Indutrade

# Interim report

1 Jan – 31 Mar 2013

## 1 JANUARY – 31 MARCH 2013

- Order intake totalled SEK 2,198 million (2,255).
- Net sales rose 3% to SEK 2,051 million (1,982). For comparable units, sales decreased by 1%.
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) was SEK 191 million (192), corresponding to an EBITA margin of 9.3% (9.7%).
- Profit after tax decreased by 3% to SEK 107 million (110).
- Earnings per share were SEK 2.68 (2.75).

## FINANCIAL DEVELOPMENT

| SEK million | 2013 Jan-Mar | 2012 Jan-Mar | *Change* | 2012/13 Moving 12 mos | 2012 Jan-Dec |
|---|---|---|---|---|---|
| Net Sales | 2,051 | 1,982 | 3% | 8,453 | 8,384 |
| EBITA | 191 | 192 | -1% | 904 | 905 |
| EBITA margin, % | 9.3 | 9.7 | | 10.7 | 10.8 |
| Profit after financial items | 139 | 146 | -5% | 707 | 714 |
| Net profit | 107 | 110 | -3% | 566 | 569 |
| Earnings per share, SEK [1] | 2.68 | 2.75 | -3% | 14.15 | 14.23 |
| Return on operating capital, % | 21 | 24 | | 21 | 22 |

[1] Attributable to equity holders of the parent company

# CEO's message

Order intake during the quarter exceeded net sales by 7%. Adjusted for currency translation effects, order intake was at the same level as in 2012. The acquisitions carried out by the Group have compensated for a generally weaker market. Two of the Group's business areas achieved higher order intake this year than a year ago: Industrial Components, whose increase is attributable to acquisitions, and Special Products, owing both to acquisitions and organic growth.

In general, the trend is weaker in Indutrade's "older" core markets – Sweden, Finland and Denmark – while other markets are experiencing a more stable to positive trend. Indutrade Switzerland, which was acquired slightly more than two years ago, continues to perform strongly both organically and through acquisitions. Similarly, the Group's internationally active companies with own brands and proprietary products are performing stronger than companies that work mainly in the Nordic countries. These companies are part of the Special Products business area. The part of the Group that is active in the USA is encountering a growing market.

My conclusion is that the Group's long-term, concerted effort to increase the share of proprietary products with an international base has enhanced growth and stability in the Group.

Net sales during the quarter rose 3%, and at constant exchange rates the increase was 6%. Without completed acquisitions, sales would have been largely unchanged.

**Business areas**

The Indutrade Group is organised in five business areas since the start of the year. This is a natural development given the fact that the Group's size has doubled since 2004 without any expansion in the Group's management.

The Engineering & Equipment business area, which comprises companies in Finland, experienced continued weak development coupled to weak performance for Finnish industry. Cost-cutting measures have been carried out to improve profitability.

Flow Technology experienced weak order intake during the period as well as weak earnings. The single largest explanation is the marine sector's weak performance, followed by soft demand from the process industry. Cost-cutting measures are being carried out in this area as well.

The newly formed Fluids & Mechanical Solutions business area experienced weak performance in certain segments, such as automotive hydraulics, while in other areas it encountered a more favourable business climate.

For Industrial Components, demand was generally soft, but owing to acquisitions the business area posted higher sales.

Special Products posted organic growth in both order intake and invoicing. In the energy segment, which is important for the business area, activity remained at a high level.

**Margins**

The gross margin of 33.8% (33.9%) is level with 2012. Historically, the Group's gross margin is in the range of 33%-34%. This level has been stable for many years.

The EBITA margin was 9.3% (9.7%). Two business areas reported a higher margin – Industrial Components and Special Products. The respective increases can be credited to acquisitions with good margins and strong performance for the energy segment.

**Acquisitions**

Two interesting acquisitions were carried out during the opening months of the year.

In January we took possession of Thermotech AS, with customers primarily in the Norwegian oil and gas industry. This is an area that has shown strong growth for many years running, so it is therefore gratifying to increase the Group's business in this area.

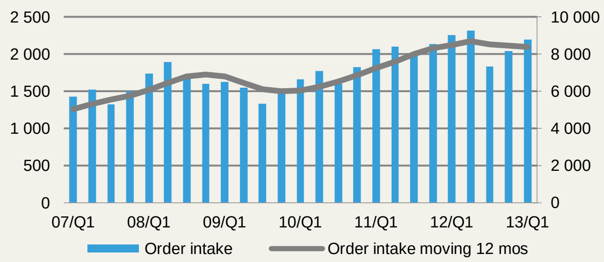
The latest addition among our acquisitions was made as late as April, when ESI Technologies Ltd, with business in Ireland and the UK, was acquired. The company has been a strong performer with a distinct focus on growth, which makes it an extra exciting first acquisition in Ireland.

**Outlook**

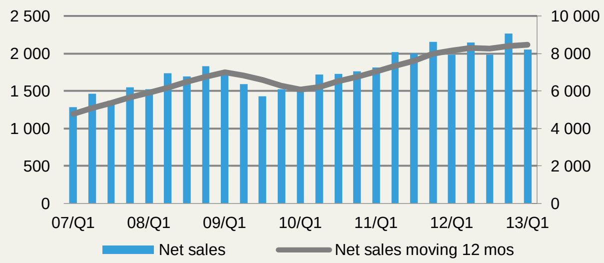
In general, certain signs of an upswing can be seen for commercial vehicles, for example, at the same time that many other segments remain highly uncertain. Several customers have indicated that they expect an improvement in the autumn, but this remains to be seen. Indutrade has certain businesses that will increase their sales and earnings in the coming quarters at the same time that uncertainty is great for others. On a positive note, order intake exceeded net sales during the first quarter.

Johnny Alvarsson, President and CEO

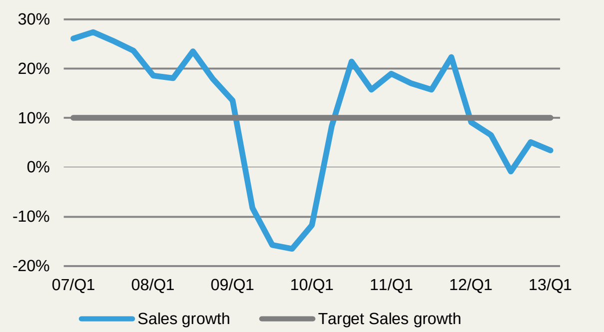
**Order intake**
SEK million



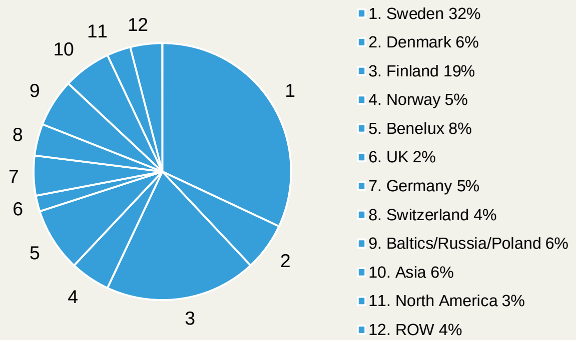

**Net sales**
SEK Million




**Sales growth**




**Net sales per market (%)**




# Group performance

## ORDER INTAKE AND NET SALES

### Order intake

Order intake during the period January–March totalled SEK 2,198 million (2,255), a decrease of 3%. For comparable units, order intake decreased by 6%, while acquired growth was 6%. Currency movements had a negative effect on order intake by 3%, or SEK -59 million.

The business climate can be described as generally weak, and the trend from 2012 of gradually weakening demand in many markets and niches continued into the opening quarter of the year. There are exceptions, such as demand from the international energy sector in particular, which has experienced favourable growth since the latter part of 2011 and stabilised at a high level during the second half of 2012. During the first quarter of the year, demand also rose for components for wind power plants, and some stabilisation was also noted among certain customers in the automotive sector, for example.

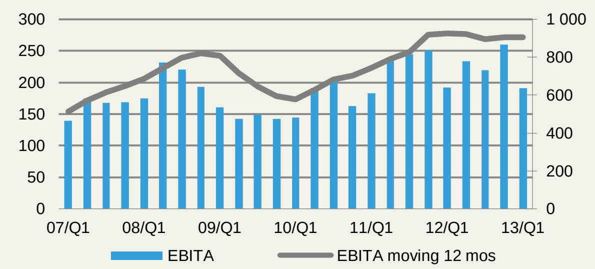
All business areas except for Special Products showed a decrease in order intake for comparable units during the start of the year. Special Products posted a slight rise on the whole, mainly driven by favourable performance for the business area's operations in Switzerland as well as for internationally active companies with proprietary products.

### Net sales

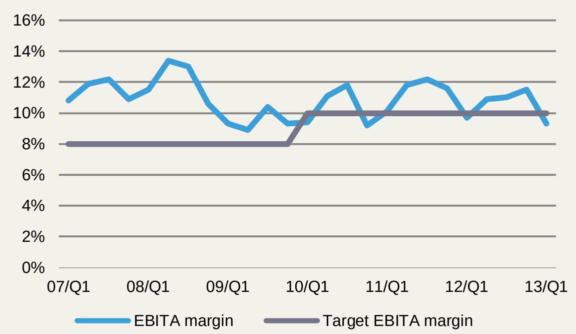
Net sales during the period January–March totalled SEK 2,051 million (1,982), an increase of 3%. For comparable units, sales decreased by 1%, while acquired growth was 7%. Negative exchange rate movements amounted to 3%, corresponding to an impact on sales of SEK -53 million.

Special Products experienced a 17% rise in net sales for comparable units during the first quarter of the year, while other business areas noted decreases ranging from -8% to -10%.

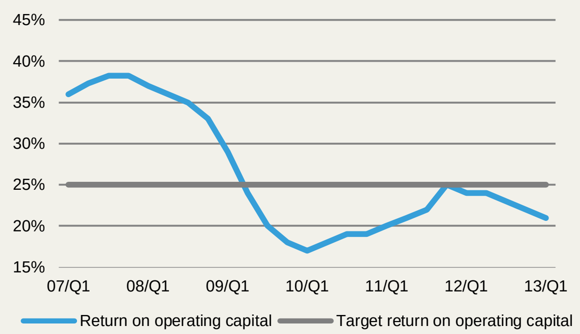
**EBITA**
SEK million



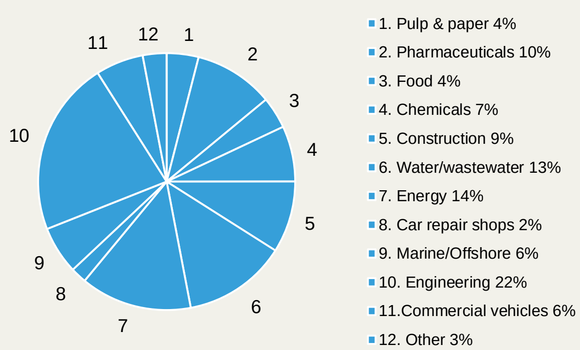

**EBITA margin**




**Return**




**Net sales per customer segment (%)**




# Earnings and return

## EARNINGS

Operating profit before amortisation of intangible assets (EBITA) attributable to acquisitions was at the same level for the period January–March as the corresponding period a year ago and totalled SEK 191 million (192). The operating margin before amortisation of intangible assets (the EBITA margin) was 9.3% (9.7%).

The gross margin for the Group as a whole was level with the corresponding period a year ago, at 33.8% (33.9%).

As a result of declining net sales for comparable units, the share of overheads increased, which is reflected in the lower EBITA margin.

Currency effects of translation of foreign units had a negative impact on EBITA by SEK -5 million, or -3%.

Net financial items amounted to SEK -20 million (-21), of which net interest expense was SEK -22 million (-19). Net interest expense was favourably affected by a lower average interest rate, which largely compensated for the higher average level of net debt.

Tax on profit for the period was SEK -32 million (-36), corresponding to a tax charge of 23.0% (24.7%). The lower tax charge is attributable to the reduced corporate tax rate in Sweden, which took effect on 1 January 2013.

Profit after tax decreased by 3% to SEK 107 million (110). Earnings per share decreased to SEK 2.68 (2.75).

## RETURN

The return on operating capital was 21% (24%), and the return on equity was 26% (28%).

# Business areas[1]

## ENGINEERING & EQUIPMENT

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

| SEK Million | 2013 Jan-Mar | 2012 Jan-Mar | 2012/13 Moving 12 mos | 2012 Jan-Dec |
|---|---|---|---|---|
| Net Sales | 299 | 325 | 1,299 | 1,325 |
| EBITA | 20 | 25 | 100 | 105 |
| EBITA margin, % | 6.7 | 7.7 | 7.7 | 7.9 |

Net sales during the period January–March decreased by 8% to SEK 299 million (325). The decrease for comparable units was 10%. Acquisitions contributed 6%, while currency movements had a negative effect on net sales, by 4%.

Finnish industrial performance has been weak across a broad front since spring 2012, and this trend continued into the start of 2013, even though certain sectors appear to have stabilised somewhat. These include certain customers in the automotive segment, for example, as well as maintenance and repair work in the water/wastewater segment, while new investment in this segment continues to be at a low level. The business climate in the construction sector is weak, which is having a negative impact on the business area's business.

EBITA for the period decreased by 20% to SEK 20 million (25), corresponding to an EBITA margin of 6.7% (7.7%). Cost-cutting and efficiency improvement measures that have been carried out have not fully compensated for the drop in net sales for comparable units, which is leading to lower earnings and margins.

## FLOW TECHNOLOGY

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

| SEK Million | 2013 Jan-Mar | 2012 Jan-Mar | 2012/13 Moving 12 mos | 2012 Jan-Dec |
|---|---|---|---|---|
| Net Sales | 469 | 506 | 2,086 | 2,123 |
| EBITA | 26 | 40 | 182 | 196 |
| EBITA margin, % | 5.5 | 7.9 | 8.7 | 9.2 |

Net sales for the period January–March totalled SEK 469 million (506), a decrease of 8%. The decrease for comparable units was 8%, while acquired growth was 2%. Currency movements had a negative effect on net sales, by 2%.

The business climate remained weak during the start of the year in most areas. The drop in sales is attributable to a lower level of projects in the marine segment as well as in the process industry and water/wastewater segment.

EBITA for the period decreased by 35% to SEK 26 million (40), and the EBITA margin was 5.5% (7.9%). Lower sales for comparable units is leading to lower earnings and margins. Actions have been initiated to adapt resources to the weaker business climate.

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*[1] Comparative figures for the business areas for 2012 have been changed as a result of the Group's new structure as from 1 January 2013. For further details, see Indutrade's year-end report for 2012.*

## FLUIDS & MECHANICALSOLUTIONS

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

| SEK Million | 2013 Jan-Mar | 2012 Jan-Mar | 2012/13 Moving 12 mos | 2012 Jan-Dec |
|---|---|---|---|---|
| Net Sales | 243 | 250 | 1,013 | 1,020 |
| EBITA | 30 | 31 | 124 | 125 |
| EBITA margin, % | 12.3 | 12.4 | 12.2 | 12.3 |

Net sales decreased by 3% during the period January–March to SEK 243 million (250). The decrease for comparable units was 8%. Acquisitions contributed 6%, while currency movements had a negative impact on net sales, by 1%.

Some of the business area's companies continued to strengthen their positions in their respective markets during the start of the year, including industrial plastic components, design solutions for facades, and products and services for fluid filtration, among others. In other respects, the generally weaker business climate in the Nordic engineering industry had a negative impact.

EBITA for the period decreased by 3% to SEK 30 million (31), and the EBITA margin was 12.3% (12.4%). In the companies that have been hurt the most by the weaker business climate, actions have been taken to adapt overheads.

## INDUSTRIAL COMPONENTS

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

| SEK Million | 2013 Jan-Mar | 2012 Jan-Mar | 2012/13 Moving 12 mos | 2012 Jan-Dec |
|---|---|---|---|---|
| Net Sales | 404 | 366 | 1,569 | 1,531 |
| EBITA | 40 | 35 | 170 | 165 |
| EBITA margin, % | 9.9 | 9.6 | 10.8 | 10.8 |

Net sales rose 10% during the period January–March, to SEK 404 million (366). For comparable units, net sales decreased by 8%. Acquisitions contributed 19%, while currency movements had a negative effect of 1%.

Most industrial customer segments were affected by the weaker business climate. Some weakness in demand was also noted for medical technology equipment for ophthalmology and health care applications.

EBITA for the period rose 14% to SEK 40 million (35), corresponding to an EBITA margin of 9.9% (9.6%). Acquisitions made a positive contribution to earnings and margin growth. Cost-cutting measures in the business area mitigated the effects of the lower net sales for comparable units and thereby helped buoy the EBITA margin at a level in line with the Group's margin target.

In January, the company Thermotech AS was acquired, with annual sales of approximately SEK 70 million.

## SPECIAL PRODUCTS

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

| SEK Million | 2013 Jan-Mar | 2012 Jan-Mar | 2012/13 Moving 12 mos | 2012 Jan-Dec |
|---|---|---|---|---|
| Net Sales | 654 | 552 | 2,546 | 2,444 |
| EBITA | 91 | 73 | 382 | 364 |
| EBITA margin, % | 13.9 | 13.2 | 15.0 | 14.9 |

Net sales rose 18% during the period January–March to SEK 654 million (552), with a 17% increase in sales for comparable units. Acquired growth was 6%, while currency movements had a negative impact on net sales, by 5%.

Deliveries to the international, conventional energy market were substantial during the start of the year and accounted for most of the increase for comparable units. Despite substantial invoicing in this segment, order intake exceeded invoicing during the quarter. In addition to the increase in the conventional energy segment, the business area's companies in Benelux and Switzerland, and certain internationally active companies with proprietary products in the measurement technology field, showed an increase in net sales during the start of the year.

EBITA increased by 25% to SEK 91 million (73), and the EBITA margin was 13.9% (13.2%). The increase in net sales for comparable units accounted for most of the earnings and margin improvement. Completed acquisitions also made a positive contribution.

# Other financial information

## FINANCIAL POSITION

Shareholders' equity amounted to SEK 2,342 million (2,157), and the equity ratio was 35% (37%).

Cash and cash equivalents amounted to SEK 210 million (245). In addition to this, the Group had unutilised credit promises of SEK 758 million (1,007). Interest-bearing net debt amounted to SEK 2,455 million (1,749). The net debt/equity ratio at the end of the period was 105% (81%).

## CASH FLOW

Cash flow from operating activities was SEK 31 million (73). Cash flow after net capital expenditures in intangible non-current assets and in property, plant and equipment (excluding company acquisitions) was SEK -24 million (38). The lower cash flow is mainly attributable to a higher level of tied up working capital and higher paid taxes compared with the same period a year ago. Capital expenditures in properties in some of the Group's manufacturing companies have led to an increase in capital expenditures in non-current assets.

## CAPITAL EXPENDITURES AND DEPRECIATION

The Group's net capital expenditures, excluding company acquisitions, amounted to SEK 55 million (35). Depreciation of property, plant and equipment amounted to SEK 27 million (26). Investments in company acquisitions amounted to SEK 150 million (136), of which contingent earn-out payments for previous years' acquisitions amounted to SEK 64 million (30).

## EMPLOYEES

The number of employees was 4,110 at the end of the period (4,086 at the start of the year). A total of 54 employees were added through acquisitions.

## ACQUISITIONS

The Group has acquired the following companies, which are consolidated for the first time in 2013.

| Month acquired | Acquisitions | Business area | Net sales/SEK m | No. of employees* |
|---|---|---|---|---|
| January | Thermotech AS | Industrial Components | 70 | 54 |
| | | | **70** | **54** |

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

Further information about completed company acquisitions can be found on page 14 of this interim report.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

In April one company acquisition was carried out, when the Special Products business area acquired ESI Technologies Ltd (Ireland), with annual sales of approximately SEK 160 million. ESI Technologies is a technology sales company specialising in flow technology. Customers are mainly in the pharmaceutical, chemical, and oil and gas industries. Business is conducted in Ireland and the UK.

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

## PARENT COMPANY

The main functions of Indutrade AB are to take responsibility for business development, acquisitions, financing, business control and analysis. The Parent Company's sales, which consist exclusively of intercompany invoicing of services, amounted to SEK 0 million (0) during the period. The Parent Company's financial assets consist mainly of shares in subsidiaries. During the period, the Parent Company acquired shares in one new company. The Parent Company did not make any major investments in intangible non-current assets or in property, plant and equipment. The number of employees on 31 March was 9 (10).

## RISKS AND UNCERTAINTIES

The Indutrade Group conducts business in 26 countries in four world regions, through some 180 companies. This diversification, together with a large number of customers in various industries and a large number of suppliers, mitigates the business and financial risks. Apart from the risks and uncertainties described in Indutrade's 2012

Annual Report, no significant risks or uncertainties are judged to have emerged or been eliminated. Since the Parent Company is responsible for the Group's financing, it is exposed to financing risk.

The Parent Company's other activities are not exposed to risks other than indirectly via subsidiaries. For a more detailed report of risks that affect the Group and Parent Company, please see the 2012 Annual Report.

## RELATED PARTY TRANSACTIONS

No transactions took place during the period between Indutrade and related parties that have significantly affected the Company's financial position or result of operations.

## ACCOUNTING PRINCIPLES

Indutrade reports in accordance with International Financial Reporting Standards (IFRS). This interim report has been prepared in accordance with IAS 34 and RFR 1. The Parent Company applies RFR 2. The same accounting principles and calculation methods are used in this report as those used in Indutrade's 2012 Annual Report.

Starting in 2013 the Group applies the revised IAS 19 Employee Benefits. The impact on the Group is not significant, since actuarial gains and losses have previously been recognised in other comprehensive income.

The changeover to the revised accounting principle has entailed a decrease in the pension liability by SEK 2 million and an increase in shareholders' equity by SEK 2 million as per 1 January 2012. The pension liability and shareholders' equity are unchanged as per 31 December 2012. The change entails an increase in financial income by SEK 4 million, and a decrease in other comprehensive income by SEK 6 million during the fourth quarter of 2012. There is no earnings impact for the first quarter. The recalculation entails an increase in earnings per share by SEK 0.10 for the full year 2012. Comparative figures have been recalculated.

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

Apart from the standards specified above, no new IFRSs or IFRIC interpretations have been adopted by the EU that will be applicable for Indutrade or will have any material impact on the Group's result of operations or financial position in 2013.

## FINANCIAL CALENDAR

- The interim report for the period 1 January-30 June 2013 will be published on 24 July 2013.
- The interim report for the period 1 January-30 September 2013 will be published on 5 November 2013.

Stockholm, 6 May 2013

Indutrade AB (publ)

Johnny Alvarsson
President and CEO

**NOTE**

The information provided herein is such that Indutrade AB (publ) is obligated to publish pursuant to the Securities Market Act, the Financial Instruments Trading Act, and/or in accordance with the Issuers Rules and Regulations for the Nasdaq OMX Stockholm. Submitted for publication at 2.05 p.m. on 6 May 2013.

## FURTHER INFORMATION

For further information, please contact:
Johnny Alvarsson, President and CEO, tel: +46 70 589 17 95.

**The report will be commented upon as follows:**

- through a conference call/webcast today at 3 p.m. at the following link:
  https://www.anywhereconference.com/?Conference=137346586&PIN=994372
  Participants call SE +46 (08) 505 564 76, UK +44 (0) 203 364 53 71 or US +1 877 679 2993.
- Via a videotaped version at the following links:
  http://www.indutrade.se
  http://www.playontv.se

# Indutrade consolidated income statement

## - condensed

| Mkr | 2013 Jan-Mar | 2012 Jan-Mar | 2012/13 Moving 12 mos | 2012 Jan-Dec |
|---|---|---|---|---|
| Net Sales | 2,051 | 1,982 | 8,453 | 8,384 |
| Cost of goods sold | -1,358 | -1,311 | -5,592 | -5,545 |
| **Gross profit** | **693** | **671** | **2,861** | **2,839** |
| Development costs | -28 | -24 | -99 | -95 |
| Selling costs | -394 | -374 | -1,547 | -1,527 |
| Administrative expenses | -110 | -107 | -429 | -426 |
| Other operating income and expenses | -2 | 1 | 3 | 6 |
| **Operating profit** | **159** | **167** | **789** | **797** |
| Net financial items | -20 | -21 | -82 | -83 |
| **Profit after financial items** | **139** | **146** | **707** | **714** |
| Income Tax | -32 | -36 | -141 | -145 |
| **Net profit for the period** | **107** | **110** | **566** | **569** |
| *Net profit, attributable to:* | | | | |
| Equity holders of the parent company | 107 | 110 | 566 | 569 |
| Non-controlling interests | 0 | 0 | 0 | 0 |
| | **107** | **110** | **566** | **569** |
| Earnings per share for the period, attributable to equity holders of the parent company [1)] | 2.68 | 2.75 | 14.15 | 14.23 |
| **EBITA** | 191 | 192 | 904 | 905 |
| *Operating profit includes:* | | | | |
| Amortisation of intangible assets | | | | |
| Depreciation of property, | -36 | -27 | -127 | -118 |
| plant and equipment | -27 | -26 | -108 | -107 |

[1)] Earnings for the period divided by 40,000,000 shares. There is no dilutive effect.
Comparative figures for 2012 have been recalculated as a result of application of the revised IAS 19 Employee Benefits.

# Indutrade consolidated statement of comprehensive income

| | 2013 Jan-Mar | 2012 Jan-Mar | 2012/13 Moving 12 mos | 2012 Jan-Dec |
|---|---|---|---|---|
| **Net profit for the period** | 107 | 110 | 566 | 569 |
| **Other comprehensive income** | | | | |
| **Items that can be reversed into income statement:** | | | | |
| Fair value adjustment of hedge instruments | 8 | 12 | -17 | -13 |
| Tax attributable to fair value adjustments | -2 | -3 | 3 | 2 |
| Exchange rate differences | -61 | -28 | -82 | -49 |
| **Items that can not be reversed into income statement:** | | | | |
| Actuarial gains/losses | - | - | -19 | -19 |
| Tax on actuarial gains/losses | - | - | 4 | 4 |
| **Other comprehensive income for the period, net of tax** | **-55** | **-19** | **-111** | **-75** |
| **Total comprehensive income for the period** | **52** | **91** | **455** | **494** |
| *Net profit,attributable to:* | | | | |
| Equity holders of the parent company | 52 | 91 | 455 | 494 |
| Non-controlling interests | 0 | 0 | 0 | 0 |
| | **52** | **91** | **455** | **494** |

# Business area performance

| Net Sales, SEK Million | 2013 Jan-Mar | 2012 Jan-Mar | 2012/13 Moving 12 mos | 2012 Jan-Dec |
|---|---|---|---|---|
| Engineering & Equipment | 299 | 325 | 1,299 | 1,325 |
| Flow Technology | 469 | 506 | 2,086 | 2,123 |
| Fluids & Mechanical Solutions | 243 | 250 | 1,013 | 1,020 |
| Industrial Components | 404 | 366 | 1,569 | 1,531 |
| Special Products | 654 | 552 | 2,546 | 2,444 |
| Parent company and Group items | -18 | -17 | -60 | -59 |
| | **2,051** | **1,982** | **8,453** | **8,384** |

| EBITA, SEK Million | 2013 Jan-Mar | 2012 Jan-Mar | 2012/13 Moving 12 mos | 2012 Jan-Dec |
|---|---|---|---|---|
| Engineering & Equipment | 20 | 25 | 100 | 105 |
| Flow Technology | 26 | 40 | 182 | 196 |
| Fluids & Mechanical Solutions | 30 | 31 | 124 | 125 |
| Industrial Components | 40 | 35 | 170 | 165 |
| Special Products | 91 | 73 | 382 | 364 |
| Parent company and Group items | -16 | -12 | -54 | -50 |
| | **191** | **192** | **904** | **905** |

| EBITA margin, % | 2013 Jan-Mar | 2012 Jan-Mar | 2012/13 Moving 12 mos | 2012 Jan-Dec |
|---|---|---|---|---|
| Engineering & Equipment | 6.7 | 7.7 | 7.7 | 7.9 |
| Flow Technology | 5.5 | 7.9 | 8.7 | 9.2 |
| Fluids & Mechanical Solutions | 12.3 | 12.4 | 12.2 | 12.3 |
| Industrial Components | 9.9 | 9.6 | 10.8 | 10.8 |
| Special Products | 13.9 | 13.2 | 15.0 | 14.9 |
| | **9.3** | **9.7** | **10.7** | **10.8** |

| | 2013 | 2012 | | | |
|---|---|---|---|---|---|
| Net Sales, SEK million | Jan-Mar | Oct-Dec | Jul-Sep | Apr-Jun | Jan-Mar |
| Engineering & Equipment | 299 | 339 | 320 | 341 | 325 |
| Flow Technology | 469 | 577 | 516 | 524 | 506 |
| Fluids & Mechanical Solutions | 243 | 273 | 240 | 257 | 250 |
| Industrial Components | 404 | 405 | 357 | 403 | 366 |
| Special Products | 654 | 696 | 564 | 632 | 552 |
| Parent company and Group items | -18 | -23 | -9 | -10 | -17 |
| | **2,051** | **2,267** | **1,988** | **2,147** | **1,982** |

| | 2013 | 2012 | | | |
|---|---|---|---|---|---|
| EBITA, SEK million | Jan-Mar | Oct-Dec | Jul-Sep | Apr-Jun | Jan-Mar |
| Engineering & Equipment | 20 | 20 | 36 | 24 | 25 |
| Flow Technology | 26 | 51 | 48 | 57 | 40 |
| Fluids & Mechanical Solutions | 30 | 33 | 30 | 31 | 31 |
| Industrial Components | 40 | 44 | 41 | 45 | 35 |
| Special Products | 91 | 124 | 76 | 91 | 73 |
| Parent company and Group items | -16 | -12 | -12 | -14 | -12 |
| | **191** | **260** | **219** | **234** | **192** |

| | 2013 | 2012 | | | |
|---|---|---|---|---|---|
| EBITA margin, % | Jan-Mar | Oct-Dec | Jul-Sep | Apr-Jun | Jan-Mar |
| Engineering & Equipment | 6.7 | 5.9 | 11.3 | 7.0 | 7.7 |
| Flow Technology | 5.5 | 8.8 | 9.3 | 10.9 | 7.9 |
| Fluids & Mechanical Solutions | 12.3 | 12.1 | 12.5 | 12.1 | 12.4 |
| Industrial Components | 9.9 | 10.9 | 11.5 | 11.2 | 9.6 |
| Special Products | 13.9 | 17.8 | 13.5 | 14.4 | 13.2 |
| | **9.3** | **11.5** | **11.0** | **10.9** | **9.7** |

# Indutrade consolidated balance sheet

## - condensed

| SEK million | 2013 31 Mar | 2012 31 Mar | 2012 31 Dec |
|---|---|---|---|
| Goodwill | 1,230 | 870 | 1,188 |
| Other intangible assets | 1,225 | 918 | 1,215 |
| Property, plant and equipment | 758 | 723 | 741 |
| Financial assets | 61 | 51 | 59 |
| Inventories | 1,419 | 1,413 | 1,472 |
| Account receivables, trade | 1,501 | 1,323 | 1,411 |
| Other receivables | 284 | 218 | 204 |
| Cash and cash equivalents | 210 | 245 | 243 |
| **Total assets** | **6,688** | **5,761** | **6,533** |
| | | | |
| Equity | 2,342 | 2,157 | 2,290 |
| Non-current interest-bearing liabilities and pension liabilities | 1,166 | 1,143 | 1,158 |
| Other non-current liabilities and provisions | 339 | 268 | 333 |
| Current interest-bearing liabilities | 1,499 | 851 | 1,424 |
| Account payable, trade | 593 | 618 | 586 |
| Other current liabilities | 749 | 724 | 742 |
| **Total equity and liabilities** | **6,688** | **5,761** | **6,533** |

Estimated earn-out from acquisitions have been reclassified to interest-bearing liabilities from year-end 2012.
The revised IAS 19 Employee Benefits applies as from 2013. Comparative figures for 2012 have been recalculated.

# Indutrade change in group equity

## - condensed

| **Attributable to equity holders of the parent company** SEK million | 2013 Jan-Mar | 2012 Jan-Mar | 2012 Jan-Dec |
|---|---|---|---|
| Opening equity | 2,288 | 2,062 | 2,062 |
| Adjustment of accounting principle IAS 19 | - | 2 | 2 |
| **Opening equity after adjustment** | **2,288** | **2,064** | **2,064** |
| Total comprehensive income for the period | 52 | 91 | 494 |
| Dividend | - [1)] | - | -270 [2)] |
| **Closing equity** | **2,340** | **2,155** | **2,288** |

[1)] The proposed dividend per share 2012 is SEK 7.05

[2)] Dividend per share 2011 was SEK 6.75

| *Equity, attributable to:* | | | |
|---|---|---|---|
| Equity holders of the parent company | 2,340 | 2,155 | 2,288 |
| Non-controlling interests | 2 | 2 | 2 |
| | **2,342** | **2,157** | **2,290** |

# Indutrade consolidated cash flow statement

## - condensed

| SEK million | 2013 Jan-Mar | 2012 Jan-Mar | 2012/13 Moving 12 mos | 2012 Jan-Dec |
|---|---|---|---|---|
| Cash flow from operating activities before change in working capital | 129 | 154 | 695 | 720 |
| Change in working capital | -98 | -81 | -218 | -201 |
| **Cash flow from operating activities** | **31** | **73** | **477** | **519** |
| Net capital expenditures in non-current assets | -55 | -35 | -147 | -127 |
| Company acquisitions and divestments | -150 | -136 | -586 | -572 |
| Change in other financial assets | -1 | -1 | -5 | -5 |
| **Cash flow from investing activities** | **-206** | **-172** | **-738** | **-704** |
| Net borrowings | 148 | 85 | 505 | 442 |
| Dividend paid out | - | - | -270 | -270 |
| **Cash flow from financial activites** | **148** | **85** | **235** | **172** |
| Cash flow for the period | -27 | -14 | -26 | -13 |
| Cash and cash equivalents at start of period | 243 | 264 | 245 | 264 |
| Exchange rate differences | -6 | -5 | -9 | -8 |
| **Cash and cash equivalents at end of period** | **210** | **245** | **210** | **243** |

# Key data

| Moving 12 mos | 2013 31 Mar | 2012 31 Dec | 2012 31 Mar | 2011 31 Dec | 2010 31 Dec |
|---|---|---|---|---|---|
| Net sales, SEK million | 8,453 | 8,384 | 8,160 | 7,994 | 6,745 |
| Sales growth, % | 4 | 5 | 16 | 19 | 8 |
| EBITA, SEK million | 904 | 905 | 926 | 917 | 703 |
| EBITA margin, % | 10.7 | 10.8 | 11.3 | 11.5 | 10.4 |
| Operating capital, SEK million | 4,797 | 4,629 | 3,906 | 3,720 | 3,304 |
| Return on operating capital, % | 21 | 22 | 24 | 25 | 19 |
| Return on equity, % | 26 | 27 | 28 | 29 | 24 |
| Interest-bearing net debt, SEK million [1)] | 2,455 | 2,339 | 1,749 | 1,656 | 1,561 |
| Net debt/equity ratio, % | 105 | 102 | 81 | 80 | 90 |
| Net debt/EBITDA, times | 2.4 | 2.3 | 1.7 | 1.6 | 2.0 |
| Equity ratio, % | 35 | 35 | 37 | 38 | 36 |
| Average number of employees | 4,010 | 3,939 | 3,802 | 3,778 | 3,420 |
| Number of employees at end of the period | 4,110 | 4,086 | 3,860 | 3,807 | 3,444 |
| | | | | | |
| *Attributable to equity holders of the parent company* | | | | | |
| *Key ratios per share* [2)] | | | | | |
| Earnings per share, SEK | 14.15 | 14.13 | 13.73 | 13.50 | 10.18 |
| Equity per share, SEK | 58.50 | 57.20 | 53.83 | 51.55 | 43.55 |
| Cash flow from operating activities per share, SEK | 11.93 | 12.98 | 17.13 | 17.73 | 16.40 |

[1)] Interest-bearing net debt and related key ratios include earn-outs from acquisitions from year-end 2012. Comparative years have been adjusted.

[2)] Based on 40,000,000 shares which corresponds to the number of shares outstanding during all periods in the table. There is no dilutive effect.

# Acquisitions

## ACQUISITIONS 2013

All of the shares have been acquired in Thermotech AS (Norway).

## INDUSTRIAL COMPONENTS

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

**Acquired assets in Thermotech AS**

*Preliminary purchase price allocation*
**SEK million**

| | | | |
|---|---|---|---|
| Purchase price, incl. contingent earn-out payment totalling SEK 11 million | | | 105 |
| **Acquired assets** | Book value | Fair value adjustment | Fair value |
| Goodwill | - | 58 | 58 |
| Agencies, trademarks, customer relations, licences, etc. | - | 58 | 58 |
| Property, plant and equipment | 3 | - | 3 |
| Inventories | 5 | - | 5 |
| Other current assets [1)] | 19 | - | 19 |
| Cash and cash equivalents | 8 | - | 8 |
| Deferred tax liability | 0 | -16 | -16 |
| Other operating liabilities | -30 | - | -30 |
| | **5** | **100** | **105** |

Agencies, customer relationships, licences, etc. will be amortised over a period of 10 years.

Indutrade normally uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. Initially, the contingent earn-out payments are valued at the present value of the likely outcome, which for the acquisition made during the year amount to SEK 11 million. The contingent earn-out payments fall due for payment within 2 years and can amount to a maximum of SEK 12 million. If the conditions are not met, the outcome can be in the range of SEK 0-12 million.

Transaction costs for the acquisitions carried out during the period totalled SEK 1 million (2) and are included in “Other income and expenses” in the income statement. Contingent earn-out payments have been revalued at SEK -1 million (0). The expense is reported among Other income and expenses in the income statement.

The purchase price calculations for Geotrim Oy and Eco Analytics AG, which were acquired in 2012, are definitive. No significant adjustments have been made in the calculations. For other acquisitions, the purchase price calculations are preliminary. Indutrade regards the calculations as preliminary during the time that uncertainty exists with respect to, for example, the outcome of guarantees in the acquisition agreements concerning inventories and trade accounts receivable.

| **Cash flow impact** | |
|---|---|
| Purchase price, incl. contingent earn-out payment | 105 |
| Contingent earn-out payments not paid out | -11 |
| Cash and cash equivalents in acquired companies | -8 |
| Contingent earn-out payments pertaining to previous years´acquisitions | 64 |
| **Total cash flow impact** | **150** |

## EFFECTS OF ACQUISITIONS CARRIED OUT IN 2012 AND 2013

| **SEK million**<br>**Business area** | Net sales<br>**Jan-Mar** | EBITA<br>**Jan-Mar** |
|---|---|---|
| Engineering & Equipment | 18 | 1 |
| Flow Technology | 10 | 2 |
| Fluids & Mechanical Solutions | 16 | 3 |
| Industrial Components | 70 | 12 |
| Special Products | 48 | 5 |
| **Effect on Group** | **162** | **23** |
| | | |
| Acquisition carried out in 2012 | 144 | 20 |
| Acquisition carried out in 2013 | 18 | 3 |
| **Effect on Group** | **162** | **23** |

## ACQUISITIONS AFTER THE END OF THE REPORTING PERIOD

In April Indutrade acquired ESI Technologies Ltd (Ireland), with annual sales of approximately SEK 160 million. ESI Technologies is a technology sales company specialising in flow technology. Customers are mainly in the pharmaceutical, chemical, and oil and gas industries. Business is conducted in Ireland and the UK. The company is part of the Special Products business area. A preliminary purchase price calculation will be presented in the second quarter interim report for 2013.

## 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 measured at fair value as per 31 March 2013**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Assets** | | | | |
| Available-for-sale financial assets | - | - | 6 | 6 |
| Derivative instruments held for hedging purposes | - | 1 | - | 1 |
| **Liabilities** | | | | |
| Derivative instruments held for hedging purposes | - | 26 | - | 26 |

Derivative instruments consist of currency forward contracts and interest rate swaps.

No transfers were made between levels 2 and 3 during the period. Reclassification has been made between levels 1 and 2, and the comparative figures for 2012 have been recalculated. Assets in level 3 consists of holdings of shares and participations in unlisted companies. Fair value is considered to be equal to cost.

Long- and short-term loans carry variable interest in all essential respects, which is why their fair value is considered to be equal to the carrying amount.

For the Group's other financial assets and liabilities, such as trade accounts receivable, cash and cash equivalents and trade accounts payable, fair value is estimated to be equal to the carrying amount.

**The Group's assets and liabilities measured at fair value as per 31 December 2012**

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

# Parent company income statement

## - condensed

| SEK million | 2013 Jan-Mar | 2012 Jan-Mar | 2012/13 Moving 12 mos | 2012 Jan-Dec |
|---|---|---|---|---|
| Net Sales | 0 | 0 | 3 | 3 |
| **Gross profit** | **0** | **0** | **3** | **3** |
| Administrative expenses | -15 | -13 | -51 | -49 |
| Other income and expenses | -1 | 0 | -2 | -1 |
| **Operating profit** | **-16** | **-13** | **-50** | **-47** |
| Financial income/expenses | -3 | -7 | -27 | -31 |
| Profit from participation in Group companies | - | - | 656 | 656 |
| **Profit after financial items** | **-19** | **-20** | **579** | **578** |
| Appropriations | - | - | -62 | -62 |
| Income tax | 3 | 5 | -50 | -48 |
| **Net profit for the period** | **-16** | **-15** | **467** | **468** |
| Depreciation of intangible assets and property, plant and equipment | 0 | 0 | 0 | 0 |

# Parent company balance sheet

## - condensed

| Mkr | 2013 31 Mar | 2012 31 Mar | 2012 31 Dec |
|---|---|---|---|
| Intangible assets | 1 | 1 | 1 |
| Property, plant and equipment | 1 | 1 | 1 |
| Financial assets | 2,685 | 2,065 | 2,578 |
| Current receivables | 1,774 | 1,555 | 1,719 |
| Cash and cash equivalent | 3 | 0 | 0 |
| **Total assets** | **4,464** | **3,622** | **4,299** |
| Equity | 1,659 | 1,462 | 1,675 |
| Untaxed reserves | 221 | 160 | 221 |
| Non-current interest-bearing liabilities and pension liabilities | 838 | 838 | 837 |
| Current interest-bearing liabilities | 1,643 | 1,079 | 1,464 |
| Current non-interest-bearing liabilities | 103 | 83 | 102 |
| **Total equity and liabilities** | **4,464** | **3,622** | **4,299** |

Estimated earn-outs from acquisitions have been reclassified to interest-bearing liabilities from year-end 2012. The comparative year has been adjusted.

# 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, Depreciation 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 divided by net sales. |
| Interest-bearing net debt | Interest-bearing liabilities including pension liability and estimated earn-outs from acquisitions, less cash and cash equivalents. |
| 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 equity | 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. |

**Indutrade in brief**

Indutrade markets and sells components, systems and services with a high-tech content to industrial customers in selected niches. The Group creates value for its customers by structuring the value chain and increasing the efficiency of its customers' use of technological components and systems. For the Group's suppliers, value is created through the offering of an efficient sales organisation with high technical expertise and well developed customer relations.

Indutrade's business is distinguished by the following factors, among others:

- High-tech products for recurring needs
- Growth through a structured and tried-and-tested acquisition strategy
- A decentralised organisation characterised by an entrepreneurial spirit.

The Group is structured into five business areas:
Engineering & Equipment, Flow Technology, Fluids & Mechanical Solutions, Industrial Components and Special Products.

The Group's financial targets (per year across a business cycle) are to grow by 10%, to attain a minimum EBITA margin of 10% and a return on operating capital exceeding 25%.