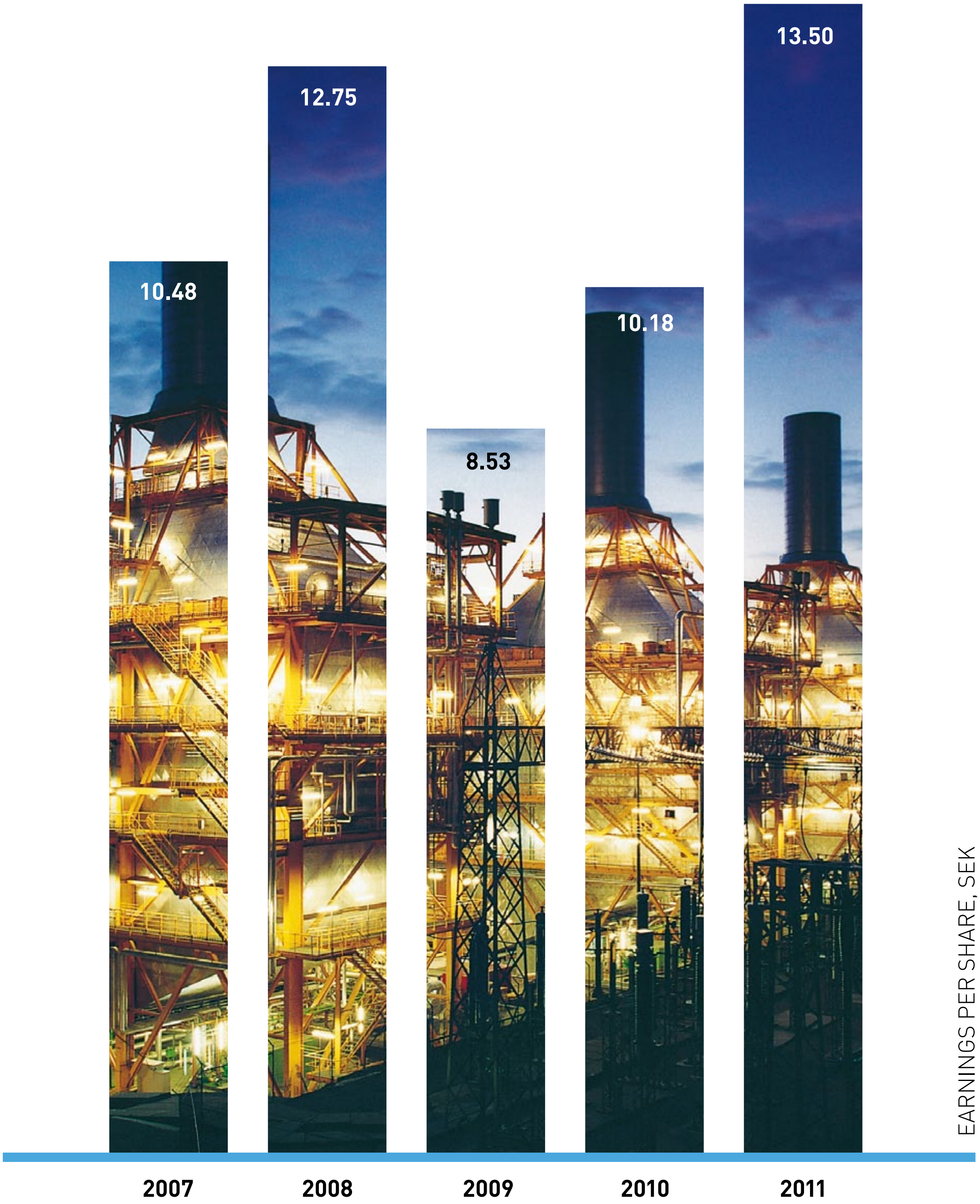
Annual Report 2011

Indutrade



Contents

Cover photo: Siemens AG. The picture shows the Tapada do Outeiro combined heat and power plant in Portugal, which is fitted with valves supplied by Indutrade's subsidiary HP Valves.

Indutrade AB's statutory annual report consists of pages 12-67. These pages have been reviewed by the company's auditor in accordance with the audit report on page 68.

Year in brief

30

Increase in EBITA, %

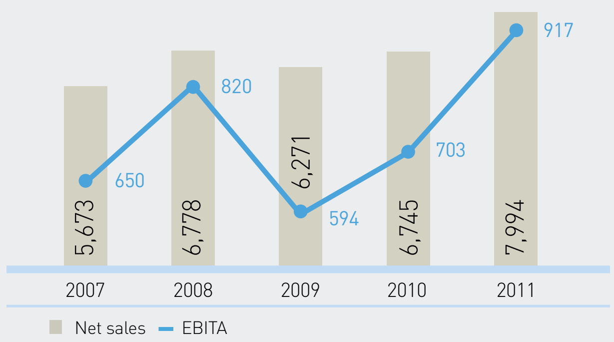
11

Number of acquisitions

6.75

Proposed dividend, SEK

NET SALES AND EARNINGS TRENDS, SEK M



KEY RATIOS

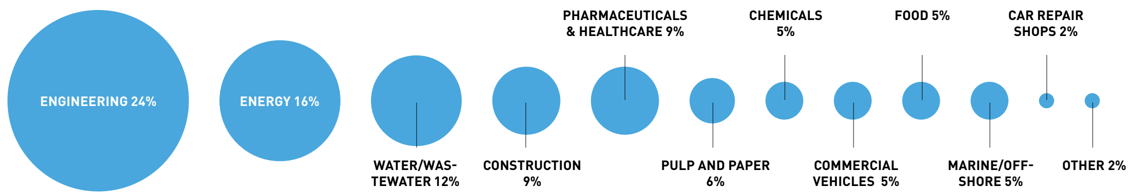
	2011	2010
Net sales, SEK million	7,994	6,745
EBITA, SEK million	917	703
EBITA margin, %	11.5	10.4
Profit for the year after tax, SEK million	540	405
Earnings per share, SEK	13.50	10.18
Return on operating capital, %	26	23
Average number of employees	3,778	3,420

- Net sales amounted to SEK 7,994 million (6,725), an increase of 19%. The increase for comparable units was 10%.
- Operating profit before amortisation of intangible assets (EBITA) rose 30% to SEK 917 million (703).
- Earnings per share were SEK 13.50 (10.18).
- Eleven acquisitions were carried out.
- The Board of Directors proposes a dividend of SEK 6.75 per share (5.10).

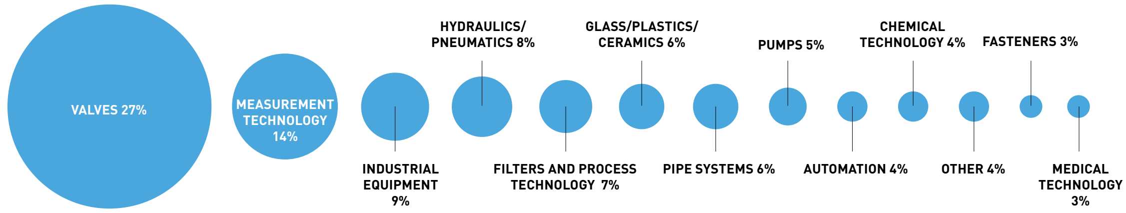
Indutrade at a glance

- Indutrade is a group of some 160 companies in 23 countries in four parts of the world. The group is organised in four business areas; Engineering & Equipment, Flow Technology, Industrial Components and Special Products.
- Indutrade markets and sells components, systems and services with a high-tech content in selected niches.
- The business has two main focuses – companies engaged in industrial technology sales and companies that manufacture their own products.
- The Group's fundamental governing principle is based on decentralisation of decision-making and responsibility. The organisation is distinguished by entrepreneurship and technical niche expertise combined with a well-balanced spread of risk with respect to customers, products, suppliers, industries and geographic markets.

NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



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

Acquire

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

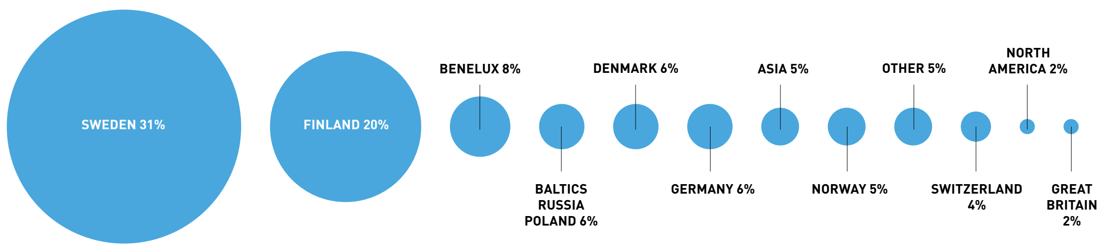
Strengthen

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

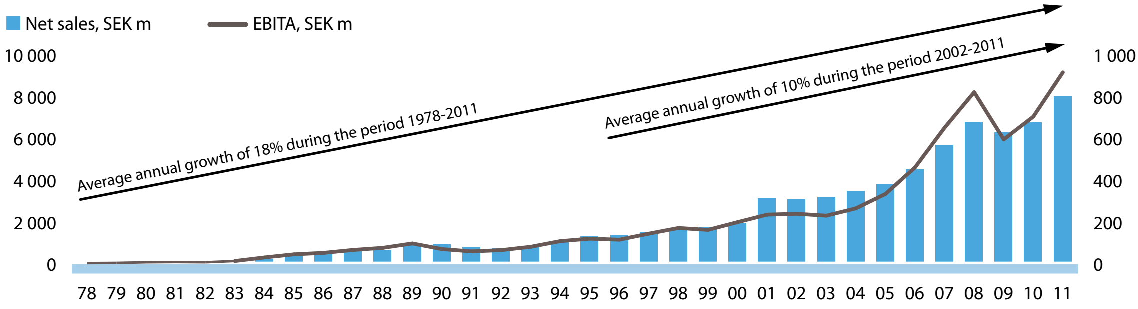
Refine

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

NET SALES PER MARKET



EARNINGS AND GROWTH HISTORY



We have lifted Indutrade to a new level

2011 was a good year for the Indutrade Group. This was true for order intake, invoicing, and most importantly of all, earnings.

For most of the year, the headlines were dominated by negative news about the economy in Europe and reports of contracting growth outside Europe. These negative messages made many customers nervous and resulted in greater caution in discussions about future purchasing volumes and investments. In actuality, sales volumes for most customers were highly stable and even grew. A small handful of market segments noted lower volumes during the last quarter of 2011.

For many, it has been frustrating to read about the serious financial problems that many countries are having and speculations about a deep recession at the same time that companies have had "business as usual".

In 2011 we lifted Indutrade to a new level, with order intake in excess of SEK 2 billion in each quarter. Similarly, net sales were higher than SEK 2 billion during the second, third and fourth quarter of the year.

We now sell more in six months than we did in twelve months in 2004, the year before our stock market introduction. At that time, the Group comprised some sixty companies – today we are more than 160 companies.

It was not only sales that increased during the year, but also our EBITA margin. In 2011 it was 11.5%, which is well above our target of at least 10% over a business cycle. We also met the Group's other targets.

NEW GROUND IN SWITZERLAND AND AUSTRIA

In addition to lifting sales to new heights in 2011, we also broke new ground geographically by acquiring the ABIMA group of companies, with operations in Switzerland, Austria and Germany. This is a region that has long been on our wish list.

The industrial structure in Switzerland and Austria is very similar to that in the Nordic countries. They are small countries with strong home markets and a structure where large suppliers sell via distributors. The ABIMA Group consists of several companies that fit well with Indutrade's focus. The parent company ABIMA has been renamed to Indutrade Switzerland, with the express objective of acquiring companies in the region in the true Indutrade spirit. The acquisition was relatively large for Indutrade, and the EBITA margin is slightly lower than the Group's average, which can be seen in the lower EBITA margin for the Special Products business area in 2011.

BUSINESS MODEL INTACT

We have successively fine-tuned the business model that we adopted more than thirty years ago. The only thing we co-ordinate today is financing, which is handled by the Parent Company for the entire Group. Through active board work in the companies and through active benchmarking, among other measures, we support the companies in their development. The key to success for an Indutrade company rests more with its management than the markets or products it works with. The same applies regardless of the country the company is located in or president's age. In the general debate it is often asserted that a company must have a young, dynamic president in order for its business to thrive. In my view this assertion is wrong. I can name several examples from our business where company presidents have achieved their best results after reaching the traditional 65-year threshold.

Of course, this does not mean that young company leaders are underperformers – on the contrary! We have many young company presidents who are showing exceptional performance. I am firmly convinced that it is not age that is decisive for performance, but a person's mental attitude.

Our ambition for the future is to continue working according to the business model we have today and to refine it further.

The goal at the top of our agenda is to grow – in terms of sales as well as earnings. We will continue to drive organic growth in our companies as we pursue further acquisitions.

As this is written, almost three months of 2012 have passed and we have already carried out four acquisitions. Our ambition is to continue making further acquisitions during the year.

Hopefully, 2012 will also be a good year for Indutrade. We will do what we can to live up the expectations placed upon us. If a generally negative development transpires in the world, just like during the downturn in 2009 we will swiftly adapt our operations to the prevailing needs and conditions.

Our sails are trimmed and our load is balanced. The winds are blowing favourably for us, but should the weather turn and the seas get rough, we will take in our sails and adjust our load accordingly.

Johnny Alvarsson
President and CEO

Share data

Indutrade's shares are listed on Nasdaq OMX Stockholm, Mid Cap list. Indutrade's market capitalisation on 31 December 2011 was SEK 7,320 million (9,280).

Indutrade's share price fell from SEK 232 to SEK 183 during the year, or by 27%. The Stockholm Stock Exchange lost 17% for the year, and the OMX Industrials index fell by 22%. Including reinvested dividends, the total return for Indutrade shares was -19%. The highest price paid in 2011 was on 11 January SEK 239.00, and the lowest price paid was on 9 August SEK 153.50. Since the stock market introduction on 5 October 2005, Indutrade's shares have delivered a total return of 204% including reinvested dividends, while the SIX Return Index, which measures the total return of the market as a whole, showed a total return of 37% during the same period.

TRADING VOLUME

A total of 8.0 million (9.4) Indutrade shares were traded for a combined value of SEK 1.5 billion (0.9). This corresponds to a turnover rate of 20% (24%). Average daily trading volume was 31,563 shares (37,315), with 119 (93) transactions.

SHARE CAPITAL

Indutrade's share capital amounted to SEK 40 million on 31 December 2011 (40), divided among 40,000,000 shares (40,000,000) with a share quota value of SEK 1. All shares have equal voting power.

OWNERSHIP STRUCTURE

Indutrade had 5,025 shareholders on 31 December 2011 (5,388). At year-end the ten largest owners controlled 73% of the capital and votes (76%). Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 80% of the capital and votes at year-end (84%). Foreign ownership in the Company was 13% (9%).

INCENTIVE PROGRAMMES

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

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

DIVIDEND AND DIVIDEND POLICY

The Board's goal is to provide the shareholders an attractive dividend yield and high dividend growth. The goal is that over time, the dividend will amount to a minimum of 50% of net profit. During the last five-year period, of Indutrade's aggregate profit after tax, totalling SEK 2,215 million, dividends of SEK 1,112 million have been paid to the shareholders (including the proposed dividend for 2011), 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 analyst who monitor Indutrade, visit www.indutrade.se

10 LARGEST SHAREHOLDERS AT 31 DECEMBER 2011

	No. shares	Share of capital and votes, %
AB Industrivärden	14,727,800	36.8
L E Lundbergföretagen	5,500,000	13.8
AFA Insurance	2,762,452	6,9
Handelsbanken Pension Fund	1,469,300	3.7
Lannebo funds	1,355,532	3.4
KDTC	1,127,817	2.8
Banque de Luxembourg	800,500	2.0
SEB Investment Management	439,279	1.1
Handelsbanken funds	412,286	1.0
Ernström Finans	405,854	1.0
Others	10,999,180	27.5

SHAREHOLDERS GROUPED BY SIZE

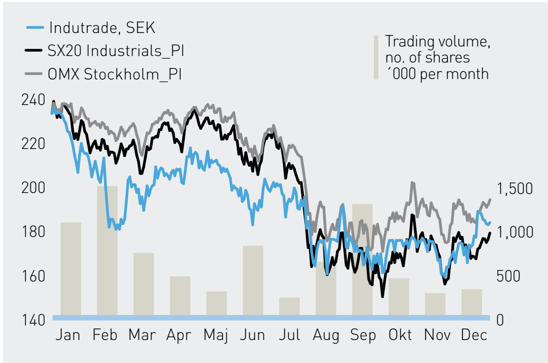
Size class	No. share-holders	Share of capital and votes, %
1 – 500	3,369	1.8
501 – 1,000	818	1.7
1,001 – 2,000	376	1.5
2,001 – 5,000	239	2.0
5,001 – 10,000	75	1.4
10,001 – 20,000	45	1.7
20,001 – 50,000	23	2.0
50,001 – 100,000	19	3.3
100,001 – 500,000	26	15.2
500,001 – 1,000,000	1	2.0
1,000,001 – 5,000,000	4	16.8
5,000,001 – 10,000,000	1	13.8
10,000,001 –	1	36.8

KEY DATA PER SHARE

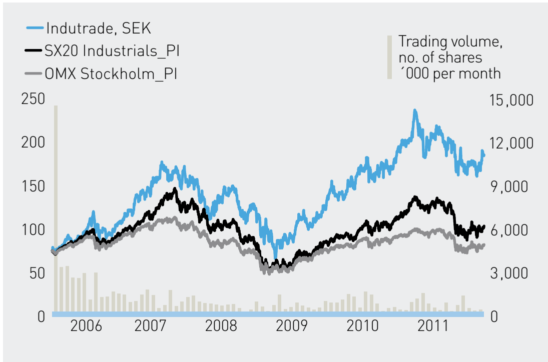
	2011	2010
Share price per 31 December, SEK	183.00	232.00
Market cap per 31 December, SEK	7,320	9,280
Dividend, SEK	6.75[1]	5.10
Earnings, SEK	13.50	10.18
No. of shares outstanding, thoursands	40,000	40,000
No. of shareholders per 31 December	5,025	5,388
Highest price paid during the financial year, SEK	239.00	234.00
Lowest price paid during the financial year, SEK	153.50	134.50
Dividend yield[2], %	3.7	2.2
Shareholders' equity, SEK	51.55	43.55
Cash flow from operating activities, SEK	17.73	16.40

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

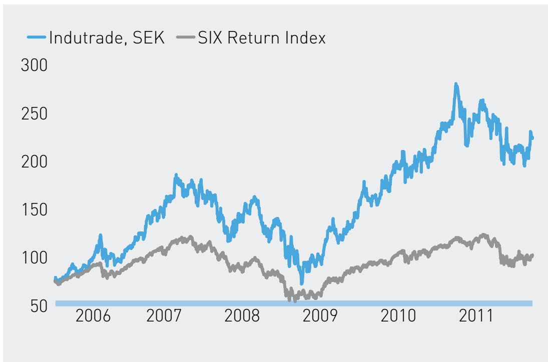
SHARE PRICE TREND 2011



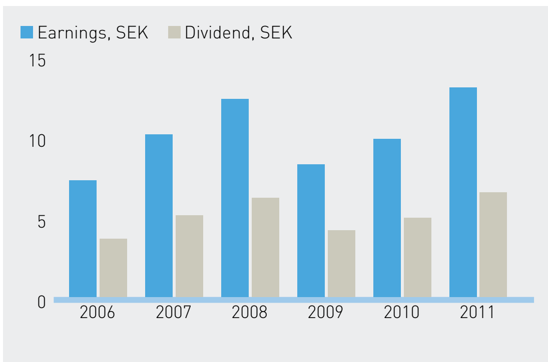
SHARE PRICE TREND OCT 2005–2011



TOTAL RETURN FOR INDUTRADE SHARES OCT 2005–2011



EARNINGS AND DIVIDEND PER SHARE



Quarterly overview

	2011				2010			
Net sales, SEK million	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	438	427	410	352	380	351	373	305
Flow Technology	541	531	499	446	439	475	446	383
Industrial Components	427	370	390	393	398	344	373	340
Special Products	767	684	722	633	554	568	537	505
Parent company and Group items	-15	-7	-6	-8	-7	-6	-7	-6
	2,158	**2,005**	**2,015**	**1,816**	**1,764**	**1, 732**	**1,722**	**1,527**

	2011				2010			
EBITA, SEK million	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	36	41	32	19	24	32	30	14
Flow Technology	57	72	57	43	29	44	52	30
Industrial Components	47	42	46	48	35	40	37	28
Special Products	118	100	116	87	78	98	84	82
Parent company and Group items	-7	-10	-13	-14	-3	-9	-12	-10
	251	**245**	**238**	**183**	**163**	**205**	**191**	**144**

	2011				2010			
EBITA-margin, %	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	8.2	9.6	7.8	5.4	6.3	9.1	8.0	4.6
Flow Technology	10.5	13.6	11.4	9.6	6,6	9.3	11.7	7.8
Industrial Components	11.0	11.4	11.8	12.2	8,8	11.6	9.9	8.2
Special Products	15.4	14.6	16.1	13.7	14.1	17.3	15.6	16.2
	11.6	**12.2**	**11.8**	**10.1**	**9.2**	**11.8**	**11.1**	**9.4**

Several-year overview

Figures for 2002-2003 not adjusted according to IFRS.

Condensed income statement (SEK m)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Net sales	7,994	6,745	6,271	6,778	5,673	4,516	3,822	3,486	3,197	3,078
Cost of goods sold	-5,268	-4,480	-4,207	-4,520	-3,826	-3,027	-2,582	-2,367	-2,166	-2,083
Development costs	-74	-48	-44	-32	-20	-15	-12	-11	-10	-9
Selling costs	-1,430	-1,224	-1,169	-1,169	-972	-835	-725	-677	-663	-642
Administrative expenses	-398	-376	-323	-299	-250	-205	-182	-177	-167	-149
Other operating income/expenses	-2	-3	-3	2	4	2	3	0	4	7
Operating profit	822	614	525	760	609	436	324	256	195	202
Financial income and expenses	-93	-61	-64	-68	-31	-20	-15	-13	-13	-21
Profit after financial items	729	553	461	692	578	416	309	243	182	181
Tax	-189	-148	-120	-182	-159	-116	-87	-75	-67	-67
Net profit for the year	540	405	341	510	419	300	222	168	115	114
EBITA	917	703	594	820	650	460	333	264	229	238
EBITA-margin, %	11.5	10.4	9.5	12.1	11.5	10.2	8.7	7.6	7.2	7.7

Condensed balance sheets (SEK m)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Assets										
Goodwill	822	712	514	574	378	265	210	156	167	133
Other intangible assets	888	761	555	599	364	183	88	15	4	4
Property, plant and equipment	706	657	563	554	388	327	287	277	266	255
Financial assets	45	50	48	52	43	25	31	18	13	19
Inventories	1,328	1,183	1,064	1,207	936	719	615	556	567	571
Current receivables	149	164	125	100	100	69	53	56	58	48
Trade account receivable	1,263	1,047	901	1,102	859	679	532	461	422	399
Cash and cash equivalents	264	219	229	223	203	119	117	97	168	172
Total assets	5,465	4,793	3,999	4,411	3,271	2,386	1,933	1,636	1,665	1,601
Liabilities and equity										
Equity	2,064	1,744	1,644	1,597	1,189	892	714	708	688	643
Long-term borrowing and pension obligations	745	893	794	705	347	356	411	175	283	449
Other non-current liabilities	347	277	224	373	321	123	48	24	39	25
Short-term borrowing	1,007	716	375	490	383	236	116	204	188	42
Accounts payable - trade	556	493	424	584	470	398	322	263	228	225
Other current liabilities	746	670	538	662	561	381	322	262	239	217
Total liabilities and equity	5,465	4,793	3,999	4,411	3,271	2,386	1,933	1,636	1,665	1,601

Condensed cash flow statements (SEK m)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Cash flow from operating activities before changes in working capital	764	616	438	619	526	369	313	251	210	210
Changes in working capital	-55	40	120	-129	-127	-104	9	16	-8	44
Cash flow from operating activities	709	656	558	490	399	265	322	267	202	254
Net investment in non-current assets	-139	-111	-90	-130	-67	-41	-41	-24	-53	-77
Company acquisitions and divestments	-467	-684	-188	-276	-307	-157	-148	-14	-57	6
Change in other financial assets	13	0	0	0	1	-16	-8	2	-	13
Cash flow from investing activities	-593	-795	-278	-406	-373	-214	-197	-36	-110	-58
Net borrowing	134	321	-12	131	203	65	192	-157	-83	-91
Dividend payout, Group contributions and shareholder contributions	-204	-172	-256	-210	-150	-110	-301	-144	-11	-144
Cash flow from financing activities	-70	149	-268	-79	53	-45	-109	-301	-94	-235
Cash flow for the year	46	10	12	5	79	6	16	-70	-2	-39
Cash and cash equivalents at start of year	219	229	223	203	119	117	97	168	172	213
Exchange rate differences	-1	-20	-6	15	5	-4	4	-1	-2	-2
Cash and cash equivalents at end of year	264	219	229	223	203	119	117	97	168	172

Financial metrics (SEK m)	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Non-current interest-bearing liabilities	745	893	794	705	470	356	411	175	283	449
Current interest-bearing liabilities	1,007	716	375	490	383	236	116	204	188	42
Cash and cash equivalents	264	-219	-229	-223	-203	-119	-117	-97	-168	-172
Group net debt	1,488	1,390	940	972	650	473	410	282	303	319
Net debt/equity ratio, %	72	80	57	61	55	53	57	40	44	50
Interest coverage ratio, times	8,9	9,4	7,6	10,4	15,8	18,4	18,2	16,3	10,7	7,8
Equity ratio, %	38	36	41	36	36	37	37	43	41	40
Net debt/EBITDA, times	1,4	1,7	1,4	1,1	0.9	0.9	1.1	0.9	1.1	1.1

Return ratios	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Return on equity, %	29	24	21	38	41	39	33	24	17	18
Return on operating capital, %	26	23	22	37	40	35	30	26	24	24

Key data per employee	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Average number of employees	3,778	3,420	3,122	2,728	1,929	1,673	1,510	1,415	1,377	1,351
Net sales, SEK 000	2,116	1,972	2,009	2,485	2,941	2,699	2,531	2,464	2,322	2,278
Pre-tax profit, SEK 000	193	162	148	254	300	249	205	172	132	134

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

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

Definitions

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

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

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

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

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

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

Gross margin:
Gross profit divded by net sales.

Interest-bearing net debt:
Borrowings, including pension liabilities, less cash and cash equivalents.

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

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

Net debt/equity ratio:
Interest-bearing net debt divided by shareholders' equity.

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

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

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

Directors' Report

The Board of Directors and President of Indutrade AB (publ), reg. no. 556017-9367, herewith submit the annual report for the 2011 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 four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products. Business is conducted through approximately 160 subsidiaries in 23 countries in four parts of the world. Indutrade's shares are listed on Nasdaq OMX Stockholm, Mid Cap list.

OVERALL GOALS

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

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

FINANCIAL TARGETS

Goals and goal fulfilment	Long-term target	Outcome 2011	2006–2011
Total sales growth, %	10	19	12
EBITA margin, %	10.0	11.5	11.0
Return on operating capital, %	25	26	30
Net debt/equity ratio, %	≤100	72	55-80
Dividend, % of earnings/share	50	50	50

- Average sales growth shall amount to 10% per year over a business cycle, of which organic growth is to exceed GDP growth in the geographic markets in which Indutrade operates. The remaining growth is to be achieved through acquisitions. During the last five-year period, average annual sales growth was 12%. Net sales in 2011 rose 19%, of which organic growth was 10% and acquired growth was 12%. The currency effect in 2011 was -3%.
- The target EBITA margin is a minimum of 10% per year over a business cycle. The average EBITA margin during the last five years was 11.0%. The EBITA margin in 2011 was 11.5%.
- Return on operating capital shall exceed 25% on average per year over a business cycle. During the last five years, the average return on operating capital was 30%. In 2011 the return was 26%.
- The net debt/equity ratio should normally not exceed 100%. During the last five years, the net debt/equity ratio varied between 55% and 80% at the end of each year. The debt/equity ratio at year-end 2011 was 72%.

STRATEGIES

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

Growth with limited business risk

Growth is pursued in three dimensions:

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

As Indutrade grows and strengthens its market position, the entry barriers for potential competitors also rise. At the same time, the risk of Indutrade's suppliers establishing their own sales organisations in the Company's markets decreases. Business development and growth are thus strategic tools for lowering business risk.

Acquisitions

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

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

Strong market positions

Indutrade focuses on sales of products in niches in which it can attain a leading position. Strong market positions are often a prerequisite for good profitability. They also make it easier to attract the best suppliers, which further enhances 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 a more attractive business partner for existing and potential customers.

Companies with proprietary products and brands

Indutrade balances its technology sales companies with companies that have proprietary products and brands. The products are to have a high-tech content, while the companies should have a strong market position and favourable growth potential. Since 2004 the share of companies with proprietary products has increased by 26 percentage points, and in 2011 they accounted for 35% of consolidated net sales.

High share of repetitive sales and focus on selected customer segments

Indutrade offers components, systems and services for customers with a recurring need. This contributes to business stability and predictability in revenue flows. The Group gives priority to customers with a recurring need that are active in industries with favourable prospects for maintaining competitive production in Indutrade's home markets. Many of these industries are characterised by a high degree of automation, high distribution costs and/or high start-up investment.

Sales organisation with high level of technical expertise

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

Decentralised organisation with strong local ties

Indutrade's governance model is characterised by decentralisation, as the best business decisions are made close to customers by people who have a solid understanding of the customers' needs and processes. The subsidiaries are responsible for their own profitability, which contributes to greater flexibility and a stronger entrepreneurial spirit.

Performance 2011

The 2011 financial year entailed a clear continuation of the economic recovery that began in spring 2010.

First quarter

During the opening quarter of the year, the Group reached a quarterly order intake in excess of SEK 2 billion for the first time. The strengthening in the business climate during the first quarter was broad-based, with all business areas showing increases in order intake for comparable units. Geographically, the strongest performance was initially in Sweden, Germany and also Finland, while the other Nordic countries and Benelux did not show signs of a definite upswing. Growth was noted in most of the Group's product areas. The investments that were postponed in 2009 – such as in the process industry – began to gradually be activated again. Investments in the energy sector remained at a low level, however, although there were signs of growing activity in this segment as well.

In the Finnish market, where Engineering & Equipment does most of its business, the business improvement was stronger and broader compared with 2010 and involved most segments of importance for the business area since the start of the year.

Flow Technology experienced favourable demand from customers in the water/wastewater and process industries.

Industrial Components reported continued improvement in order intake in product areas related to commercial vehicles and general engineering industries.

For Special Products, the business developed favourably on the whole, with growth in demand primarily from Scandinavian industry.

Second quarter

The favourable business situation continued during the second quarter, and the SEK 2 billion mark was also passed for net sales. The improvement was broad-based and spanned most of the Group's business areas and geographic markets. All business areas except for Industrial Components noted growth in order intake for comparable units.

In the Finnish market, the strengthening of the business climate continued. The favourable trend covered most segments of importance for the business area, including the export-oriented engineering industry, domestic and international projects in pulp and paper, construction, and maintenance and investments in water and wastewater infrastructure.

For Flow Technology, demand remained favourable from segments like pulp and paper, chemicals, water/wastewater and energy. In Norway and Denmark, where the market was previously somewhat dampened, activity improved while business in the marine segment remained weak.

Demand for Industrial Components, which has a considerable share of sales to the automotive and general engineering industries – especially in Sweden – levelled out and stabilised at a high level. During the quarter, businesses focusing on medical technology met higher demand.

For Swedish companies in the Special Products business area, the quarter brought continued favourable demand driven by the engineering and export industries. The same also applied for the business area's operations in the German market. The market situation in Benelux improved somewhat during the quarter. For companies focused on the international energy sector, the second quarter brought an increase in demand.

Third quarter

Discussions in the media during the third quarter were dominated by the financial turbulence. This was not a very accurate reflection of the daily affairs for the Group's companies, which on the whole were characterised by a steady rise in demand and in many cases by signs of an industrial upswing, such as long lead times and capacity shortages among manufacturers.

The broad-based recovery for Engineering & Equipment continued in line with the previous trend.

As in the preceding quarter, demand for Flow Technology remained favourable in most segments. In addition, demand in the marine segment moved in a positive direction.

For Industrial Components, volumes in the heavy vehicles and general engineering sectors planed out at a high level.

As earlier in the year, Special Products' companies in Sweden and Germany met favourable demand from the engineering and export industries. For businesses in Benelux, the market situation improved in the second quarter of the year and thereafter remained at a higher level than a year earlier. The positive trend that was noted during the second quarter, with rising demand for products for the international energy sector – with construction of new power plants around the world, primarily in locations outside Europe, such as the USA, the Middle East, South America and Asia – strengthened further. However, deliveries during the quarter were at a considerably lower level than in the second quarter as well as the same period a year ago.

Fourth quarter

The Group's business as a whole continued to perform well during the closing quarter of the year. Both order intake and net sales reached record levels for an individual quarter. All business areas except for Industrial Components experienced an increase in order intake for comparable units during the quarter. The positive trend that was noted as early as the second quarter, with rising demand for products for the international energy sector, strengthened further during the fourth quarter. In other respects, the end of the year was in line with the previous trend, entailing a broad-based improvement for most of the business areas and geographic markets in which the Group is active. The strong business climate was reflected in net sales for the Group's business areas, which during the fourth quarter reported like-for-like increases ranging from 6% to 23%. For the year as a whole, all business areas reported organic growth of between 5% and 18%.

As in previous quarters, demand for Engineering & Equipment developed favourably also during the closing quarter of the year.

For Flow Technology, demand continued to develop well during the fourth quarter, albeit at a slightly slower pace of growth than in earlier quarters of the year. This strong business climate extended to most of the business area's customer segments, especially energy, water and wastewater, but also pulp and paper, which grew from a weaker market situation a year ago. Demand from the marine segment was stable for the year as a whole.

Industrial Components encountered a business climate for products for the general engineering, mining and steel industries, and for commercial vehicles, that was stable on the whole during the fourth quarter. Some softness was noted in demand for certain components at the same time that demand for investment goods in these sectors remained strong. The market situation for businesses focusing on medical technology was stable and benefited during the year from new product launches.

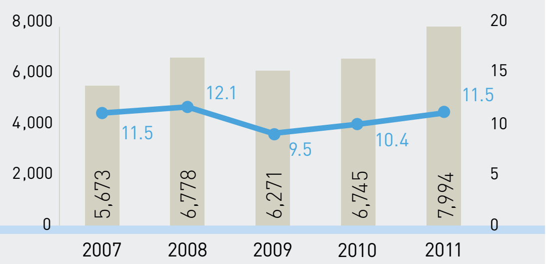
For Special Products' businesses focused on the international energy market, the close of the year was strong. Order intake in this segment exceeded deliveries during the quarter as well as for the year as whole. For other business areas, demand was stable on the whole during the final quarter of the year. Geographically, certain differences were noted, with the Benelux countries showing a slight weakening compared with the trend earlier in the year at the same time that demand in Germany, Sweden and Switzerland remained stable.

ORDER INTAKE, NET SALES AND EARNINGS

Order intake rose 21% during the year, to SEK 8,315 million (6,863). The increase for comparable units was 12%, and acquired growth was 13%. Currency movements affected order intake negatively by 4%.

Net sales for the year rose 19% to SEK 7,994 million (6,745). For comparable units, net sales rose 10%,

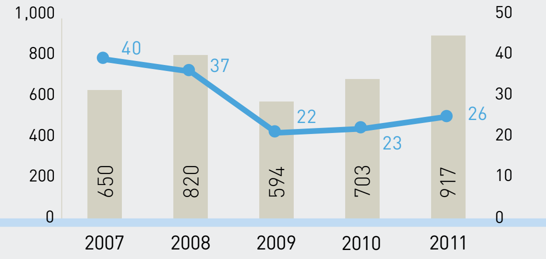
NET SALES (SEK M) AND EBITA MARGIN (%)



while acquired growth was 12%. Currency movements affected net sales negatively by 3%.

The gross margin was 34.1%, an increase of 0.5 percentage points over 2010. The higher margin is partly attributable to the fact that some of the Group's Swedish businesses – mainly during the start of the year – were able to benefit from the effects of the stronger Swedish krona. During the year, margin-strengthening measures were actively pursued, while sharper focus in certain businesses also contributed to improved margins. In addition, the higher business volume resulted in a decrease in the share of fixed product costs, mainly in the Group's manufacturing companies, which strengthened the gross margin.

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



Operating profit before amortisation of intangible assets (EBITA) amounted to SEK 917 million (703) for the year, an increase of 30%. The operating margin before amortisation of intangible assets (the EBITA margin) was 11.5% (10.4%). Currency effects from translation of foreign units reduced the year's operating profit by SEK 30 million.

Net financial items totalled SEK -93 million (-61), of which net interest expense accounted for SEK -87 million (-60). The increase in net interest expense is attributable to the Group's higher level of net debt and higher interest rates. Tax on profit for the year was SEK -189 million (-148), corresponding to a tax rate of 25.9% (26.8%). Profit after tax rose 33% to SEK 540 million (405). Earnings per share increased to SEK 13.50 (10.18).

Favourable like-for-like growth combined with limited cost increases, a higher gross margin for the year as a whole and good performance for acquired units contributed to the higher earnings and improved EBITA margin.

All business areas contributed to the earnings improvement. Similarly, both acquired and existing companies made a positive contribution to the earnings improvement.

BUSINESS AREAS

KEY DATA PER BUSINESS AREA	Engineering & Equipment		Flow Technology		Industrial Components		Special Products	
	2011	2010	2011	2010	2011	2010	2011	2010
Net sales, SEK m	1,627	1,409	2,017	1,743	1,580	1,455	2,806	2,164
EBITA, SEK m	128	100	229	155	183	140	421	342
EBITA margin, %	7.9	7.1	11.4	8.9	11.6	9.6	15.0	15.8
Return on operating capital, %	28	22	27	22	34	29	22	24
Average number of employees	620	570	656	591	481	454	2 020	1 796

Engineering & Equipment (EE)

Net sales rose 15% during the year to SEK 1,627 million (1,409). For comparable units, the increase was 18%. Acquisitions contributed 3% to net sales, while currency movements had a negative effect on net sales, by 6%. Demand in the Finnish market, where the business area conducts most of its business, moved in a positive direction during the year. This trend covered most segments of importance for the business area, including the export-oriented engineering industry, the mining industry, domestic and international projects in the pulp and paper industry, construction, and maintenance and infrastructure investments in water and wastewater. During the year, certain investments were made in areas like water and wastewater, which strengthened the business area's market position in these areas. In the Baltic countries, which account for roughly 10% of the business area's sales, activities were focused on the parts of the business with the highest profitability potential.

EBITA for the year rose 28% to SEK 128 million (100), corresponding to an EBITA margin of 7.9% (7.1%). The initiatives taken to strengthen the business area's position in interesting and profitable product areas dampened the earnings contribution from the higher level of net sales.

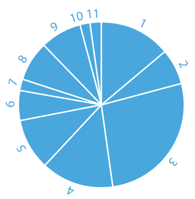
Flow Technology (FT)

Net sales amounted to SEK 2,017 million (1,743) for the year, an increase of 16%. For comparable units, the increase was 11%, while acquired growth was 8%. Currency movements had a negative effect on net sales, by 3%. Demand developed well during the year. Most of the business area's customer segments benefited from the strong business climate, most notably energy and water/wastewater, while the pulp and paper segment also grew from a weaker market situation a year earlier. Demand from the marine sector was stable for the year as a whole.

EBITA for the year increased by 48% to SEK 229 million (155), and the EBITA margin reached 11.4% (8.9%). The increase in net sales was achieved with limited resource strengthening. Similarly, earnings and the margin were affected by a slight strengthening of the gross margin as a result of the strengthening of the Swedish krona and active margin-enhancing measures. Acquired companies performed well and contributed to the earnings improvement.

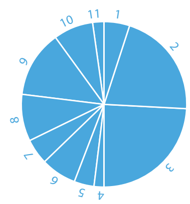
EE: NET SALES PER CUSTOMER SEGMENT

1. Engineering 14%
2. Energy 7%
3. Water/wastewater 27%
4. Construction 14%
5. Pulp and paper 10%
6. Chemicals 6%
7. Commercial vehicles 2%
8. Car repair shops 8%
9. Steel 8%
10. Mining industry 2%
11. Other 2%



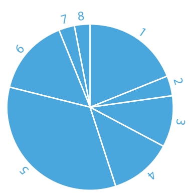
FT: NET SALES PER CUSTOMER SEGMENT

1. Engineering 5%
2. Energy 21%
3. Water/wastewater 24%
4. Construction 2%
5. Pharmaceuticals/healthcare 4%
6. Pulp and paper 7%
7. Food 5%
8. Chemicals 9%
9. Marine/offshore 13%
10. Steel 8%
11. Mining industry 2%



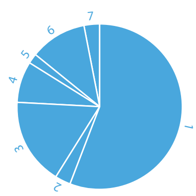
EE: NET SALES PER PRODUCT AREA

1. Valves 19%
2. Hydraulics/pneumatics 4%
3. Pipes and pipe systems 10%
4. Pumps 12%
5. Industrial equipment 34%
6. Measuring instruments 15%
7. Service 3%
8. Transmission 3%



FT: NET SALES PER PRODUCT AREA

1. Valves 56%
2. Hydraulics/pneumatics 3%
3. Pipes and pipe systems 17%
4. Pumps 8%
5. Compressors 2%
6. Measuring and analysis instruments 11%
7. Service 3%



Industrial Components (IC)

Net sales rose 9% during the year, to SEK 1,580 million (1,455). The increase for comparable units was 10%. Acquisitions contributed 1%, while currency movements had a negative effect of 2%. Following a strong recovery in 2010 and early 2011, demand for products for the general engineering industry, the mining and steel industries, and commercial vehicles planed out at a high level during the spring. Toward the end of the year, some softness in demand was noted for components in these segments at the same time that demand for investment goods remained strong. The market situation for businesses focused on medical technology was also stable and benefited during the year from new product launches.

EBITA for the year increased by 31% to SEK 183 million (140), corresponding to an EBITA margin of 11.6% (9.6%). The EBITA margin was positively affected by the increase in net sales, which was achieved with limited cost increases. A slight, positive effect of the stronger Swedish krona was noted during the year.

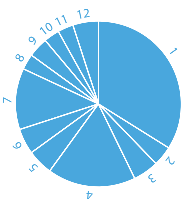
Special Products (SP)

Net sales for the year rose 30% to SEK 2,806 million (2,164). The increase for comparable units was 5%. Acquired growth during the year was 28%, while currency movements reduced net sales by 3%. During the year, the business area experienced favourable growth for comparable units as well as for acquired businesses. Performance was particularly favourable for businesses focusing on the international energy sector, where demand outpaced deliveries during the year. Some differences were noted geographically, with the Benelux countries showing a stable level for the year as a whole, while demand in Germany, Sweden and Switzerland remained favourable.

EBITA increased by 23% to SEK 421 million (342), and the EBITA margin was 15.0% (15.8%). Apart from the contribution from acquisitions, the earnings improvement was attributable to the increase in net sales for comparable units, which was achieved with limited resource strengthening. The lower EBITA margin for the full year is mainly attributable to newly acquired units, which together had a lower margin than the business area's previous, average level.

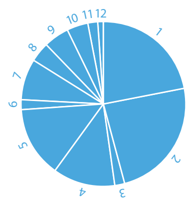
IC: NET SALES PER CUSTOMER SEGMENT

1. Engineering 34%
2. Energy 4%
3. Construction 5%
4. Pharmaceuticals/healthcare 17%
5. Pulp and paper 5%
6. Food 5%
7. Commercial vehicles 12%
8. Marine/Offshore 3%
9. Steel 4%
10. Car industry 3%
11. Mining industry 3%
12. Other 5%



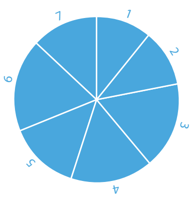
SP: NET SALES PER CUSTOMER SEGMENT

1. Engineering 22%
2. Energy 24%
3. Water/wastewater 2%
4. Construction 12%
5. Pharmaceuticals/healthcare 14%
6. Pulp and paper 2%
7. Food 8%
8. Chemicals 4%
9. Commercial vehicles 5%
10. Marine/Offshore 4%
11. Steel 2%
12. Other 1%



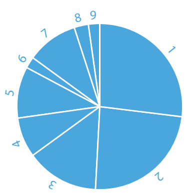
IC: NET SALES PER PRODUCT AREA

1. Hydraulics/pneumatics 11%
2. Filters and process technology 11%
3. Automation 17%
4. Fasteners 16%
5. Medical technology 14%
6. Adhesives/chemical technology 18%
7. Cutting tools 13%

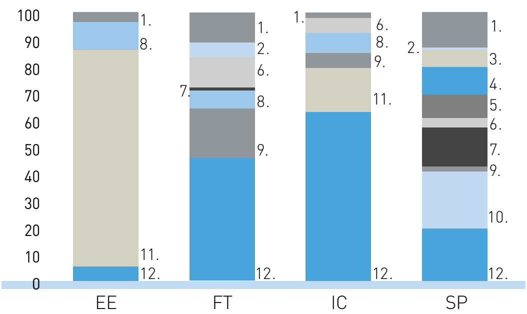


SP: NET SALES PER PRODUCT AREA

1. Valves 27%
2. Measurement technology 24%
3. Filters and process technology 14%
4. Glass, ceramics, plastics 8%
5. Construction material 10%
6. Electronic components 2%
7. Hydraulic couplings and tools 10%
8. Industrial springs 3%
9. Piston rings 2%



GEOGRAPHICAL DISTRIBUTION OF NET SALES PER BUSINESS AREA %



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

COMPANY ACQUISITIONS

The following company acquisitions were carried out during the year:

Possession	Acquisition	Business area	Sales/ SEK m*	No. employees*
January	Dantherm Filtration Oy (name changed to Tecalemit Filtration Oy)	Engineering & Equipment	30	10
	Abima (name changed to Indutrade Switzerland AG)	Special Products	400	170
	Mijnsbergen b.v. and ATB Automation n.v.-s.a.	Special Products	60	23
February	Abelko Innovation AB	Special Products	60	44
April	Alcatraz Interlocks BV	Special Products	20	5
June	Torell Pump AB	Flow Technology	40	9
July	Hamberger Armaturen AG	Special Products	10	2
August	Enervent (business)	Engineering & Equipment	17	14
September	MW-Instruments BV	Special Products	10	5
October	AG Johansons Metallfabrik AB	Flow Technology	12	9
	AD MediCal AB	Industrial Components	30	12
			689	**303**

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

Tecalemit Filtration is consolidated in the Group as from 1 January 2011. The company specialises in air filtration and provides customised solutions and components to customers in the forest, paper, metal and recycling industries, among others.

The Swiss industrial group Abima is consolidated in the Group as from 1 January 2011 and is active in control and regulation of flows, insulation against cold, heat and sound, rust/corrosion prevention and fire safety.

Mijnsbergen and ATB Automation are consolidated in the Group as from 1 January 2011. The companies deliver customised solutions with a broad range of products in power transmission and motion control.

On 1 February 2011 Abelko Innovation was acquired. The company offers specially adapted solutions for energy measurement, remote control, building automation, energy optimisation and operational monitoring.

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

Torell Pump is consolidated in the Group as from 1 June 2011. The company sells pumps, compressors and equipment for purification of municipal and industrial wastewater, process water and sewage.

Hamberger Armaturen is consolidated in the Group as from 1 July 2011. The company is active in pumps and valves, among other areas.

In August, a business that manufactures automated air treatment systems was acquired from Enervent Oy in Finland.

MW-Instruments, a company active in instrument service, is consolidated in the Group as from 1 September 2011.

AD MediCal is consolidated in the Group as from 1 October 2011. The company provides products, service and maintenance of advanced medical technology equipment.

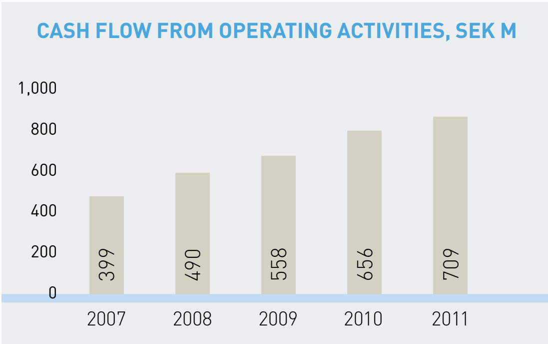
In October AG Johansons Metallfabrik, which manufactures and markets valves and high-alloy stainless steel pipe components that meet high hygiene standards, was acquired.

PROFITABILITY, FINANCIAL POSITION AND CASH FLOW

The return on operating capital was 26% (23%), and the return on equity was 29% (24%). The equity ratio was 38% (36%) at year-end. Equity per share was SEK 51.55 (43.55). Cash and cash equivalents amounted to SEK 264 million (219). In addition, the Group had unutilised credit promises worth SEK 710 million (900). The Group's interest-bearing net debt amounted to SEK 1,488 million (1,390), corresponding to a net debt/equity ratio of 72% (80%).

Cash flow from operating activities was SEK 709 million (656). The increase is mainly attributable to the earnings improvement.

Net capital expenditures in property, plant and equipment, excluding company acquisitions, amounted to SEK 139 million (111). Investments in company acquisitions during the year amounted to SEK 467 million (684). In addition, SEK 117 million (88) was paid in earn-out payments for previous years' acquisitions.

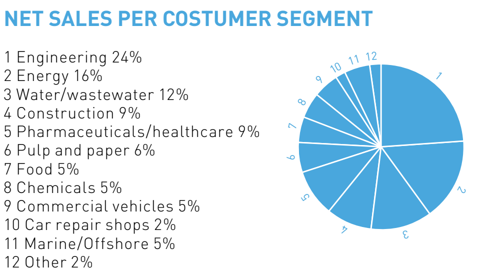


EMPLOYEES

Indutrade had 3,807 employees (3,444) at year-end, with an average of 3,778 (3,420) employees for the year. The number of employees increased by 303 as a result of acquisitions.

BUSINESS RISKS

Indutrade conducts business in 23 countries in four parts of the world through some 160 companies. This spread, together with a large number of customers in numerous industries and a large number of suppliers in various technology areas limits the business risks.



Changes in the economy

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

Outsourcing of operations

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

Competition from low-cost countries

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

Changes at the supplier level

There is always a risk of suppliers leaving a partnership with a technology sales company to set up their own sales organisation. Consolidation among manufacturers is one trend in the market that points to this. Indutrade addresses this risk by choosing suppliers who view a partnership with Indutrade as the most cost-effective sales method. Stable supplier relationships are one of the parameters that are assessed prior to Indutrade's acquisition of a company. To ensure that an acquired company does not lose its product agency agreements, its primary suppliers must give their consent to the acquisition.

Key person dependence

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

Environmental matters

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

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

FINANCIAL RISKS

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

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

INCENTIVE PROGRAMMES

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

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

GUIDELINES FOR COMPENSATION OF SENIOR EXECUTIVES

The guidelines for compensation of senior executives that applied in 2011 are outlined in Note 6 on page 50. The Company's auditors have performed a review to ensure adherence to the guidelines set by the Annual General Meeting.

Ahead of the 2012 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 high qualifications and the ability 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 improvements in simple, transparent structures and shall have a cap.
- The fixed salary component for members of the executive management shall be in line with the going rate in the market and shall be commensurate with the individual's expertise, responsibilities and performance. Variable compensation for members of the executive management shall normally not exceed 7 months' salary and shall be coupled to the achievement of goals to improve the Company's and respective business areas' level of earnings, and the Group's growth. Variable salaries can amount to a maximum of SEK 7 million.
- Incentive programmes in Indutrade 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.
- 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 correspond to a public 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 on remuneration matters regarding members of the executive management, for decision by the Board. The Remuneration Committee thus prepares and draws up proposals for decision regarding the President's terms of employment. The President 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.

RESEARCH AND DEVELOPMENT

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

PARENT COMPANY

The Parent Company's sales, which consisted entirely of invoicing of services to other Group companies, amounted to SEK 4 million (4). The Parent Company's investments in financial assets, which consist primarily of company acquisitions and capital contributions to subsidiaries, amounted to SEK 324 million (351). Investments in intangible non-current assets amounted to SEK 0 million (0), and investments in property, plant and equipment amounted to SEK 0 million (0). The number of employees on December 31 was 10 (10). The Parent Company's primary functions are to take responsibility for business development, major acquisitions and financing of the Group's operations.

EVENTS AFTER THE BALANCE SHEET DATE

Company acquisitions

Four acquisitions were carried out after the balance sheet date.

- On 23 January the company Rostfria VA-system i Storfors AB was acquired, with annual sales of approximately SEK 15 million. The company supplies pump stations and pipe systems and is part of the Flow Technology business area.
- Dasa Control Systems AB, with annual sales of approximately SEK 50 million, was acquired on 30 January. Dasa supplies internally developed, advanced control and communication systems for heavy vehicles, and is part of the Special Products business area.
- The acquisition of Geotrim Oy, with annual sales of approximately SEK 100 million, was announced on 28 February. The company supplies systems and software for geospatial solutions in satellite-based positioning, and is part of the Engineering & Equipment business area.
- On 6 March the company Eco Analytics AG, with annual sales of approximately SEK 22 million. The company supplies a complete product programme of gas detectors against poisoned or explosive gases and is part of the Special Products business area.

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

FUTURE OUTLOOK

The business climate that the Group encountered in 2011 was characterised largely by growth and for certain segments by stabilisation at a high level. All of the business areas posted like-for-like sales growth for the fourth quarter as well as for the full year 2011. The second half of the year was marked by distinct financial anxiety mainly about nations' financial situation, with considerable uncertainty about what effects this could have on the industrial business cycle. Indutrade's ambition over time is to achieve the set targets for growth and profitability with continued financial balance. No forecast is being given for 2012.

CORPORATE GOVERNANCE REPORT

Indutrade applies the Swedish Code of Corporate Governance (the Code) since 1 July 2006. The Code is a component of self-regulation in Swedish industry and is based on the "comply or explain" principle. This means that companies that adhere to the Code can depart from individual rules, provided that they give an explanation for each departure. Indutrade has no departures to report for the 2011 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 2011 Indutrade had 5,025 shareholders (5,388). The ten largest shareholders controlled 73% of the share capital. Swedish legal entities, including institutions such as insurance companies and mutual funds, held 80% of the share capital and votes at year-end. Foreign investors held 13% of the share capital and votes.

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

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

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

Articles of Association

Indutrade is a public company whose business is to "on its own or through subsidiaries, pursue trade in connection with the import and export of machines, raw materials and finished and semi-manufactured products as well as industrial necessities, including production, preferably within the plastics, mechanical and chemical industries, and activities compatible therewith."

The Board shall consist of a minimum of three and a maximum of eight directors, who are elected each year at the Annual General Meeting.

Notices of Annual General Meetings shall be made through advertisement in the Official Swedish Gazette (Post- och Inrikes Tidningar) and the Company's website within the time frame prescribed by the Swedish Companies Act. An announcement shall be posted in the Swedish daily newspaper Dagens Nyheter that notice of the Annual General Meeting has been issued. In votes at general meetings of shareholders, there is no limitation on the number of votes for represented shares.

General shareholders' meetings

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

All shareholders who are registered in the shareholder register on a specified record date and who have notified the Company in due time of their intention to participate at the general meeting are entitled to attend the meeting and vote for the total number of shares they have. Shareholders can be represented by proxy. More information about the 2012 Annual General Meeting is provided on page 70 of the 2011 Annual Report and on the Company's website.

The notice of the Annual General Meeting scheduled for 3 May 2012 is expected to be published on 28 March 2012 in the Official Swedish Gazette and on Indutrade's website. The notice will provide a detailed proposed agenda including proposals for the dividend, the election of directors, directors' fees (broken down by the Chairman and other directors), proposals for the election of auditors and auditors' fees, and proposed guidelines on compensation of the Company's senior executives.

2011 Annual General Meeting

At the Annual General Meeting on 27 April 2011, shareholders representing 75.1% of the shares and votes were in attendance. Attorney Klaes Edhall was appointed to serve as AGM chairman.

At the AGM, the annual report and audit report were presented. In connection with this, Chairman of the Board Bengt Kjell provided information on the work of the Board and reported on the guidelines for compensation of the executive management and on the work of the Audit and Remuneration Committees. In addition, CEO Johnny Alvarsson gave an address on Indutrade's operations in 2010. The auditors reported on their audit work and presented relevant parts of their audit report for 2010.

The 2011 AGM made the following resolutions:

- to adopt the financial statements for 2010;
- to set the dividend at SEK 5.10 per share;
- to discharge the members of the Board of Directors and the President from liability for the past financial year;
- to re-elect as directors Michael Bertorp, Eva Färnstrand, Bengt Kjell, Ulf Lundahl, Mats Olsson and Johnny Alvarsson, and to elect Martin Lindqvist as a new director;
- to re-elect Bengt Kjell as Chairman of the Board;
- in accordance with the Nomination Committee's recommendation, that the Nomination Committee shall consist of representatives of four of the largest shareholders in terms of votes as well as the Chairman of the Board until the composition of the next year's nomination committee has been publicly announced;
- that the Nomination Committee's composition shall be based on ownership data as per 31 August 2011 and shall be publicly announced not later than six months prior to the Annual General Meeting;
- in accordance with the Board's recommendation, that Indutrade shall apply compensation levels for senior executives which mainly shall consist normally of a fixed and variable portion, shall be in line with the going rate in the market, and shall be commensurate with the executives' level of expertise, responsibility and performance; and
- that the non-monetary benefits and pension benefits for members of the executive management shall correspond to what is considered to be reasonable in relation to common practice in the markets in which the respective executives work.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS IN 2011

Board member	Year Elected	Board meetings	Remuneration committee	Audit committee	Independent in relation to company	Independent in relation to major shareholders
Johnny Alvarsson	2004	11			No	Yes
Michael Bertorp	2003	11		3	Yes	Yes
Eva Färnstrand	1998	11		3	Yes	Yes
Bengt Kjell (Chairman of the Board)	2002	11	4	3	Yes	Yes
Martin Lindqvist	2011	6		2	Yes	Yes
Ulf Lundahl	2006	11	4	3	Yes	No
Mats Olsson	2010	11		2	Yes	Yes

Members of the Board of Directors

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

The directors elected by the 2010 AGM were re-elected at the 2011 AGM. In addition, Martin Lindqvist was elected as a new director.

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

A presentation of the current assignments of the members of the Board can be found on page 28 of the Annual Report.

The Company's CFO serves as company secretary. Other executives participate at board meetings to present reports when necessary.

All of the directors, except for Johnny Alvarsson, are independent in relation to Indutrade. Johnny Alvarsson, Eva Färnstrand, Michael Bertorp, Mats Olsson, Martin Lindqvist and Bengt Kjell 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 including the committees, decision-making procedures within the Board, meeting procedure and duties of the Chairman. The Board has also issued instructions for the CEO and instructions on financial reporting to the Board. In addition, the Board has adopted a number of policies, including a finance policy and an investment policy.

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

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

In 2011 the Board held a total of eleven meetings including the statutory meeting.

The Board conducted its work in 2011 in accordance with the work plan. Matters requiring special attention by the Board during the year pertained to strategy, finance and acquisitions. The Board's work during the year included visits to a number of subsidiaries, while subsidiary 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 (Bengt Kjell) and one other director, Ulf Lundahl. The Remuneration Committee draws up "the Board's proposed guidelines for compensation and other terms of employment for senior executives". This proposal is discussed by the Board and submitted to the AGM for approval.

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

Audit Committee

The Board has appointed an audit committee, consisting of the entire board except for the CEO. Michael Bertorp 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 accounting 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 2011, at which all members were present.

On two occasions in 2011 the committee performed reviews and received reports from the Company's external auditors. The auditors' reports did not give rise to any special action by the Audit Committee.

Directors' fees

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

Nomination Committee

On 27 April 2011 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 call 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 2012 Annual General Meeting was to be based on ownership data as per 31 August 2011 and was to be publicly announced not later than six months prior to the Annual General Meeting. The composition of the Nomination Committee ahead of the 2012 AGM was announced on 26 October 2011.

Ahead of the 2012 Annual General Meeting, the Nomination Committee was composed of the following members:

- Carl-Olof By, Industrivärden (committee chair);
- Claes Boustedt, L E Lundbergföretagen;
- Anders Algotsson, AFA Insurance;
- Håkan Sandberg, Handelsbanken Pension Foundation and Handelsbanken Pension Fund; and
- Bengt Kjell, Chairman of the Board, Indutrade

The Nomination Committee held four meetings during the year, at which an evaluation of the Board's work during the past year was presented and the Board's composition was discussed.

The Nomination Committee is tasked with drawing up recommendations to be presented to the AGM for resolutions regarding a person to serve as AGM chairman, the Chairman of the Board and other directors, directors' fees, auditors' fees and, where applicable, election of auditor, and the principles for the appointment of the new Nomination Committee.

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

Ahead of the 2012 AGM, the Nomination Committee has proposed the re-election of directors Bengt Kjell, Eva Färnstrand, Martin Lindqvist, Ulf Lundahl, Mats Olsson and Johnny Alvarsson. Michael Bertorp has declined re-election. Krister Mellvé, who has been working with the Robert Bosch Group, has been nominated for election as a new director. Bengt Kjell has been nominated for re-election as Chairman of the Board. The Nomination Committee's proposal entails that the number of directors on the Board will be unchanged during the coming mandate period and that the Board will thereby have a total of seven members. A more detailed presentation of the members of the Board is provided on page 28 of the 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 17,650 shares of Indutrade stock and 50,000 stock options issued by Industrivärden.

Auditors

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

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

Lennart Danielsson, Authorised Public Accountant, is chief auditor and has been in charge of Indutrade's audits since 2006.

In 2011, PwC had a total of 100 audit assignments for companies listed on Nasdaq OMX Stockholm and seven auditing assignments for companies listed on NGM Equity. Auditors' fees are reported in Note 13 on page 54 of the Annual Report.

Quarterly review by the auditors

In 2011, Indutrade's nine-month interim report was reviewed by the external auditors.

INTERNAL CONTROL OF 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 of the financial reporting is organised.

Control environment

Effective board work is the foundation of 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 others, 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 spread 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 four 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 following up the business area's financial reporting and in ensuring compliance by the companies in the business area with Group policies that have an impact on the financial reporting. The Parent Company has additional functions for continuous analysis and follow-up 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 of financial reporting. This is a process that involves several parts.

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

All companies owned by Indutrade at the start of 2011 were required to respond to the evaluation questionnaire. The responses were compiled and evaluated per group of companies and for the Group as a whole. As a complement to this work, the auditors validated 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 assessment of the evaluation of the internal control of 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 most important 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 via relevant channels to the companies within the Group. Systems and routines have been created to provide management with reports on the results of operations and financial position in relation to set targets.

Follow-up

The Board conducts a monthly evaluation of business development, earnings, position and cash flow based on a report packet containing comments on outcomes, forecasts 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 follow up any observations that emerge from the audit.

INTERNAL AUDIT

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

PROPOSED DISTRIBUTION OF EARNINGS

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

Retained earnings	935
Net profit for the year	497
Total:	**1,432**

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

Dividend of SEK 6.75 per share	270
To be carried forward	1,162
Total:	**1,432**

The dividend proposed by the Board of Directors corresponds to 18% of the Parent Company's equity and 13% of the Group's equity. Indutrade's dividend policy is that the dividend shall, over time, amount to at least 50% of net profit. The Board is of the opinion that the proposed dividend is well balanced with respect to the goals, scope and risks of the operations and with respect to the opportunities 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 33%. After payment of the proposed dividend, it is judged that Indutrade will continue to have a favourable financial position.

THE BOARD'S ASSURANCE

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

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

Stockholm, 23 March 2012

Bengt Kjell
Chairman of the Board

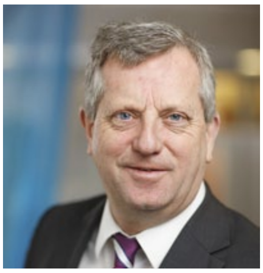
Michael Bertorp Director	Eva Färnstrand Director	Martin Lindqvist Director	Ulf Lundahl Director	Mats Olsson Director

Johnny Alvarsson
President and CEO, Director

Our audit report was submitted on 26 March 2012.
PricewaterhouseCoopers AB

Lennart Danielsson
Authorised Public Accountant

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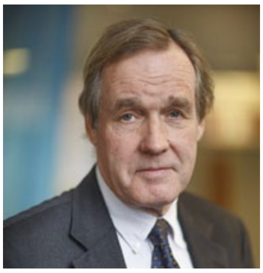
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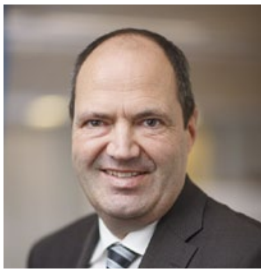
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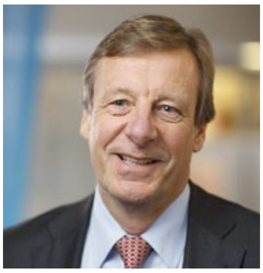
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1 BENGT KJELL
Chairman of the Board since 2005
Director since 2002
President and CEO of AB Handel och Industri
Born: 1954
Education: MBA, Stockholm School of Economics
Professional experience: Executive Vice President and Head of Investment Operations,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

2 MICHAEL BERTORP
Director since 2003
Born: 1949
Education: LL.B.
Professional experience: Executive Vice President, Svenska Cellulosa Aktiebolaget
Other directorships: Chairman of Åmotfors Energi. Director of Handelsbanken Fonder
Number of shares: 2,800

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

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

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

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

7 JOHNNY ALVARSSON
Director since 2004
President and CEO
Employed since: 2004
Born: 1950
Education: B.Sc. Eng., Management studies
Professional experience: President, Elektronikgruppen; President, Zeteco; various management positions at Ericsson
Other directorships: Director of VBG Group
Number of shares: 17,650
Number of options: 50,000

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

Executive Management


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1 JOHNNY ALVARSSON

Position: President and Chief Executive Officer, President of Special Products business area
Indutrade employee since: 2004
Born: 1950
Education: B.Sc. Eng., Management studies
Professional experience: President, Elektronikgruppen; President, Zeteco; various management positions at Ericsson
Number of shares: 17,650
Number of options: 50,000

2 KENNET GÖRANSSON

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

3 CLAES HJALMARSON

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

4 PETER ERIKSSON

Position: President of Flow Technology business area
Indutrade employee since: 1995
Born: 1953
Education: Upper secondary school, engineering programme; Market Economics degree, IFL
Professional experience: President, Alnab; Sales Manager, Alnab
Number of shares: 13,450
Number of options: 30,000

5 CURT KOCK

Position: President of Engineering & Equipment business area
Indutrade employee since: 2008
Born: 1960
Education: MPA, Swedish School of Economics and Business Administration
Professional experience: President, Oy Grundfos Pumput Ab; Regional Finance Manager, Oy Grundfos Pumput Ab; CFO, Oy Curt Enström Ab
Number of shares: 700
Number of options: 20,000

6 OLOF PAULSSON

Position: President of Industrial Components business area
Indutrade employee since: 1983
Born: 1949
Education: Upper secondary school, engineering programme; Market Economics degree, IFL
Professional experience: President, Colly Filtreringsteknik; President, Colly Components; Divisional Manager, Colly Company
Number of shares: 6,200
Number of options: 15,000

Consolidated income statement

GROUP

SEK MILLION	Note	2011	2010
Net sales	3	7,994	6,745
Cost of goods sold		-5,268	-4,480
GROSS PROFIT		**2,726**	**2,265**
Development costs		-74	-48
Selling costs		-1,430	-1,224
Administrative expenses		-398	-376
Other operating income	4	35	34
Other operating expenses	4	-37	-37
OPERATING PROFIT	5, 6, 7, 8, 13, 30	**822**	**614**
Financial income	9	12	17
Financial expenses	10	-105	-78
PROFIT AFTER FINANCIAL ITEMS		**729**	**553**
Tax	12	-189	-148
NET PROFIT FOR THE YEAR		**540**	**405**
PROFIT ATTRIBUTABLE TO:			
Equity holders of the parent		540	407
Non-controlling interests		0	-2
		540	**405**
Earnings per share attributable to equity holders of the parent[1)]		13.50	10.18
Proposed dividend per share		6.75	5.10

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

Consolidated statement of comprehensive income

GROUP

SEK MILLION	Note	2011	2010
NET PROFIT FOR THE YEAR		**540**	**405**
OTHER COMPREHENSIVE INCOME			
Fair value adjustment of hedge instruments	2	-33	18
Tax attributable to fair value adjustment	2	9	-4
Actuarial gains/losses	23	15	-35
Tax attributable to actuarial gains/losses	23	-5	9
Exchange rate differences		-2	-125
OTHER COMPREHENSIVE INCOME, NET AFTER TAX		**-16**	**-137**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**524**	**268**
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Equity holders of the parent		524	270
Non-controlling interests		0	-2
		524	**268**

Consolidated balance sheet

GROUP

SEK MILLION	Note	31 Dec. 2011	31 Dec. 2010
ASSETS			
Non-current assets			
Intangible assets	14		
Goodwill		822	712
Other intangible assets		888	761
TOTAL INTANGIBLE ASSETS		**1,710**	**1,473**
Property, plant and equipment	15		
Land and buildings		383	338
Machinery		144	136
Equipment		169	158
Construction in progress and advances for property, plant and equipment		10	25
TOTAL PROPERTY, PLANT AND EQUIPMENT		**706**	**657**
Financial assets			
Financial assets available for sale	16	6	6
Non-current receivables	17	11	13
Deferred tax assets	12	28	31
TOTAL FINANCIAL ASSETS		**45**	**50**
TOTAL NON-CURRENT ASSETS		**2,461**	**2,180**
Current assets			
Inventories	18	1,328	1,183
Accounts receivable – trade	19	1,263	1,047
Current tax assets		28	49
Other current receivables		55	40
Prepaid expenses and accrued income	20	66	75
Cash and cash equivalents	29	264	219
TOTAL CURRENT ASSETS		**3,004**	**2,613**
TOTAL ASSETS		**5,465**	**4,793**

Consolidated balance sheet, cont.

GROUP

SEK MILLION	Note	31 Dec. 2011	31 Dec. 2010
EQUITY AND LIABILITIES			
Equity			
Share capital		40	40
Reserves		-58	-32
Profit brought forward incl. net profit for the year		2,080	1,734
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**2,062**	**1,742**
Non-controlling interests		2	2
TOTAL EQUITY		**2,064**	**1,744**
Non-current liabilities			
Borrowings	22	590	735
Other non-current liabilities		0	0
Pension obligations	23	155	158
Deferred tax liabilities	12	251	228
Other provisions	24	96	49
TOTAL NON-CURRENT LIABILITIES		**1,092**	**1,170**
Current liabilities			
Borrowings	22	1,007	716
Accounts payable – trade		556	493
Current tax liabilities		70	67
Other current liabilities		254	192
Provisions	24	76	125
Accrued expenses and deferred income	25	346	286
TOTAL CURRENT LIABILITIES		**2,309**	**1,879**
TOTAL EQUITY AND LIABILITIES		**5,465**	**4,793**
Pledged assets	27	149	272
Contingent liabilities	28	9	4

Consolidated statement of changes in equity

GROUP

	Attributable to owners of the parent					
SEK MILLION	**Share capital**	**Reserves**	**Profit brought forward**	**Total**	**Total non-controlling interests**	**Total equity**
OPENING BALANCE, 1 JANUARY 2010	**40**	**79**	**1,525**	**1,644**	**–**	**1,644**
COMPREHENSIVE INCOME						
Net profit for the year	–	–	407	407	-2	405
OTHER COMPREHENSIVE INCOME						
Fair value adjustment of hedge instruments	–	18	–	18	–	18
Tax attributable to fair value adjustment	–	-4	–	-4	–	-4
Actuarial gains/losses	–	–	-35	-35	–	-35
Tax attributable to actuarial gains/losses	–	–	9	9	–	9
Exchange rate differences	–	-125	–	-125	0	-125
TOTAL COMPREHENSIVE INCOME	**–**	**-111**	**381**	**270**	**-2**	**268**
TRANSACTIONS WITH SHAREHOLDERS						
Dividend paid for 2009	–	–	-172[1)]	-172	–	-172
Non-controlling interests obtained through acquisitions of businesses	–	–	-	-	4	4
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**–**	**–**	**-172**	**-172**	**4**	**-168**
OPENING BALANCE, 1 JANUARY 2011	**40**	**-32**	**1,734**	**1,742**	**2**	**1,744**
COMPREHENSIVE INCOME						
Net profit for the year	–	–	540	540	0	540
OTHER COMPREHENSIVE INCOME						
Fair value adjustment of hedge instruments	–	-33	–	-33	–	-33
Tax attributable to fair value adjustment	–	9	–	9	–	9
Actuarial gains/losses	–	–	15	15	–	15
Tax attributable to actuarial gains/losses	–	–	-5	-5	–	-5
Exchange rate differences	–	-2	–	-2	0	-2
TOTAL COMPREHENSIVE INCOME	**–**	**-26**	**550**	**524**	**-0**	**524**
TRANSACTIONS WITH SHAREHOLDERS						
Dividend paid for 2010	–	–	-204[2)]	-204	–	-204
TOTAL TRANSACTIONS WITH SHAREHOLDERS	**–**	**–**	**-204**	**-204**	**-**	**-204**
CLOSING BALANCE, 31 DECEMBER 2011	**40**	**-58**	**2,080**	**2,062**	**2**	**2,064**

[1)] The dividend per share in 2009 was SEK 4.30.
[2)] The dividend per share in 2010 was SEK 5.10. The proposed dividend per share for 2011 is SEK 6.75.

Consolidated statement of cash flows

GROUP

SEK MILLION	Note	2011	2010
OPERATING ACTIVITIES			
Cash flow from operations	29	971	851
Interest received		6	5
Interest paid		-78	-50
Tax paid		-190	-150
CASH FLOW FROM OPERATING ACTIVITIES		**709**	**656**
INVESTING ACTIVITIES			
Acquisitions of subsidiaries	26	-467	-684
Acquisitions of property, plant and equipment	15	-146	-117
Sales of property, plant and equipment	15	25	20
Acquisitions of intangible non-current assets	14	-18	-14
Decrease/increase in financial assets		13	0
CASH FLOW FROM INVESTING ACTIVITIES		**-593**	**-795**
FINANCING ACTIVITIES			
Borrowings		624	674
Repayment of debt		-490	-353
Dividend		-204	-172
CASH FLOW FROM FINANCING ACTIVITIES		**-70**	**149**
CASH FLOW FOR THE YEAR		**46**	**10**
Cash and cash equivalents at start of year		219	229
Exchange rate differences in cash and cash equivalents		-1	-20
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	**264**	**219**

Parent Company income statement

PARENT COMPANY

SEK MILLION	Note	2011	2010
Net sales		4	4
GROSS PROFIT		**4**	**4**
Administrative expenses		-47	-44
Other operating income/expenses	4	0	-1
OPERATING LOSS	5, 6, 7, 8, 13, 30	**-43**	**-41**
Financial income	9	32	31
Financial expenses	10	-71	-45
Profit from participations in Group companies	11	767	628
		728	**614**
PROFIT AFTER FINANCIAL ITEMS		**685**	**573**
Change in tax allocation reserve		-106	-53
Excess depreciation of equipment		0	0
PROFIT BEFORE TAX		**579**	**520**
Tax	12	-82	-45
NET PROFIT FOR THE YEAR		**497**	**475**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK MILLION	Note	2011	2010
Net profit for the year		497	475
Other comprehensive income		–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**497**	**475**

Parent Company balance sheet

PARENT COMPANY

SEK MILLION	Note	31 Dec. 2011	31 Dec. 2010
ASSETS			
Non-current assets			
Intangible non-current assets	14		
Software and licences		1	2
Property, plant and equipment	15		
Equipment		1	1
Financial assets			
Participations in Group companies	16	2,028	1,677
Non-current receivables	17	3	1
Deferred tax assets	12	0	0
TOTAL FINANCIAL ASSETS		**2,031**	**1,678**
TOTAL NON-CURRENT ASSETS		**2,033**	**1,681**
Current assets			
Current receivables			
Receivables from Group companies		1,292	1,054
Current tax assets		-	27
Other receivables		-	0
Prepaid expenses and accrued income	20	2	2
TOTAL CURRENT RECEIVABLES		**1,294**	**1,083**
Cash and cash equivalents	29	7	5
TOTAL CURRENT ASSETS		**1,301**	**1,088**
TOTAL ASSETS		**3,334**	**2,769**

PARENT COMPANY

SEK MILLION	Note	31 Dec. 2011	31 Dec. 2010
EQUITY AND LIABILITIES			
Equity	21		
Restricted equity			
Share capital		40	40
Statutory reserve		5	5
		45	**45**
Unrestricted equity			
Profit brought forward		935	664
Net profit for the year		497	475
		1,432	**1,139**
TOTAL EQUITY		**1,477**	**1,184**
Untaxed reserves			
Tax allocation reserve		159	53
Excess depreciation of equipment		1	1
TOTAL UNTAXED RESERVES		**160**	**54**
Non-current provisions	24	**59**	**8**
Non-current liabilities			
Borrowings	22	472	474
Pension obligations		3	1
TOTAL NON-CURRENT LIABILITIES		**475**	**475**
Current liabilities			
Borrowings	22	648	555
Accounts payable – trade		1	3
Liabilities to Group companies		457	356
Current tax liabilities		14	-
Other current liabilities		3	1
Provisions	24	26	121
Accrued expenses and deferred income	25	14	12
TOTAL CURRENT LIABILITIES		**1,163**	**1,048**
TOTAL EQUITY AND LIABILITIES		**3,334**	**2,769**
Pledged assets	27	3	95
Contingent liabilities	28	406	358

Parent Company statement of changes in equity

PARENT COMPANY

SEK MILLION	Share capital	Reserves	Retained profit	Total
OPENING BALANCE, 1 JANUARY 2010	**40**	**5**	**836**	**881**
COMPREHENSIVE INCOME				
Net profit for the year	–	–	475	475
Other comprehensive income	–	–	–	–
TRANSACTIONS WITH SHAREHOLDERS				
Dividend paid for 2009	–	–	-172[1]	-172
OPENING BALANCE AT 1 JANUARY 2011	**40**	**5**	**1,139**	**1,184**
COMPREHENSIVE INCOME				
Net profit for the year	–	–	497	497
Other comprehensive income	–	–	–	–
TRANSACTIONS WITH SHAREHOLDERS				
Dividend paid for 2010	–	–	-204[2]	-204
CLOSING BALANCE, 31 DECEMBER 2011	**40**	**5**	**1,432**	**1,477**

[1] The dividend per share for 2009 was SEK 4.30.
[2] The dividend per share for 2010 was SEK 5.10. The proposed dividend per share for 2011 is SEK 6.75.

Parent Company cash flow statement

PARENT COMPANY

SEK MILLION	Note	2011	2010
OPERATING ACTIVITIES			
Cash flow from operations	29	-89	-307
Interest received		29	14
Interest paid		-65	-36
Group contributions received and dividend income		537	562
Tax paid		-41	-43
CASH FLOW FROM OPERATING ACTIVITIES		**371**	**190**
INVESTING ACTIVITIES			
Acquisitions of subsidiaries	16	-372	-370
Acquisitions of property, plant and equipment	15	0	0
Acquisitions of intangible non-current assets	14	–	–
Change in financial assets		-1	-1
CASH FLOW FROM INVESTING ACTIVITIES		**-373**	**-371**
FINANCING ACTIVITIES			
Borrowings		580	592
Repayment of debt		-71	-121
Change in current financial liabilities		-301	-154
Dividends paid		-204	-172
CASH FLOW FROM FINANCING ACTIVITIES		**4**	**145**
CASH FLOW FOR THE YEAR		**2**	**-36**
Cash and cash equivalents at start of year		5	41
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	**7**	**5**

Notes

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

Note 1 GENERAL ACCOUNTING AND VALUATION PRINCIPLES

GENERAL

The Indutrade Group markets and sells components, systems and services with a high-tech content to industrial companies in selected niches. The Group is organised in four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products. Business is conducted via subsidiaries in 23 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 23 March 2012. The consolidated and parent company income statements and balance sheets will be presented for adoption by the Annual General Meeting on 3 May 2012.

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. The consolidated accounts have been prepared in accordance with the cost method, except for with respect to revaluations of financial assets and liabilities (including derivative instruments) and available-for-sale financial assets, which are stated at fair value through profit or loss.

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

Standards, amendments and interpretations that apply as from 1 January 2011

For 2011, no new IFRSs or interpretations have emerged that are applicable for the Group. No newly issued IFRSs or interpretations have been applied prospectively.

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

No newly issued IFRSs or interpretations have been applied prospectively.

With respect to future financial years, there are no new IFRSs or IFRIC pronouncements that will have a significant impact on the Group's result of operations and position in 2012.

Basis of consolidation

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

The purchase method has been used for reporting of the Group's business acquisitions. The purchase price for acquisition of a subsidiary consists of the fair value of the transferred assets and liabilities. The purchase price also includes the fair value of all assets and liabilities that are the result of an agreement on a contingent earn-out payment. In cases where contingent earn-out payments are restated at fair value, this is done in operating profit. Acquisition-related costs are expensed as they arise. In cases where contingent earn-out payments are restated at fair value, this is done in operating profit. Identifiable, acquired assets and liabilities taken over in a business acquisition are initially carried at fair value as per the acquisition date. For each acquisition, the Group determines if all holdings without a controlling influence in the acquired company are to be reported at fair value or at the holding's proportional share of the acquired company's net assets.

Goodwill is initially carried in the amount whereby the total purchase price and fair value of non-controlling interests exceeds 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 owners without a controlling influence as transactions with the Group's shareholders. Transactions with owners without a controlling influence are reported in Equity.

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 result 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, and
– all exchange rate differences that arise are reported as other comprehensive income.

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

TRANSACTIONS AND BALANCE SHEET ITEMS IN FOREIGN CURRENCY

Transactions in foreign currencies are translated to the functional currency at the exchange rate in effect on the transaction date. Exchange rate gains and losses that arise upon payment in such transactions and when translating monetary assets and liabilities in foreign currencies at the exchange rate on the balance sheet date are reported through 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 reported 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 annually for impairment and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold. Goodwill is allocated at the segment level for impairment testing. For impairment testing during the year, see "Impairment testing of non-financial assets" below.

Agencies, trademarks, customer relationships, etc.

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

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

Amortisation is calculated on a straight-line basis to allocate the cost of these assets over their estimated useful lives. For the item Agencies, customer relationships, etc., useful life is ordinarily set at 5-10 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 periods are used:

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

No depreciation is done of land.

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

IMPAIRMENT TESTING OF NON-FINANCIAL ASSETS

Goodwill, land and trademarks are judged to have an indefinite useful life and are not amortised, but are instead tested annually for impairment. Impairment is judged on the basis of a decline in value whenever events or changes in conditions indicate that the carrying amount may not be recoverable. Impairment is recognised at the amount in which the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less selling costs and its value in use. When 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 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 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 reported in the income statement under the item "Selling costs". Recoveries of previous impairment losses are credited to selling costs in the income statement.

Since the Group consists of more than 160 operating companies, the item trade accounts receivable consists of many small amounts. The subsidiaries have close contact with their customers, and thus valuation of trade accounts receivable does not pose any difficulty. The risk is lower, and the subsidiaries can act quickly if a customer does not pay in accordance with the terms and conditions. See also note 2. Since Indutrade's trade accounts receivable normally have a remaining term of less than six months, the carrying amount is considered to reflect the fair value.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand. Drawn bank overdraft facilities are stated in the balance sheet under "Borrowings".

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.

Derivative instruments

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

Cash flow hedging

The effective portion of changes in the fair value of a derivative instrument that is identified as a cash flow hedge and that meets the conditions for hedge accounting is reported in other comprehensive income. Presently Indutrade uses interest rate swaps to hedge borrowings at variable interest rates. The gain or loss that is attributable to the ineffective portion is reported immediately in the income statement in the item interest expense.

Accumulated amounts in equity are restated in the income statement in the periods in which the hedged item affects earnings (e.g., when the prognosticated interest payment that is hedged is made). The gain or loss that is attributable to the effective portion of interest rate swaps is reported as interest expense in the income statement.

When a hedge instrument expires or is sold, or when the hedge no longer meets the criteria for hedge accounting and accumulated gains or losses pertaining to the hedge are in equity, these gains/losses remain in equity and are recognised at the same time that the prognosticated transaction is finally reported in the income statement. When a prognosticated transaction is no longer expected to take place, the accumulated gain or loss that has been reported in equity is immediately transferred to financial items in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or have not been classified in any other category. These are included in non-current assets unless management has the intention of selling the asset within 12 months after the balance sheet date. The Group has only negligible holdings of such assets. The carrying amount is not considered to deviate noticeably from the fair value.

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 can be calculated in a reliable manner. A provision is made for estimated, future earn-out payments associated with purchases of shares.

The earn-out payment is based on future profits of the acquired company. The amount is stated at fair value by discounting the provision for the earn-out payment using a discount rate of 5%. The level of the discount rate is based on the Group's average borrowing.

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

LEASES

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

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

Leases in which the Group in all essential respects accepts the financial risks are classified as finance leases. 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.

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 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 pension benefits. A defined contribution pension plan is a pension plan to which the Group makes set contributions to a separate legal entity.

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

For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension plans on a statutory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are reported as payroll cost when they are due for payment.

Termination benefits

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

Profit-sharing and bonus plans

The Parent Company and most of the subsidiaries have bonus or profit-sharing systems based on the earnings performance of each unit. The Group reports a liability and an expense for these programmes. Reporting is done in the period the cost pertains to.

DEVELOPMENT COSTS

The Group conducts certain product-specific development activities. Outlays for development are reported as development costs in the income statement as they arise. If the requirements in IAS 38 for internally prepared intangible assets are fulfilled, then the development that has been conducted is capitalised and is included in "Other intangible assets" in note 14. The requirements of this standard are that the development costs pertain to identifiable, unique assets that are controlled by the Group. Capitalisation is done if it is technically possible to complete preparation of the asset and the intention is to use or sell the asset, that it can be shown that future economic benefit is probable, and that the costs can be calculated in a reliable manner.

REVENUE RECOGNITION

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

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

IMPORTANT ESTIMATIONS AND ASSUMPTIONS FOR ACCOUNTING PURPOSES

The Group makes estimations and assumptions about the future. By definition, the estimations for accounting purposes that are a consequence of these rarely match the actual outcome. This applies primarily for the need to recognise impairment of goodwill (note 14) and employee benefit–based pension obligations (note 23). Assumptions and estimations are evaluated continuously and are based on historical experience and anticipations of future events that are considered to be reasonable under prevailing conditions.

Impairment testing of non-financial assets

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

Valuation of pension obligations

In calculating the liability on the balance sheet pertaining to defined benefit pension plans, various assumptions have been made, as described in note 23. If the discount rate were to be lowered by 1 percentage point, the PRI liability would increase by SEK 23 million, including payroll tax, and other defined benefit plans would increase by SEK 52 million. If the discount rate were to be increased by 1 percentage point, the PRI liability would decrease by SEK 18 million, including payroll tax, and other defined benefit plans would decrease by SEK 41 million.

PARENT COMPANY

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

Participations in Group companies are reported in the Parent Company using the cost method. 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).

The Parent Company reports Group contributions net, in accordance with the alternative method.

Note 2 RISKS AND RISK MANAGEMENT

MARKET RISKS

The Indutrade Group conducts business in 23 countries. This geographic spread along with a large number of customers and products provides relatively limited risk exposure and sensitivity to economic fluctuations. The Group's operations are conducted with two main focuses: trading companies with industrial technology sales, and companies that manufacture their own products.

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

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

FINANCIAL RISKS

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

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

Finance policy

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

Financing risk

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

Indutrade takes a central approach to the Group's financing. In principle, all external financing is conducted by the Parent Company, which then finances the Group's subsidiaries, both in and outside Sweden, in local currency. Group account systems are established in Sweden, Finland, Norway, Denmark and the Netherlands.

At year-end 2011 the Parent Company had external interest-bearing loans worth SEK 1,120 million (1,029). The corresponding amount for the Group was SEK 1,597 million (1,451). After taking interest-bearing provisions (excluding earn-out payments) and cash and cash equivalents into account, the Group's interest-bearing net debt, including other interest-bearing liabilities, was SEK 1,488 million at year-end, compared with SEK 1,390 million a year earlier.

At year-end 2011 the Group had SEK 264 million (219) in cash and cash equivalents and SEK 710 million (900) in unutilised overdraft facilities. Of the Group's interest-bearing loans, 37% of the total amount falls due for payment after 31 December 2012. For a more detailed analysis of maturities, see the description of the Group's borrowings in note 22.

The Group strives to strike a reasonable balance between equity, debt financing and liquidity, to enable the Group to secure financing 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, will normally not exceed 100%. At year-end the debt/equity ratio was 72% (80%).

Interest rate risk

By interest rate risk is meant the risk that unfavourable changes in interest rates will have an excessive impact on the Group's net financial items and earnings. At year-end 2011, as in the preceding year, most of the Group's loans carried variable rates of interest. The Parent Company has entered into contracts to hedge SEK 800 million of its borrowing at variable interest to fixed interest for five years. Of this amount, SEK 500 million is due in 2015 and SEK 300 million is due in 2016. The difference between the fixed and variable interest is expensed in the income statement. The valuation of the interest rate swap has resulted in a loss of SEK 27 million, which is reported 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 an increase of about SEK 15 million in higher interest expense (14), without taking into account the loans' fixed interest periods. Taking into account the existing fixed interest periods, the effect would be approximately SEK 7 million (9). Profit after tax would be affected by SEK -5 million (-7).

The table below shows the remaining terms of loans until maturity, including interest. For information on the utilisation of bank overdraft facilities and granted credit limits, see note 22.

	Group		Parent company	
Maturity dates for financial liabilities:	2011	2010	2011	2010
Maturity 2011	–	770	–	598
Maturity 2012	1,055	468	684	253
Maturity 2013	268	262	192	241
Maturity 2014	36	4	12	-
Maturity 2015	18	6	12	1
Maturity 2016 or thereafter	319	28	301	–
Total borrowings incl. interest, SEK million	**1,696**	**1,538**	**1,201**	**1,093**

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 primarily when subsidiaries import products for sale in the domestic market. Exchange rate effects are eliminated as far as possible by using currency clauses in customer contracts and by buying and selling in the same currency. In special cases, forward contracts are used. Indutrade therefore considers its transaction exposure to be limited.

The consolidated income statement includes SEK -3 million (-6), net, in exchange rate differences in operating profit and SEK -2 million (4), net, in financial items.

With respect to transaction exposure, at 31 December 2011 Indutrade had net exposure of SEK -47 million in foreign currency (-42). See the breakdown of currencies in the following table.

NET EXPOSURE AT YEAR-END

GROUP

in millions	2011 local currency	2011 SEK	2010 local currency	2010 SEK
EUR	-3.8	-34	-2.4	-22
GBP	-2.5	-27	-2.7	-28
USD	2.6	18	1.3	9
CHF	-1.2	-9	-1.1	-8
DKK	5.8	7	5.8	7
Other currencies		-2		0

At year-end the Group had outstanding forward contracts worth SEK 69 million (72) to reduce the currency risk associated with future flows, of which SEK 14 million (12) pertains to EUR, and SEK 55 million (60) pertains to USD. The contracts in EUR expire within four months from year-end, while the USD contracts expire within five months. A market valuation of outstanding forward contracts as per 31 December 2011 has resulted in an unrealised loss (gain) of SEK -1 million (1), which is included in other comprehensive income.

In addition, the Parent Company has hedged outstanding receivables from subsidiaries. Forward contracts have been taken out for the following currencies and amounts: DKK - SEK 28 million (40), NOK - SEK 1 million (14), GBP - SEK 20 million (16), CHF - SEK 44 million (–), SGD- SEK 19 million (–) and EUR - SEK 154 million (166). All contracts have a term of less than one year.

The Group is exposed to a translation risk associated with translation of the accounts of foreign subsidiaries into the Group currency, SEK. This type of currency risk is not hedged. Net investments in foreign subsidiaries at year-end are shown in the following table. Indutrade also had net investments in other currencies than below both in 2011 and 2010, but the amounts were insignificant.

NET INVESTMENTS IN FOREIGN SUBSIDIARIES

GROUP

Net exposure in millions	2011 Local currency	2011 SEK	2010 Local currency	2010 SEK
EUR	74.5	666	69.3	624
CHF	26.7	196	–	–
LKR	2,381	145	1,972	121
DKK	79.7	81	72.1	87
NOK	81.2	93	61	70
GBP	7.3	78	6.8	72

Indutrade estimates that the Company's translation exposure entails that a 1% change in the value of the Swedish krona vs. other currencies would result in a yearly positive/negative effect corresponding to approximately SEK 49 million (37) on net sales and approximately SEK 7 million (3) on net profit. The effect of a 1% change on equity would amount to SEK 13 million.

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% of consolidated sales. The Indutrade Group does business in many countries, which entails a spread of credit risk exposure over several geographic markets. For information on sales and profit per geographic area, see note 3.

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

CALCULATION OF FAIR VALUE

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

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

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

THE GROUP'S ASSETS AND LIABILITIES AT FAIR VALUE AS PER 31 DECEMBER 2010

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	-	-	6	6
Derivative instruments held for hedging purposes	18	-	-	18
Liabilities				
Derivative instruments held for hedging purposes	-	-	-	-

Note 3 SEGMENT REPORTING

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

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

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

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

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

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

INDUTRADE'S OPERATING SEGMENTS

2011	EE	FT	IC	SP	PC	Elim.	Total
Net sales	1,627	2,017	1,580	2,806	4	-40	7,994
Operating profit	119	208	167	372	-42	-2	822
Net financial items	-7	-21	-6	-23	728	-764	-93
Profit before tax	111	187	161	349	686	-766	729
Amortisation of intangible assets	-14	-21	-17	-52	0	-	-104
EBITA	128	229	183	421	-42	-2	917
EBITA margin, %	7.9	11.4	11.6	15.0	-	-	11.5
Depreciation of property, plant and equipment	-8	-21	-17	-56	0	-	-102
Sales growth, %	15	16	9	30	-	-	19
Operating capital	448	772	494	1,946	2,293	-2,401	3,552
Return on operating capital, %	28	27	34	22	-	-	26
Investments in non-current assets	20	33	28	88	1	-	170
Total assets	715	1,562	987	2,705	3,334	-3,838	5,465
Total liabilities	449	1,301	655	1,091	1,798	-1,893	3,401

2010	EE	FT	IC	SP	PC	Elim.	Total
Net sales	1,409	1,743	1,455	2,164	4	-30	6,745
Operating profit	84	136	125	303	-41	7	614
Net financial items	-5	-12	-6	-21	614	-631	-61
Profit before tax	79	124	119	282	573	-624	553
Amortisation of intangible assets	-16	-19	-15	-39	0	–	-89
EBITA	100	155	140	342	-41	7	703
EBITA margin, %	7.1	8.9	9.6	15.8	–	–	10.4
Depreciation of property, plant and equipment	-9	-20	-17	-51	-1	–	-98
Sales growth, %	-10	3	25	15	–	–	8
Operating capital	415	826	517	1,558	2,209	-2,391	3,134
Return on operating capital, %	22	22	29	24	–	–	23
Investments in non-current assets	15	28	23	74	0	–	140
Total assets	650	1,467	915	2,084	2,769	-3,092	4,793
Total liabilities	381	1,134	559	842	1,585	-1,452	3,049

segment called "Other". Indutrade AB lacks a major revenue source, which is why the Parent Company does not constitute its own operating segment.

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

The earnings metric that is followed up in Indutrade is EBITA. The table below also shows Profit before tax, as required by IFRS.

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

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

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

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

The products that Indutrade sells can be broken down into roughly 20 product categories. The largest, valves, accounted for 27% of net sales in 2011, or SEK 2,168 million (1,754). Hydraulics and industrial equipment accounted for 17%, or SEK 1,361 million (1,108), and measurement technology for 14%, or SEK 1,128 million (1,043). Other product categories each accounted for 7% or less of net sales.

REVENUE FROM EXTERNAL CUSTOMERS PER GEOGRAPHIC AREA

GROUP

	2011	2010
Sweden	3,201	2,694
Finland	1,643	1,442
Benelux	784	698
Denmark and Norway	757	746
Other world	1,609	1,165
Total	**7,994**	**6,745**

NON-CURRENT ASSETS PER GEOGRAPHIC AREA

GROUP

	2011	2010
Sweden	1,412	1,304
Finland	209	195
Benelux	206	149
Other world	589	482
Total	**2,416**	**2,130**

Note 4 OTHER OPERATING INCOME/ EXPENSES

	Group		Parent Company	
	2011	2010	2011	2010
Other operating income				
Exchange rate gains	30	30	0	0
Other	5	4	–	–
	35	**34**	**0**	**0**
Other operating expenses				
Exchange rate losses	-33	-36	0	-1
Transaction costs for acquisitions	-2	-1	–	–
Other	-2	–	–	–
	-37	**-37**	**0**	**-1**
Other operating income/expenses	**-2**	**-3**	**0**	**-1**

Note 5 AVERAGE NUMBER OF EMPLOYEES

	2011		2010	
	Average no. employees	Of whom, women	Average no. employees	Of whom, women
Parent Company	9	5	9	4
Subsidiaries in Sweden	1,111	213	980	179
Total Sweden	**1,120**	**218**	**989**	**183**
Subsidiaries outside Sweden	**2,658**	**734**	**2,431**	**775**
Group total	**3,778**	**952**	**3,420**	**958**

The Parent Company's board is composed of one woman and six men, compared with one women and five men a year earlier. The subsidiaries' boards of directors and management include three women (2010: three women). There are no women in the Parent Company's management.

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

	2011			2010		
	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	17	11	4	16	10	4
Subsidiaries in Sweden	467	212	52	413	187	48
Total Sweden	**484**	**223**	**56**	**429**	**197**	**52**
Subsidiaries outside Sweden	**802**	**153**	**85**	**659**	**123**	**67**
Group total	**1,286**	**376**	**141**	**1,088**	**320**	**119**

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 24 million (21).

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

	2011			2010		
	Companies' management	Of which, bonuses and similar	Other employees	Companies' management	Of which, bonuses and similar	Other employees
Parent Company	8	2	9	7	1	9
Subsidiaries in Sweden	53	9	414	52	7	361
Total Sweden	**61**	**11**	**423**	**59**	**8**	**370**
Subsidiaries outside Sweden	**75**	**9**	**727**	**70**	**7**	**589**
Group total	**136**	**20**	**1,150**	**129**	**15**	**959**

WAGES, SALARIES AND REMUNERATION OF SENIOR EXECUTIVES

Information provided at the 2011 Annual General Meeting pertaining to the 2011 financial year

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

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

Senior executives employed by the subsidiaries receive their compensation from the respective subsidiaries. For the president of the Parent Company, the variable compensation has a cap corresponding to seven months' salary, i.e., 58% of base salary. For other senior executives, the variable compensation has a cap corresponding to between 3 and 7 months' salaries, or 25% to 58% of base salary. Variable compensation is related to the earnings performance of the Group or of the respective business areas. The retirement age for the CEO is 65. In addition to statutory pension benefits, Indutrade is to pay pension premiums – excluding premiums for health insurance and waiver of premium protection – corresponding to 35% of his base salary.

The CEO is entitled to choose his pension solution, within the said cost framework and subject to the approval of the Chairman.

Other senior executives are entitled to pension benefits corresponding to an average of 32% of their respective base salaries. The retirement age is 65. Earned pension 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. In the event the CEO gives notice, a six-month notice period applies. For other senior executives, a notice period of 6–24 months applies for notice served by the respective companies, depending on the employee's age. Salary paid out during the notice period is not deducted from other income.

Incentive programmes

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

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

The Board's proposed principles for compensation and other terms of employment for members of the executive management, to be presented to the 2012 Annual General Meeting

By executive management is meant in this context the President and CEO, the Chief Financial Officer, the Business Area presidents, and the Group Controller. Indutrade shall apply compensation levels and terms of employment necessary to be able to recruit and retain management with high qualifications and the capacity to achieve set objectives. The forms of compensation shall motivate members of the executive management to perform their utmost in order to safeguard the interests of the shareholders.

The forms of compensation shall therefore be in line with the going rate in the market and shall be straightforward, long-term and quantifiable. Compensation of members of executive management shall normally consist of a fixed and a variable portion. The variable portion shall reward clear, goal-related improvements 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 goals to improve the Company's and respective business areas' level of earnings, and the Group's growth. Variable compensation for members of the executive management can amount to a maximum of approximately SEK 7 million at 2012 salary levels.

Incentive programmes in the Company shall mainly be share price–related and cover persons in senior positions in the Company who have a significant influence over the Company's results of operations and growth, and shall be based on the achievement of set targets. An incentive programme shall contribute to the long-term commitment to the Company's development and shall be implemented on market terms.

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 correspond to a public 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 on remuneration matters regarding members of the executive management, for decision by the Board. The Remuneration Committee thus prepares and draws up proposals for decision regarding the terms of employment for the CEO, and the Board evaluates the CEO's performance on a yearly basis. 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, 2011

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

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

COMPENSATION AND OTHER BENEFITS, 2010

SEK 000s	Base salary/ directors' fees	Variable compensation[1]	Other benefits	Pension cost	Total
Bengt Kjell, Chairman of the Board	400	–	–	–	400
Eva Färnstrand, Director	200	–	–	–	200
Michael Bertorp, Director, Audit Committee chair	225	–	–	–	225
Ulf Lundahl, Director	200	–	–	–	200
Mats Olsson, Director	200	–	–	–	200
Johnny Alvarsson, President and CEO	4,320	1,010	103	1,546	6,979
Other senior executives (5 persons)	8,005	1,019	487	2,780	12,291
Total	**13,550**	**2,029**	**590**	**4,326**	**20,495**

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

Note 7 DEPRECIATION AND AMORTISATION

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

	Group		Parent Company	
	2011	2010	2011	2010
Cost of goods sold	136	116	–	–
Development costs	3	3	–	–
Selling costs	47	48	–	–
Administrative expenses	20	20	1	1
Total	**206**	**187**	**1**	**1**

Note 8 OPERATING LEASES

	Group		Parent Company	
	2011	2010	2011	2010
Lease payments expensed during the year:	**123**	**122**	**1**	**7**
Future contracted lease payments				
Maturity year 1	123	110	1	4
Maturity year 2	100	73	2	2
Maturity year 3	81	47	2	–
Maturity year 4	61	36	2	–
Maturity year 5	47	24	1	–
Maturity year 6-	55	30	–	–
Total future lease payments	**467**	**320**	**8**	**6**

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

Note 9 FINANCIAL INCOME

	Group		Parent Company	
	2011	2010	2011	2010
Interest	6	5	29	14
Exchange rate differences	6	12	3	17
Other	0	0	–	–
Total	**12**	**17**	**32**	**31**
Of which, pertaining to Group companies:				
Interest	–	–	28	14

Note 10 FINANCIAL EXPENSES

	Group		Parent Company	
	2011	2010	2011	2010
Interest expenses, bank loans	-76	-49	-61	-32
Interest expenses, pension liability	-7	-7	–	–
Interest expenses, finance leases	-2	-1	0	0
Interest expenses, earn-out payments	-8	-9	-5	-8
Total interest expenses	**-93**	**-66**	**-66**	**-40**
Exchange rate differences	-8	-8	-1	-1
Other	-4	-4	-4	-4
Total financial expenses	**-105**	**-78**	**-71**	**-45**
Of which, pertaining to Group companies:				
Interest	–	–	6	1

Note 11 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY

	2011	2010
Dividends from subsidiaries	266	361
Group contributions	501	267
Total	**767**	**628**

Note 12 TAXES

	Group		Parent Company	
	2011	2010	2011	2010
Tax expense				
Current tax	-209	-144	-82	-41
Deferred tax	21	-3	0	-3
Other tax	-1	-1	–	-1
Total	**-189**	**-148**	**-82**	**-45**

The Group's tax expense amounts to 25.9% (26.8%) of the Group's pre-tax profit. The difference between the reported tax expense and anticipated tax expense (weighted average tax based on national tax rates) is explained below.

	Group		Parent Company	
	2011	2010	2011	2010
Profit before tax	729	553	579	520
Weighted average tax based on national tax rates (Group 25.0% and 24.8%, respectively; Parent Company 26.3% and 26.3%, respectively)	-182	-137	-152	-137
Tax effect of:				
Non-deductible interest expenses on discounted earn-out payments	-2	-2	-1	-2
Non-deductible transaction costs for acquisitions	0	0	–	–
Other non-deductible expenses/non-taxable income	-6	-8	71	95
Utilisation of loss-carry-forward where tax was not previously reported	1	1	–	–
Adjustment pertaining to tax rate in previous years	0	-1	–	–
Change in tax rate	1	–	–	–
Other tax	-1	-1	–	-1
Total	**-189**	**-148**	**-82**	**-45**
	25.9%	26,8%	**14.2%**	8.6%

The loss-carryforward amounts to SEK 8 million. Deferred tax assets in temporary differences and loss-carryforward whose value have not been calculated amount to SEK 0 million (0).

Significant dividends can be recognised without with-holding tax.

In applying IFRS, Indutrade has utilised the option to report the total effect of actuarial gains and losses related to pensions in other comprehensive income. At the end of the financial year, the deferred tax asset for this was SEK 11 million (15).

	Group		Parent Company	
	2011	2010	2011	2010
Deferred tax, 1 January	-197	-100	0	3
Deferred tax reported in other comprehensive income	4	5	–	–
Deferred tax liability attributable to acquisitions	-51	-104	–	–
Deferred tax in income statement	21	-3	0	-3
Change in tax rate affecting the income statement	1	–	–	–
Exchange rate differences	-1	5	–	–
Deferred tax liability, net, 31 Dec.	**-223**	**-197**	**–**	**–**
Deferred tax asset, net, 31 Dec.	**–**	**–**	**0**	**0**

GROUP

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

PARENT COMPANY

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

Of the deferred tax liabilities, SEK 25 million will be dissolved in 2012. The calculation is based on estimated depreciation of acquisition calculations in coming years.

Note 13 AUDITORS' FEES

	Group		Parent Company	
	2011	2010	2011	2010
PricewaterhouseCoopers				
Auditing assignment	8	8	1	1
Auditing activities in addition to auditing assignment	2	2	0	0
Tax consulting	2	1	0	0
Other services	1	1	0	0
Total fees PricewaterhouseCoopers	**13**	**12**	**1**	**1**
Other auditing firms				
Auditing fees	2	1		

Other auditing firms pertain to several auditing firms where none account for a significant amount in 2011 or the preceding year.

Auditing 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 auditing assignment.

Note 14 INTANGIBLE ASSETS

GROUP

	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
As per 1 Jan. 2010						
Cost	516	643	113	41	18	1,331
Accumulated amortisation and impairment charges	-2	-228	–	-22	-10	-262
Book value	**514**	**415**	**113**	**19**	**8**	**1,069**
1 Jan.–31 Dec. 2010						
Opening book value	514	415	113	19	8	1,069
Exchange rate differences	-31	-22	–	-3	0	-56
Investments during the year	–	5	–	4	5	14
Company acquisitions	232	234	59	14	–	539
Sales and disposals	–	–	–	–	0	0
Revaluation of company acquisitions	-3	-1	–	–	–	-4
Amortisation (note 7)	–	-82	–	-5	-2	-89
Closing book value	**712**	**549**	**172**	**29**	**11**	**1,473**
As per 31 Dec. 2010						
Cost	714	837	172	55	23	1,801
Accumulated amortisation and impairment charges	-2	-288	–	-26	-12	-328
Book value	**712**	**549**	**172**	**29**	**11**	**1,473**
1 Jan.–31 Dec. 2011						
Opening book value	712	549	172	29	11	1,473
Exchange rate differences	0	0	1	0	0	1
Investments during the year	–	–	–	8	10	18
Company acquisitions	98	177	34	0	4	313
Sales and disposals	–	–	–	-2	-1	-3
Reclassification	–	-8	–	8	–	–
Adjustment of preliminary purchase price allocation	12	–	–	–	–	12
Amortisation (note 7)	–	-94	–	-9	-1	-104
Closing book value	**822**	**624**	**207**	**34**	**23**	**1,710**
As per 31 Dec. 2011						
Cost	824	990	207	79	38	2,138
Accumulated amortisation and impairment charges	-2	-366	–	-45	-15	-428
Book value	**822**	**624**	**207**	**34**	**23**	**1,710**

TESTING FOR IMPAIRMENT 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 2011.

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

The recoverable value has been calculated according to value in use and is based on the current estimation of cash flows for the next five years. Assumptions have been made on the gross margin, level of overheads, need for working capital and investment need. The parameters, which are the same for all four segments, have been set to correspond to budgeted earnings for the 2012 financial year. During the rest of the five-year period, an annual growth rate of 2% has been assumed. Where greater changes are expected, the assumptions have been adapted to better correspond to these expectations. For cash flows beyond the five-year period, the rate of growth has been assumed to correspond to the growth rate during the fifth year. The cash flows have been discounted with a weighed cost of capital that corresponds to approximately 14% before tax. The calculation shows that the value in use exceeds the carrying amount. Thus the result of the impairment test is that there was no need to recognise impairment. A sensitivity analysis shows in general that the goodwill value would continue to be upheld if the discount rate were to be raised by 1 percentage point or long-term growth were to be decreased by 1 percentage point.

OTHER IMPAIRMENT TESTING

Every year impairment testing is conducted for trademarks in accordance with the same principles as for goodwill. The impairment testing is done together with the impairment testing of goodwill. No events or changed conditions have been identified that warrant impairment testing for other intangible non-current assets that are amortised.

SEGMENTAL BREAKDOWN OF CONSOLIDATED GOODWILL

	2011	2010
Engineering & Equipment	103	103
Flow Technology	196	180
Industrial Components	83	68
Special Products	440	361
Total	**822**	**712**

PARENT COMPANY

	2011	2010
Opening cost	2	2
Investments during the year	–	–
Closing accumulated cost	**2**	**2**
Opening amortisation	0	0
Amortisation for the year	-1	0
Closing accumulated amortisation	**-1**	**0**
Planned residual value	**1**	**2**

Note 15 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and buildings	Machinery	Equipment	Construction in progress	Total property, plant and equipment
As per 1 Jan. 2010					
Cost	421	347	483	16	1,267
Accumulated depreciation and impairment charges	-148	-214	-342	–	-704
Book value	**273**	**133**	**141**	**16**	**563**
1 Jan.–31 Dec. 2010					
Opening book value	273	133	141	16	563
Exchange rate differences	-17	-5	-8	-1	-31
Investments during the year[1]	8	12	77	29	126
Company acquisitions	93	8	16	–	117
Transferred from construction in progress	–	18	1	-19	–
Sales and disposals	-4	0	-16	–	-20
Depreciation (Note 7)	-15	-30	-53	–	-98
Closing book value	**338**	**136**	**158**	**25**	**657**
As per 31 Dec. 2010					
Cost	508	377	513	25	1,423
Accumulated depreciation and impairment charges	-170	-241	-355	–	-766
Book value	**338**	**136**	**158**	**25**	**657**
1 Jan.–31 Dec. 2011					
Opening book value	338	136	158	25	657
Exchange rate differences	-1	-1	0	0	-2
Investments during the year[1]	18	31	80	24	153
Company acquisitions	13	4	8	–	25
Transferred from construction in progress	32	7	–	-39	–
Sales and disposals	0	-2	-23	–	-25
Depreciation (Note 7)	-17	-31	-54	–	-102
Closing book value	**383**	**144**	**169**	**10**	**706**
As per 31 Dec. 2011					
Cost	574	415	556	10	1,555
Accumulated depreciation and impairment charges	-191	-271	-387	–	-849
Book value	**383**	**144**	**169**	**10**	**706**

[1] Of net investments in property, plant and equipment, SEK 121 million (97) had an effect on cash flow, while SEK 7 million (9) pertain to investments financed via finance leases.

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

	2011	2010
Cost – capitalised finance leases	91	83
Accumulated depreciation	-28	-26
Book value	**63**	**57**

Leased assets consist primarily of cars.

PARENT COMPANY

	2011	2010
Opening cost	5	6
Investments during the year	0	0
Sales and disposals	-1	-1
Closing accumulated cost	**4**	**5**
Opening depreciation	-4	-4
Depreciation for the year	0	-1
Sales and disposals	1	1
Closing accumulated depreciation	**-3**	**-4**
Planned residual value	**1**	**1**

Note 16 SHARES AND PARTICIPATIONS

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

Company name/Reg. no.	Domicile	Share	No. shares	Book value
Gustaf Fagerberg Holding AB, 556040-9087	Gothenburg	100%	100,000	17
Bengtssons Maskin AB, 556037-8670	Arlöv	100%	2,000	21
C&M Plast AB, 556554-3856	Malmö	100%	1,000	0
GEFA Processtechnik GmbH, Tyskland	Dortmund	100%	–	25
Colly Company AB, 556193-8472	Stockholm	100%	30,000	31
ETP Transmission AB, 556158-5398	Linköping	100%	20,000	26
AB Novum, 556296-6126	Helsingborg	100%	5,000	9
Indutrade A/S, Danmark	Glostrup	100%	167,443	45
Indutrade Benelux B.V., Holland	Uithoorn	100%	3,502	33
Indutrade Flödesteknik AB, 556364-7469	Stockholm	100%	1,000	210
Indutrade Oy, Finland	Helsinki	100%	42,000	48
Ingenjörsfirman GA Lindberg AB, 556606-8747	Stockholm	100%	1,000	8
Saniflex AB, 556441-5882	Stockholm	100%	2,500	2
Pentronic AB, 556042-5141	Västervik	100%	30,000	22
Carlsson & Möller AB, 556057-0011	Helsingborg	100%	1,800	16
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	27
Spinova AB, 556188-7430	Torsås	100%	20,000	73
Tribotec AB, 556234-6089	Mölnlycke	100%	4,000	33
Damalini AB, 556474-3705	Mölndal	100%	1,000,000	60
Palmstiernas Svenska AB, 556650-7314	Karlstad	100%	100	4
International Plastic Systems Ltd, UK	Newcastle	100%	10,000	112
Carrab Industri AB, 556092-1214	Mönsterås	100%	10,000	19
Aluflex System AB, 556367-4067	Helsingborg	100%	20,000	41
Precision Products Ltd, UK	Chesterfield	100%	157,500	53
EssMed AB, 556545-2215	Härryda	100%	1,000	50
Flintec Group AB, 556736-7098	Västerås	100%	100,000	324
Kabetex Kullager & Transmission AB, 556254-1523	Mark	100%	2,500	11
Techno Skruv i Värnamo AB, 556459-4116	Värnamo	100%	1,000	74
Filterteknik Sverige AB, 556271-3577	Karlstad	100%	10,000	59
Lekang Maskin AS, Norge	Hölen	100%	5,000	64
Filterteknik A/S, Danmark	Köpenhamn	100%	530	17
Lekang Filtersystem AS, Norge	Hölen	100%	3,500	9
Stålprofil PK AB, 556629-6066	Vårgårda	100%	5,000	132
Indutrade Switzerland AG, Switzerland	Rheinfelden	100%	100	254
Abelko Innovation AB, 556444-0112	Luleå	100%	8,086	62
Total				**2,028**

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

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

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

SHARES AND PARTICIPATIONS

	Group		Parent Company	
	2011	2010	2011	2010
Opening cost	6	7	2,220	1,872
External acquisitions	–	–	316	339
Shareholder contribution	–	–	29	12
Adjustment of estimated earn-out payments	–	–	6	-3
Company acquisitions	0	0	–	–
Exchange rate differences	0	-1	–	–
Closing accumulated cost	**6**	**6**	**2,571**	**2,220**
Opening revaluations	–	–	8	8
Closing accumulated revaluations	–	**–**	**8**	**8**
Opening revaluations	–	–	-551	-551
Closing accumulated impairment charges	–	**–**	**-551**	**-551**
Book value	**6**	**6**	**2,028**	**1,677**
Effect on cash flow				
Purchase price, external acquisitions			-316	-339
Purchase price not paid			59	42
Purchase price paid from previous years			–	-4
Earn-out payments made			-115	-69
Total			**-372**	**-370**

Note 17 NON-CURRENT RECEIVABLES

	Group		Parent Company	
	2011	2010	2011	2010
Opening balance	13	13	1	–
Additional receivables	1	1	2	1
Repaid deposits/ Amortisation	0	0	–	–
Company acquisitions	2	0	–	–
Change in value of pensions	0	0	0	–
Reported net against pension obligations	-5	–	–	–
Exchange rate differences	0	-1	–	–
Total	**11**	**13**	**3**	**1**

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

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

Note 18 INVENTORIES

GROUP

Inventories are broken down into the following items:	2011	2010
Raw materials and consumables	239	200
Products in process	62	69
Finished products and goods for resale	1,027	914
Total	**1,328**	**1,183**

The cost of goods sold for the Group include impairment of inventory, totalling SEK 30 million (23). No significant reversals of previous impairment charges were made in 2011 or 2010.

Note 19 TRADE ACCOUNTS RECEIVABLE

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

GROUP

Trade accounts receivable	2011	2010
Trade accounts receivable not due	953	799
Trade accounts receivable 0–3 months past due	254	209
Trade accounts receivable 3–6 months past due	35	26
Trade accounts receivable more than 6 months past due	46	34
Provision for doubtful trade accounts receivable	-25	-21
Total	**1,263**	**1,047**
Provision for doubtful trade accounts receivable		
Provision for trade accounts receivable, less than 3 months past due	-2	-2
Provision for trade accounts receivable, 3–6 months past due	-2	-3
Provision for trade accounts receivable, more than 6 months past due	-21	-16
Total	**-25**	**-21**

Trade accounts receivable, cont.	2011	2010
Change in the provision for doubtful trade accounts receivable during the year		
Opening provision	-21	-17
Receivables written off as customer losses	3	3
Reversed, unutilised provisions	2	5
Provision for the year for doubtful trade accounts receivable	-9	-6
Company acquisitions	0	-7
Exchange rate differences	0	1
Closing reserve	**-25**	**-21**

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

Note 20 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2011	2010	2011	2010
Prepaid rents	13	11	–	–
Prepaid insurance premiums	6	7	0	0
Other prepaid expenses	44	39	1	2
Accrued income	1	0	–	–
Derivative instruments	2	18	1	0
Total	**66**	**75**	**2**	**2**

Note 21 DISCLOSURES ABOUT PARENT COMPANY

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

ADDRESS OF HEAD OFFICES:

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

The share capital of Indutrade AB as per 31 December 2010 and 2011 consisted of 40,000,000 shares with a share quota value of SEK 1.

At the Annual General Meeting on 3 May 2012, a dividend of SEK 6.75 per share, for a total of SEK 270 million, will be proposed for the 2011 financial year. The proposed dividend has not been reported as a liability in these financial statements.

Note 22 BORROWINGS

	Group		Parent Company	
	2011	2010	2011	2010
Long-term borrowings				
Future leasing obligations for finance leases	38	33	–	1
SEK-denominated loans with terms longer than 1 year	473	488	472	472
EUR-denominated loans with terms longer than 1 year	59	190	–	–
Loans in other currencies with terms longer than 1 year	20	24	–	1
	590	**735**	**472**	**474**
Short-term borrowings				
Utilised bank overdraft facilities	296	177	168	120
Future leasing obligations for finance leases	26	24	0	–
SEK-denominated loans with terms shorter than 1 year	481	436	480	435
EUR-denominated loans with terms shorter than 1 year	203	74	–	–
Loans in other currencies with terms shorter than 1 year	1	5	–	–
	1,007	**716**	**648**	**555**
Total borrowings	**1,597**	**1,451**	**1,120**	**1,029**

Car leases are reported as finance leases in accordance with IFRS, entailing an increase in both assets and liabilities of SEK 64 million. Of the Group's long-term leasing obligations, SEK 21 million fall due for payment in 2013 and SEK 17 million in 2014.

Externally granted bank overdraft facilities amounted to SEK 686 million (662) for the Group and SEK 450 million (368) for the Parent Company.

	Group		Parent Company	
Amounts in EUR million	2011	2010	2011	2010
Maturities for long-term loans in EUR:				
Maturity 2012	–	19.3	–	–
Maturity 2013	5.2	0.1	–	–
Maturity 2014	0.2	0.2	–	–
Maturity 2015	0.1	0.1	–	–
Maturity 2016 or later	1.1	1.4	–	–
Total long-term borrowings in EUR million	**6.6**	**21.1**	**–**	**–**
Corresponding amounts in SEK million	**59**	**190**	**–**	**–**

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

	Group		Parent Company	
Amounts in SEK million	2011	2010	2011	2010
Maturities for long-term loans in SEK:				
Maturity 2012	–	255	–	240
Maturity 2013	173	233	172	232
Maturity 2014	0	–	–	–
Maturity 2015	–	–	–	–
Maturity 2016 or thereafter	300	–	300	–
Total long-term borrowings in SEK million	**473**	**488**	**472**	**472**

All SEK-denominated loans carry variable rates of interest. The carrying amount corresponds to fair value.

	Group		Parent Company	
Amounts in SEK million	2011	2010	2011	2010
Maturities for long-term loans in other currencies:				
Maturity 2012	–	2	–	–
Maturity 2013	4	1	–	–
Maturity 2014	4	1	–	–
Maturity 2015	4	4	–	1
Maturity 2016 or thereafter	8	16	–	–
Total long-term borrowings in SEK million	**20**	**24**	**–**	**1**

By other currencies is meant USD, GBP, KRW and LKR. All loans carry variable rates of interest.

Note 23 PENSION OBLIGATIONS

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

DEFINED BENEFIT PLANS

In accordance with IAS 19 Employee Benefits, an actuary has, under assignment by Indutrade, computed the Group's pension liability and the provisions to be made on a regular basis for pensions for the Group's employees.

The pension plans include retirement pension, disability pension and family pension. Apart from the PRI plan in Sweden, the Group has defined benefit plans primarily in the Netherlands and Switzerland.

Breakdown of net liability in SEK million	
PRI plan	105
Defined benefit plans, Netherlands and Switzerland	40
Total defined benefit plans	**145**
Other pension obligations	10
Total	**155**

The Group's plan assets, totalling SEK 307 million, consist of investments with insurance companies, mainly in bonds. The pension liability is irrevocable.

DEFINED CONTRIBUTION PLANS

The pension plans include retirement pension, disability pension and family pension. 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 reported on a continuing basis through profit or loss.

According to a pronouncement from the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, retirement pension and family pension obligations secured through insurance with Alecta for salaried employees in Sweden are classified as multi-employer defined benefit plans. In 2011 Indutrade did not have access to such information that would make it possible to report this plan as a defined benefit plan, which is why the plan is reported as a defined contribution plan. Premiums paid during the year for pension plans with Alecta amounted to approximately SEK 15 million. Alecta's collective funding ratio was 113% in December 2011.

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-grade corporate bonds. For calculations of defined benefit pension obligations in Sweden, as from 2011 the discount rate is based on the yield of mortgage-backed bonds with a term that corresponds to the average term for the obligations.

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

Actuarial gains and losses, including payroll taxes in Sweden, are reported in other comprehensive income. At the end of the financial year, accumulated actuarial losses reported in comprehensive income amounted to SEK 44 million (59).

GROUP

	2011			2010		2009		2008		2007	
Assumptions in calculating pension obligations	Sweden	Netherlands	Switzerland	Sweden	Netherlands	Sweden	Netherlands	Sweden	Netherlands	Sweden	Netherlands
Discount rate, %	3.60	5.00	2.40	3.60	5.00	3.80	5.65	3.00	6.40	4.30	5.50
Anticipated return on plan assets, %	–	5.50	2.65	–	5.00	–	5.65	–	6.40	–	5.50
Future salary increases, %	3.50	2.50	2.00	3.50	2.50	3.50	2.50	3.50	2.50	3.50	2.50
Anticipated inflation, %	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Future pension increases, %	2.00	2.00	0.10	2.00	2.00	2.00	2.00	2.00	1.80	2.00	1.80
Employee turnover, %	2.00	•[1]	•[1]	2.00	•[1]	2.00	•[1]	2.00	•[1]	2.00	•[1]

1) Age-related.

Note 23, cont.

Amounts reported on balance sheet	2011	2010	2009	2008	2007
Present value of funded obligations	347	237	213	173	162
Fair value of plan assets	-307	-196	-199	-164	-133
	40	**41**	**14**	**9**	**29**
Present value of unfunded obligations	105	104	96	113	85
	105	**104**	**96**	**113**	**85**
Net liability, defined benefit plans, on balance sheet	**145**	**145**	**110**	**122**	**114**
Experience-based adjustments of defined benefit obligations	**4**	**7**	**3**	**-4**	**-2**
Experience-based adjustments of plan assets	**-49**	**14**	**33**	**6**	**-18**

	2011	2010
Present value of pension obligations at start of year	341	309
Pension costs	22	8
Interest expenses	19	14
Pension payments	-9	-10
Change in pension terms	–	–
Company acquisitions	140	–
Actuarial gains (-)/losses (+)	-60	49
Exchange rate differences	-1	-29
Present value of pension obligations at year-end	**452**	**341**
Plan assets at start of year	196	199
Return on plan assets	12	8
Employee contributions	5	1
Company contributions	12	8
Pension payments	-6	-7
Company acquisitions	133	–
Actuarial gains (+)/losses (-)	-45	14
Exchange rate differences	-1	-27
Plan assets at year-end	**306**	**196**
Net liability at start of year	145	110
Net cost reported in the income statement	19	13
Pension payments	-3	-3
Company contributions	-8	-8
Company acquisitions	7	–
Actuarial gains (-)/losses (+)	-15	35
Exchange rate differences in foreign plans	0	-2
Net liability at year-end	**145**	**145**

GROUP	2011			2010		
Amounts reported in income statement	Def. benefit plans	Def. contrib. plans	Total	Def. benefit plans	Def. contrib. plans	Total
Current service cost	12	122	134	7	106	113
Change in pension terms	–	–	–	–	–	–
Interest on obligation	19	–	19	14	–	14
Anticipated return on plan assets	-12	–	-12	-8	–	-8
Net cost in income statement	**19**	**122**	**141**	**13**	**106**	**119**
Of which, included in selling costs	12	95	107	7	82	89
Of which, included in administrative expenses	0	27	27	0	24	24
Of which, included in financial items	7	–	7	6	–	6

Anticipated company contributions to defined benefit pension plans in 2012 amount to SEK 8 million (7). Contributions to the Dutch plan are estimated at EUR 903 thousand.

Note 24 OTHER PROVISIONS

	Group		Parent Company	
	2011	2010	2011	2010
Guarantee commitments	4	3	–	–
Earn-out payments	92	46	59	8
Total long-term provisions	**96**	**49**	**59**	**8**
Earn-out payments payable within 1 year	76	125	26	121
Total provisions	**172**	**174**	**85**	**129**

	Guarantee commitments	Earn-out payments	Guarantee commitments	Earn-out payments
Opening balance, 1 Jan. 2011	**3**	**171**	**–**	**129**
Guarantee commitments in acquired companies	0	–	–	–
Change in guarantee commitments for the year	1	–	–	–
Earn-out payments for new acquisitions	–	100	–	59
Earn-out payments made	–	-117	–	-115
Adjustment for estimated earn-out payments	–	6	–	6
Effect of present value adjustment	–	8	–	5
Exchange rate difference	0	0	–	1
Closing balance, 31 Dec. 2011	**4**	**168**	**–**	**85**

The provision for earn-out payments in 2011 pertained to the acquisitions of Indutrade Switzerland AG, Mijnsbergen b.v. and ATB Automation n.v.-s.a., Abelko Innovation AB, Alcatraz Interlocks BV, Torell Pump AB, MW-Instruments BV and AD MediCal AB. If they result in payment, this will take place in 2012–2015.

Earn-out payments for company acquisitions are based on future profits of the acquired companies. Estimations of earn-out payments were made in connection with the 2011 book-closing and are based on 2011 profits and, where suitable, on future, anticipated profits.

Note 25 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2011	2010	2011	2010
Accrued personnel-related expenses	254	214	8	6
Derivative instruments	15	–	–	–
Interest	6	5	5	5
Other	71	67	1	1
Total	**346**	**286**	**14**	**12**

Note 26 ACQUISITIONS OF SUBSIDIARIES

ACQUISITIONS 2011

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

ENGINEERING & EQUIPMENT

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

FLOW TECHNOLOGY

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

INDUSTRIAL COMPONENTS

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

SPECIAL PRODUCTS

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

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

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

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

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

EFFECTS OF ACQUISITIONS MADE IN 2010 AND 2011

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

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

Acquired assets in Indutrade Switzerland AG

Preliminary purchase price allocation	SEK million
Purchase price including contingent earn-out payment of SEK 45 million	252

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

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

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

Purchase price allocation	SEK million
Purchase price including contingent earn-out payments of SEK 55 million	230

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

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

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

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

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

ACQUISITIONS IN 2010

All of the shares were acquired in Techno Skruv i Värnamo AB; Corona Control AB; BiaMediTek Sp.z o.o, (formerly AxMediTec), Poland; Lekang Group (Filterteknik Sverige AB, Lekang Maskin AS, Norway, Filterteknik A/S, Denmark); Stålprofil PK AB; Stålprofil PK Invest AB; Meson AB and Flowtech Finland Oy. In addition, a construction plastics business was acquired from Metallcenter Sverige AB, and a pump business was acquired from A-Vacuum Oy, Finland.

ENGINEERING & EQUIPMENT

The pump business acquired from A-Vacuum Oy consists mainly of sales of vacuum pumps and related components, with annual sales of approximately SEK 12 million. The pump business is consolidated in the Group as from 1 June 2010. Flowtech Finland Oy develops and supplies pumping stations for wastewater and pressure boosters for clean water, and provides maintenance and overhaul services for these products. The company has annual sales of approximately SEK 20 million and is consolidated in the Group as from 1 October 2010.

FLOW TECHNOLOGY

Corona Control AB, with companies in Sweden and Norway, has annual sales of approximately SEK 50 million and offers a comprehensive range of solutions for industrial valves. Customers are mainly in the petrochemicals, offshore, chemical, energy, pulp and paper, steel, food, and pharmaceutical industries. Corona Control is consolidated in the Group as from 1 January 2010. The Meson Group supplies valves and couplings to the international shipbuilding and shipping industries as well as to refineries and the mining industry. Annual sales in 2009 amounted to approximately SEK 500 million, including certain major deliveries for vessel newbuilding activities. The Meson Group today has approximately 100 employees at its offices in Sweden, Denmark, Norway, Germany, Spain, Romania, India, Dubai, Shanghai and Singapore. The Meson Group is consolidated in the Group as from 1 July 2010.

INDUSTRIAL COMPONENTS

Techno Skruv i Värnamo AB, with annual sales of approximately SEK 70 million, has a strong market position in customer-specific fasteners and mechanical components. Customers are in the engineering, energy and automotive industries. The company is consolidated in the Group as from 1 January 2010. BiaMediTek Sp. z o.o, with annual sales of approximately SEK 70 million, specialises in sales of medical technology equipment used for healthcare applications in operating rooms, intensive care wards, emergency wards, and cardio and neonatal units. The company is consolidated in the Group as from 1 January 2010.

SPECIAL PRODUCTS

The Lekang Group, with annual sales of approximately SEK 200 million, specialises in products and services primarily involving filtration of fluids for all types of industrial companies in the Nordic region. The Group is consolidated in Indutrade as from 1 February 2010. Stålprofil PK AB, with annual sales of approximately SEK 70 million, is a system supplier of profile systems for glazed door, window and wall sections with high standards for fire safety, bullet-proofing, burglary protection and energy optimisation. The products are sold mainly in Scandinavia, but also in Europe, the USA and Russia. The company is consolidated in the Group as from 1 March 2010. The construction plastics business involves the sale of semi-finished products primarily to customers in the pharmaceutical, energy and engineering industries. The business has annual sales of approximately SEK 6 million and is consolidated in the Group as from 1 January 2010.

EFFECTS OF ACQUISITIONS MADE IN 2009 AND 2010

	Jan.–Dec.	
SEK million	Net sales	EBITA
Business area		
Engineering & Equipment	12	1
Flow Technology [1]	125	0
Industrial Components	166	27
Special Products	364	66
Effect on Group	**667**	**94**
Acquisitions completed 2009	140	22
Acquisitions completed 2010	527	72
Effect on Group	**667**	**94**
[1] Of which, Meson	84	-4

If the units acquired in 2010 had been consolidated as from 1 January 2010, net sales would have increased by SEK 183 million to SEK 6,928 million, and EBITA would have increased by SEK 47 million, to SEK 750 million. Of the increase, Meson accounts for SEK 134 million and SEK 18 million, respectively.

Acquired assets in Meson AB

Preliminary purchase price allocation	SEK million
Purchase price including contingent earn-out payment of SEK 27 million	347

	Book value	Fair value adjust-ment	Fair value
Acquired assets			
Goodwill	–	67	67
Agencies, trademarks, customer relationships, licences, etc.	–	109	109
Property, plant and equipment	57	–	57
Inventories	140	–	140
Other current assets	89	–	89
Cash and cash equivalents	43	–	43
Minority share	-2	–	-2
Deferred tax liability	-19	-29	-48
Borrowings and pension obligations	-36	–	-36
Other operating liabilities	-72	–	-72
	200	**147**	**347**

The Meson brand and Meson's customer relationships have been valued at the discounted present value of future payment flows. The assumptions used for calculating fair value are a forecast for 2011 and thereafter for a long-term annual rate of growth of 2% and a discount rate of 11.5% after tax. Calculations of the value of the brand are based on the assumption of a royalty of 2.5% per year. The value of customer relationships has been calculated based on an assumption of an annual 5% customer attrition rate. The brand is judged to have an indefinite useful life, while customer relationships are judged to have a useful life of 10 years. Goodwill is justified by the company's good profitability.

Acquired assets in Techno Skruv i Värnamo AB, Corona Control AB, BiaMediTek Sp. Z o. o, Lekang group, Stålprofil PK AB, Stålprofil PK Invest AB and Flowtech Finland Oy

Preliminary purchase price allocation	SEK million
Purchase price including contingent earn-out payments of SEK 47 million	401

	Book value	Fair value adjust-ment	Fair value
Acquired assets			
Goodwill	–	163	163
Agencies, trademarks, customer relationships, licences, etc.	–	200	200
Property, plant and equipment	60	–	60
Financial assets	1	–	1
Inventories	84	–	84
Other current assets	71	–	71
Cash and cash equivalents	35	–	35
Deferred tax liability	-3	-52	-55
Borrowings and pension obligations	-81	0	-81
Other operating liabilities	-77	–	-77
	90	**311**	**401**

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

Indutrade normally uses an acquisition structure entailing a base level of consideration and a contingent earn-out payment. Initially, the earn-out payment is carried at fair value, which is the present value of the likely outcome, which for the year's acquisitions is SEK 74 million. The earn-out payments fall due for payment within two years, and the outcome can be a maximum of SEK 250 million. If the conditions are not met for the maximum earn-out payment, the outcome can be a minimum of SEK 30 million.

Transaction costs for the acquisitions carried out during the year amounted to SEK 1 million and are included in Other income and expenses in the income statement. No revaluation of contingent earn-out payments has been done.

Effect on cash flow	
Purchase price including contingent earn-out payment	748
Purchase price not paid out	-74
Cash and cash equivalents in acquired companies	-78
Contingent earn-out payments paid out for previous years' acquisitions	88
Total effect on cash flow	**684**

ACQUISITIONS AFTER THE END OF THE REPORTING PERIOD

Four acquisitions were carried out in early 2012. Rostfria VA-system i Storfors AB, with annual sales of approximately SEK 15 million, supplies pump stations and pipe systems to water treatment plants. The company is part of the Flow Technology business area. Dasa Control Systems AB, with annual sales of approximately SEK 50 million, supplies internally developed, advanced control and communication systems for heavy vehicles. The company is part of the Special Products business area. In March two acquisitions were completed. Geotrim Oy in Helsinki, with annual sales of approximately SEK 100 million, supplies systems and software for geospatial solutions in satellite-based positioning and provides own networks with coverage throughout Finland. The company is part of the Engineering & Equipment business area. Eco Analytics AG i Rheinfelden, Switzerland, with annual sales of approximately SEK 22 million is a leading suppler within gas and water analysis offering a complete product programme of gas detectors against poisoned or explosive gases. The company is part of the Special Products business area.

Acquired assets in Rostfria VA-system i Storfors AB, Dasa Control Systems AB, Eco Analytics AG and Geotrim Oy

Preliminary purchase price allocation	SEK million
Purchase price including contingent earn-out payments of SEK 18 million	187

Acquired assets	Book value	Fair value adjust-ment	Fair value
Goodwill	–	53	53
Agencies, customer relation-ships, licences, etc.	–	53	53
Property, plant and equipment	14	4	18
Inventories	35	–	35
Other current assets	25	–	25
Cash and cash equivalents	51	–	51
Deferred tax liability	0	-15	-15
Borrowings and pension obligations	-1	–	-1
Other operating liabilities	-32	–	-32
	92	**95**	**187**

Agencies, customer relationships, licences, etc. will be amortised over a 10-year period. Indutrade normally uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. Initially, the earn-out payments are valued at the present value of the likely outcome, which for the acquisitions made during the year amounted to SEK 18 million. The earn-out payments fall due for payment within two years and can amount to a maximum of SEK 20 million. If the conditions are not met for the maximum earn-out payment, the outcome may be SEK 0.

Note 27 PLEDGED ASSETS

	Group		Parent Company	
	2011	2010	2011	2010
For own liabilities				
Real estate mortgages	70	62	–	–
Chattel mortgages	11	13	–	–
Assets subject to liens	63	57	–	–
Shares in subsidiaries	–	116	–	95
Endowment insurance policies	5	2	3	–
Other	0	22	–	–
Total	**149**	**272**	**3**	**95**

Car leases are reported as finance leases in accordance with IFRS, entailing an increase in assets, liabilities and pledged assets of SEK 63 million (57).

Note 28 CONTINGENT LIABILITIES

	Group		Parent Company	
	2011	2010	2011	2010
Contingent liabilities for subsidiaries' PRI liabilities	–	–	80	74
Guarantees pledged on behalf of subsidiaries	–	–	326	284
Contingent liabilities for own PRI liabilities	2	1	–	–
Other contingent liabilities	7	3	–	–
Total	**9**	**4**	**406**	**358**

Note 29 CASH FLOW FROM OPERATIONS

	Group		Parent Company	
	2011	2010	2011	2010
Net profit for the year	540	405	497	475
Adjustments for:				
Income tax	189	148	82	45
Amortisation of intangible assets	104	89	1	0
Depreciation of property, plant and equipment	102	98	0	1
Gain/loss on sale of property, plant and equipment	0	0	–	–
Net change in other provisions	-2	10	108	54
Financial income	-12	-17	-32	-31
Financial expenses	105	78	71	45
Dividend income, etc.	–	–	-767	-628
Total adjustments	**486**	**406**	**-537**	**-514**

	Group		Parent Company	
	2011	2010	2011	2010
Changes in working capital:				
Inventories	-70	25	–	–
Trade accounts receivable and other receivables	-49	-77	-7	-280
Trade accounts payable and other liabilities	64	92	-42	12
Total changes in working capital	**-55**	**40**	**-49**	**-268**
Cash flow from operations	**971**	**851**	**-89**	**-307**

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

	2011	2010	2011	2010
Cash and bank balances	264	219	7	5
Short-term investments	–	–	–	–
Total	**264**	**219**	**7**	**5**

Note 30 INCOME STATEMENT CLASSIFIED BY TYPE OF COST

	Group		Parent Company	
	2011	2010	2011	2010
Goods for resale, raw materials and consumables	-4,263	-3,439	–	–
Costs for employee benefits	-1,664	-1,408	-28	-26
Depreciation/ amortisation/ impairment charges	-207	-187	-1	-1
Other costs	-1,036	-1,094	-18	-17
Total	**-7,170**	**-6,128**	**-47**	**-44**

Note 31 RELATED PARTY TRANSACTIONS

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

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

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

Note 32 EVENTS AFTER THE BALANCE SHEET DATE

In addition to the acquisitions carried out thus far in 2012 and which are presented in note 26, no significant events have taken place for the Group after the end of the reporting period.

Auditor's report

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Indutrade AB (publ) for the year 2011. The annual accounts and consolidated accounts of the company are included in this document on pages 12–67.

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

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

Auditor's responsibility

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

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and 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 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Indutrade AB (publ) for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

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

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

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

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

Opinions

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

Stockholm, 26 March 2012
PricewaterhouseCoopers AB

Lennart Danielsson
Authorized Public Accountant

Annual General Meeting and reporting dates

ANNUAL GENERAL MEETING

Time and place

The Annual General Meeting will be held at 4 p.m. on Thursday, 3 May 2012, at Summit, Razorfish lecture hall, Grev Turegatan 30, Stockholm.

Who is entitled to participate?

To be entitled to participate in the Annual General Meeting, shareholders must be listed in the shareholder register maintained by Euroclear Sweden AB on Thursday, 26 April 2012, and have notified the Company of their intention to participate by Thursday, 26 April 2012.

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 registered. 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 26 April to be eligible to participate in the Annual General Meeting.

Notification of attendance

Notification of intention to participate in 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
- By fax +46 8 752 79 39

Upon notification, shareholders must indicate their name, national ID number or company registration number, address and phone number.

Notification must be received by the Company no later than Thursday, 26 April 2012.

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 Meeting at the above address. Proxies for legal entities must also submit a certified copy of a certificate of incorporation or corresponding authorization document.

Dividend

The dividend will be paid to shareholders who on the record date, 8 May 2012, 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 11 May 2012.

REPORTING DATES

Interim report

1 January-31 March 2012	3 May 2012
1 January-30 June 2012	24 July 2012
1 January-30 September 2012	5 November 2012

CONTACT DETAILS

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