutrade as the most profitable sales method. Stable supplier relationships are one of the parameters that are assessed prior to Indutrade's acquisition of a company. To ensure that an acquired company does not lose its product agency agreements, its primary suppliers must give their consent to the acquisition.</p>
Key person dependence	
<p>The risk of losing experienced employees is elevated in connection with company acquisitions.</p>	<p>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.</p>
Funding risk	
<p>By funding risk is meant the risk that funding of the Group's capital requirement will be impeded or become more costly.</p>	<p>Funding risk 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.</p>
Interest rate risk	
<p>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 expense and earnings.</p>	<p>Indutrade strives to achieve an even spread of fixed-interest maturities to avoid a situation where large loan volumes will be subject to a new level of fixed interest at the same point in time.</p>
Currency risk	
<p>By currency risk is meant the risk of unfavourable movements in exchange rates affecting consolidated earnings and equity measured in SEK:</p> <ul style="list-style-type: none"> • 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. 	<p>The Indutrade Group's transaction exposure arises, for example, when subsidiaries import products for sale in the domestic market. Exchange rate effects are eliminated as far as possible by using currency clauses in customer contracts and by buying and selling in the same currency. In certain cases, forward contracts are used.</p> <p>The Group has a translation risk when translating the accounts of foreign subsidiaries to the Group currency, SEK. This type of currency risk is not hedged at present.</p>

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.

Employees

At year-end the Company had 4,218 employees (4,086), and the average number of employees during the year was 4,151 (3,939). A total of 229 employees were added through acquisitions.

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 was to promote management's long-term commitment and involvement in the Company.

Under the programme, 49 senior executives acquired a combined total of 358,000 stock options, issued by AB Industrivärden, and 10,000 shares. The stock options were exercised during the term of the programme, which expired on 31 October 2013.

Indutrade paid a subsidy of SEK 22 for every purchased stock option and share under the condition that the participants continued to be employed and that they had not sold their purchased stock options/shares at the time of payment of the subsidy. The subsidy was paid by the Company to the participants on two occasions in two equal parts, in December 2011 and in June 2013. The total cost for the Company was approximately SEK 9 million, corresponding to approximately SEK 3 million per year.

The Board of Directors has decided to propose to the Annual General Meeting on 28 April 2014 to resolve in favour of a new, long-term share-based incentive programme directed at approximately 140 senior executives and other key persons in the Group. The programme, which will be presented in the AGM notice, will have a term of four years and will be based on stock options.

Guidelines For Compensation Of Senior Executives

The guidelines for compensation of senior executives that applied in 2013 are outlined in Note 7. The Company's auditors have performed a review to ensure adherence to the guidelines set by the Annual General Meeting. Ahead of the 2014 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 10 million. Incentive programmes in the Company shall mainly be share price-related and cover persons in senior positions in the Company who have a significant influence over the Company's earnings and growth, and shall be based on the achievement of set targets. An incentive programme shall 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 shares or share-based instruments. Such cash compensation shall normally not exceed 15% 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 or a general pension plan (in Sweden, the ITP plan).
- 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 CEO consults with the Remuneration Committee on 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.

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 (3) during the year. The Parent Company's investments in financial assets consist mainly of shares in subsidiaries. During the year, the Parent Company acquired shares in five 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 31 December was 10 (10).

Events After The Balance Sheet

In January the acquisition of AP Tobler, Switzerland, was completed, with annual sales of approximately SEK 37 million. Tobler specialises in surface treatment of stainless steel and aluminium for the pharmaceutical industry, mainly in Switzerland and the EU.

At the end of February Indutrade set up a commercial paper programme. Through the programme, Indutrade can issue commercial paper for a maximum amount of SEK 1.5 billion. The notes have a maximum term of 12 months.

In mid March, the company Svenska Geotech AB was acquired, with annual sales of approximately SEK 40 million. Svenska Geotech imports and supplies building site preparation and civil engineering products.

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

Future Outlook

During the last two years, many customers have expected that the market would gain momentum, especially during the latter half of 2012 and in 2013. Growth forecasts have subsequently been adjusted downwards based on reality. For Indutrade, the autumn of 2013 showed a concrete improvement in order intake for a number of companies, but far from all.

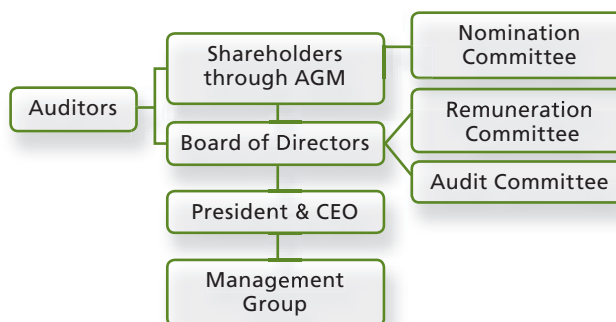
Indutrade's ambition over time is to achieve its set targets for growth and profitability while maintaining continued financial balance. No forecast is being issued for 2014.

Corporate Governance Report

Indutrade applies the Swedish Corporate Governance Code (the Code) since 1 July 2006. The Code is a component of self-regulation in Swedish industry and is based on the "comply or explain" principle. This means that companies that adhere to the Code may depart from individual rules, provided that they give an explanation for each departure. Indutrade has no departures to report for the 2013 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 2013 Indutrade had 6,038 shareholders (5,721). The ten largest shareholders controlled 66% of the share capital. Swedish legal entities, including institutions such as insurance companies and mutual funds, held 72% of the share capital and votes at year-end. Foreign investors owned 20% of the share capital and votes.

One shareholder, L E Lundbergföretagen AB, with 23.8% of the share capital and votes, controlled 10% or more of the share capital and votes at year-end.

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

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 advertisement shall be posted in the Swedish daily newspaper Dagens Nyheter announcing that notice of the Annual General Meeting has been issued. In votes at general meetings of shareholders, there is no limitation to the number of votes for represented shares.

General meetings of shareholders

General meetings of shareholders are Indutrade's highest governing body. At the Annual General Meeting (AGM), which is held within six months after the end of each financial year, the income statement and balance sheet are adopted, the dividend is set, the Board and auditors (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 may be represented by proxy. More information about the 2014 AGM is provided on page 74 of this Annual Report and on the Company's website.

The notice of the AGM scheduled for 28 April 2014 is expected to be published on 24 March 2014 in the Official Swedish Gazette and on Indutrade's website. The notice will include a proposed agenda including proposals for the dividend, the election of directors, directors' fees (broken

down by the Chairman and other directors), the election of the auditor, the auditor's fee, and proposed guidelines on compensation of the Company's senior executives.

2013 Annual General Meeting

At the AGM on 6 May 2013, shareholders representing 71.8% 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 2012 and start of 2013.

The auditors reported on their audit work and presented relevant parts of their audit report for 2012.

The 2013 AGM made the following resolutions:

- to adopt the financial statements for 2012;
- to set the dividend at SEK 7.05 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, Krister Mellvé, Mats Olsson and Johnny Alvarsson;
- to re-elect Bengt Kjell as Chairman of the Board;
- 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;
- that the Nomination Committee's composition shall be based on ownership data as per 31 August 2013 and be announced not later than six months before the Annual General Meeting; and
- that Indutrade shall apply compensation levels for senior executives which mainly shall consist normally of a fixed and variable portion, shall be in line with the going rate in the market, and shall be commensurate with the executives' level of expertise, responsibility and performance.

Extraordinary general meeting 2013

Following changes in ownership in the summer of 2013, an extraordinary general meeting was held on 21 August 2013. At the extraordinary general meeting, Fredrik Lundberg and Lars Pettersson were elected as new directors on the Board. Board member Mats Olsson had announced prior to the meeting that he wished to resign in connection with the extraordinary general meeting. The extraordinary general meeting also elected Fredrik Lundberg as Chairman of the Board, and Bengt Kjell as Vice Chairman.

Attendance at board meetings in 2013

Board member	Year elected	Board meetings	Independent in relation to the Company	Independent in relation to major shareholders ¹⁾
Johnny Alvarsson	2004	15/15	No	Yes
Eva Färnstrand	1998	14/15	Yes	Yes
Bengt Kjell (Vice Chairman)	2002	15/15	Yes	Yes
Martin Lindqvist	2011	12/15	Yes	Yes
Ulf Lundahl	2006	15/15	Yes	No
Fredrik Lundberg (Chairman)	2013	5/5	Yes	No
Krister Mellvé	2012	15/15	Yes	Yes
Lars Pettersson	2013	3/5	Yes	No

1) Pertains to the situation 2013.

Members of the Board of Directors

Indutrade's board of directors, which is elected by the AGM, consists of eight 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.

The Chairman of the Board, Fredrik Lundberg, is President and CEO of L E Lundbergföretagen. The Vice Chairman, Bengt Kjell, is a former Executive Vice President of Industrivärden and is currently CEO of the company AB Handel och Industri. Eva Färnstrand is a former Site Manager at Södra Cell Mönsterås and is currently Chairman of Infranord. Martin Lindqvist is President and CEO of SSAB and has previously served in other executive positions in the SSAB Group. Ulf Lundahl is a former Executive Vice President of L E Lundbergföretagen. Krister Mellvé has been active in the Robert Bosch Group. Lars Pettersson is a former President and CEO of Sandvik. 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 32 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 and Krister Mellvé 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.

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 includ-

ing 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 book-keeping, 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 eight regular meetings each year, including the statutory meeting after the AGM, and on any other occasions when warranted by the situation.

In 2013 the Board held a total of 15 meetings including statutory meetings. The Board conducted its work in 2013 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 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, Fredrik Lundberg, the Vice Chairman, Bengt Kjell, and board member Martin Lindqvist. 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 is submitted to the AGM for approval.

The Remuneration Committee conducts preparatory work and drafts a recommendation for decision regarding the terms of employment for the CEO. In addition, the Remuneration Committee attends to and conducts preparatory work for matters pertaining to guidelines for compensation of the executive management for decision by the Board and submission to the AGM for resolution.

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 three occasions in 2013. At those meetings all of the members were present.

Audit Committee

The Board has appointed an audit committee, consisting of the entire board except for the CEO. Ulf Lundahl 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 2013. Martin Lindqvist and Lars Pettersson were each absent on one occasion, while the other members were present at all meetings.

On three occasions in 2013 the committee performed reviews and received reports from the Company's external auditors.

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 500,000, the Vice Chairman receives a fee of SEK 375,000, and the other directors receive a fee of SEK 250,000 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, and the members of the Remuneration Committee each receive a fee of SEK 25,000. The total yearly fees thus amount to SEK 2,250,000.

Nomination Committee

On 6 May 2013 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 2014 Annual General Meeting is to be based on ownership data as per 31 August 2013 and is to be publicly announced not later than six months prior to the AGM. The composition of the Nomination Committee ahead of the 2014 AGM was announced on 5 October 2013.

Ahead of the 2014 AGM, the Nomination Committee was composed of the following members:

Nomination Committee composition

Representative	Shareholder	Share of votes
Claes Boustedt	L E Lundbergföretagen, Committee chair	23.8 %
Mats Gustafsson	Lannebo Funds	9.6 %
Anders Oscarsson	AMF Insurance and funds	8.5 %
Håkan Sandberg	SHB Retirement fund, Pension foundation and others	4.4 %
Fredrik Lundberg	Chairman of the Board	

The Nomination Committee held two meetings, 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, the auditor's fee 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 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 2014 AGM, the Nomination Committee has proposed the re-election of directors Johnny Alvarsson, Eva Färnstrand, Bengt Kjell, Martin Lindqvist, Fredrik Lundberg, Ulf Lundahl, Krister Mellvé and Lars Pettersson. The committee has nominated Fredrik Lundberg for re-election as Chairman of the Board, and Bengt Kjell as Vice Chairman. 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 eight members. A more detailed presentation of the members of the Board is provided on page 32 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.

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 Audit Committee and the executive management.

The chief auditor since 2013 is Michael Bengtsson, Authorised Public Accountant, who succeeded Lennart Danielsson, who was in charge of Indutrade's audits from 2006 to 2013. In 2013 PwC had a total of 98 audit assignments for companies listed on Nasdaq OMX Stockholm and four audit-

ing assignments for companies listed on NGM Equity. The auditor's fee is reported in Note 10 of this Annual Report.

Quarterly review by the auditors

During the 2013 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

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. 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.

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 2013 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 levels. In addition, the controllers perform continuing analyses of the companies' reporting and financial outcomes to verify their performance. Added to this is the routine for annual self assessment of internal control over financial reporting. In view of the above, the Board has opted to not have any special internal audit function.

Proposed Distribution Of Earnings

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

Retained earnings	1,348
Net profit for the year	474
Total	1,822

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

Dividend of SEK 7.05 per share	282
To be carried forward	1,540
Total	1,822

The dividend proposed by the Board of Directors corresponds to 15% of the Parent Company's equity and 11% of the Group's equity. Indutrade's dividend policy is that the dividend shall, over time, amount to between 30% and 60% of net profit.

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

If the dividend had been paid out at year-end, the Group's equity ratio would have been 34%. After payment of the proposed dividend, it is judged that Indutrade will continue to have a favourable financial position.

Board of Directors and auditors



Name/ Position	Born	Education	Professional experience	Other directorships	No. of shares
Fredrik Lundberg Chairman since 2013. President and CEO of L E Lundbergföretagen	1951	B.Sc., MBA, Hon. PhD in Economics and Hon. PhD in Technology	President and CEO of L E Lundbergföretagen	Chairman of Holmen and Hufvudstaden, Vice Chairman of Svenska Handelsbanken. Director of Industrivärden, Sandvik, Skanska and L E Lundbergföretagen	9,500,000 (via Lundberg- företagen)
Bengt Kjell Vice Chairman since 2013. Director since 2002. President and CEO of AB Handel och Industri	1954	MBA, Stockholm School of Economics	Executive Vice President and Head of Investment Operations of Industrivärden. Authorised public accountant, Chef Corporate Finance Securum, Senior Partner Navet	Chairman of Hemfosa Fastigheter. Director of ICA, Pandox, Helsingborgs Dagblad, Skånska Byggarvaror and Swegon	20,000
Eva Färnstrand Director since 1998	1951	M. Sc. in Chemistry, Royal Institute of Technology	Site Manager Södra Cell Mönsterås, President of Tidningstryckarna Aftonbladet Svenska Dagbladet, Newsprint Business Area Manager, SCA Graphic Sundsvall	Chairman of Infranord. Director of Sveaskog	1,000
Martin Lindqvist Director since 2011. President and CEO of SSAB	1962	B. Sc. Econ. Uppsala University	President of SSAB EMEA business area, Head of SSAB Strip Products, CFO SSAB, CFO SSAB Tunnsplåt, Head Controller NCC	Chairman of Industriarbetsgivarna. Director of SSAB and Svenskt Näringsliv (The Confederation of Swedish Enterprise)	0
Ulf Lundahl Director since 2006	1952	LL. B. and B. Sc. Econ.	Executive Vice President and Deputy CEO of L E Lundbergföretagen. President of Östgöta Enskilda Bank, Head of Swedish operations for Danske Bank, CEO of Danske Securities	Chairman of Fidelio Capital. Director of Holmen, Husqvarna and SHB Regionbank Stockholm	4,000
Krister Mellvé Director since 2012	1949	B. Sc. Econ.	Leading positions within Robert Bosch Group	Chairman of DeltaNordic. Director of Modern Metal Ltd, China, PSM International Ltd, China and CellMax Technologies and Modular Management, Sweden	8,000
Lars Pettersson Director since 2013	1954	M. Sc. PhD h.c. Uppsala University	President and CEO of Sandvik Group, Sandvik Tooling and Sandvik Coromant	Director of Skanska, PMC Group, L E Lundbergföretagen, LKAB and Uppsala University Consistory	700
Johnny Alvarsson President and CEO Director since 2004	1950	see further on page 33			

Auditors PricewaterhouseCoopers AB

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

Other auditing assignments in public companies: Bure, Haldex and Betsson. Other auditing assignments in major unlisted companies: Perstorp and Carnegie.

Executive Management



Johnny Alvarsson



Peter Eriksson



Kennet Göransson



Claes Hjalmarson



Juha Kujala



Göte Mattsson



Olof Paulsson

Name/ Position	Born	Employed since	Education	Professional experience	No. of shares
Johnny Alvarsson President and CEO. President of Special Products business area	1950	2004	M. Sc. Eng., Management studies	President and CEO Elektronikgruppen, President and CEO Zeteco, various management positions at Ericsson	8,050
Peter Eriksson President of Flow Technology business area	1953	1995	Technical college engineer, B.Sc. Market economics, IFL	President Alnab, Sales Manager Alnab	13,450
Kennet Göransson CFO	1963	2010	B. Sc. Econ.	CFO Addtech, vice President Addtech, CFO Bergman & Beving	3,000
Claes Hjalmarson Group Controller	1954	1984	B. Sc. Econ.	CFO Colly Group, CFO G A Lindberg Group, Auditor Ernst & Young	4,200
Juha Kujala President of Engineering & Equipment business area.	1967	2006	eMBA, B.Sc. Techn.	President Kontram Oy, President Maansähkö Oy, Sales Manager Kontram Oy, Export Manager Kalmar Industries Oy	1,000
Göte Mattsson President Fluids & Mechanical Solutions business area.	1955	1999	B. Sc. Econ. Management studies	President and Partner Industri Belos, President J Sörling, Group Controller Transventor Group, Vice President Parator	5,400
Olof Paulsson President of Industrial Components business area.	1949	1983	Technical college engineer, B. Sc. Market econ., IFL	President Colly Company, Colly Filtrering- steknik and Colly Components, Division Manager Colly Company	3,200

Consolidated income statement

SEK m	Note	2013	2012
Net sales	3	8,831	8,384
Cost of goods sold		-5,833	-5,545
Gross profit		2,998	2,839
Development costs		-110	-95
Selling costs		-1,601	-1,527
Administrative expenses		-449	-426
Other operating income	5	142	69
Other operating expenses	5	-124	-63
Operating profit	4, 6, 7, 8, 9, 10	856	797
Financial income	11	9	12
Financial expenses	12	-109	-95
Profit after financial items		756	714
Tax	14	-169	-145
Net profit for the year		587	569
Profit attributable to			
Equity holders of the parent		587	569
Non-controlling interests		0	0
		587	569
Earnings per share attributable to equity holders of the parent, SEK ¹⁾		14.68	14.23
Proposed dividend per share, SEK		7.05	7.05

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

Consolidated statement of comprehensive income

SEK m	Note	2013	2012
Net profit for the year		587	569
Other comprehensive income			
Items that subsequently can be reversed into income statement			
Fair value adjustment of hedge instruments	2	3	-13
Tax attributable to fair value adjustment	2	-1	2
Exchange rate differences		22	-49
Items that cannot be reversed into income statement			
Actuarial gains/losses	23	9	-19
Tax attributable to actuarial gains/losses	23	-2	4
Other comprehensive income, net after tax		31	-75
Total comprehensive income for the year		618	494
Comprehensive income attributable to			
Equity holders of the parent		617	494
Non-controlling interests		1	0
		618	494

Consolidated balance sheet

SEK m	Note	31 Dec. 2013	31 Dec. 2012
ASSETS			
Non-current assets			
Intangible assets			
	15		
Goodwill		1,308	1,188
Other intangible assets		1,286	1,215
Total intangible assets		2,594	2,403
Property, plant and equipment			
	16		
Land and buildings		457	404
Machinery		158	144
Equipment		207	189
Construction in progress and advances for property, plant and equipment		27	4
Total property, plant and equipment		849	741
Financial assets			
Financial assets available for sale	17	7	6
Non-current receivables	18	12	13
Deferred tax assets	14	42	40
Total financial assets		61	59
Total non-current assets		3,504	3,203
Current assets			
Inventories	19	1,546	1,472
Accounts receivable – trade	20	1,435	1,411
Current tax assets		55	42
Other current receivables		68	94
Prepaid expenses and accrued income	21	85	68
Cash and cash equivalents	28	261	243
Total current assets		3,450	3,330
TOTAL ASSETS		6,954	6,533

Consolidated balance sheet, cont.

SEK m	Note	31 Dec. 2013	31 Dec. 2012
EQUITY AND LIABILITIES			
Equity			
Share capital		40	40
Reserves		-95	-118
Profit brought forward incl. net profit for the year		2,678	2,366
Total equity attributable to owners of the parent		2,623	2,288
Non-controlling interests		3	2
Total equity		2,626	2,290
Non-current liabilities			
Non-current interest-bearing liabilities	22	2,034	991
Other non-current liabilities		0	0
Pension obligations	23	167	167
Deferred tax liabilities	14	344	328
Other provisions	24	9	5
Total non-current liabilities		2,554	1,491
Current liabilities			
Current interest-bearing liabilities	22	381	1,424
Accounts payable – trade		602	586
Current tax liabilities		64	75
Other current liabilities		262	258
Accrued expenses and deferred income	25	465	409
Total current liabilities		1,774	2,752
TOTAL EQUITY AND LIABILITIES		6,954	6,533
Pledged assets	26	246	183
Contingent liabilities	27	2	8

Consolidated statement of changes in equity

SEK m	Attributable to owners of the parent				Non-controlling interests	Total equity
	Share capital	Reserves	Profit brought forward	Total		
Opening balance, 1 January 2012	40	-58	2,080	2,062	2	2,064
Change of accounting principle, IAS 19			2	2	-	2
ADJUSTED OPENING BALANCE AS PER 1 JANUARY 2012	40	-58	2,082	2,064	2	2,066
Comprehensive income						
Net profit for the year	-	-	569	569	0	569
Other comprehensive income						
Fair value adjustment of hedge instruments	-	-13	-	-13	-	-13
Tax attributable to fair value adjustment	-	2	-	2	-	2
Actuarial gains/losses	-	-	-19	-19	-	-19
Tax attributable to actuarial gains/losses	-	-	4	4	-	4
Exchange rate differences	-	-49	-	-49	0	-49
Total comprehensive income	-	-60	554	494	0	494
Transactions with shareholders						
Dividend paid for 2011	-	-	-270 ¹⁾	-270	-	-270
Total transactions with shareholders	-	-	-270	-270	-	-270
OPENING BALANCE, 1 JANUARY 2013	40	-118	2,366	2,288	2	2,290
Comprehensive income						
Net profit for the year	-	-	587	587	0	587
Other comprehensive income						
Fair value adjustment of hedge instruments	-	3	-	3	-	3
Tax attributable to fair value adjustment	-	-1	-	-1	-	-1
Actuarial gains/losses	-	-	9	9	-	9
Tax attributable to actuarial gains/losses	-	-	-2	-2	-	-2
Exchange rate differences	-	21	-	21	1	22
Total comprehensive income	-	23	594	617	1	618
Transactions with shareholders						
Dividend paid for 2012	-	-	-282 ²⁾	-282	-	-282
Total transactions with shareholders	-	-	-282	-282	-	-282
CLOSING BALANCE, 31 DECEMBER 2013	40	-95	2,678	2,623	3	2,626

1) The dividend per share in 2011 was SEK 6.75.

2) The dividend per share in 2012 was SEK 7.05. The proposed dividend per share for 2013 is SEK 7.05.

Consolidated statement of cash flows

SEK m	Note	2013	2012
Operating activities			
Operating profit		856	797
Adjustment for			
Depreciation, amortisation and impairment losses	8,15,16	344	225
Adjustment of contingent consideration	29	-89	-9
Net profit from sale of operations, property, plant and equipment, and shares		-11	-11
Other non-cash items		8	6
Paid tax		-237	-219
Change in working capital			
Inventories		-2	-20
Accounts receivable – trade		86	-76
Accounts payable – trade		-27	3
Other operating assets and liabilities, net		12	-108
Interest received		7	10
Interest paid		-78	-73
Other financial items		-10	-6
Cash flow from operating activities		859	519
Investing activities			
Acquisitions of subsidiaries and operations	29	-463	-591
Sales of subsidiaries and operations	29	19	19
Acquisitions of property, plant and equipment	16	-210	-119
Sales of property, plant and equipment	16	24	19
Acquisitions of intangible non-current assets	15	-20	-27
Decrease/increase in financial assets		1	-5
Cash flow from investing activities		-649	-704
Financing activities			
Borrowings		1 665	704
Repayment of debt		-1 577	-262
Dividend		-282	-270
Cash flow from financing activities		-194	172
Cash flow for the year		16	-13
Cash and cash equivalents at start of year		243	264
Exchange rate differences in cash and cash equivalents		2	-8
Cash and cash equivalents at end of year	28	261	243

Income statement Parent Company

SEK m	Note	2013	2012
Net sales		3	3
Gross profit		3	3
Administrative expenses		-55	-49
Other operating income/expenses	5	5	-1
Operating loss	4, 6, 7, 8, 9, 10	-47	-47
Financial income	11	39	41
Financial expenses	12	-87	-72
Profit from participations in Group companies	13	269	340
		221	309
Profit after financial items		174	262
Group contributions received		516	388
Group contributions rendered		-60	-72
Change in tax allocation reserve		-94	-62
Excess depreciation of equipment		0	0
Profit before tax		536	516
Tax	14	-62	-48
Net profit for the year		474	468

Statement of comprehensive income Parent Company

SEK m	Note	2013	2012
Net profit for the year		474	468
Other comprehensive income		-	-
Total comprehensive income for the year		474	468

Balance sheet Parent Company

SEK m	Note	31 Dec. 2013	31 Dec. 2012
ASSETS			
Non-current assets			
<i>Intangible non-current assets</i>			
Software and licences	15	0	1
<i>Property, plant and equipment</i>			
Equipment	16	1	1
<i>Financial assets</i>			
Participations in Group companies	17	2,943	2,573
Non-current receivables	18	6	4
Non-current receivable, Group company		3	–
Deferred tax assets	14	2	1
Total financial assets		2,954	2,578
Total non-current assets		2,955	2,580
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		2,078	1,701
Current tax assets		23	12
Other receivables		0	5
Prepaid expenses and accrued income	21	4	1
Total current receivables		2,105	1,719
Cash and cash equivalents	28	7	0
Total current assets		2,112	1,719
TOTAL ASSETS		5,067	4,299

SEK m	Note	31 Dec. 2013	31 Dec. 2012
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	32	40	40
Statutory reserve		5	5
		45	45
<i>Unrestricted equity</i>			
Profit brought forward		1,348	1,162
Net profit for the year		474	468
		1,822	1,630
Total equity		1,867	1,675
Untaxed reserves			
Tax allocation reserve		315	221
Excess depreciation of equipment		0	0
Total untaxed reserves		315	221
Non-current liabilities			
Non-current interest-bearing liabilities	22	1,871	831
Pension obligations	23	8	6
Total non-current liabilities		1,879	837
Current liabilities			
Current interest-bearing liabilities	22	282	1,053
Accounts payable – trade		1	1
Liabilities to Group companies		700	494
Other current liabilities		1	1
Accrued expenses and deferred income	25	22	17
Total current liabilities		1,006	1,566
TOTAL EQUITY AND LIABILITIES		5,067	4,299
Pledged assets	26	6	4
Contingent liabilities	27	112	340

Statement of changes in equity

Parent Company

SEK m	Share capital	Reserves	Retained profit	Total
Opening balance, 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 ¹⁾	–270
OPENING BALANCE, 1 JANUARY 2013	40	5	1,630	1,675
Comprehensive income				
Net profit for the year	–	–	474	474
Other comprehensive income	–	–	–	–
Transactions with shareholders				
Dividend paid for 2012	–	–	–282 ²⁾	–282
CLOSING BALANCE, 31 DECEMBER 2013	40	5	1,822	1,867

1) The dividend per share for 2011 was SEK 6.75.

2) The dividend per share for 2012 was SEK 7.05. The proposed dividend per share for 2013 is SEK 7.05.

Cash flow statement Parent Company

SEK m		2013	2012
Operating activities			
Operating profit		-47	-47
Adjustment for			
Depreciation, amortisation and impairment losses		1	0
Other non-cash items		2	3
Tax paid		-73	-75
Change in working capital			
Accounts receivable – trade		1	-1
Accounts payable – trade		-1	0
Other operating assets and liabilities, net		-85	-510
Interest received		38	35
Interest paid		-68	-51
Group contributions received and dividend income		616	876
Other financial items		-5	-4
Cash flow from operating activities		379	226
Investing activities			
Acquisitions of subsidiaries	17	-486	-428
Sale of subsidiary	17	-	19
Acquisitions of property, plant and equipment	16	0	0
Acquisitions of intangible non-current assets	15	0	-
Change in financial assets		-6	-2
Cash flow from investing activities		-492	-411
Financing activities			
Borrowings		1,226	701
Repayment of debt		-175	-
Change in current financial liabilities		-649	-253
Dividends paid		-282	-270
Cash flow from financing activities		120	178
Cash flow for the year		7	-7
Cash and cash equivalents at start of year		0	7
Cash and cash equivalents at end of year	28	7	0

Notes

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

NOTE 1

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. 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 26 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 20 March 2014. The consolidated and parent company income statements and balance sheets will be presented for adoption by the Annual General Meeting on 28 April 2014.

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 measured 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 in the section "Important estimations and assumptions for accounting purposes".

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

Starting in 2013 the Group applies the amended IAS 19 Employee Benefits. The impact on the Group is immaterial, as actuarial gains and losses are already reported in other comprehensive income. The changeover to the revised IFRSs has entailed a reduction in the pension liability by SEK 2 million and an increase in equity by SEK 2 million as per 1 January 2012. As per 31 December 2012, the pension liability and equity are unchanged. Financial income has increased by SEK 4 million, and other comprehensive income has decreased by SEK 6 million in the fourth quarter 2012. Earnings per share increase by SEK 0.10 per share for the full year 2012 as a result of the recalculation. The comparative figures have been recalculated.

Starting in 2013, the Company applies the new IFRS 13 Fair Value Measurement and amendments in IFRS 7 Financial Instruments: Disclosures. These changes have given rise to additional disclosures.

Starting in 2013, application of IAS 1 entails that other comprehensive income is to be broken down into items that can be reclassified to the income statement and items that cannot be reclassified to the income statement.

Apart from the standards described above, there are no new IFRSs or IFRIC pronouncements endorsed by the EU that are applicable for Indutrade or that had a significant impact on the Group's result of operations and position in 2013.

Standards, amendments and interpretations that apply as from 1 January 2014

There are no new IFRSs or IFRIC pronouncements that will have a significant impact on the Group's result of operations and position in 2014.

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

For each acquisition, the Group determines if all holdings without control in the acquired company are to be stated at fair value or at the holding's 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 interests are reported in equity.

Classification

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

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

Transactions and balance sheet items in foreign currency

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

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

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 normally allocated at the segment level for impairment testing. For impairment testing during the year, see "Impairment testing of non-financial assets" below.

Agencies, trademarks, customer relationships, etc.

The Group's starting point with respect to acquisitions is that agencies, customer 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 calculated. Instead, an impairment test is conducted at least annually, as for goodwill.

In connection with nearly all company acquisitions completed by Indutrade, a value is determined 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 lists 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 calculated for land.

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

Impairment testing of non-financial assets

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 in the amount in which the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less selling costs and its value in use. 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

NOTE 1

Continued

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 rarely poses 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 short-term investments with maturities of less than three months, and 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 a base level of consideration and contingent consideration (earn-out payment). Contingent consideration is normally based on the projected earnings of the acquired company in years immediately ahead. As per the date of the transaction, the contingent consideration is measured at fair value by estimating the present value of the likely outcome. The interest expense is thereafter allocated over the period up until the date of payment. Contingent consideration is remeasured at every reporting date. Excess or deficit amounts are booked as an expense or revenue in the income statement under other operating income/expense. Conditional consideration is reported as current if it is payable within 12 months from the balance sheet date.

Derivative instruments

Derivative instruments are stated 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 arising from 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 recognised immediately in the income statement in the item "Interest expense".

Accumulated amounts in equity are restated in the income statement in the periods in which the hedged item affects earnings (e.g., when the prognosticated 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 the hedging reserve through other comprehensive income 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 significantly from the fair value.

Financial income and expenses

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 and pension liabilities, effects of the dissolution of discounted contingent consideration, losses on hedge instruments recognised in profit for the year, and bank charges.

Interest 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.

NOTE 1

Continued

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, and operating leases do not 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 at the balance sheet date or announced as per the balance sheet date and which are expected to apply when the deferred tax asset in question is realised or the tax liability is settled. Deferred tax assets attributable to deductible, temporary differences and unutilised tax-loss carryforwards are reported to the extent that it is probable that they will be utilised in the foreseeable future.

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

The liability carried on the balance sheet pertaining to defined benefit pension plans consists of the present value of the defined benefit obligations on the balance sheet date, less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is calculated by discounting the anticipated future cash flows using the rate of interest for high-quality corporate bonds 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. Earnings are charged in pace with employees' earnings of the benefits.

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

Termination benefits

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

Profit-sharing and bonus plans

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

Development costs

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

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 and defined benefit pension obligations. Assumptions and estimations are evaluated continuously and are based on historical experience and anticipations of future events that are considered to be reasonable under prevailing conditions.

Impairment testing of non-financial assets

Each year, non-financial assets are tested for impairment. 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 15, Intangible assets.

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, 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.

Parent Company

The Parent Company accounts have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2, Reporting for Legal Entities. According to RFR 2, in the annual report for a legal entity, the Parent Company shall apply all IFRSs and statements endorsed by the EU as far as possible within the confines of the Annual Accounts Act and taking into account the connection between reporting and taxation. The 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 rendered and received were previously reported net in the Parent Company under the item "Profit from participations in Group companies". Starting in 2013, Group contributions are reported gross as appropriations in accordance with the alternative rule in RFR 2. The comparative figures have been recalculated.

NOTE 2

Risks and risk management

Market risks

The Indutrade Group conducts business in 26 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. 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:

- Funding 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 costly. 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

NOTE 2

Continued

established in Sweden, Finland, Norway, Denmark, Germany and the Netherlands.

At year-end 2013 the Parent Company had external interest-bearing loans worth SEK 2,153 million (1,884). The corresponding amount for the Group was SEK 2,415 million (2,415). The Group's interest-bearing net debt was SEK 2,321 million at year-end, compared with SEK 2,339 million a year earlier.

At year-end 2013 the Group had SEK 261 million (243) in cash and cash equivalents and SEK 1,233 million (896) in unutilised overdraft facilities. Of the Group's interest-bearing loans, 86% of the total amount falls due for payment after 31 December 2014. For a more detailed maturity analysis, 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, normally should not exceed 100%. At year-end the debt/equity ratio was 88% (102%).

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 2013, 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 1,200 million of its borrowing at variable interest to fixed interest for five years. Of this amount, SEK 500 million is due in 2015, SEK 300 million is due in 2016, and SEK 400 million is due in 2018. 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 gain of SEK 2 million (loss of 12) 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 21 million (20), without taking into account the loans' fixed interest periods. Taking into account the existing fixed interest periods, the effect would be approximately SEK 9 million (12). Profit after tax would be affected by SEK -7 million (-9).

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.

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Maturity dates for loans and contingent consideration:				
Maturity 2013	–	1,519	–	1,137
Maturity 2014	433	186	329	106
Maturity 2015	1,083	388	1,038	356
Maturity 2016	668	421	607	389
Maturity 2017	105	28	87	–
Maturity 2018 or later	262		203	
Total borrowings incl. interest, SEK m	2,551	2,542	2,264	1,988

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 and/or sell products in foreign currency. 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 certain cases, forward contracts are used. Indutrade therefore considers its transaction exposure to be limited.

The consolidated income statement includes SEK -2 million (1), net, in exchange rate differences in operating profit and SEK -4 million (-1), net, in financial items.

With respect to transaction exposure, at 31 December 2013 Indutrade had net exposure of SEK -47 million in foreign currency (9). See the breakdown of currencies in the following table.

Net exposure at year-end

GROUP	2013		2012	
	Local currency	SEK	Local currency	SEK
in millions				
EUR	-5.1	-46	-2.9	-25
GBP	-1.5	-16	-0.8	-8
USD	1.7	11	5.3	35
CHF	-0.9	-7	-0.8	-6
DKK	7.2	9	9.6	11
Other currencies		2		2

At year-end the Group had outstanding forward contracts worth SEK 263 million (178) to reduce the currency risk associated with future flows, of which SEK 40 million (10) pertains to EUR, and SEK 223 million (168) pertains to USD. The contracts in EUR expire within 11 months from year-end, while the USD contracts expire within 22 months. A market valuation of outstanding forward contracts as per 31 December 2013 has resulted in an unrealised gain of SEK 1 million (loss of 1), which is recognised in other comprehensive income.

In addition, the Parent Company has hedged outstanding receivables from and liabilities to subsidiaries, and anticipated dividends, as shown in the table below.

Forward contracts

PARENT COMPANY	2013		2012
	SEK m		
EUR		154	394
CHF		55	42
GBP		24	35
DKK		22	28
NOK		17	55
PLN		6	15
SGD		2	9
RUR		–	7

All contracts have a term of less than one year.

NOTE 2

Continued

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 2013 and 2012, but the amounts were insignificant.

Net investments in foreign subsidiaries

GROUP

Net exposure in millions	2013		2012	
	Local currency	SEK	Local currency	SEK
EUR	96.4	862	75.5	651
CHF	34.4	251	30.8	219
GBP	13.2	141	7.8	82
LKR	2,005	100	1,490	76
DKK	69.6	83	71.3	82
NOK	67.2	71	65.5	76

Indutrade estimates that the Company's translation exposure entails that a 1% change in the value of SEK vs. other currencies would result in a yearly positive/negative effect (for a weakening/strengthening of SEK) corresponding to approximately SEK 54 million (54) on net sales and approximately SEK 5 million (4) on net profit. The effect of a 1% change on equity would be SEK 16 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 20.

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 2013

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	–	–	7	7
Derivative instruments held for hedging purposes	–	3	–	3
Liabilities				
Derivative instruments held for hedging purposes	–	27	–	27
Contingent consideration	–	–	268	268

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
Contingent consideration	–	–	370	370

Derivative instruments consist of currency forward contracts and interest rate swaps. No transfers were made between level 2 and level 3 during the year. Reclassifications have been made between levels 1 and 2, and the comparative figures have been recalculated. Assets in level 3 consist essentially of holdings of shares and participations in unlisted companies. Fair value is considered to be equal to cost. For more information, see Note 17. Contingent consideration has been discounted to present value using an interest rate that is judged to be in line with the market rate at the time of acquisition. Adjustments are not made on a regular basis for changes in the market interest rate, since the effects of these are judged to be negligible. Essentially all long- and short-term loans carry variable interest rates, which is why fair value is equal to the carrying amount. For further information about contingent consideration and loans, see note 22. For the Group's other financial assets and liabilities, such as trade accounts receivable, cash and cash equivalents, and trade accounts payable, fair value is estimated to be equal to the carrying amount.

NOTE 2

Continued

Contingent earn-out payments

	2013	2012
Opening book value	370	168
Acquisitions during the year	98	261
Acquired contingent earn-out payment	–	16
Reclassified via income statement	–89	–9
Consideration paid	–128	–72
Interest expense	14	8
Exchange rate differences	3	–2
Closing book value	268	370

NOTE 3

Segment reporting

Starting on 1 January 2013 the Group is organised in five business areas: Engineering & Equipment, Flow Technology, Fluids & Mechanical Solutions, 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.

Engineering & Equipment's operations involve sales of components as well as customisation, combinations and installations of products from various suppliers. Business is conducted mainly in Finland.

The Flow Technology business area offers components and systems for controlling, measuring, monitoring and regulating flows. The business area includes companies that specialise in various areas of industrial flow technology.

The Fluids & Mechanical Solutions business area offers hydraulic and mechanical components to industries in the Nordic and Baltic countries. Important product areas are filters, hydraulics, tools & transmission, industrial springs, valves, compressors, product labelling and construction plastics.

The Industrial Components business area offers a wide range of technically advanced components and systems for production and maintenance, and medical technology equipment. The products consist mainly of consumables.

Special Products offers specially manufactured niche products, design solutions, aftermarket service and assembly, and special processing. The business area includes companies that conduct a considerable amount of own manufacturing. It is also the Indutrade business area with the highest share of proprietary products.

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.

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 15), and property, plant and equipment (note 16).

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 2013, or SEK 2,303 million (2,197). Hydraulics and industrial equipment accounted for 16%, or SEK 1,386 million (1,311), and measurement technology for 14%, or SEK 1,196 million (1,148). Other product categories each accounted for 7% or less of net sales.

NOTE 3
Continued

INDUSTRY'S OPERATING SEGMENTS

2013	EE	FT	FM	IC	SP	PC	Elim.	Total
Net sales	1,265	1,979	993	1,717	2,920	3	-46	8,831
Operating profit	92	137	90	182	393	-47	9	856
Net financial items	-6	-18	-2	-9	-27	221	-259 ¹⁾	-100
Profit before tax	86	119	88	173	366	536	-612 ¹⁾	756
Amortisation of intangible assets	-16	-23	-21	-30	-57	-1	-	-148
EBITA	103	159	110	212	443	-47	10	990
EBITA margin, %	8.1	8.0	11.1	12.3	15.2	-	-	11.2
Depreciation of property, plant and equipment	-9	-21	-18	-22	-44	0	-	-114
Sales growth, %	-5	-7	-3	12	19	-	-	5
Operating capital	465	987	607	853	2,348	1,959	-2,272 ¹⁾	4,947
Return on operating capital, %	23	16	18	25	20	-	-	20
Investments in non-current assets	14	28	29	33	136	0	-	240
Total assets	660	1,494	917	1,441	3,157	5,067	-5,782¹⁾	6,954
Total liabilities	446	1,211	380	883	1,270	2,885	-2,747¹⁾	4,328
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	309	-331 ¹⁾	-83
Profit before tax	87	154	103	138	303	516	-587 ¹⁾	714
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	-4,826¹⁾	6,533
Total liabilities	444	1,290	370	740	1,170	2,403	-2,174¹⁾	4,243

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

EE – Engineering & Equipment
SP – Special Products

IC – Industrial Components
FM – Fluids & Mechanical Solutions

FT – Flow Technology
PC – Parent Company

NOTE 3

Continued

REVENUE FROM EXTERNAL CUSTOMERS PER GEOGRAPHIC AREA

Group	2013		2012	
Sweden	3,395		3,337	
Finland	1,586		1,646	
Benelux	1,075		992	
Denmark and Norway	805		762	
Other world	1,970		1,647	
Total	8,831		8,384	

Based on where the Group's legal companies have their registered offices. The information on page 2 is based on where the customers are located.

NON-CURRENT ASSETS PER GEOGRAPHIC AREA

Group	2013		2012	
Sweden	1,970		2,081	
Finland	248		254	
Benelux	237		191	
Other world	988		618	
Total	3,443		3,144	

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

NOTE 4

Income statement classified by type of cost

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Goods for resale, raw materials and consumables	-4,759	-4,391	-	-
Costs for employee benefits	-1,949	-1,811	-34	-29
Depreciation/amortisation	-262	-225	-1	0
Other costs	-1,023	-1,166	-20	-20
Total	-7,993	-7,593	-55	-49

NOTE 5

Other operating income/expenses

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Other operating income				
Exchange rate gains	28	40	1	1
Revaluation of loans pertaining to contingent consideration	89	9	-	-
Gain on sale of subsidiaries/operations	17	13	-	-
Other	8	7	5	-
Total	142	69	6	1
Other operating expenses				
Exchange rate losses	-30	-39	-1	-2
Transaction costs for acquisitions	-6	-2	-	-
Impairment of goodwill	-82	-	-	-
Other	-6	-22	-	-
Total	-124	-63	-1	-2
Other operating income/expenses, net	18	6	5	-1

NOTE 6

Average number of employees

	2013		2012	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	10	5	10	6
Subsidiaries in Sweden	1,219	245	1,216	253
Total Sweden	1,229	250	1,226	259
Subsidiaries outside Sweden	2,922	767	2,713	525
Group total	4,151	1,017	3,939	784

The Parent Company's board is composed of one woman and seven men (2012: one woman and six men). The subsidiaries' boards of directors and management include three women (2012: four women). There are no women in the Parent Company's management.

NOTE 7

Wages, salaries and other remuneration, and social security costs

	2013			2012		
	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	22	12	4	18	11	4
Subsidiaries in Sweden	562	253	60	530	241	59
Total Sweden	584	265	64	548	252	63
Subsidiaries outside Sweden	930	179	95	846	165	91
Group total	1,514	444	159	1,394	417	154

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 28 million (26).

Wages, salaries and other remuneration broken down by country and between the companies' management and other employees

	2013			2012		
	Companies' management Of which, bonuses and similar	Other employees		Companies' management Of which, bonuses and similar	Other employees	
Parent Company	10	2	12	8	1	10
Subsidiaries in Sweden	65	7	497	63	3	467
Total Sweden	75	9	509	71	4	477
Subsidiaries outside Sweden	98	10	832	90	9	756
Group total	173	19	1,341	161	13	1,233

Wages, salaries and remuneration of senior executives Information provided at the 2013 Annual General Meeting pertaining to the 2013 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. A fee of SEK 500,000 is payable to the Chairman, and a fee of SEK 375,000 is payable to the Vice Chairman. A fee of SEK 250,000 is payable to each of the other non-executive directors, and a fee of SEK 50,000 is payable to the Audit Committee chair. A fee of SEK 25,000 is paid to members of the Remuneration Committee. At an extraordinary general meeting on 21 August 2013, Fredrik Lundberg and Lars Pettersson were elected as new directors, and Mats Olsson resigned from his board assignment. Fredrik Lundberg was appointed as Chairman of the Board, and Bengt Kjell was appointed as Vice Chairman.

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 six persons: the Chief Financial Officer (CFO), four 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 normally 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 the base salary.

The CEO is entitled to choose pension solution, within the cost framework described above and subject to the approval of the Chairman. Johnny Alvarsson has been given an extended mandate as CEO until the 2017 Annual General Meeting, with unchanged terms.

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 current age. Salary paid out during the notice period is not deducted from other income.

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 was to promote management's long-term commitment and involvement in the Company. The programme was in effect until 31 October 2013.

Under the programme, 49 senior executives acquired a combined total of 358,000 stock options, issued by AB Industrivärden, and 10,000 shares. Indutrade paid a subsidy of SEK 22 for every purchased stock option and share under the condition that the participants continued to be employed and that they had 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 was paid out in June 2013. The total cost for the Company was approximately SEK 9 million, corresponding to approximately SEK 3 million per year.

The Board of Directors has decided to propose to the Annual General Meeting in April 2014 to resolve in favour of a long-term share-based incentive programme directed at approximately 140 senior executives and other key persons in the Group. The programme will have a term of four years and will be based on stock options.

Guidelines for compensation and other terms of employment for senior executives adopted by 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,

NOTE 7

Continued

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 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.

Compensation and other benefits, 2013

SEK 000s	Base salary/directors' fees	Variable compensation ¹⁾	Other benefits	Pension cost	Total
Fredrik Lundberg, Chairman of the Board, member of the Remuneration Committee	372	–	–	–	372
Bengt Kjell, Vice Chairman of the Board, member of the Remuneration Committee	436	–	–	–	436
Eva Färnstrand, Director	250	–	–	–	250
Martin Lindqvist, Director, member of the Remuneration Committee	275	–	–	–	275
Ulf Lundahl, Director, Audit Committee chair	293	–	–	–	293
Krister Mellvé, Director	250	–	–	–	250
Mats Olsson, Director, Audit Committee chair (through 21 August)	88	–	–	–	88
Lars Pettersson, Director	177	–	–	–	177
Johnny Alvarsson, President and CEO	6,000	2,024	119	2,158	10,301
Other senior executives (6 persons)	11,580	2,546	769	3,736	18,631
Total	19,721	4,570	888	5,894	31,073

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

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 15% 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 or a general pension plan (in Sweden, the ITP plan).

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
Mats Olsson, 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.

NOTE 8

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	
	2013	2012	2013	2012
Cost of goods sold	184	148	–	–
Development costs	7	7	–	–
Selling costs	53	50	–	–
Administrative expenses	18	20	1	0
Total	262	225	1	0

NOTE 9

Operating leases

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Lease payments expensed during the year:				
Future contracted lease payments	154	143	2	1
Maturity year 1	156	141	2	1
Maturity year 2	124	120	2	2
Maturity year 3	93	91	1	2
Maturity year 4	60	66	–	1
Maturity year 5	50	43	–	–
Maturity year 6-	64	61	–	–
Total future lease payments	547	522	5	6

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

NOTE 10

Auditors' fees

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
PricewaterhouseCoopers				
Audit assignment	9	8	1	1
Auditing activities in addition to audit assignment	1	2	0	0
Tax consulting	1	1	0	0
Other services	1	1	0	0
Total fees, PricewaterhouseCoopers	12	12	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 2013 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 11

Financial income

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Interest	7	9	38	39
Exchange rate differences	2	2	1	2
Other	0	1	–	–
Total	9	12	39	41
Of which, pertaining to Group companies:				
Interest	–	–	37	36

NOTE 12

Financial expenses

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Interest expenses, bank loans	-76	-71	-70	-62
Interest expenses, pension liability	-4	-5	-	-
Interest expenses, finance leases	-3	-2	0	0
Interest expenses, contingent consideration	-14	-8	-10	-4
Total interest expenses	-97	-86	-80	-66
Exchange rate differences	-6	-3	-2	-1
Other	-6	-6	-5	-5
Total financial expenses	-109	-95	-87	-72
Of which, pertaining to Group companies:				
Interest	-	-	-5	-6

NOTE 13

Profit from participations in group companies

PARENT COMPANY		
	2013	2012
Dividends from subsidiaries	299	375
Capital gain on sale of subsidiary	-	10
Impairment of shares in subsidiaries	-30	-45
Total	269	340

NOTE 14

Taxes

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Tax expense				
Current tax	-201	-190	-63	-49
Deferred tax	33	46	1	1
Other tax	-1	-1	-	-
Total	-169	-145	-62	-48

The Group's tax expense amounted to 22.4% (20.3%) 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	
	2013	2012	2013	2012
Profit before tax	756	714	536	516
Weighted average tax based on national tax rates (Group 22.4% and 23.4%, respectively, and Parent Company 22.0% and 26.3%, respectively)	-169	-167	-118	-136
Tax effect of:				
Non-deductible interest expenses on discounted contingent consideration	-3	-2	-2	-1
Non-deductible transaction costs for acquisitions	-2	0	0	0
Non-taxable contingent consideration recognised as income	21	2	-	-
Non-deductible impairment of goodwill	-19	-	-	-
Other non-deductible expenses/non-taxable income	-1	-7	58	89
Utilisation of loss-carry-forward where tax was not previously reported	1	0	-	-
Adjustment pertaining to previous years' current tax	0	-3	-	-
Change in tax rate	4	30	-	0
Other items	-1	2	-	-
Total	-169	-145	-62	-48
	22.4%	20.3%	11.6%	9.3%

NOTE 14

Continued

The corporate tax rate in Sweden was lowered in 2013 from 26.3% to 22%. Deferred tax liabilities and assets gave rise to a tax revenue of SEK 30 million in 2012. Effective 2014, the corporate tax rates were lowered in Finland and the UK, among other countries. Deferred tax liabilities and assets have been recalculated as per 31 December 2013, giving rise to a tax revenue of SEK 4 million.

The loss-carryforward amounts to SEK 20 million (10). The deferred tax asset in temporary differences and loss-carryforwards that have not been activated amount to SEK 2 million (3).

Substantial dividends may be recognised without withholding tax.

GROUP

	Intangible non-current assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
As per 1 Jan. 2013						
Deferred tax, net 1 Jan.-31 Dec. 2013	-227	-32	-67	22	16	-288
Deferred tax as per income statement	27	1	-3	2	2	29
Change in tax rate affecting income state- ment	4	0	0	0	0	4
Deferred tax recognised in other comprehensive income	-	-	-	-2	-1	-3
Deferred tax attribut- able to acquisitions	-37	-1	-1	0	-4	-43
Exchange rate differ- ences	0	0	0	-2	1	-1
Deferred tax, net	-233	-32	-71	20	14	-302
As per 31 Dec. 2013						
Deferred tax asset	2	1	-	20	19	42
Deferred tax liability	-235	-33	-71	0	-5	-344
Deferred tax, net	-233	-32	-71	20	14	-302

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 1 Jan.-31 Dec. 2012	-179	-27	-45	17	11	-223
Deferred tax as per income statement	29	-1	-16	1	3	16
Change in tax rate affecting income state- ment	19	1	10	0	0	30
Deferred tax recognised in other comprehensive income	-	-	-	4	2	6
Deferred tax attribut- able to acquisitions	-98	-7	-13	1	0	-117
Reclassification	1	2	-3	-	-	0
Exchange rate differ- ences	1	0	0	-1	0	0
Deferred tax, net	-227	-32	-67	22	16	-288
As per 31 Dec. 2012						
Deferred tax asset	3	1	-	20	16	40
Deferred tax liability	-230	-33	-67	2	0	-328
Deferred tax, net	-227	-32	-67	22	16	-288

Of the deferred tax liabilities, SEK 30 million is estimated to be dissolved in 2014. The calculation is based on estimated amortisation of acquisition calculations in the coming year.

NOTE 14

Continued

PARENT COMPANY

	Pension obligations	Other items	Total tax
As per 1 Jan. 2013			
Deferred tax, net 1 Jan.-31 Dec. 2013	1	0	1
Deferred tax as per income statement	1	0	1
Deferred tax, net	2	0	2
As per 31 Dec. 2013			
Deferred tax asset	2	0	2
Deferred tax liability	-	-	-
Deferred tax, net	2	0	2
As per 1 Jan. 2012			
Deferred tax, net 1 Jan.-31 Dec. 2012	1	-1	0
Deferred tax as per income statement	0	1	1
Deferred tax, net	1	0	1
As per 31 Dec. 2012			
Deferred tax asset	1	0	1
Deferred tax liability	-	-	-
Deferred tax, net	1	0	1

NOTE 15

Intangible assets

GROUP

	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
As per 1 Jan. 2012						
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
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	-4	-	-	-	-	-4
Amortisation (note 8)	-	-108	-	-9	-1	-118
Closing book value	1,188	893	238	40	44	2,403
As per 31 Dec. 2012						
Cost	1,190	1,363	238	88	67	2,946
Accumulated amortisation and impairment charges	-2	-470	-	-48	-23	-543
Book value	1,188	893	238	40	44	2,403
1 Jan.-31 Dec. 2013						
Opening book value	1,188	893	238	40	44	2,403
Exchange rate differences	5	2	2	-1	0	8
Investments during the year	-	1	-	8	11	20
Company acquisitions	200	189	8	-	0	397
Sales and disposals	-	-	-	0	0	0
Reclassification	-	-	-	-	-	-
Adjustment of preliminary acquisition calculation	-3	-1	-	-	-	-4
Amortisation (note 8)	-	-133	-	-10	-5	-148
Impairment charges	-82	-	-	-	-	-82
Closing book value	1,308	951	248	37	50	2,594
As per 31 Dec. 2013						
Cost	1,392	1,559	248	94	79	3,372
Accumulated amortisation and impairment charges	-84	-608	-	-57	-29	-778
Book value	1,308	951	248	37	50	2,594

NOTE 15

Continued

Impairment testing of goodwill

Goodwill is not amortised continuously; instead, the value is tested yearly for impairment in accordance with IAS 36. Testing was conducted most recently in December 2013.

Goodwill is apportioned over cash-generating units, which for Indutrade are equated with operating 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 2014 financial year. During the rest of the five-year period, an annual growth rate of 2% (2%) has been assumed. Where greater changes are expected, the assumptions have been adapted to better correspond to these expectations. For cash flows beyond the five-year period, the rate of growth has been assumed to correspond to the growth rate during the fifth year, ordinarily 2%. The cash flows have been discounted with a weighed cost of capital that corresponds to approximately 14% (14%) before tax. The same discount rate has been used for all segments, since they conduct similar operations. The calculation shows that value in use exceeds the carrying amount at the segmental level. A sensitivity analysis shows that the remaining goodwill value would continue to be upheld if the discount rate were to be raised by 1 percentage point or long-term growth were to be decreased by 1 percentage point.

In connection with a new assessment of contingent earn-out payments in 2013, in response to a lower level of earnings in relation to the anticipated outcome that formed the basis for the previously booked contingent earn-out payment, impairment testing of goodwill was conducted in the affected companies in accordance with the principles described above. As a result of this impairment testing, an impairment charge of SEK 82 million was recognised in 2013 for the value of goodwill in business area Special Products.

Other impairment testing

Every year impairment testing is conducted for trademarks at the segmental level in accordance with the same principles and at the same point in time as for goodwill. No events or changed conditions have been identified that warrant impairment testing for other intangible non-current assets that are amortised.

Group breakdown of goodwill at segmental level

	2013	2012
Engineering & Equipment	126	121
Flow Technology	214	213
Fluids & Mechanical Solutions	204	205
Industrial Components	233	154
Special Products	531	495
Total	1,308	1,188

Group breakdown of trademarks at segmental level

	2013	2012
Engineering & Equipment	0	0
Flow Technology	59	59
Fluids & Mechanical Solutions	–	–
Industrial Components	–	–
Special Products	189	179
Total	248	238

PARENT COMPANY

	2013	2012
Opening cost	2	2
Investments during the year	0	–
Closing accumulated cost	2	2
Opening amortisation	–1	–1
Amortisation for the year	–1	0
Closing accumulated amortisation	–2	–1
Planned residual value	0	1

NOTE 16

Property, plant and equipment

GROUP

	Land and buildings	Machinery	Equipment	Construction in progress	Total property, plant and equipment
As per 1 Jan. 2012					
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
Sale of subsidiary	-2	-1	-1	-1	-5
Depreciation (Note 8)	-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

GROUP

	Land and buildings	Machinery	Equipment	Construction in progress	Total property, plant and equipment
1 Jan.–31 Dec. 2013					
Opening book value	404	144	189	4	741
Exchange rate differences	3	0	1	0	4
Investments during the year ¹⁾	61	37	83	39	220
Company acquisitions	1	11	15	-	27
Transferred from construction in progress	16	0	0	-16	-
Sales and disposals ¹⁾	-9	-1	-19	-	-29
Reclassification	-	0	0	-	0
Depreciation (Note 8)	-19	-33	-62	-	-114
Closing book value	457	158	207	27	849
As per 31 Dec. 2013					
Cost	677	521	665	27	1,890
Accumulated depreciation and impairment charges	-220	-363	-458	-	-1,041
Book value	457	158	207	27	849

1) Of net investments in property, plant and equipment, SEK 186 million (100) had an effect on cash flow, while SEK 7 million (3) pertain to investments financed via finance leases.

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

	2013	2012
Cost		
- capitalised finance leases	115	102
Accumulated depreciation	-39	-32
Book value	76	70

Leased assets consist primarily of cars.

PARENT COMPANY

	2013	2012
Opening cost	3	4
Investments during the year	0	0
Sales and disposals	0	-1
Closing accumulated cost	3	3
Opening depreciation	-2	-3
Depreciation for the year	0	0
Sales and disposals	0	1
Closing accumulated depreciation	-2	-2
Planned residual value	1	1

NOTE 17

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
Ingenjörfirman 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	22
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	63
Tribotec AB, 556234-6089	Mölnlycke	100%	4,000	33
Damalini AB, 556474-3705	Möln dal	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	274
Kabetex Kullager & Transmission AB, 556254-1523	Mark	100%	2,500	11
Techno Skruv i Värnamo AB, 556459-4116	Värnamo	100%	1,000	94
Filtarteknik Sverige AB, 556271-3577	Karlstad	100%	10,000	62
Lekang Maskin AS, Norway	Hölen	100%	5,000	64
Filtarteknik 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	253
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	282
AMAB (Allen Myrin AB), 556131-8220	Karlstad	100%	1,000	30
Thermotech AS, Norway	Haugesund	100%	200	102
ESI Process International Ltd, Ireland	Cork	100%	26,790	231
Verplas Ltd, UK	Verwood	100%	99	55
Medexa Diagnostisk Service AB, 556399-8789	Limhamn	100%	7,500	39
Total				2,943

NOTE 17

Continued

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

		Share of Domicile capital, %	Share of votes, %	No. shares	Book value
A S Fors MW	Estonia	11	11	14,324	3
Kiinteistö Oy Honkakoli	Finland	–	–	18	1
Kytäjän Golf Oy	Finland	–	–	6	1
Other		–	–	–	2
Available-for-sale financial assets					7

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	
	2013	2012	2013	2012
Opening cost	6	6	3,161	2,571
External acquisitions	–	–	461	601
Internal restructuring	–	–	–	–29
Shareholder contribution	–	–	10	31
Sale	–	–	–	–9
Adjustment of estimated contingent consideration	–	–	–71	–4
Company acquisitions	–	0	–	–
Exchange rate differences	1	0	–	–
Closing accumulated cost	7	6	3,561	3,161
Opening revaluations	–	–	8	8
Closing accumulated revaluations	–	–	8	8
Opening impairment charges	–	–	–596	–551
Impairment charges during the year	–	–	–30	–45
Closing accumulated impairment charges	–	–	–626	–596
Book value	7	6	2,943	2,573

Effect on cash flow

Purchase price, external acquisitions	–461	–601
Purchase price not paid	76	191
Reversal of contingent consideration	4	4
Purchase price paid for previous years' acquisitions	–94	–31
Sale of subsidiary	–	19
Shareholder contribution paid out	–11	–20
Internal restructuring	–	29
Total	–486	–409

NOTE 18

Non-current receivables

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Opening balance	13	11	4	3
Additional receivables	0	1	–	–
Repaid deposits/amortisation	–1	0	–	–
Company acquisitions	0	2	–	–
Change in value of pensions	0	0	0	0
Reported net against pension obligations	0	1	2	1
Exchange rate differences	0	0	–	–
Other changes	0	–2	–	–
Total	12	13	6	4

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 19

Inventories

GROUP	Inventories are broken down into the following items:	
	2013	2012
Raw materials and consumables	256	253
Products in process	219	133
Finished products and goods for resale	1,071	1,086
Total	1,546	1,472

The cost of goods sold for the Group includes impairment of inventory, totalling SEK 29 million (29). No significant reversals of previous impairment charges were made in 2013 or 2012.

NOTE 20

Trade accounts receivable

Age breakdown of trade accounts receivable and provisions for impaired trade accounts receivable

GROUP	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Trade accounts receivable				
Trade accounts receivable not due	985	1,008		
Trade accounts receivable 0-3 months past due	384	315		
Trade accounts receivable 3-6 months past due	27	55		
Trade accounts receivable more than 6 months past due	72	58		
Provision for impaired trade accounts receivable	-33	-25		
Total	1,435	1,411		
Provision for impaired trade accounts receivable				
Provision for trade accounts receivable, 0-3 months past due	-2	-2		
Provision for trade accounts receivable, 3-6 months past due	-3	-2		
Provision for trade accounts receivable, older than 6 months	-28	-21		
Total	-33	-25		
Change in provision for impaired trade accounts receivable during the year				
Opening provision	-25	-25		
Receivables written off as customer losses	2	9		
Reversed, unutilised provisions	3	2		
Provision for the year for impaired trade accounts receivable	-13	-11		
Company acquisitions	0	0		
Exchange rate differences	0	0		
Closing provision	-33	-25		

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

NOTE 21

Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Prepaid rents	12	13	-	-
Prepaid insurance premiums	8	7	0	0
Other prepaid expenses	51	41	4	1
Accrued income	11	5	-	-
Derivative instruments	3	2	-	0
Total	85	68	4	1

NOTE 22

Non-current and current interest-bearing liabilities

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Non-current				
Future leasing obligations for finance leases	44	42	0	0
SEK-denominated loans with terms longer than 1 year	1,304	604	1,300	600
EUR-denominated loans with terms longer than 1 year	433	90	429	78
Loans in other currencies with terms longer than 1 year	53	16	-	-
Contingent consideration in SEK with payment due later than 1 year	110	168	110	153
Contingent consideration in EUR with payment due later than 1 year	45	27	22	-
Contingent consideration in other currencies with payment due later than 1 year	45	44	10	-
	2,034	991	1,871	831
Current				
Utilised bank overdraft facilities	276	320	252	217
Future leasing obligations for finance leases	32	28	0	0
SEK-denominated loans with terms shorter than 1 year	0	743	-	742
EUR-denominated loans with terms shorter than 1 year	1	192	-	-
Loans in other currencies with terms shorter than 1 year	4	10	-	-
Contingent consideration in SEK with payment due less than 1 year	14	76	-	54
Contingent consideration in EUR with payment due less than 1 year	40	6	22	-
Contingent consideration in other currencies with payment due less than 1 year	14	49	8	40
	381	1,424	282	1,053
Total	2,415	2,415	2,153	1,884

Car leases are reported as finance leases in accordance with IFRS, entailing an increase in both assets and liabilities of SEK 76 million (70). Of the Group's long-term leasing obligations, SEK 25 million falls due for payment in 2015, SEK 17 million in 2016, and SEK 2 million in 2017 or later.

Externally granted bank overdraft facilities amounted to SEK 742 million (844) for the Group and SEK 702 million (622) for the Parent Company.

NOTE 22
Continued

Amounts in SEK m	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Maturities for long-term loans in SEK				
Maturity 2014	–	1	–	–
Maturity 2015	800	300	800	300
Maturity 2016	300	300	300	300
Maturity 2017	0	0	–	–
Maturity 2018 or later	204	3	200	–
Total long-term borrowings in SEK million	1,304	604	1,300	600

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.

Amounts in EUR m	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Maturities for long-term loans in EUR				
Maturity 2014	–	0.2	–	–
Maturity 2015	17.1	0.2	17.0	–
Maturity 2016	22.0	0.1	22.0	–
Maturity 2017	9.0	9.9	9.0	9.0
Maturity 2018 or later	0.4	–	–	–
Total long-term borrowings in EUR million	48.5	10.4	48.0	9.0
Corresponding amounts in SEK million	433	90	429	78

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

Amounts in SEK m	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Maturities for long-term loans in other currencies				
Maturity 2014	–	1	–	–
Maturity 2015	1	1	–	–
Maturity 2016	4	1	–	–
Maturity 2017	8	12	–	–
Maturity 2018 or later	40	1	–	–
Total long-term borrowings in other currencies	53	16	–	–

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

Amounts in SEK m	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Payment due for long-term contingent consideration in SEK				
Payable in 2014	–	41	–	26
Payable in 2015	19	39	19	39
Payable in 2016	91	88	91	88
Total long-term contingent consideration in SEK million	110	168	110	153

The present value is calculated using an interest rate of 4%.

Amounts in EUR m	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Payment due for long-term contingent consideration in EUR				
Payable in 2014	–	2.5	–	–
Payable in 2015	3.5	0.7	2.4	–
Payable in 2016	0.5	–	–	–
Payable in 2017	0.5	–	–	–
Payable in 2018	0.5	–	–	–
Total long-term contingent consideration in EUR million	5.0	3.2	2.4	–
Corresponding amount in SEK million	45	27	22	–

The present value is calculated using an interest rate of 4% for payments of SEK 41 million and an interest rate of 5% for payments of SEK 4 million.

Amounts in SEK m	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Payment due for long-term contingent consideration in other currencies				
Payable in 2014	–	13	–	–
Payable in 2015	15	4	10	–
Payable in 2016	30	27	–	–
Total long-term contingent consideration in other currencies	45	44	10	–

By other currencies is meant GBP, CHF, KRW and MYR. The present value is calculated using an interest rate of 4% for payments of SEK 14 million and an interest rate of 5% for payments of SEK 31 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.

Starting in 2013 the Group applies the revised IAS 19 Employee Benefits. The impact on the Group is not significant, as actuarial gains and losses have already been recognised in other comprehensive income since previously. For a description of the impact see Note 1. The comparative figures have been recalculated.

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

Breakdown of net liability in SEK m

	2013	2012
PRI plan	101	105
Defined benefit plans, Netherlands and Switzerland	53	51
Total defined benefit plans	154	156
Other pension obligations	13	11
Total	167	167

The Group's plan assets, totalling SEK 425 million (378), consist of investments with insurance companies, mainly in government bonds, corporate bonds and interest rate derivatives, and thus the level of risk is low. The pension liability is irrevocable.

Defined contribution plans

The pension plans include retirement pensions, disability pensions and family pensions. Premiums are paid on a regular basis during the year to independent legal entities. The size of the pension premiums is based on the individual employee's salary, and the cost of the premium is recognised on a continuing basis through profit or loss.

According to a pronouncement from the Swedish Financial Reporting Board, retirement pension and family pension obligations secured through insurance with Alecta for salaried employees in Sweden are classified as multi-employer defined benefit plans. For 2013 Indutrade does not have access to such information that would make it possible to report this plan as a defined benefit plan, which is why the plan is reported as a defined contribution plan. Premiums paid during the year for pension plans with Alecta amounted to approximately SEK 16 million (17). Premiums for 2014 are estimated to be in line with premiums 2013. Alecta's collective funding ratio was 148% (129%) in December 2013.

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 duration of the pension obligation is estimated at 19 years in Sweden, 18 years in the Netherlands, and 17 years in Switzerland.

Sensitivity analysis for changes in significant assumptions:

Impact on the defined benefit obligation, SEK m	Sweden	Netherlands	Switzerland
Discount rate, increase by 1.00%	-13	-56	-24
Discount rate, decrease by 1.00%	17	43	29
Salary increase, increase by 1.00%	10	6	4

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 52 million (61).

GROUP

Assumptions in calculating pension obligations	2013			2012		
	Sweden	Netherlands	Switzerland	Sweden	Netherlands	Switzerland
Discount rate, %	3.70	3.50	2.40	3.20	3.60	2.25
Future salary increases, %	3.50	2.50	1.00	3.50	2.50	1.00
Anticipated inflation, %	2.00	2.00	0.50	2.00	2.00	0.50
Future pension increases, %	2.00	1.80	0.00	2.00	2.00	0.00
Employee turnover, %	2.00	1)	1)	2.00	1)	1)

1) Age-related.

Amounts reported on balance sheet	2013	2012
Present value of funded obligations	478	434
Fair value of plan assets	-425	-383
	53	51
Present value of unfunded obligations	101	105
	101	105
Net liability, defined benefit plans, on balance sheet	154	156

Revaluation of other comprehensive income	2013	2012
Experience-based adjustments of defined benefit obligations	-1	9
Return on plan assets excl. interest income	-3	-49
Demographic adjustments of defined benefit obligations	0	-
Financial adjustments of defined benefit obligations	-5	59
Total	-9	19

NOTE 23
Continued

	2013	2012
Present value of pension obligations at start of year	534	446
Pension costs	19	15
Interest expenses	16	17
Employee contributions	6	4
Pension payments	-5	-13
Sale of subsidiary	-	-13
Company acquisitions	-	22
Actuarial gains (-)/losses (+)	-6	68
Exchange rate differences	15	-12
Present value of pension obligations at year-end	579	534
Plan assets at start of year	378	303
Interest income	12	12
Employee contributions	7	4
Company contributions	14	12
Pension payments	-2	-9
Company acquisitions	-	18
Return on plan assets excl. interest income	3	49
Exchange rate differences	13	-11
Plan assets at year-end	425	378
Net liability at start of year	156	143
Net cost reported in the income statement	23	20
Pension payments	-4	-4
Company contributions	-14	-12
Sale of subsidiary	-	-13
Company acquisitions	-	4
Actuarial gains (-)/losses (+)	-9	19
Exchange rate differences in foreign plans	2	-1
Net liability at year-end	154	156

GROUP	2013			2012		
	Defined benefit plans	Defined contribution plans	Total	Defined benefit plans	Defined contribution plans	Total
Amounts reported in income statement						
Current service cost	19	136	155	15	132	147
Interest on obligation	16	-	16	17	-	17
Interest income on plan assets	-12	-	-12	-12	-	-12
Net cost in income statement	23	136	159	20	132	152
Of which, included in selling costs	19	106	125	15	103	118
Of which, included in administrative expenses	0	30	30	0	29	29
Of which, included in financial items	4	-	4	5	-	5

Anticipated company contributions to defined benefit pension plans in 2014 amount to SEK 17 million (13).

NOTE 24

Other provisions

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Guarantee commitments	9	5	–	–
Total long-term provisions	9	5	–	–
			Guarantee commitments	
Opening balance, 1 January 2013				5
Guarantee commitments in acquired companies				0
Change in guarantee commitments for the year				4
Closing balance, 31 December 2013				9

NOTE 25

Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Accrued personnel-related expenses	285	258	10	7
Derivative instruments	27	29	–	–
Interest	11	9	10	8
Other	142	113	2	2
Total	465	409	22	17

NOTE 26

Pledged assets

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
For own liabilities:				
Real estate mortgages	76	70	–	–
Chattel mortgages	86	34	–	–
Assets subject to liens	76	70	–	–
Shares in subsidiaries	–	–	–	–
Endowment insurance policies	8	6	6	4
Other	–	3	–	–
Total	246	183	6	4

Car leases are reported as finance leases in accordance with IFRS, entailing an increase in assets, liabilities and pledged assets of SEK 76 million (70).

NOTE 27

Contingent liabilities

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Contingent liabilities for subsidiaries' PRI liabilities	–	–	76	75
Guarantees pledged for the benefit of subsidiaries	–	–	36	265
Contingent liabilities for own PRI liabilities	2	2	–	–
Other contingent liabilities	–	6	–	–
Total	2	8	112	340

NOTE 28

Cash and cash equivalents

CASH AND CASH EQUIVALENTS ON THE BALANCE SHEET AND STATEMENT OF CASH FLOWS CONSIST OF:

	GROUP		PARENT COMPANY	
	2013	2012	2013	2012
Cash and bank balances	258	243	7	0
Short-term investments	3	–	–	–
Total	261	243	7	0

NOTE 29

Acquisitions and divestments of subsidiaries

Acquisitions 2013

All of the shares were acquired in Thermotech AS (Norway), ESI Technologies Ltd (Ireland), AMAB (Allen Myrin Aktiefbolag, Sweden), the operations of Micro Joining KB (Sweden), Medexa Diagnostisk Service AB (Sweden), Kin Pompentechniek B.V. (Netherlands) and Verplas Ltd (UK).

Industrial Components

Thermotech AS sells products and services in the areas of heat treatment, machine service and bolt tension. Thermotech AS has annual sales of SEK 70 million and is consolidated in the Group as from 1 January 2013.

AMAB is one of the Swedish market's leading suppliers of medical alert systems, monitoring systems and security systems to the healthcare sector. AMAB has annual sales of SEK 35 million and is consolidated in the Group as from 1 July 2013.

The operations of Micro Joining KB were acquired and are consolidated in the Group as from 1 September 2013. Micro Joining sells adhesives, components and materials, with annual sales of SEK 15 million.

Medexa Diagnostisk Service AB specialises in high-end technology for healthcare with a focus on foetal surveillance and ultrasound applications. Medexa has annual sales of SEK 25 million and is consolidated in the Group as from 8 October 2013.

NOTE 29

Continued

Special Products

ESI Technologies Ltd, with annual sales of SEK 160 million, is a technology sales company specialising in flow technology. Business is conducted in Ireland and the UK. Customers are mainly in the pharmaceutical, chemical, and oil and gas industries. The company is consolidated in the Group as from 1 April 2013.

Kin Pompentechniek B.V., with annual sales of SEK 76 million, sells pumps from leading suppliers and is consolidated in the Group as from 1 November 2013.

Verplas Ltd, with annual sales of SEK 80 million, manufactures and distributes a range of rigid and flexible ventilation products, and is consolidated in the Group as from 22 November 2013.

Effects of acquisitions made in 2012 and 2013

Pertains to the impact on the 2013 income statement	Jan.-Dec.	
	SEK m	EBITA
	Net sales	
Business area		
Engineering & Equipment	18	1
Flow Technology	24	3
Fluids & Mechanical Solutions	26	4
Industrial Components	159	38
Special Products	321	42
Effect on Group	548	88
Acquisitions completed 2012	310	47
Acquisitions completed 2013	238	41
Effect on Group	548	88

If the units acquired had been consolidated as from 1 January 2013, net sales would have increased by SEK 210 million to SEK 9,041 million, and EBITA would have increased by SEK 32 million to SEK 1,022 million.

Acquired assets in Thermotech AS, ESI Technologies Ltd, AMAB, Micro Joining, Medexa Diagnostisk Service AB, Kin Pompentechniek B.V. and Verplas Ltd

	SEK m		
Preliminary purchase price allocation			
Purchase price, incl. contingent earn-out payments totalling SEK 98 million			550
	Book value	Fair value adjustment	Fair value
Acquired assets			
Goodwill	–	200	200
Agencies, trademarks, customer relationships, licences, etc.	–	196	196
Property, plant and equipment	27	–	27
Financial assets	0	–	0
Inventories	56	–	56
Other current assets ¹⁾	106	4	110
Cash and cash equivalents	117	–	117
Deferred tax liability	–4	–40	–44
Borrowings and pension obligations	–7	–	–7
Other operating liabilities	–105	–	–105
	190	360	550

1) Mainly trade accounts receivable.

Since disclosures about the individual acquisitions are insignificant, they are provided here in aggregate form. The cost of customer lists and agencies has been valued at one-half to one year's gross margin and has been recorded on the balance sheet as agencies, trademarks, customer lists, licences, etc. They will be amortised over a period of 10-20 years, while trademarks are assumed to have an indefinite life. Trademarks are included in the amount of SEK 8 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 a contingent earn-out payment. The contingent earn-out payments are based on the earnings of the acquired companies during the years immediately ahead. Initially, the contingent earn-out payments are valued at the present value of the likely outcome, which for the acquisitions made during the year amount to SEK 98 million. The contingent earn-out payments fall due for payment in 1-5 years and can amount to a maximum of SEK 102 million. If the conditions are not met, the outcome can be in the range of SEK 0-102 million.

Transaction costs for the acquisitions carried out during the year totalled SEK 6 million (2) and are included in Other operating expenses in the income statement. Contingent earn-out payments have been restated in the amount of SEK 89 million (9). The income is reported among Other operating income in the income statement. In connection with a new assessment of contingent earn-out payments, goodwill in these companies has also been tested for impairment. As a result of this impairment testing, an impairment loss of SEK 82 million has been recognised for goodwill in the Group. This charge is reported under Other operating expenses in the income statement.

The purchase price allocation calculations for Krämer AB and Nolek AB, which were acquired in 2012, are definitive. No significant adjustments have been made in the calculations. For other

NOTE 29

Continued

acquisitions, the purchase price allocation calculations are preliminary. Indutrade regards the calculations as preliminary during the time that uncertainty exists with respect to, for example, the outcome of guarantees in the acquisition agreements concerning inventories and trade accounts receivable.

Effect on cash flow

Purchase price, incl. contingent earn-out payments	550
Contingent earn-out payments not paid out	-98
Cash and cash equivalents in acquired companies	-117
Contingent earn-out payments paid out for previous years' acquisitions	128
Total effect on cash flow	463

Divestment 2013

In December, parts of the operations of Gedevelop AB were divested, a company in the Special Product business area with net sales of SEK 10 million. The sale generated a capital gain of SEK 17 million.

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 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 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 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 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 SEK 80 million and is consolidated in the Group as from 1 August 2012.

Special Products

Dasa Control Systems AB, with annual sales of 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 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 SEK 60 million and is consolidated in the Group as from 1 June 2012. At the time of the acquisition, the company was part of the Special Products business area. However, as from 1 January 2013 it is part of the Fluids & Mechanical Solutions business area, which is also shown in the table below.

Krämer AG, with annual sales of 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 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.	
	Net sales	EBITA
SEK m		
Business area		
Engineering & Equipment	95	16
Flow Technology	42	2
Fluids & Mechanical Solutions	33	4
Industrial Components	136	23
Special Products	113	17
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 increased by SEK 358 million to SEK 8,742 million, and EBITA would have increased by SEK 68 million to SEK 973 million.

NOTE 29

Continued

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, Kråmer AG and Nolek AB.

Preliminary purchase price allocation	SEK m.		
Purchase price including contingent earn-out payments of SEK 261 million	943		
	Book value	Fair value adjustment	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 one-half to one year's gross margin and has been recorded on the balance sheet as agencies, trademarks, customer relationships, licences, etc. They will be amortised over a period of 10-20 years, while trademarks are assumed to have an indefinite life. 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 a contingent earn-out payment. The contingent earn-out payments are based on the earnings of the acquired companies during the years immediately ahead. Initially, the contingent earn-out payments are valued at the present value of the likely outcome, which for the acquisitions made during 2012 amount to SEK 261 million. The contingent earn-out payment falls due for payment in 1-3 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 2012 totalled SEK 2 million (2) and are included in Other operating expenses in the income statement. Contingent earn-out payments have been revalued by SEK 9 million (0). The income is reported among Other operating income in the income statement.

Effect on cash flow

Purchase price, including contingent earn-out payments	943
Contingent earn-out payments not yet paid out	–261
Cash and cash equivalents in acquired companies	–163
Contingent earn-out payments pertaining to previous years' acquisitions	72
Total effect on cash flow	591

Acquisitions after the end of the reporting period

In early January 2014, the company AP Tobler AG, Switzerland, was acquired, with annual sales of SEK 37 million. AP Tobler specialises in surface treatment of stainless steel and aluminium for the pharmaceutical industry and is part of the Special Products business area.

In mid March 2014, the company Svenska Geotech AB was acquired, with annual sales of SEK 40 million. Svenska Geotech imports and supplies building site preparation and civil engineering products, and is included in the Industrial Components business area.

Preliminary purchase price allocation calculations will be presented in the first quarter interim report for 2014.

NOTE 30

Related party transactions

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

The Indutrade Group's related parties consist mainly of senior executives. Disclosures of transactions with these related parties are provided in note 7, Wages, salaries and other remuneration, and social security costs.

NOTE 31

Events after the balance sheet date

Indutrade took possession of AP Tobler AG in January and Svenska Geotech AB in March, see note 29.

At the end of February 2014 Indutrade established a commercial paper programme with a maximum of SEK 1.5 billion.

No other significant events have taken place for the Group after the end of the reporting period.

NOTE 32

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
Tel. +46 (0)8 703 03 00
Website: www.indutrade.se

The share capital of Indutrade AB as per 31 December 2012 and 2013 consisted of 40,000,000 shares with a share quota value of SEK 1.

At the Annual General Meeting on 28 April 2014, a dividend of SEK 7.05 per share, for a total of SEK 282 million, will be proposed for the 2013 financial year. The proposed dividend has not been reported as a liability in these financial statements.

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, 20 March 2014

Fredrik Lundberg
Chairman of the Board

Bengt Kjell
Vice Chairman of the Board

Eva Färnstrand
Director

Martin Lindqvist
Director

Ulf Lundahl
Director

Krister Mellvé
Director

Lars Pettersson
Director

Johnny Alvarsson
President and CEO, Director

Our audit report was submitted on 25 March 2014
PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant

Audit 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 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 16-72.

Responsibilities of the Board of Directors and the CEO for the annual accounts and consolidated accounts

The Board of Directors and the CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the 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 CEO 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 CEO, 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 opinions.

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 2013 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 2013 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. A corporate governance statement has been prepared. The directors' report and the corporate governance report are 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 CEO of Indutrade AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the CEO

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 CEO are responsible for administration under the Companies 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 CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO 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.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the directors' report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Stockholm, 25 March 2014
PricewaterhouseCoopers AB

Michael Bengtsson
Authorised 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, 28 April 2014, at the IVA Conference Centre, Wallenberg room, Grev Turegatan 16, 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 Tuesday, 22 April 2014, and have notified the Company of their intention to participate by Tuesday, 22 April 2014, 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 22 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
- personal identity number or corporate identity number
- address and phone number

Notification must be received by the Company no later than Tuesday, 22 April 2014.

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, 2 May 2014, 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 7 May 2014.

Reporting dates

Interim reports

1 January–31 March 2014	28 April 2014
1 January–30 June 2014	23 July 2014
1 January–30 September 2014	29 October 2014

CONTACT INFORMATION

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Visitors' address: Raseborgsgatan 9

Reg. no. 556017-9367

Tel: +46 (0)8 703 03 00, e-mail: info@indutrade.se, www.indutrade.se