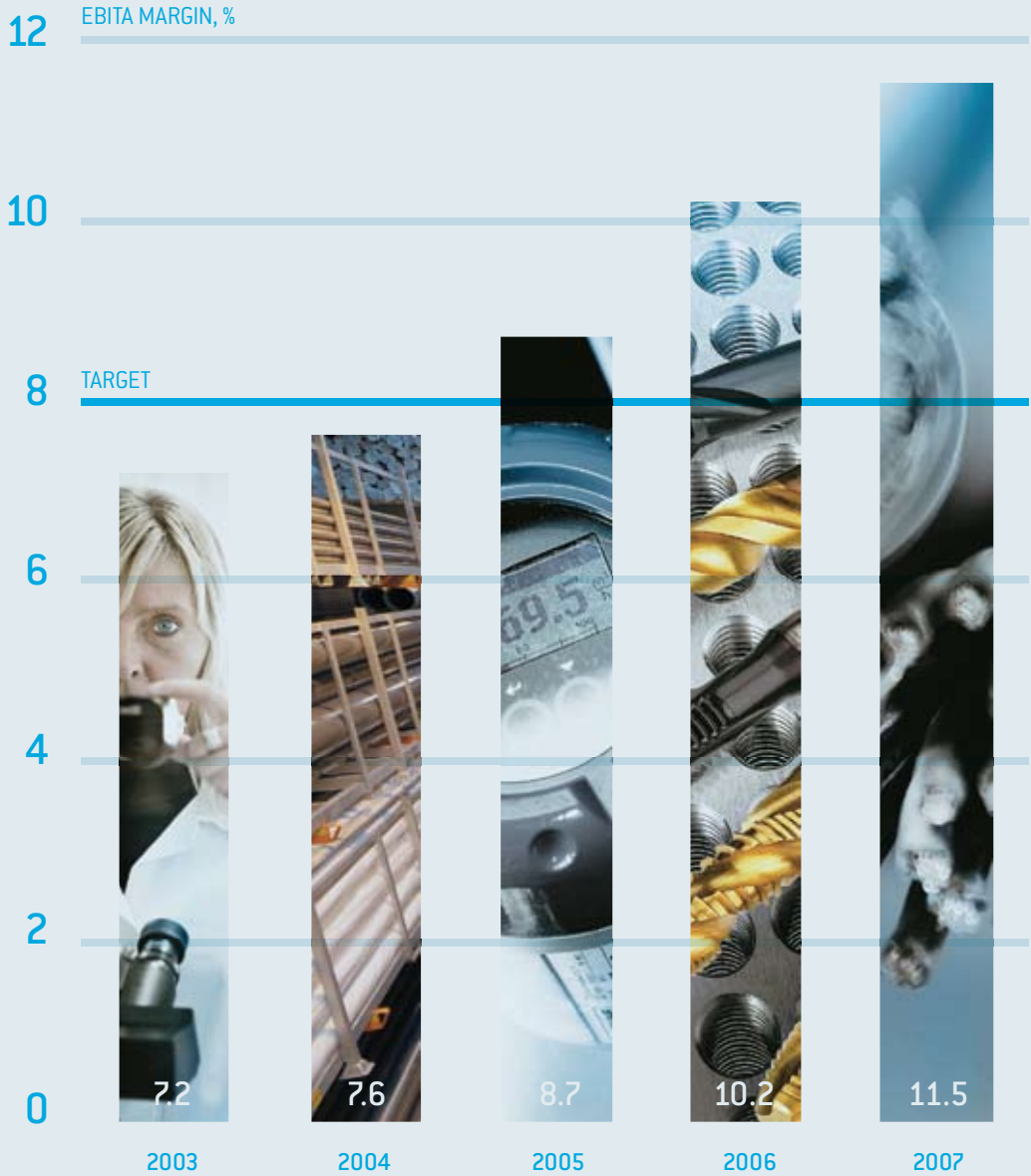


2007



CONTENTS

- 1 Year in brief
- 2 Indutrade at a glance
- 4 CEO's message
- 6 Share data
- 8 Mission, goals and strategies
- 12 Value chain
- 14 Expertise and quality
- 15 Corporate Social Responsibility and the environment
- 21 Market
- 23 Acquisitions during the year

10.48
SEK

Earnings per share for the year.



5.25
SEK

Proposed dividend per share
for the year.

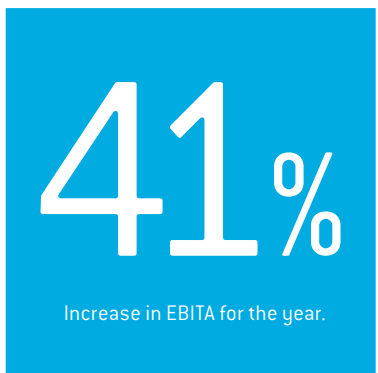


- 26 Engineering & Equipment
- 28 Flow Technology
- 30 Industrial Components
- 32 Special Products
- 34 Risk management
- 36 Several-year overview
- 39 Directors' report
- 43 Consolidated income statement
- 44 Consolidated balance sheet
- 46 Consolidated cash flow statement
- 47 Parent company income statement/cash flow statement
- 48 Parent company balance sheet
- 49 Accounting principles and notes
- 64 Audit Report
- 65 Corporate Governance Report
- 70 Board of Directors and Auditors
- 71 Executive management
- 72 Annual General Meeting and reporting dates

Indutrade AB (publ) "Indutrade" is a Swedish company that is subject to Swedish jurisdiction. Amounts are presented in Swedish kronor (SEK). Amounts in millions of kronor are abbreviated as SEK million. Figures in parentheses refer to 2006, unless stated otherwise. Income statements, balance sheets and key data for the years 2000–2003 have not been adjusted to International Financial Reporting Standards (IFRS), but are based on the recommendations of the Swedish Financial Accounting Standards Council. Information about markets and competitors is based on Indutrade's own estimates, unless a specific source is stated. These estimates are based on the best and most recently available information. Pages 39–63 have been audited.

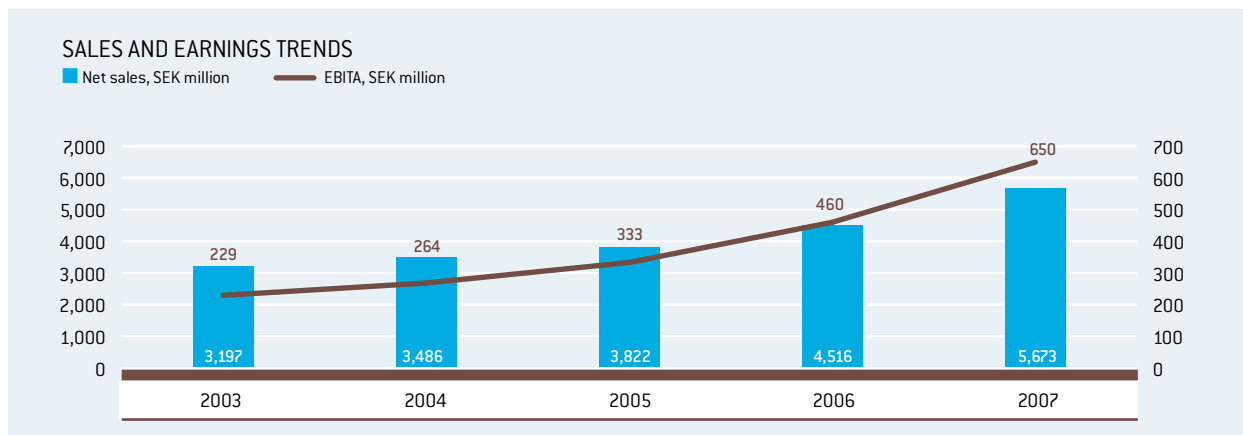
YEAR IN BRIEF

- Net sales rose 26% to SEK 5,673 million (4,516). For comparable units the increase was 14%.
- Operating profit before amortisation of intangible assets (EBITA) rose 41% to SEK 650 million (460).
- Earnings per share were SEK 10.48 (7.50).
- Twelve companies were acquired during the year.
- The Board of Directors proposes a dividend of SEK 5.25 per share (3.75).



KEY DATA	2007	2006	CHANGE, %
Net sales, SEK million	5,673	4,516	26
EBITA, SEK million	650	460	41
EBITA margin, %	11.5	10.2	1.3 ¹⁾
Net profit for the year, SEK million	419	300	40
Return on equity, %	40.3	37.4	2.9 ¹⁾
Return on operating capital, %	40.6	36.9	3.7 ¹⁾
Average number of employees	1,929	1,673	15

¹⁾ Percentage points



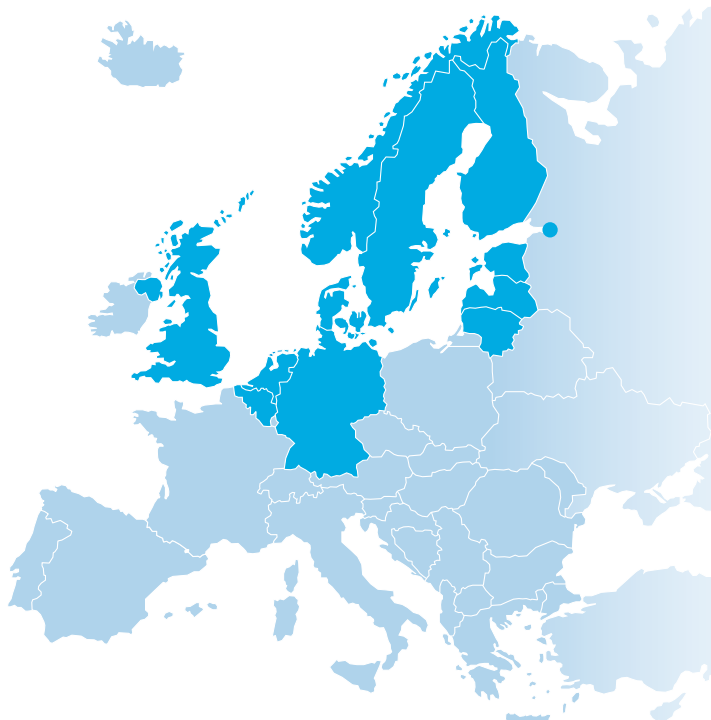
INDUTRADE AT A GLANCE

Indutrade is a technology sales company in the area of industrial components, systems and services. The products all have a high-tech content. A number of the Group's subsidiaries develop, manufacture and market own products.

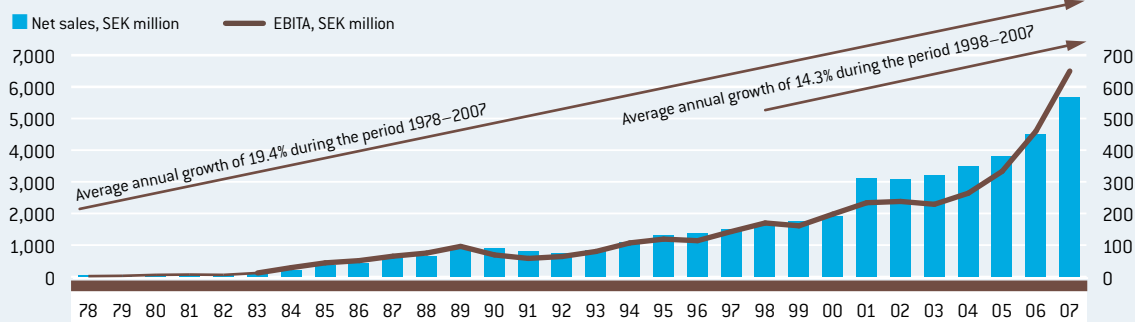
The Group is organised in four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products, and has more than 90 subsidiaries in Sweden, Finland, Norway, Denmark, Germany, the Netherlands, the UK, Belgium, the Baltic countries and Russia. Sales in 2007 totalled SEK 5,673 million.

Indutrade's subsidiaries work in well defined niches and have a high level of expertise in their respective technology areas. This high level of expertise enables them to create value-added for their customers.

Indutrade is listed on the OMX Nordic Exchange Stockholm. The shares are quoted on the Mid Cap list.



EARNINGS AND ACQUISITION HISTORY



1978–1981	1982–1985	1986–1991	1992–1998	1999–2000	2001–2002	2003–2006	2007
Bengtssons Maskin	G.A. Lindberg	Lining (FI)	CCMP ¹⁾ (BE)	Belos	Liljegrens	Euro Energy	ES Hydagent
Carlsson & Möller	Diatom (DK)	Linatex ¹⁾ (DK)	Alnab	Lyma	EIE Maskin	Warla Trade (FI)	Axelvalves
Sonesson Trading ²⁾	Colly Components	Seltek ¹⁾	Euronord	Akamex (FI)	Elmeko (NO)	Maansähkö (FI)	SAV (DK)
	Colly Filter	Tehovoitelu ³⁾	GPA	Lining Components (FI)	EIE (FI)	Kontram (FI)	Sigurd Sörum (NO)
	Colly VT	Granzow (DK)	GPA (DK)	Pinteco (FI)	Pentronic	Granaths	Carrab Industri
	Colly Teknik	ETP	Indutek (EE)	Processpumpar	GEFA (DE)	Hanwel (NL/BE)	Aluflex System
	Colly (FI)	YTM (FI)	Industek (LV)	Teollisuusapu (FI)	G. Fagerberg (FI)	HP Valves (NL)	Labkotec (FI)
	Colly (DK)	HITMA (NL)	Ventim	Novum (NO)	Tecalemit (FI)	Gimex (NL)	MWS
		Aluglas (NL)	Maanterä (FI)	Techflow	G. Fagerberg	Satron	Palmstiernas
		Novum	Edeco Tool		Teck Instrument ¹⁾	Saniflex	ELRA (NO)
		Novatool	Vipmek (FI)		G. Fagerberg (NO)	Puwimex (FI)	IPS (UK)
		Mandorf	Kiinnike		G. Fagerberg (DK)	Robota	Recair (FI)
			Kolmio (FI)		Tecalemit (EE)	SPT (FI)	
			Indutek (RU)		Tecalemit (LV)	Gedevelop	
			Industek (LT)		Tecalemit (LT)	PRP-Plastic (FI)	
					Tecalemit (RU)	Tribotec	
						Spinova	
						Damalini	

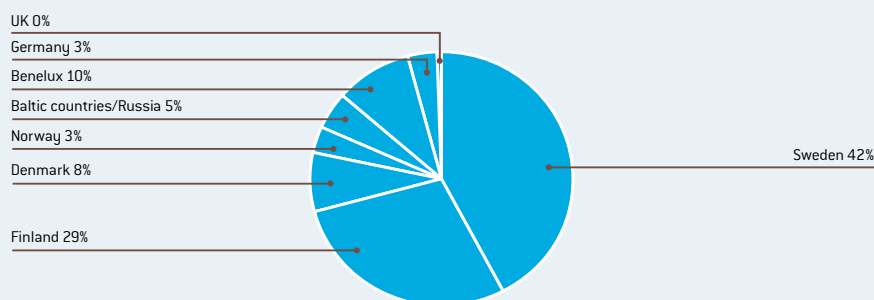
¹⁾ Subsequently sold by Indutrade.

²⁾ Sonesson Trading is now a division of the subsidiary Bengtssons Maskin.

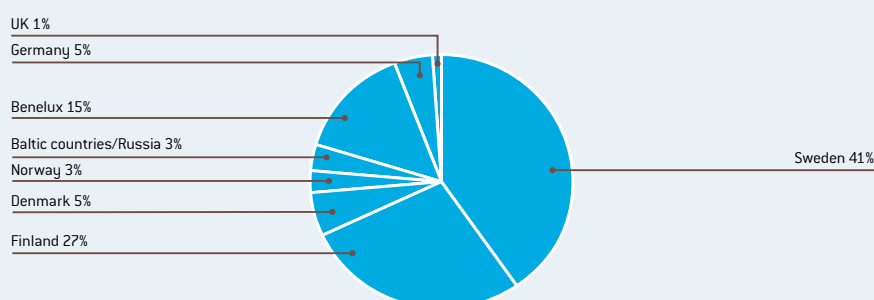
³⁾ Tehovoitelu is now a division of the subsidiary YTM.

BUSINESS AREA	ENGINEERING & EQUIPMENT	FLOW TECHNOLOGY	INDUSTRIAL COMPONENTS	SPECIAL PRODUCTS
Description	Engineering & Equipment offers customised niche products, design solutions, aftermarket service and special processing. The products consist primarily of hydraulics, equipment for automotive workshops, flow products and transmissions.	Flow Technology offers components and systems for the management, control and monitoring of flows. The products consist primarily of valves, pumps, and measuring and analysis instruments.	Industrial Components offers a broad range of advanced technical components and systems for production and maintenance. The products, which mainly consist of consumables for recurring needs, include fasteners, filters, adhesives and cutting tools.	Special Products offers specially manufactured niche products, design solutions, aftermarket service, assembly and special processing. The products include measuring instruments, special plastics, tool holders, electrical components, industrial springs and high-pressure valves.
Net sales, SEK million	SEK 1,968	SEK 1,474	SEK 940	SEK 1,322
EBITA, SEK million	SEK 204	SEK 145	SEK 103	SEK 234
Average number of employees	658	428	304	531

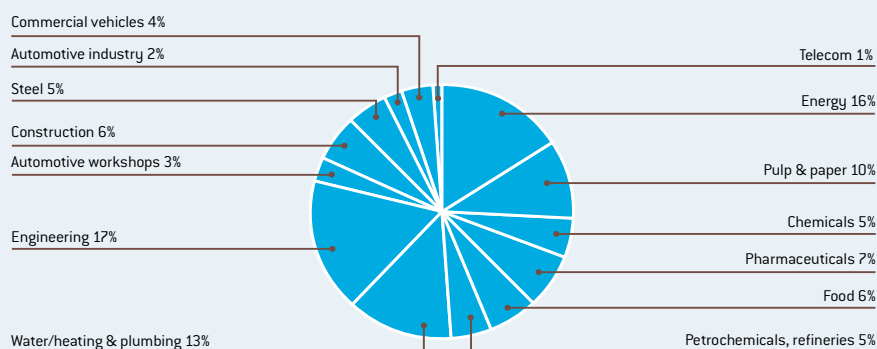
NET SALES PER MARKET



EBITA PER MARKET



CUSTOMER MIX



GROWTH DRIVEN BY STRONG MARKET AND MANY ACQUISITIONS

Strong demand in our markets resulted in high organic growth. On top of this, we acquired twelve new companies in 2007.

In 2007 Indutrade succeeded in achieving both strong growth and improved profitability. This can be credited in part to a strong market, but I also see it as proof that our clear focus on growth and margins was on the mark and that we succeeded in creating value for our customers as well as suppliers.

We create this value through the high level of technical expertise and strong commitment of our employees. Through long-term customer relationships we gain in-depth knowledge about our customers' production processes, which enables us to offer qualified advice and custom-tailor optimal solutions. Many of our subsidiaries further enhance customer value through service, training and other after-market services.

A large share of our growth during the year was organic, which reflects the long-term growth strategies pursued by each of our subsidiaries. All of our companies have the shared goal of outpacing growth in the market.

In addition, we stepped up our already high pace of acquisitions and completed a full twelve acquisitions during the year. There are many reasons why we succeeded in carrying out so many acquisitions. The main reason is that our contact network has become broader and tighter. We have been established for a long time in Sweden and Finland, and now our networks are growing stronger in a similar way in our other markets. As a result, we are gaining a better overview and knowledge about the markets at the same time that we are becoming better known, which increases the number of acquisition opportunities that come our way.

I am also seeing clearer effects of the greater responsibility that our subsidiary presidents have been given to identify acquisition candidates in their respective areas. The Group's acquisition process has quite simply become more active through the involvement of more people. In all of our existing markets – and a few others – we have identified and contacted a number of companies in which a change in ownership may be conceivable within a few years.

The companies we acquired during the year were Aluflex System (Sweden), Axelvalves (Sweden), Carrab Industri (Sweden), ELRA (Norway), ES Hydagent (Sweden), IPS (UK), Labkotec (Finland), MWS Ventilservice (Sweden), Palmstiernas Svenska (Sweden), Recair (Finland), SAV-Danmark Trading (Denmark) and Sigurd Sorum (Norway). All of these companies fit into our structure geographically and in terms of products. (See pages 23-25 for a more detailed description of these companies.)

In one respect, the acquisitions were not in the direction that we had originally thought heading in to 2007. In last year's Annual Report I wrote that we would be stepping up our efforts to find acquisition candidates in Germany and France. We did this, but we did not succeed in making any acquisitions in these countries. Instead, an opportunity emerged through a relationship that our subsidiary GPA

has had for several years, to acquire an interesting company in north-east England. IPS (International Plastic Systems) is one of the UK's leading suppliers of plastic pipe systems and valves, and bears many similarities to our subsidiary GPA in Sweden, Norway and Denmark. IPS is the Indutrade Group's first acquisition in the UK.

This illustrates how company acquisitions are often a matter of seizing opportunities at the moment. At the same time, of course our acquisitions must be based on a long-term strategy. We are looking for well managed companies with a high-tech content and strong positions in their respective niches. (See page 10 for a more detailed description of our acquisition strategy.)

Our net sales rose 26% during the year, to SEK 5,673 million (4,516). Although the acquisitions accounted for 12 percentage points of this increase, our strong organic growth was even more gratifying, accounting for 14 percentage points. Growth was strong in all business areas.

Earnings measured in terms of EBITA rose 41% to SEK 650 million (460), and the EBITA margin climbed to 11.5% (10.2%). Our EBITA margin – as illustrated on the front cover of this Annual Report – has thus risen steadily for five years, from 7.2% in 2003 to 11.5% in 2007.

The improved margin can be credited to higher volumes combined with a limited rise in overheads. Another contributing factor was the benchmarking that we introduced in 2005, whereby the subsidiaries are increasingly comparing themselves and learning from each other – these comparisons have created a stimulating competitive spirit among the subsidiaries. The profitability improvement can be credited more to existing companies than to acquisitions.

Both growth and profitability widely surpassed our targets, which are growth of 10% and an EBITA margin in excess of 8%. The return on operating capital was 40.6%, compared to our target of higher than 25%. The single most important explanation for these successes is the ambitions and driving force of the employees and managements of our subsidiaries.

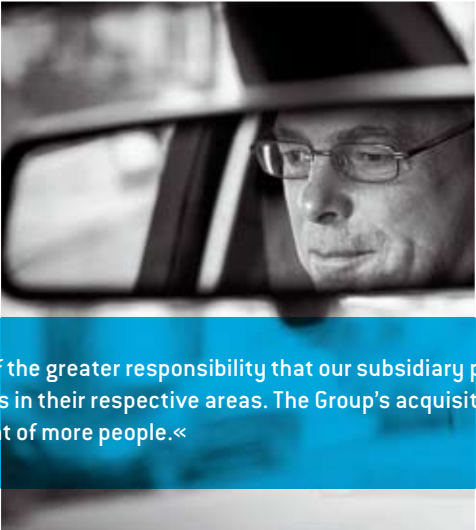
In 2008 we plan to continue on this path of profitable growth by creating value for our customers and suppliers.

We also plan to acquire a number of companies. I still see good takeover opportunities in Sweden and Finland, and we will be building further on the positions that we have obtained above all in Norway, Denmark and the Benelux countries. The acquisition of IPS has given us our first bridgehead into the UK. In Germany we continue to study acquisition possibilities with the patience that is required in countries where Indutrade is not yet recognised as a well known player.

Finally, as previously, we will continue our efforts to increase the share of companies with own products and brands.



Johnny Alvarsson, President and CEO



»I am seeing clearer effects of the greater responsibility that our subsidiary presidents have been given to identify acquisition candidates in their respective areas. The Group's acquisition process has become more active through the involvement of more people.«

SHARE DATA

Indutrade's shares have been listed on the OMX Nordic Exchange Stockholm since 5 October 2005. The shares are quoted today on the Mid Cap list. Indutrade's market capitalisation was SEK 4,930 million (5,400) on 31 December 2007.

SHARE PRICE TREND AND RETURN

Indutrade's share price fell 9% during the year, from SEK 135 to SEK 123.25. The Stockholm Stock Exchange fell 6% for the year, while the OMX Industrials index gained 7%. Including reinvested dividends, the total return for Indutrade shares fell by 7%. The highest price paid during the year was on 9 May (SEK 172), and the lowest price paid was on 21 December (SEK 117). Since the stock market introduction on 5 October 2004, Indutrade's shares have delivered a total return of 99%, including reinvested dividends, while the SIX Return Index, which measures the total return of the market as a whole, showed a total return of 35%.

TRADING VOLUME

Trading in Indutrade shares decreased somewhat in 2007. A total of 11.7 million Indutrade shares were traded (20.3), for a combined value of SEK 1.9 billion (2.0). This corresponds to a turnover rate of 29% (51%). The turnover rate for the stock market as a whole was 139%. Average trading volume per trading day was 46,759 shares (78,703), with an average of 72 transactions (71) in Indutrade's shares per trading day.

DIVIDEND AND DIVIDEND POLICY

The Board's goal is to offer shareholders an attractive dividend yield and good dividend growth. The goal is that the dividend over time will amount to a minimum of 50% of net profit. For 2007, Indutrade's board has proposed a dividend of SEK 5.25 per share (3.75), corresponding to 50% of net profit for the year.

SHARE CAPITAL

Indutrade's share capital was SEK 40 million on 31 December 2007 (40), divided by 40,000,000 shares with quota value one. All shares have equal voting power.

INCENTIVE PROGRAMME

In November 2005, Indutrade's board of directors, in co-operation with AB Industrivärden, established an incentive programme directed at senior executives of the Group. The aim of the programme is to encourage management's long-term commitment and participation in the Company. The term of the programme extends until 30 June 2010.

A total of 30 senior executives have acquired a combined total of 169,600 shares and 284,800 stock options in the Company, at market price. The stock options were issued by AB Industrivärden and expire on 30 June 2010.

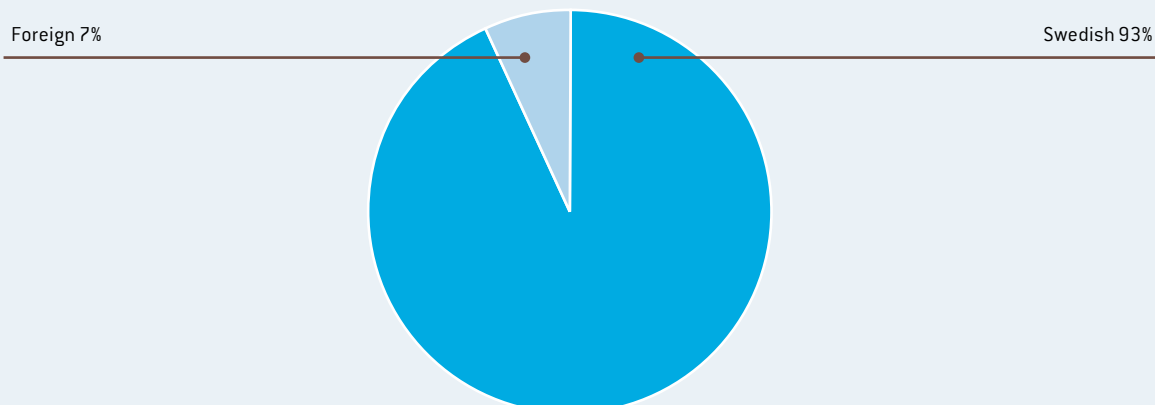
Indutrade compensates the executives participating in the programme with a total of 40% of the invested amount. The total cost for the Company is estimated to be approximately SEK 7 million, of which SEK 1.3 million was charged against 2007 earnings, while SEK 1.3 million will be charged against earnings for each of the next two years.

OWNERSHIP STRUCTURE

Indutrade had 4,739 shareholders on 31 December 2007 (5,230). At year-end the ten largest owners controlled 77% of the capital and votes (72%). Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 85% of the capital and votes at year-end (80%). Foreign ownership in the Company was 7% (10%).



DISTRIBUTION AMONG SWEDISH/FOREIGN SHAREHOLDERS



THE TEN LARGEST SHAREHOLDERS ON 31 DECEMBER 2007

	Number of shares	Capital/votes, %
AB Industrivärden	14,757,800	36.89
AFA Insurance	4,130,615	10.33
L E Lundbergföretagen	4,000,000	10.00
Handelsbanken Pension Foundation	1,978,000	4.95
Handelsbanken Pension Fund	1,969,300	4.92
Lazard Asset Mgmt, USA	1,000,000	2.50
Aktie-Ansvar funds	886,000	2.22
Swedbank Robur funds	745,424	1.86
SEB funds	660,800	1.65
Vontobel Asset Mgmt, USA	650,000	1.63
Others	9,222,061	23.05

KEY DATA PER SHARE

Share price at 31 December, SEK	123.25
Market capitalisation at 31 December, SEK m	4,930
Dividend, ¹⁾ SEK	5.25
Earnings, SEK	10.48
Number of shares outstanding, thousands	40,000
Number of shareholders on 31 December	4,739
Highest price paid during the financial year, SEK	172
Lowest price paid during the financial year, SEK	117
Dividend yield, ²⁾ %	4.3
Equity/net asset value, SEK	29.73
Cash flow from operating activities, SEK	9.98

¹⁾ Proposed by the Board of Directors.

²⁾ Dividend divided by the share price as per 31 December.

SHAREHOLDERS GROUPED BY SIZE

	Holding	Number of shareholders	Share of capital and votes, %
1	– 500	3,018	1.90
501	– 1,000	898	1.87
1,001	– 2,000	375	1.53
2,001	– 5,000	227	2.01
5,001	– 10,000	90	1.70
10,001	– 20,000	45	1.67
20,001	– 50,000	33	2.72
50,001	– 100,000	22	4.14
100,001	– 500,000	23	12.23
500,001	– 1,000,000	3	5.78
1,000,001	– 5,000,000	4	27.59
10,000,001	–	1	36.89

MISSION, GOALS AND STRATEGIES

MISSION

Indutrade markets and sells components, systems and services with a high-tech content in selected niches. Through in-depth knowledge about customers' systems and processes and a high level of technical expertise, Indutrade will be the most effective partner for its customers and suppliers.

OVERALL GOALS

Indutrade will be the leading technology sales company in the Nordic region in terms of net sales and profitability as well as technical expertise. The Company aims to expand successively in its selected product areas and niches with limited business risk.

FINANCIAL TARGETS

- Average annual sales growth of 10% over a business cycle, of which
 - organic growth is to exceed GDP growth in the geographic markets in which Indutrade operates, and
 - remaining growth will be achieved through acquisitions.

During the period 2003–2007, consolidated net sales increased from SEK 3,197 million to SEK 5,673 million, corresponding to average annual sales growth of 13%.

Net sales in 2007 rose 26%, of which approximately 12 percentage points were acquired growth and approximately 14 percentage points organic growth.

- The EBITA margin shall exceed 8% on average per year over a business cycle.

The average EBITA margin during the last five years (2003–2007) was 9%. The EBITA margin in 2007 was 11.5%.
- Return on operating capital shall exceed 25% on average per year over a business cycle.

During the last five years (2003–2007), the average return on operating capital was 31.7%. In 2007 the average return was 40.6%.
- The net debt/equity ratio should normally not exceed 100%. During the last five years, the net debt/equity ratio varied between 40.0% and 57.4%, and was thus below 100% by a wide margin. The debt/equity ratio at year-end 2007 was 54.7%.

STRATEGIES

Indutrade has adopted the following strategies to achieve these targets:

Growth with limited operational risk

Growth shall be pursued in three dimensions:

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

Growth shall take place organically and through acquisitions. In pace with Indutrade's growth, the entry barriers for potential competitors

are expected to increase. At the same time, the risk of Indutrade's suppliers establishing their own sales organisations in the Company's markets will decrease. Business development and growth are thus strategic tools for lowering operational risk.

Strong market positions

Indutrade focuses on selling products in niches in which it can attain a leading position. Strong market positions are often a condition for good profitability. They also make it easier to attract the best suppliers, which further secures Indutrade's position.

Long-term partnerships with leading suppliers

Indutrade gives priority to suppliers who, through their own development processes, provide market-leading, high-quality products with a high technology 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 makes Indutrade a more attractive business partner for existing and potential customers.

Companies with proprietary products and brands

Indutrade balances its technology trading companies with a number of companies with 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.

High share of repetitive sales and focus on selected customer segments

Indutrade offers components, systems and services for customers with recurring needs. This contributes to operating stability and predictable revenue flows.

The Group gives priority to customers with recurring needs 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

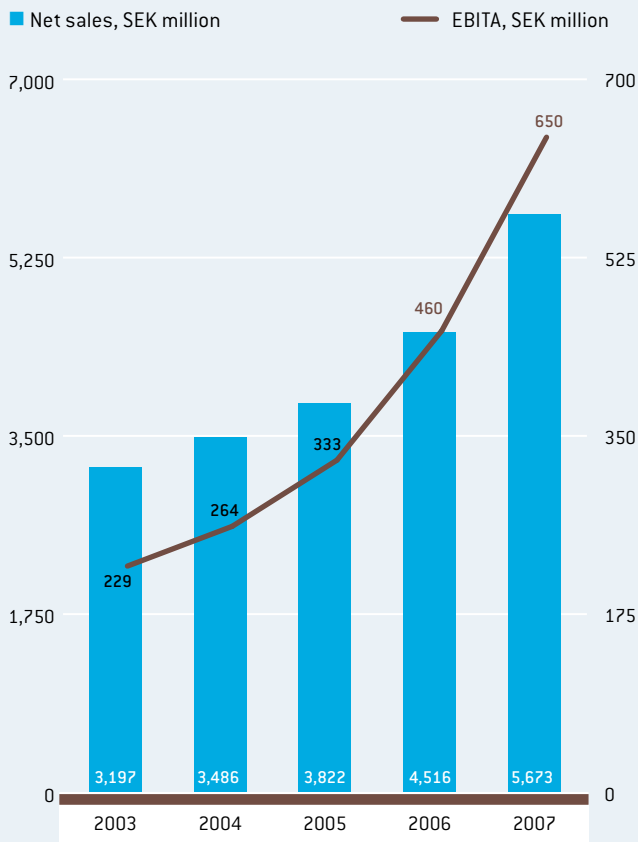
Indutrade's range of products and services, which are aimed at both end users and OEM customers (customers that integrate Indutrade's products in their own products), shall have a high-tech content and incorporate a high level of service and qualified technical consulting. Indutrade's sales representatives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

Decentralised organisation with strong local presence

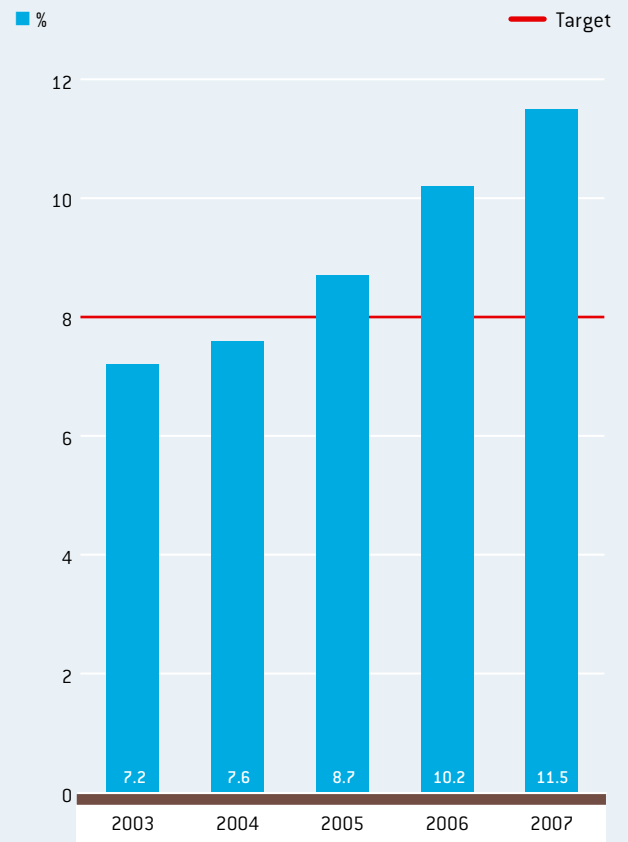
Indutrade's governance model is characterised by decentralisation, as the best business decisions are made close to customers by people who have a solid understanding of the customers' needs and processes.

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

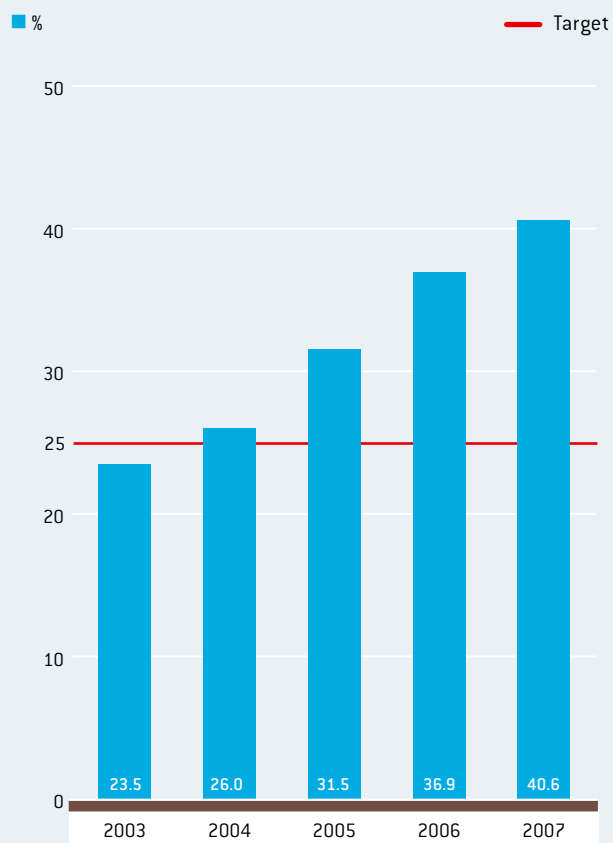
NET SALES AND EARNINGS TRENDS



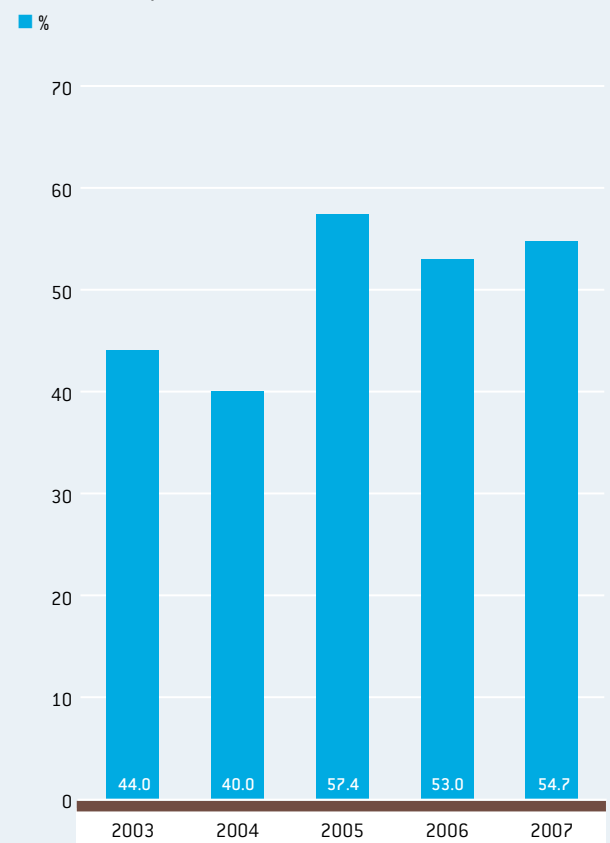
EBITA MARGIN



RETURN ON OPERATING CAPITAL



NET DEBT/EQUITY RATIO



GROWTH THROUGH ACQUISITIONS

Indutrade's future growth will be achieved primarily through company acquisitions. The goal is to acquire a number of "normally large" companies each year. In addition, opportunities for larger acquisitions are evaluated on a continuous basis.

The Group has a long record of experience in company acquisitions. Since 1978 more than 60 acquisitions have been carried out, of which more than 40 were during the last decade. These acquisitions have accounted for a large share of Indutrade's sales growth.

Through its established network of customers, suppliers and other market players, Indutrade has a good picture of potential acquisition candidates in the market. Due to the fragmented market structure, access to acquisition candidates is good. By virtue of its strong acquisition history, its size and its good reputation, Indutrade has the experience and conditions needed to continue to make value-creating acquisitions.

THE ACQUISITION PROCESS

Indutrade works according to a tried-and-tested process for analysing, planning and carrying out company acquisitions. The aim is to structure the acquisition process and ensure the quality of the acquisitions that are made. This process involves five steps:

1. Identification

A list of potential acquisition candidates is continuously updated and normally contains more than 100 companies. Small companies, with net sales of less than SEK 50 million, are often identified by Indutrade's subsidiaries or at the business area level, while Group management focuses on identifying larger strategic acquisition candidates.

Indutrade strives at an early stage to engage in a dialogue with the owners of potentially interesting companies. By doing so, Indutrade is often the natural partner for the owners when discussing the possibility of a sale. At any given time, Indutrade is engaged in talks with five to ten acquisition candidates.

2. Evaluation

Potential acquisitions are evaluated according to a number of set parameters. Examples of these include market position, customers, competitors, the strategic and technical orientation of main suppliers, recurring elements in the product range, financial position, history, the continued involvement of key employees and the value-added the company can create for customers and suppliers. The aim of this analysis is to minimise the operational and financial risks associated with an acquisition.

3. Negotiation

The primary aims of the negotiation phase are to ensure:

- that the acquisition can be carried out at a price that makes it a value-creating deal. Historically, Indutrade has acquired businesses at a price of 4–8 times net profit;
- the continued involvement of key employees after the acquisition. Since the key persons are often part-owners of the company being acquired, usually an acquisition structure with an earn-out payment is used. This gives the key persons an incentive to continue working with the Group and contribute to continued growth in net sales and earnings;
- that the acquisition candidate's main suppliers approve of the acquisition, to prevent the loss of key product agencies.

4. Implementation

In connection with an acquisition, a structured review is conducted of the acquired company. This review is focused primarily on three areas:

- Customers and suppliers – broadening of the customer base and product range
- Organisation – streamlining with the primary aim of increasing focus on customers and sales
- Costs, margins and inventory turnover – to boost profitability and ensure a stable financial position

New financial targets are established and adjusted to the company's specific conditions.

5. Follow-up

Group management and the management teams of the respective business areas carry on a continuing dialogue with the company's management. The day-to-day management is goal-oriented, with focus on growth, margins and tied-up capital.

Normally, most key employees of acquired companies continue to work for Indutrade, even after an earn-out payment. A key reason for this is Indutrade's company culture, with a strongly decentralised organisation that gives entrepreneurs considerable freedom to continue developing their businesses.

THE ACQUISITION PROCESS



Indutrade has developed a tried-and-tested acquisition process for analysing, executing and implementing company acquisitions. Over time the Group has built up an extensive network of customers, suppliers and other players. This gives Indutrade a good picture of the range of potential acquisition candidates. Indutrade's acquisition process aims to structure the acquisition process and ensure the quality of the acquisitions that are made.

THE ACQUISITION STRATEGY FOCUSES ON:

- Companies in niches in which Indutrade has a high level of expertise
- Leading companies with a high-tech content in their respective niches
- Profitable companies
- Companies whose suppliers' long-term strategies are in line with Indutrade's strategy
- Companies whose customers have recurring needs and capital-intensive production
- Companies whose key persons are motivated to continue running the company even after it has been acquired.

CREATING VALUE FOR CUSTOMERS AND MANUFACTURERS

Indutrade creates value for customers and manufacturers by structuring and streamlining the value chain

VALUE IS CREATED FOR CUSTOMERS THROUGH:

- Professional advice regarding choices of components and systems.** Indutrade's subsidiaries offer a broad range of technically advanced products in selected niches. The products are often important for the customers' production processes and are designed to meet exacting demands on quality, durability and temperature tolerance, among other things. A large share of the products meet recurring needs among customers and have a high-tech content. Indutrade strives to establish close co-operation with customers and contribute know-how early in the planning and development stages.
- Customised end-to-end solutions.** A number of Indutrade's subsidiaries conduct their own manufacturing, further processing and product development. This allows Indutrade to offer customised solutions with a high degree of value-added and to create specialised system solutions. In 2007 sales of proprietary and further-developed products amounted to approximately SEK 1.3 billion, corresponding to roughly 23% of consolidated net sales.
- Support, training and other aftermarket services, and access to a local business partner.** Some 30 Indutrade subsidiaries offer aftermarket service, such as repairs, monitoring, technical service,

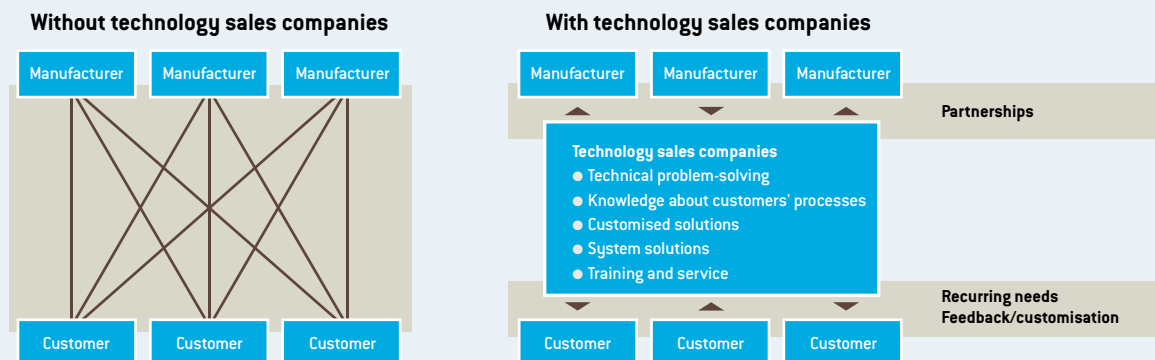
laboratory services, validation, product adaptation, assembly and tool sharpening. All services have a natural connection to the Group's products and customer relationships. Sales related to aftermarket service amounted to approximately SEK 203 million in 2007, or approximately 4% of consolidated net sales. Indutrade also offers training in use of the Group's products and their integration in large systems.

- Reduction in the number of supplier contacts.** Indutrade offers a broad product range and broad geographic coverage in the Nordic region. This enables many customers to reduce the number of suppliers they use and thereby lower their administrative costs.

FOR MANUFACTURERS, VALUE IS CREATED THROUGH:

- Access to a technically qualified sales organisation with established customer relationships and local market knowledge.
- Access to information about customers' production processes through the technology sales companies' established customer relationships.
- Broader areas of application for manufacturers' products by enabling the technology sales companies to combine products and systems from different manufacturers and thereby offer customised solutions.
- The opportunity to sell products in markets in which it is not considered to be economically feasible to build up an own sales organisation.
- Local support and training.

BUSINESS MODEL



Indutrade's technology sales companies provide technical expertise, customised solutions, service and training. In addition, the technology sales companies add structure to the value chain and thereby help reduce the number of resource-demanding business relationships.

”USING THE PRODUCTS REQUIRES KNOWLEDGE”

A key part of creating value-added for customers involves teaching them to use Indutrade's products as effectively as possible. Accordingly, many of Indutrade's subsidiaries offer training in how their products are to be used and integrated in larger systems.



»A certain level of technical knowledge is needed for optimal use of the products. We help customers avoid pitfalls.«

Johan Gripengberg (centre), Colly Components



An example can be seen at Colly Components, which regularly arranges courses in joining techniques within the framework of its "Fasteners School". In 2007 these included two two-day seminars at Colly Components' premises in Kista as well as a number of training sessions on-site at customers' premises.

"A certain level of technical knowledge is needed for optimal use of the products. We help customers avoid pitfalls," says Johan Gripengberg, who heads the Fasteners School at Colly Components. "Our training focuses on using the products in a cost-effective manner and choosing the right type of fastener for various materials and applications."

The theme of the seminar in October 2007 was joining techniques for sheet metal. The agenda covered such techniques as blind rivets, clinch joining, self-piercing riveting, blind rivet nuts, press fasteners and Fastite thread forming sheet metal screws. The seminar included a mix of theory and practice.

"We work a lot with sheet metal for our fittings, and I came away from the seminar with in-depth knowledge about various techniques," says Peter Håkansson, production technician at Thorn Lighting and one of the participants at the seminar.

Thorn Lighting, in Landskrona, Sweden, is a global supplier of light fittings and lighting projects for both indoor and outdoor use, with approximately 350 employees.

"The section on clinch joining was especially rewarding, since we are considering a changeover to this technique instead of spot welding, which we use widely today," says Håkansson. "The review of Fastite screws was also very helpful. As a whole the seminar contained a good balance of theory and practice."

The Fasteners School was established in 2000, and usually about 20-25 people are invited to each seminar.

"It's important to stress that we conduct these seminars in a neutral spirit," says Johan Gripengberg. "We teach techniques that are practical also with other products than the ones we sell ourselves. It's not about promoting any particular brand."

Colly Components delivers complete function solutions in eight technical areas: threaded joint technology, thin sheet joining, plastic joining, mechanical components, locks and hinges, flow components, quick-connect/disconnect couplings and bearing technology.

STRONG DECENTRALISATION

The best decisions are made by the people who have the best knowledge about the customers' needs and processes. This is why Indutrade's organisation is strongly decentralised.

The large amount of freedom given to Indutrade's subsidiaries is conducive to customer specialisation and flexibility, and creates a favourable environment for nurturing an entrepreneurial spirit in the organisation.

Decentralisation is also a natural consequence of the Group's niche focus. Building up the expertise that is needed to create customer value – and thus profitability – requires that operations are concentrated in a number of niches. However, the conditions for this differ quite a bit among the various niches, which makes it suitable that each subsidiary forms its own strategy.

Moreover, giving subsidiary management a high degree of independence is an important factor in retaining key people in acquired companies.

The Parent Company's role is to support the subsidiaries with industrial know-how, financing, business development and management by objective. Management by objective is primarily focused on profit margins and growth.

The Group is organised in four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products (see also pages 26–33). Each business area comprises a number of independent subsidiaries.

Indutrade has nearly 90 subsidiaries. The companies vary in size, but typically have 15–40 employees, most of whom are sales engineers or technical consultants. Most of the companies have built up enduring, close relationships with their customers over several decades and have gradually become specialists in their respective technology areas. Operations are often built up around a couple of strong, well established suppliers, backed up by a number of smaller agencies.

The subsidiaries' success can largely be credited to their employees' entrepreneurial spirit and technical expertise. Consequently, the Group attaches major importance to continuous competence development. Entrepreneurial spirit is strengthened through leadership development and sales training initiatives, among other things. Technical training is conducted primarily under the direction of suppliers.

During the year, the Flow Technology business area started its own Flow Academy – a training programme focusing on further raising the employees' technical expertise as well as improving their sales skills.

Indutrade had an average of 1,929 (1,673) employees during the year, of whom 20% were women and 80% men.

QUALITY

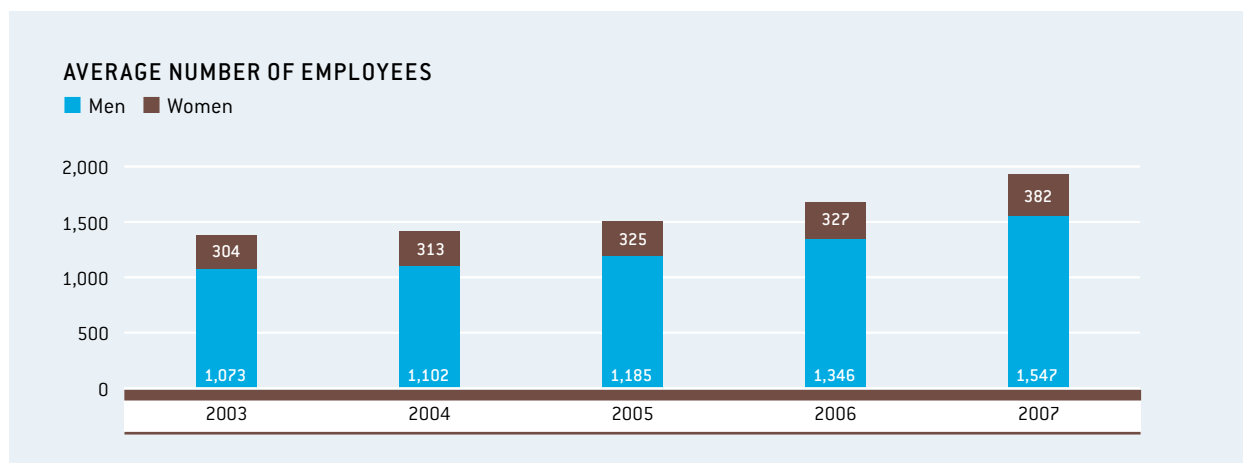
Indutrade's objective is that the products and services it provides should meet or exceed customer expectations. Consequently, priority is always given to maintaining high quality. Customers should equate Indutrade with quality products, delivery reliability, excellent technical support and a positive, professional attitude.

Quality assurance activities cover products and processes in which all aspects (from purchasing and inventory routines to delivered products and technical solutions) are to maintain the highest possible standards of quality. Quality systems are characterised by precision, long-term focus and continuous improvement with a distinct customer focus.

Upon initiating co-operation with a new supplier, major emphasis is put in evaluating quality aspects.

Thirty-three of the Group's subsidiaries are certified according to ISO 9001 and/or QS 9000. All ISO-certified companies have quantifiable goals (such as delivery deadlines to customers and number of returns) that are continuously compared with results.

Subsidiaries seek ISO certification only when it is deemed necessary for market reasons. However, even subsidiaries that are not certified conduct quality assurance work focused on continuous improvement.



WORKING FOR SUSTAINABLE DEVELOPMENT

Indutrade strives for sustainable development, which entails that consideration is given to long-term environmental aspects as well as to maintaining a balance between social and economic demands.

Indutrade strives to develop and maintain profitable, long-term sustainable and ethical business. The Group's long history of doing responsible business is a compelling obligation for the future. Business concepts and strategies must support positive environmental work and social responsibility.

Indutrade strives to be a reliable and responsible company that always lives up to its commitments. The business is based on long-term, strong relationships with customers and suppliers as well as good ethics and respect for all individuals both within the company and in external contacts.

The Group's employees are given the same opportunities regardless of age, skin colour, gender, nationality, creed, sexual preference or ethnic origin. Discrimination and harassment are not tolerated. The Company offers a safe and healthy work environment, and conducts systematic improvement work in this area.

THE ENVIRONMENT

Environmental aspects are integrated in Indutrade's operations. The goal is to use environmental plans and systematic improvement work in an effort to continuously minimise the environmental impact of operations. A fundamental aspect of this is an approach that leads to long-term sustainable development. This means that the companies all strive for high efficiency in the use of energy and natural resources, that they promote systems for recycling and reusing material and energy, and that they prevent and limit pollution.

The ambition is to be highly responsive to customers' and suppliers' preferences and thereby be able to meet the environmental requirements made by the market.

Indutrade's environmental work is steered by legal requirements and directives as well as by what is financially reasonable, technically possible and ecologically justifiable. The Group strives for transparent reporting with respect to its successes as well as to any problems that may arise in the environmental area.

The Group's core business is trade and distribution. Only a few of the Group's companies are engaged in manufacturing themselves. Indutrade's environmental impact is thus limited and is a result of transports of finished products, business travel and waste management.

Environmental aspects are taken into account throughout the entire production chain, which means that product components shall also be as environmentally adapted as possible. When choosing comparable products with comparable prices, the alternative that has the smallest environmental impact shall always be chosen. Choices of raw material, semi-finished components and so on should result in high product safety.

The goal is to reduce the amount of water and energy consumed in making the products. Waste shall be handled in a safe and effective manner.

Fifteen of the Group's subsidiaries are certified according to ISO 14001. Certification processes are conducted if warranted by demands from customers or suppliers. However, even subsidiaries without any environmental certification conduct systematic environmental work focused on continuous improvement.

Nine of the Group's Swedish subsidiaries conduct operations requiring permits according to the Environmental Code. Of the Group's foreign subsidiaries, two conduct operations with similar requirements for permits or notification.



»The single most important explanation for our success is the ambition and drive of the employees and management in our subsidiaries«
Johnny Alvarsson, CEO



"SHOCKING" NEWS PAVED THE WAY FOR SUCCESS

"We were a bit shocked when we heard that we were about to be acquired by Swedes," says Piet Steenkist, President of Indutrade's subsidiary HITMA in the Netherlands.



The year was 1989, and Steenkist feared that the new owner would micromanage HITMA with an iron hand.

"But as we quickly learned, the change was in fact very positive. Indutrade gives its subsidiaries free reins to make their own decisions, and that strategy has proved to be successful," he says. "During the past 19 years I cannot recall a single occasion on which Indutrade has affected HITMA in a negative way."

At the same time, he stresses that HITMA draws great benefit from the opportunities for informal benchmarking and the sharing of ideas between various units within the Group. One example of such contact-building is the yearly meeting in which all of the Group's company presidents are gathered.

"We get inspiration and learn from the experiences of businesses that are similar to our own, and this has led to major improvements for us," says Steenkist. "One tangible sign is the near doubling in our average operating margin compared with the time before Indutrade took over." HITMA's business consists of four divisions plus one subsidiary, Aluglas.

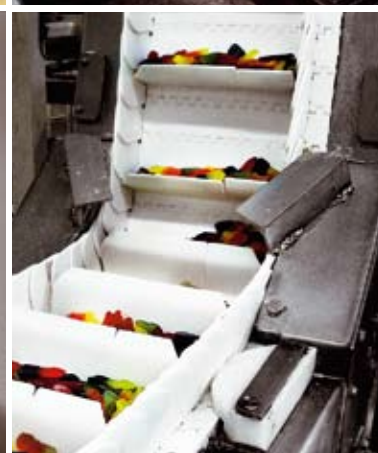
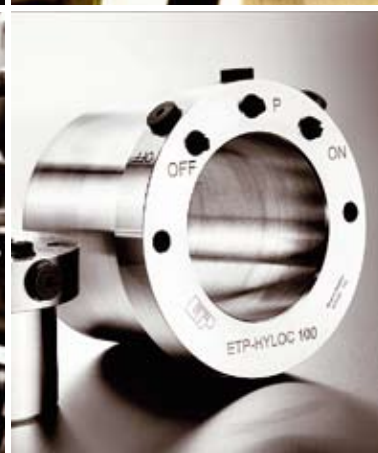
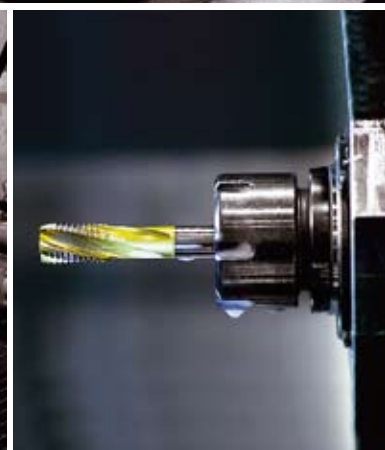
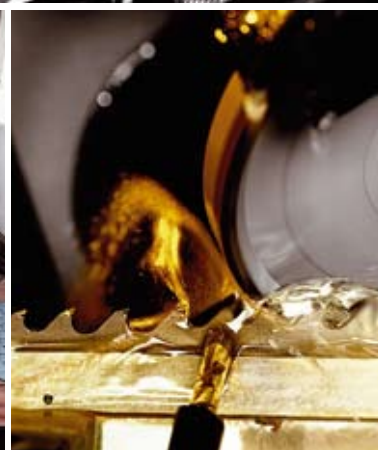
- HITMA-Process supplies valves and other safety devices, mainly to the oil and petrochemical industry.
- HITMA-Instrument markets various types of measurement instruments for measuring pressure, flows, temperature and pH, among other things. Customers are mainly in heating, ventilation and air conditioning.
- HITMA-Filter offers a wide range of filtration and separation products to customers in a large number of different industries. Operations are similar to those conducted by Indutrade's subsidiary Colly in Sweden and Finland. As a complement to its filter sales, HITMA has a laboratory for analysing liquids, which provides documentation for determining which filters should be used in a given system or process.
- HITMA-Ultrapure supplies filter solutions for sanitation and cleaning processes, such as containers, hoses, couplings and pumps. Customers are mainly in the pharmaceutical and semiconductor industries.
- Aluglas differs somewhat from the other businesses and supplies packaging products, such as glass bottles and plastic containers, primarily to the pharmaceutical industry.

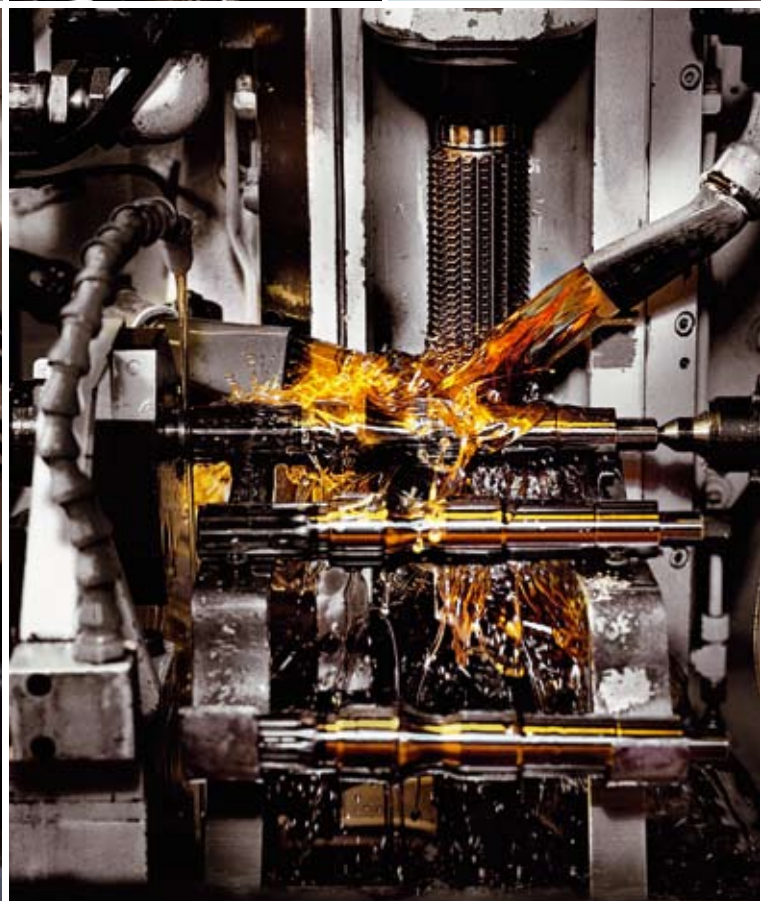
HITMA also has a service and repair unit that jointly serves the four divisions. HITMA has showed stable growth and good profitability for a long succession of years. In addition to his role as President of HITMA, Steenkist also has overall responsibility for Indutrade's operations in Benelux and for the Group's expansion plans in the region. "Our goal is to acquire one or two companies a year in the Netherlands and Belgium."

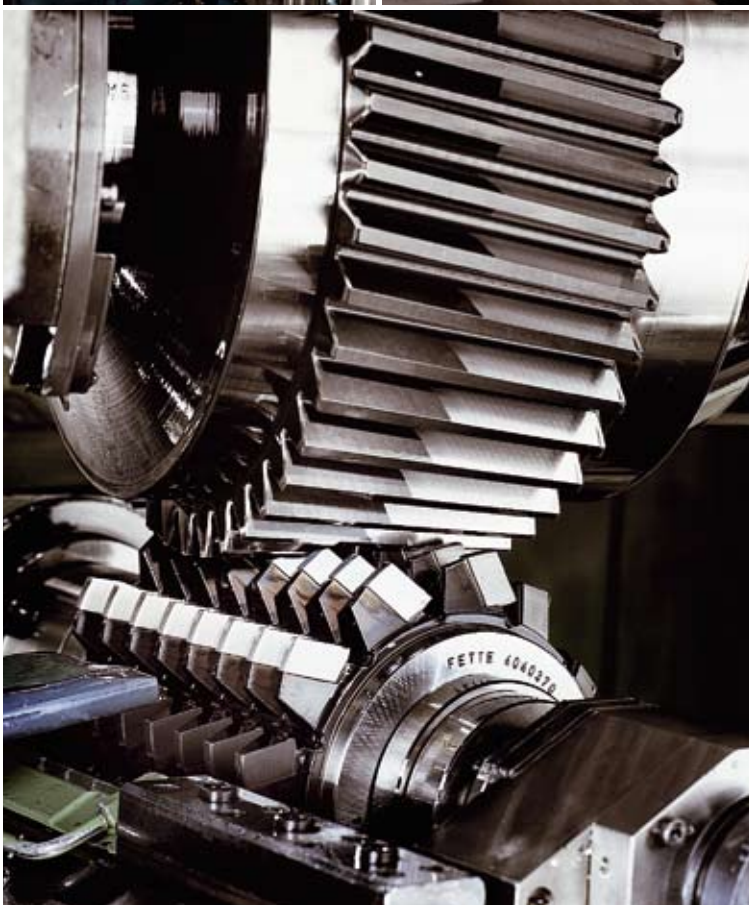


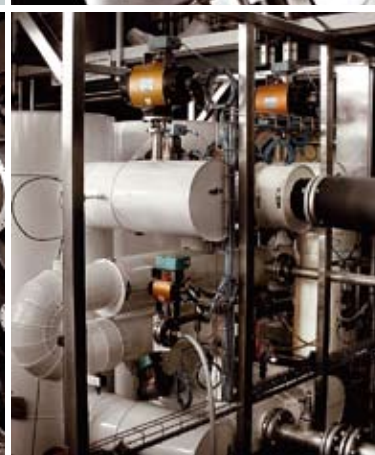
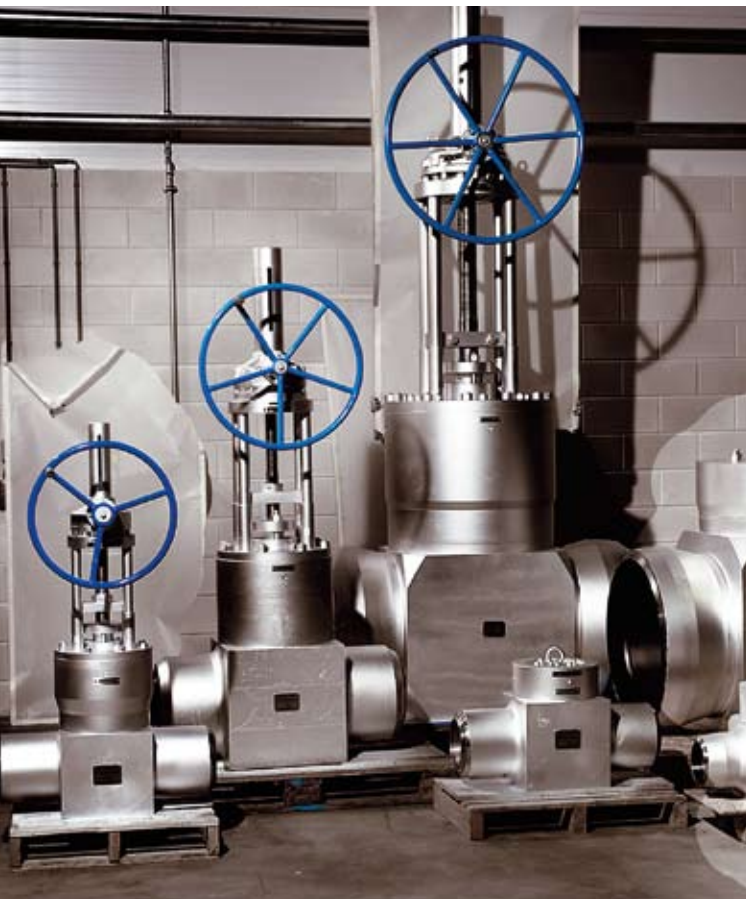
»Our success can be credited primarily to the extensive level of knowledge about products and applications among our employees.«

Piet Steenkist, President of HITMA









BROAD, STABLE MARKET

Indutrade's customers work in a variety of industries and countries. This reduces the Group's sensitivity to economic swings.

Indutrade is a technology sales company active primarily in the northern European market for components, systems and services for use in industry. In this market, sales are made either directly through the manufacturers' own sales organisations, or indirectly through technology sales companies and wholesalers.

Technology sales companies differ from wholesalers in that they offer technical advice, customised solutions and generally more technologically advanced products. In addition, technology sales companies often offer high-quality support, training and other aftermarket services. From the manufacturer's perspective, working through a technology sales company is like having an own sales organisation.

PRODUCTS

The market can be broken down into products for recurring needs and products of an investment nature. Products for recurring needs generate more stable revenue flows. Indutrade focuses on products for recurring needs with a high-tech content in selected niches.

MARKET SIZE

Indutrade conducts business in twelve countries. In 2007 the Group's two most important geographic markets, Sweden and Finland, together accounted for about 71% of consolidated net sales.

Indutrade estimates that the market for the niches in which the Group operates is worth approximately SEK 15 billion in Sweden and about SEK 8 billion in Finland. This means that Indutrade has an estimated market share of about 18% in its niches in the Swedish and Finnish markets, respectively. In the other geographic markets, Indutrade is a relatively minor player at present.

MARKET GROWTH AND CYCLICAL DEPENDENCE

Growth in Indutrade's markets is primarily dependent on growth in the industries in which the customers operate. Growth in the customer segments depends on several factors, including the general economic trend.

However, Indutrade sells products and services to many sectors, each of which is affected in different ways at any particular stage of the business cycle. This means that, compared with other companies with similar operations, Indutrade's profitability is normally less sensitive to economic swings. Demand for Indutrade's products and services tends to grow in pace with GDP in the geographic markets in which Indutrade operates.

DRIVING FORCES AND TRENDS

Following is a description of the main trends and other central driving forces in Indutrade's markets.

Focus on core business

Many industrial companies in northern Europe are increasing the focus on their core businesses. In many cases, non-core activities are being given lower priority, which is resulting in a decline in the level of knowledge in these areas. Consequently, industrial companies today have a greater need to work closely with suppliers that possess a high level of technical expertise and knowledge about their customers' processes and needs.

This is well in line with Indutrade's strategy and business orientation.

Higher demand for services

Many customers are working to reduce the size of their internal service and maintenance departments, which is in line with the general trend of core business focus.

This is leading to growing demand for service and support, which is opening up opportunities for Indutrade to extend its service and offer complementary services.

Fewer suppliers

Industrial companies are generally striving to use fewer suppliers in an effort to lower their administrative overhead at the same time that close alliance with a limited number of suppliers contributes to shorter lead times and thus lower levels of tied-up capital.

As a result, each supplier is expected to be able to offer a broader range of products, which normally benefits large technology sales companies.

One way in which customers can reduce the number of suppliers is by using the same supplier for several geographic markets. Many large customers regard the Nordic region as a single market, and Indutrade believes it will become increasingly important to be able to deliver throughout the Nordic region.

Indutrade's objective is to offer an extensive range of products with pan-Nordic coverage in the respective niches, thereby creating conditions to be a comprehensive supplier.

Relocation of production to low-cost countries

Industrial production is being relocated away from the Nordic countries and the rest of Western Europe to low-cost countries, primarily in Eastern Europe and Asia.

The effect of this shift on Indutrade is limited, mainly because the Group has chosen to focus on customers with recurring needs in sectors deemed as having solid enough bases to maintain competitive production in Indutrade's home markets.

These industries are typically characterised by a high degree of automation, high distribution costs and considerable start-up investments. Compared with more personnel-intensive operations, it is therefore not as profitable to relocate production to low-cost countries.

Indutrade's business in such sectors accounted for 80% of consolidated net sales in 2007.

Manufacturer consolidation

The manufacturers in Indutrade's markets have been growing steadily, mainly through acquisitions. When a manufacturer acquires a company, this can result in Indutrade's subsidiaries getting more products in their product range. However, there is also a risk that the supplier will choose to invest in its own sales organisation due to greater size, or that such an organisation already exists in the acquired company.

Consolidation among manufacturers is also creating opportunities for suppliers to provide leading products due to a greater amount of capital being allocated to research and development. This, in turn, enhances the competitive strength of Indutrade's product portfolio.

Increased imports from low-cost countries

In Indutrade's markets as a whole, a general trend can be seen in the rise of imports of products and semi-finished products from countries outside of Europe, primarily China. Over time this is expected to result in lower prices for both Indutrade and end users. However, for products with a high-tech content and stringent quality requirements, this type of import is still limited.

Several of Indutrade's suppliers have moved parts of their production to low-cost countries. This trend is expected to continue and lead to lower prices, thereby enabling Indutrade to maintain its competitive strength.

COMPETITORS

Since the Nordic region is a relatively small market for global players, they usually choose to work in this market via technology sales companies, rather than setting up their own sales organisations. Indutrade's main competitors are thus other technology sales companies.

The market is fragmented and consists primarily of a large number of small, family-owned technology sales companies. The market also has a few larger players, like Indutrade, as well as manufacturers who sell through their own sales organisations.

Structurally, many family businesses are similar to Indutrade's subsidiaries and normally represent one or a few of manufacturers in a select number of niches. Examples of such competitors include Armatec/Armaturjonsson in valves and Christian Berner in pumps and instruments.

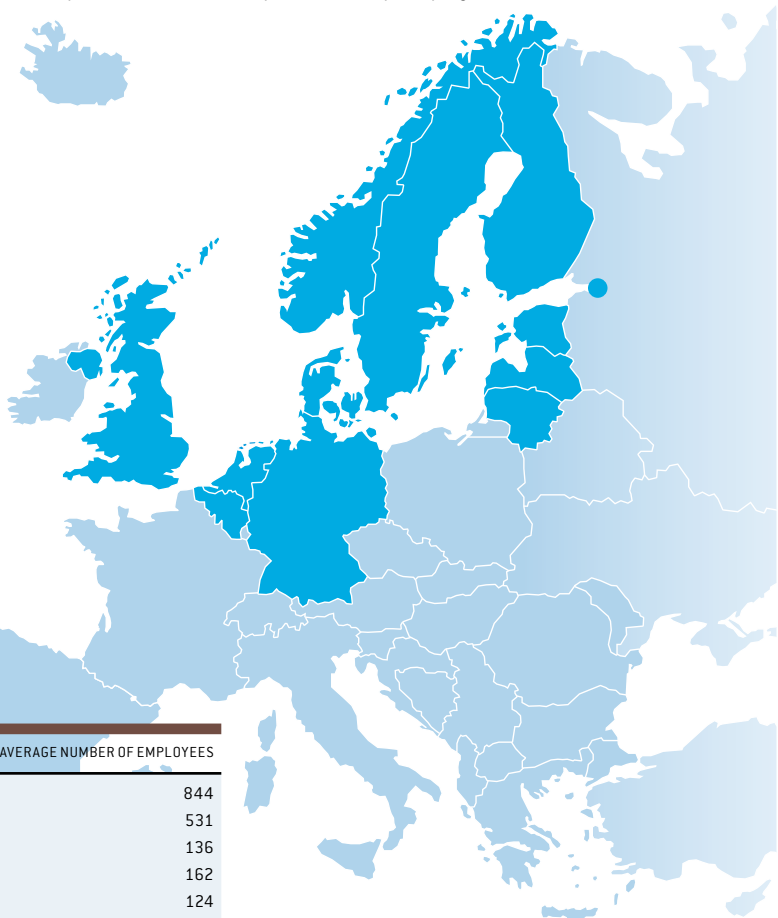
In some markets, Indutrade competes with specific subsidiaries of

other major market players, such as Addtech, B&B Tools, G&L Beijer and OEM International. However, these companies do only limited business in Indutrade's niches, and Indutrade estimates that competition from these pertains to less than 10% of consolidated net sales. Competition from these companies is more tangible in the search for acquisition candidates.

Examples of major international manufacturers that compete with Indutrade through their own sales organisations include Hydac (filters), Loctite (chemical-technical products), Emhart (fasteners) and Sandvik and Seco Tools (metal cutting tools).

The Nordic market also has a number of wholesalers that distribute primarily high-volume products. Examples of such companies include Ahlsell and the Bufab Group. What these companies all have in common is that they market a broad range of products in which the degree of technical advice and customer adaptation is generally low. The main competitive advantages of the wholesalers are broad product portfolios, logistics and low prices.

Since Indutrade operates mainly in product niches with a high-tech content which require solid knowledge of the customer's processes, competition from these companies is limited to a small share of Indutrade's sales. Indutrade estimates that less than 10% of the Group's net sales face competition from pure-play wholesalers.



	NET SALES, SEK M	EBITA, SEK M	AVERAGE NUMBER OF EMPLOYEES
Sweden	2,399	263	844
Finland	1,631	178	531
Benelux	546	95	136
Denmark	427	38	162
Baltic countries and Russia	266	22	124
Germany	193	31	81
Norway	183	17	42
UK	28	6	9

TWELVE COMPANIES ACQUIRED IN 2007

Indutrade completed twelve company acquisitions in 2007. Combined annual net sales of the acquired companies are estimated at SEK 611 million.



ES Hydagent AB

ES Hydagent designs and sells hydraulic systems for mobile industrial solutions. The company specialises in customised system solutions. In addition to its own block solutions, the company uses well tested components from the world's leading suppliers.

Net sales:* SEK 60 million
Business area: Flow Technology
Became part of Indutrade: 1 January 2007
Number of employees:* 20
www.eshydagent.com



Axelvalves AB

Axelvalves is one of Scandinavia's leading suppliers of industrial valves to the processing industry in Eastern Europe, with own brands. The acquisition strengthens Indutrade's market position especially in Russia.

Net sales:* SEK 36 million
Business area: Flow Technology
Became part of Indutrade: 1 February 2007
Number of employees:* 5
www.axelvalves.se



SAV-Danmark A/S

SAV is a well-established technology sales company with a broad line of couplings and valves in the heating and plumbing segment. The company represents a number of strong suppliers whose products are sold primarily under its own "SAV-Systemprodukter" brand. The acquisition strengthens Indutrade's position in the Danish market and increases its share of own brands.

Net sales:* SEK 65 million
Business area: Flow Technology
Became part of Indutrade: 1 February 2007
Number of employees:* 26
www.sav.dk



Sigurd Sørum AS

The technology sales company Sigurd Sørum is a well-known supplier in the Norwegian market, with a broad range of valves, couplings and instruments. Customers are primarily in the process industry, as well as in the oil, gas and offshore industries. The acquisition strengthens Indutrade's position in the Norwegian market and in the oil and gas market segments.

Net sales:* SEK 60 million
Business area: Flow Technology
Became part of Indutrade: 1 April 2007
Number of employees:* 23
www.sigurd-sorum.no

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

Net sales:* SEK 26 million
 Business area: Special Products
 Became part of Indutrade: 1 May 2007
 Number of employees:* 27
www.carrab.se



Carrab Industri AB

Carrab Industri manufactures stamped sheet metal parts and industrial springs and was previously a subsidiary of the same group as the company Spinova, which was acquired by Indutrade in 2006. The acquisition strengthens Indutrade's expertise primarily in the area of plate springs.

Net sales:* SEK 70 million
 Business area: Industrial Components
 Became part of Indutrade: 1 May 2007
 Number of employees:* 42
www.aluflex.se

AluFlex® System AB
Specialist på system för automation

AluFlex System AB

AluFlex sells the market's most comprehensive, tried-and-tested building kit system based on aluminium profiles, as well as conveyor and linear systems. The company primarily sells custom-designed solutions in the machine and general manufacturing industries, and is also represented in Denmark, Finland and Norway through own subsidiaries.

Net sales:* SEK 60 million
 Business area: Engineering & Equipment
 Became part of Indutrade: 14 August 2007
 Number of employees:* 33
www.labkotec.fi



Labkotec Oy

Labkotec, which was previously a division of Wavin-Labko Oy, manufactures and sells alarm and measurement instruments, the LabkoNet brand, automation solutions and ice detection units. Customers consist of petrol stations, airfields, parking garages, oil companies and water treatment plants.

Net sales:* SEK 24 million
 Business area: Flow Technology
 Became part of Indutrade:
 1 September 2007
 Number of employees:* 14
www.mws.se



MWS Ventil Service AB

MWS is one of Sweden's most modern and comprehensive workshops for valve maintenance and service. The company performs service and maintenance on all types of valves and actuators, and is also engaged in the sale and manufacture of spare parts. Operations are conducted on-site at customers and in own workshops. Customers are in the pulp & paper, power, petrochemical, pharmaceutical and other heavy industries.

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



Palmstiernas Svenska AB

Previously part of the Flowserve Group in the US, Palmstiernas supplies products and systems for measurement, control and supervision of industrial processes. Customers are in the power, paper and engineering industries.

Net sales:* SEK 35 million
 Business area: Flow Technology
 Became part of Indutrade: 15 September 2007
 Number of employees:* 10
www.palmstiernas.se



ELRA AAS

ELRA is a Norwegian technical sales company, focusing on servo motors and bonding material, among other things. The acquisition strengthens Indutrade's position in the Norwegian market and in the transmissions product segment.

Net sales:* SEK 10 million
 Business area: Engineering & Equipment
 Became part of Indutrade: 1 October 2007
 Number of employees:* 4
www.elra.no



International Plastic Systems

International Plastic Systems Ltd

IPS is one of the UK's leading suppliers of plastic piping systems and valves, with a broad product range of installation tools and welding equipment. IPS combines technical problem-solving with traditional distribution. The company's customers are found in segments ranging from water treatment, swimming pools and fire safety, to the chemical and construction industries.

Net sales:* SEK 115 million
 Business area: Flow Technology
 Became part of Indutrade: 1 October 2007
 Number of employees:* 38
www.ips-plastics.com



Recair Oy

Recair is a leading manufacturer of air treatment in Finland and is well established in the Finnish market. The company's customers consist primarily of HVAC contractors (heating, ventilation and air conditioning), factories, public buildings and office buildings.

Net sales:* SEK 50 million
 Business area: Engineering & Equipment
 Became part of Indutrade: 1 November 2007
 Number of employees:* 23
www.recair.fi

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

STRONG ORGANIC GROWTH

Unexpected high demand in Finland resulted in a sharp rise in net sales and earnings. Engineering & Equipment offers customised niche products and design solutions along with after-market service and special processing.

Compared with the other business areas, sales consist to a slightly higher degree of investment goods. The business is also characterised by a relatively high share of special adaptations, compositions and installations of products from different suppliers.

The five largest subsidiaries are Tecalemit, Kontram, Lining, YTM-Industrial and EIE Maskin, which together accounted for 68% of the business area's net sales in 2007.

MARKET

The business area's geographic centre point is in Finland, with subsidiaries also in Sweden, Norway, Estonia, Latvia and Lithuania, and a branch office in Denmark. Engineering & Equipment has a particularly strong position in the Finnish market in most product areas. Competitors are mainly small family-owned companies and international manufacturers' sales companies in the respective product areas.

CUSTOMERS

Customers are primarily in the pulp & paper, chemical, commercial vehicles and engineering industries. The business area's five largest customers are Kemira, Kvaerner, Metso, Stora-Enso and Tetra Pak.

PRODUCT AREAS

The business area is organised into four product areas: Industrial Equipment, Transmission, Flow Products, and Hydraulics and Pneumatics.

Industrial Equipment

This product area features a comprehensive range of workshop equipment, with related project design for the refurbishing and construction of new automotive workshops. It also develops and designs special equipment for car repair shops. Other products include fire safety equipment and central lubrication systems, and equipment for industrial painting and surface treatment processes.

Transmission

Transmission products include chains and shaft couplings along with related adaptation and processing. Other products include gearboxes for the processing industry and compact precision gears for robot manufacturers. Customised conveyor belts and power transmission belts are also offered for the engineering, food and paper industries.

Flow Control Products

Flow control products consist primarily of valves, pumps, measuring instruments and couplings, and wastewater handling solutions.

Hydraulics and Pneumatics

This product area includes hydraulic and compressed air components and compressors. The product range also includes tubes, quick connect/disconnect couplings and accessories, pneumatic components and magnetic valves.

YEAR IN REVIEW

Net sales rose 25% to SEK 1,968 million (1,576). The sharp growth in sales can be credited to very strong market growth, particularly in the Finnish engineering industry. Demand was considerably stronger than anticipated. One explanation is that many Finnish export companies benefited from a high global pace of investment activity. Sales growth for the business area was essentially organic (22 percentage points), with acquisitions accounting for only a limited extent (3 percentage points).

EBITA rose 40% to SEK 204 million (146). The earnings improvement is attributable to the strong organic growth combined with limited cost increases.

During the year, three companies were acquired by the business area. Two of the three companies have own manufacturing. The Finnish company Labkotec manufactures and sells alarm and measurement instruments, under the LabkoNet brand, along with automation solutions and ice detection devices. Labkotec is an excellent complement to the business area's existing businesses in the area of measurement instruments. Customers consist of petrol stations, airfields, parking garages, oil companies and water treatment plants, among others. Annual sales amount to approximately SEK 60 million. The company joined the Group in mid August 2007.

ELRA is a Norwegian technology sales company that works primarily with servo motors and bonding material. The acquisition strengthens Indutrade's position in the Norwegian market and in the Transmission product segment, and complements the business of the existing subsidiary Elmeko. ELRA has annual sales of approximately SEK 10 million and joined the Group in October 2007.

Recair is a leading manufacturer of air treatment equipment in Finland and is well-established in the Finnish market. Customers consist primarily of HVAC contractors (heating, ventilation and air conditioning), factories, public buildings and office buildings. Annual sales amount to approximately SEK 50 million. The company joined the Group in November 2007.

Towards the end of the year, the business area's president, Kaj Österlund, left the Group at his own request. Johnny Alvarsson took over responsibility as head of the business area until a new president has been appointed.

FUTURE OUTLOOK

The very strong market growth is expected to be lower in 2008. The ambition is to step up the pace of acquisitions.

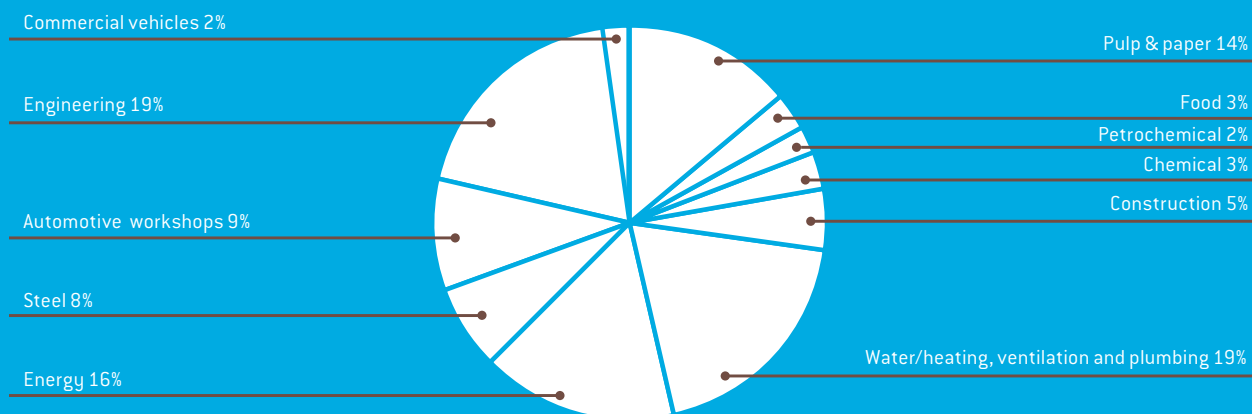
ENGINEERING & EQUIPMENT

»Demand was considerably stronger than anticipated. One explanation is that many Finnish export companies benefited from a high global pace of investment activity.«

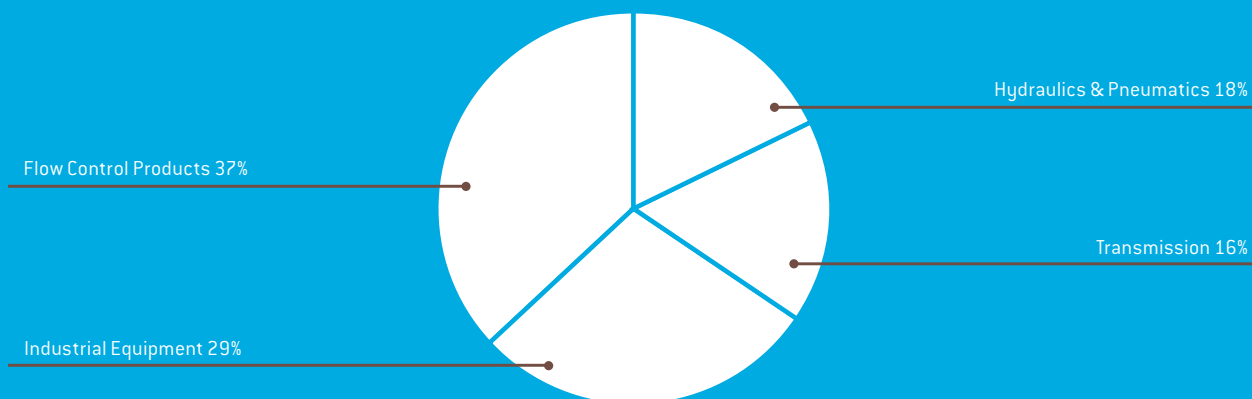
Johnny Alvarsson, acting President of the Engineering & Equipment business area



NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



NET SALES PER GEOGRAPHIC MARKET



Finland 73%
Sweden 14%
Baltic countries 11%
Norway 2%

KEY RATIOS, FIVE YEARS

KEY RATIOS	2007	2006	2005	2004	2003
Net sales, SEK million	1,968	1,576	1,393	1,238	1,081
EBITA, SEK million	204	146	133	102	80
EBITA margin, %	10.4	9.3	9.5	8.2	7.4
Average number of employees	658	618	526	510	491

SEVEN NEW COMPANIES DURING THE YEAR

Sales for the business area rose sharply due to strong demand for industrial flow technology and the acquisition of seven new companies. The Flow Technology business area offers components and systems for controlling, measuring, monitoring and regulating flows.

The business unit has some 20 subsidiaries that specialise in various areas of industrial flow technology. The five largest subsidiaries are Gustaf Fagerberg AB, Gustaf Fagerberg A/S, Ventim, GPA and Alnab, which together accounted for roughly 50% of the business area's sales in 2007.

MARKET

Indutrade is the dominant industrial flow technology group in the Nordic countries. Sweden and Denmark account for the bulk of sales, however, the business area also does business in Norway, Russia and the UK. Competitors consist primarily of individual companies in the subsidiaries' respective markets.

CUSTOMERS

Flow Technology's customers work in a large number of industries – primarily the energy, chemical, water/environment, pulp & paper, pharmaceutical, food and petrochemical industries. The breadth of customers across a wide range of industries is a strength in contacts with suppliers, whose products are often suitable for several different market segments. Examples of major customers are Aalborg Industries, Akzo/EKA, Alstom Power, Novo Nordisk, Ringhals, Siemens Turbo Machinery and Tetra Pak.

PRODUCT AREAS

The business area is organised into seven product areas: Valves, Measuring and Analysis Instruments, Pipe Systems, Pumps, Hydraulics, Compressors and Service. Hydraulics is a new product area that was created during the year with the acquisition of ES Hydagent. The growing focus on service activities is reflected in the creation of Service as a separate product area during the year in connection with the acquisition of MWS Ventil Service AB.

Valves

The Swedish market's widest range of valves and fittings for industrial customers and water treatment/environmental applications. A high level of expertise forms the platform for close co-operation and partnerships with customers.

Measuring and Analysis Instruments

A comprehensive range of instruments for measuring and analysing flows, pressure, temperature and levels. The products often play a key role in ensuring the operation of the customers' processes.

Pipe Systems

Plastic valves, pipes, pipe parts and couplings, and Teflon-coated materials for systems with aggressive fluids. System solutions for pipes, pumps and tanks using customised materials. A high level of expertise in, among other things, material selection for corrosive fluids and gases.

Pumps

Pumps and customised system solutions in which pumps, regulating systems, valves and pipes are assembled together to form a complete unit. Many of these are turnkey systems. The product area also includes special products for handling aggressive, corrosive and environmentally hazardous fluids.

Hydraulics

Design and marketing of hydraulic systems for mobile industrial applications, often in the form of customised special solutions.

Compressors

Pneumatic compressors and vacuum pumps, as well as service and maintenance of compressed-air and vacuum systems.

Service

Repair, maintenance and service of valves, actuators, pumps, compressors, and regulating and vacuum equipment. Service activities directly related to sold products are provided for several of the business area's subsidiaries.

YEAR IN REVIEW

Net sales of the business area rose 37% to SEK 1,474 million (1,073). EBITA rose 56% to SEK 145 million (93). The sales increase can be credited to a combination of strong organic growth (12 percentage points) and several acquisitions (25 percentage points). Demand remained strong in most of the business area's markets, with particularly strong growth in the energy sector. The business area also grew its market share in several areas. Flow Technology acquired seven companies during the year. ES Hydagent designs and sells hydraulic systems for mobile industrial applications and is the business area's first pure-play hydraulics company. Axelvalves is one of Scandinavia's leading suppliers of industrial valves to the process industry in eastern Europe. SAV-Danmark is a technology sales company with a wide range of couplings and valves in the heating and plumbing sector. Sigurd Sørum, in Norway, supplies a broad range of valves, couplings and instruments to customers primarily in process industries, water treatment/environmental applications, and the oil, gas and offshore industries.

Palmstiernas supplies products and systems for measurement, control and supervision of industrial processes. Customers are in the power, paper and engineering industries, among others.

MWS is one of Sweden's most modern and comprehensive workshops for valve maintenance and service. The company performs service and maintenance on all types of valves and actuators, and is also engaged in the sale and manufacture of spare parts. Operations are conducted on-site at customers and in own workshops. Customers are in the pulp & paper, power, petrochemical, pharmaceutical and other heavy industries. International Plastic Systems (IPS) is one of the UK's leading suppliers of plastic piping systems and valves, with a broad product range of installation tools and welding equipment. The company is Indutrade's first acquisition in the UK and an example of the Group's strategy of growing in existing technology areas in new geographic markets.

FUTURE OUTLOOK

Demand is expected to remain strong in 2008, although the market is not expected to grow at the same high pace as in 2007.

The ambition is to make a number of company acquisitions in 2008.

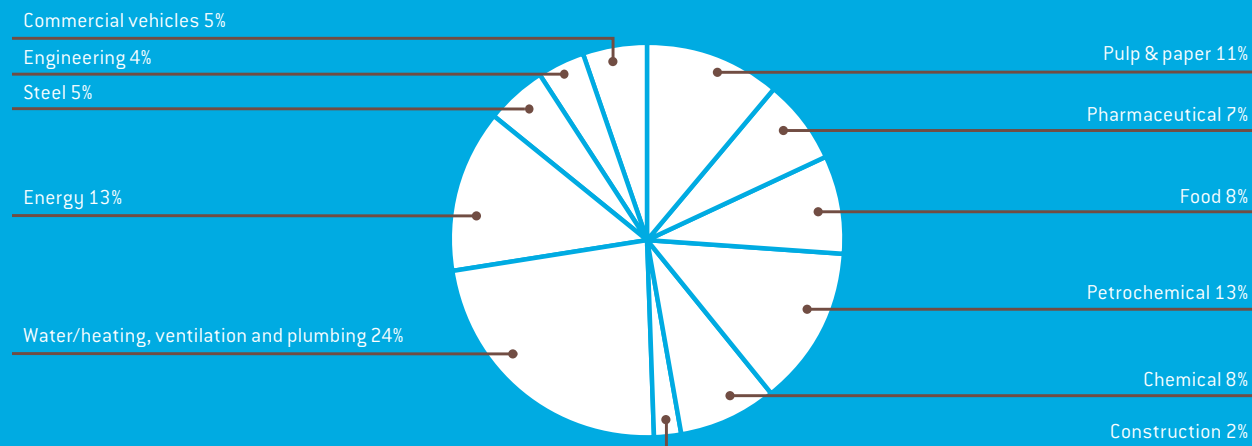
FLOW TECHNOLOGY

»The business area's sales rose sharply due to strong growth in demand for industrial flow technology and the acquisition of seven new companies.«

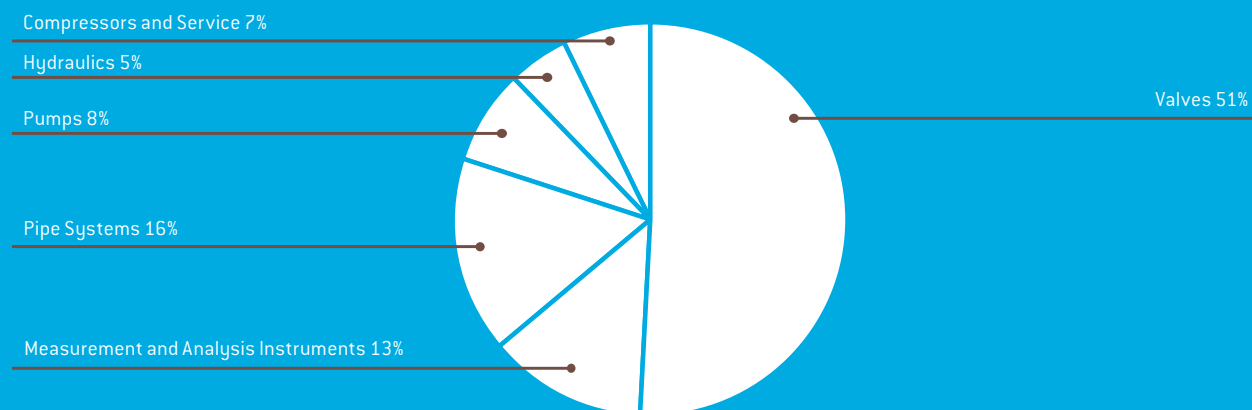
Peter Eriksson, President of Flow Technology business area



NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



NET SALES PER GEOGRAPHIC MARKET



KEY RATIOS, FIVE YEARS

KEY RATIOS	2007	2006	2005	2004	2003
Net sales, SEK million	1,474	1,073	966	869	780
EBITA, SEK million	145	93	67	53	39
EBITA margin, %	9.8	8.7	6.9	6.1	5.0
Average number of employees	428	341	329	304	304

CONTINUED STRONG DEMAND

The business area's market was characterised by continued strong demand from essentially all customer groups. Combined with good cost control, this led to improved earnings. Industrial Components offers a wide range of technically advanced components and systems for production and maintenance. Products consist to a great extent of consumables.

The companies in this business area typically work in close co-operation with their customers' development, production and maintenance departments. Major emphasis is put on identifying and understanding customers' production processes and needs.

The largest companies are Colly Components, Edeco Tool, G. A. Lindberg ChemTech, Tribotec and Colly Verkstadsteknik. Together these companies accounted for approximately 45% of the business area's sales in 2007.

MARKET

Most of the business area's sales are in Sweden, although it does a considerable amount of business in Finland and Denmark, too. In Norway the business area does a relatively small but rapidly growing amount of business in the areas of fasteners, automation and material handling. Competitors consist of international companies with own sales organisation as well as small, family-owned companies.

CUSTOMERS

Key customer groups are the engineering, pulp & paper, automotive and pharmaceutical industries. Examples of major customers include ABB, Metso, Stora Enso, AstraZeneca, Novo Nordisk, Tetra Pak, Volvo Cars and Scania.

PRODUCT AREAS

The business area is organised into five product areas: Filter and Process Technology, Fasteners, Cutting Tools, Adhesives and Chemical-Technical Products, and Automation and Material Handling.

Filter and Process Technology

The business area works with leading manufacturers of primarily filter components and systems, instruments, diagnostic equipment, water separation equipment, hoses and quick-connect/disconnect couplings.

Fasteners

The product offering consists of a wide range of fasteners, bearings and quick-connect/disconnect couplings with related assembly and automation equipment. Operations are focused on thin sheet joining, threaded-joint technology and fastening technology for the construction industry. The products are often included as subcomponents in the customers' own products.

Cutting Tools

This product area is a leading importer of cutting tools in Sweden and offers a wide range of high-quality tools for various types of metalworking operations, such as drilling, turning, milling and thread cutting.

Adhesives and Chemical-Technical Products

Indutrade's companies in this product area work with leading suppliers of adhesives, silicone, lubricants and anti-corrosion packaging. They also offer environmentally adapted oils and fluids for metalworking, rust protection, hydraulics, spray painting and tissue production. The product range also includes box and flat packaging and a line of specialised sealants for demanding fluid and gas seals.

Automation and Material Handling

This product area offers advice, design, processing and assembly of cost-effective and flexible systems for automation and material handling. The systems are based on aluminium profiles, rail guide systems and integrated linear modules.

YEAR IN REVIEW

Net sales rose 18% to SEK 940 million (798). Seven percentage points of this growth were organic and 11 percentage points were attributable to acquisitions. The market was characterised by continued strong demand from essentially all of the business area's major customer groups. Demand was especially strong from the automotive industry. The pulp & paper industry is the only exception and showed slightly weaker demand during the year.

A slight softening of demand was noted in Denmark due to the relocation of production to low-cost countries. However, the business area succeeded in compensating for this by capturing market shares in a number of other areas. This applied most notably for the Danish company Diatom, which successfully increased its sales of imported products from China and India.

EBITA rose 32% to SEK 103 million (78). The earnings improvement can be credited to the growth in net sales and continued focus on cost control.

During the year, Indutrade acquired AluFlex System AB, which sells the market's most comprehensive, tried-and-tested building kit system based on aluminium profiles, as well as conveyor and linear systems. The company primarily sells custom-designed solutions in the machine and general manufacturing industries. With head offices in Helsingborg, Sweden, the company is also represented in Denmark, Finland and Norway through own subsidiaries. Annual sales amount to approximately SEK 80 million. The acquisition resulted in the creation of a new product area, Automation and Material Handling, which is judged to have good growth potential. AluFlex became part of the Indutrade Group on 1 May 2007.

FUTURE OUTLOOK

Demand in the business area's markets is expected to remain favourable in 2008, but growth is expected to be lower than in 2007. The ambition is to acquire a number of companies in existing or closely related technology areas in 2008.

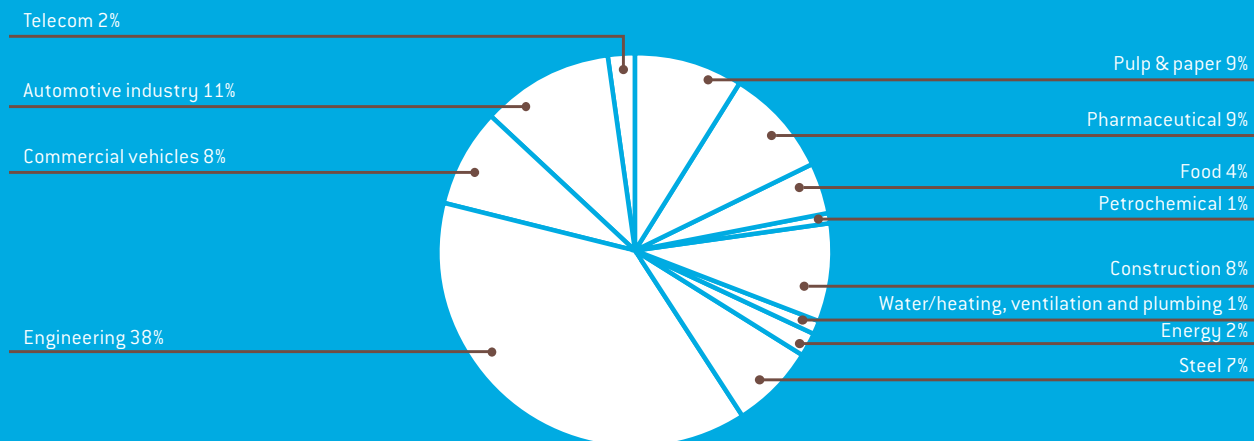
INDUSTRIAL COMPONENTS

»The ambition is to acquire a number of companies in existing or closely related technology areas in Sweden, Norway, Finland and Denmark in 2008.«

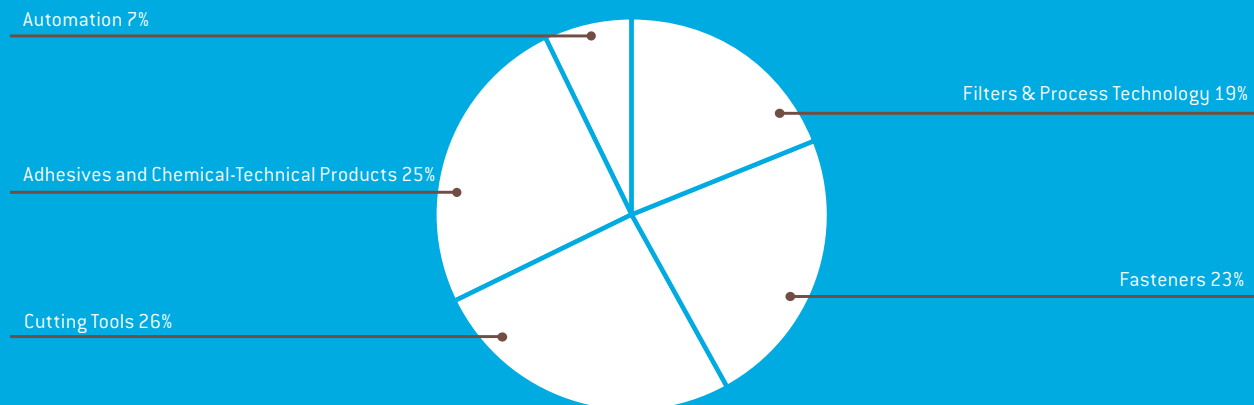
Olof Paulsson, President of Industrial Components business area



NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



NET SALES PER GEOGRAPHIC MARKET



Sweden 67%
Finland 22%
Denmark 10%
Norway 1%

KEY RATIOS, FIVE YEARS

KEY RATIOS	2007	2006	2005	2004	2003
Net sales, SEK million	940	798	680	668	653
EBITA, SEK million	103	78	50	49	50
EBITA margin, %	10.9	9.8	7.4	7.3	7.7
Average number of employees	304	271	248	242	239

STRONG DEMAND FROM ENERGY SECTOR

Many of the business area's subsidiaries benefited from major investments in power generation and greater focus on energy efficiency improvement by industrial users. The Special Products business area offers custom-fabricated niche products, design solutions, aftermarket service and assembly, and special processing.

The business area includes a number of companies that conduct a considerable amount of own manufacturing and is the Indutrade business area with the highest share of proprietary products.

The five largest subsidiaries are HP Valves, GEFA, HITMA, ETP and Pentronic, which together accounted for approximately 62% of the business area's net sales in 2007.

MARKET

The business area is active primarily in three geographic markets: Sweden, Germany and the Benelux countries.

CUSTOMERS

Customers are primarily in the pharmaceutical, energy, food and engineering industries. Examples of major customers include Tetra Pak, Wärtsilä, Siemens, Sandvik and Alstom.

PRODUCT AREAS

The business area is organised into eight product areas: Valves, Filters and Process Technology, Hydraulic Couplings, Electrical Components, Measurement Technology, Glass and Ceramics, Construction Plastics and Industrial Springs.

Valves

Customisation of butterfly valves, ball valves and several other types of valves. As a rule, valves are specially designed to meet specific customer needs. The product range also includes components and complete systems in valve and flow control technology.

Filters and Process Technology

Filters that clean various media in the process industry.

Hydraulic Couplings

Development, manufacture and marketing of hydraulic connections, couplings and chucks that are used in the assembly and disassembly of drills and similar machinery with a high level of precision and quality. The offering also includes mounting and centring products based on hydraulic and hydromechanical principles. The product area has specialist expertise in this combination of mechanics and hydraulics and is a world-leading supplier in its niche, with exports accounting for 85% of total sales. Products are exported primarily to Western Europe and the USA.

Electrical Components

This product offering consists of electrical components and surge protection products that are marketed under the suppliers' own brands. Approximately 80% of the business area's electrical components are sold through electrical wholesalers, mainly to customers in the construction industry.

Glass and Ceramics

The offering consists of glass bottles for the pharmaceutical and cosmetics industries as well as customer-specific technical ceramic products.

Measurement Technology

In this product area Indutrade develops, customises and markets advanced equipment for industrial measurement of temperatures and flows, as well as laser-based measurement systems for use in alignment and geometric measurement. The product area also covers calibration of measuring instruments and personnel training in measuring equipment.

Construction Plastics

Indutrade's offering of construction plastics includes customised products and finished plastic components. Product development, design and choice of materials are conducted in close consultation with customers. Plastic materials with various properties are used in a large number of industries, from heavy industries with high demands on wear and durability, to the food and pharmaceutical industries, with high demands on temperature tolerance and chemical resistance.

Industrial Springs

Manufacture of customised spiral springs, plate springs and wire forms used in hydraulic systems, locks, doors, pumps, heating and plumbing applications, and equipment for the food industry, among others.

YEAR IN REVIEW

Net sales rose 21% to SEK 1,322 million (1,094), and EBITA rose 31% to SEK 234 million (179).

The sales increase, of which 11 percentage points were attributable to organic growth and 10 percentage points to acquisitions, can be credited to continued very strong demand in the business area's markets. This applied in particular to the energy sector, which is very important for many of the business area's companies. Higher demand for energy and rising prices led to major investment in power generation around the world and also drove energy-saving efficiency-improvement measures by many industrial companies.

HP Valves, which manufactures high-pressure valves for steam processes in coal- and gas-fired power plants, is an example of a company that benefited from this strong market. Another is Pentronic, which owed its success during the year to the very successful launch of a new, proprietary transducer that makes it possible to deliver an even more complete unit to customers.

During the year, Indutrade acquired Carrab Industri AB, which manufactures stamped sheet metal parts and industrial springs. Carrab has annual sales of approximately SEK 26 million and strengthens Indutrade's expertise primarily in the area of plate spring manufacturing. The company complements the Indutrade subsidiary Spinova, which was acquired in 2006.

FUTURE OUTLOOK

Demand is expected to remain strong in the business area's markets. This assessment is based on well-filled orderbooks at many of the business area's major customers.

The aim is to acquire additional companies and continue increasing the share of proprietary products.

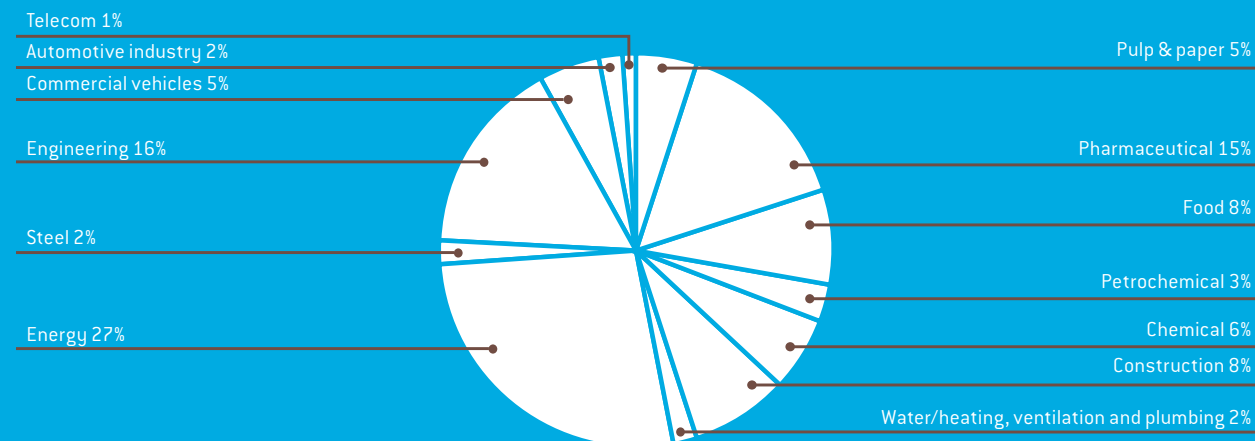
SPECIAL PRODUCTS

»Higher demand for energy and rising prices led to major investment in power plants around the world and also drove energy-saving efficiency-improvement measures by many industrial companies.«

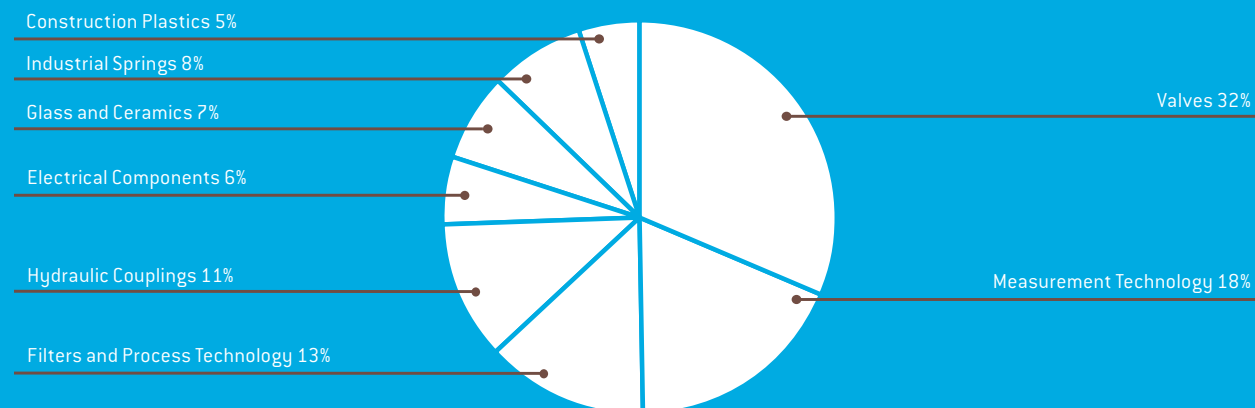
Johnny Alvarsson, President of Special Products business area



NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



NET SALES PER GEOGRAPHIC MARKET



KEY RATIOS, FIVE YEARS

KEY RATIOS	2007	2006	2005	2004	2003
Net sales, SEK million	1,322	1,094	805	735	701
EBITA, SEK million	234	179	108	91	88
EBITA margin, %	17.7	16.4	13.4	12.4	12.6
Average number of employees	531	520	424	356	364

OPERATIONAL RISKS

Indutrade conducts operations in twelve countries in northern Europe through approximately 90 companies. Operational risks are mitigated by this spread along with the large number of customers in various sectors and a large number of suppliers.

CHANGES IN THE ECONOMY

Indutrade's business is dependent on the purchases and investments made by its customers. However, profitability is relatively insensitive to economic fluctuations, since the Company is represented in a large number of industries and investment goods constitute a relatively small portion of total net sales.

As a result of these factors, demand for Indutrade's products follows GDP growth in the Group's geographic markets.

RELOCATION OF OPERATIONS

Relocation of industrial production to low-cost countries has been noted in Indutrade's markets in recent years. This trend has had a limited impact on Indutrade. This is mainly due to the fact that Indutrade has chosen to focus on customers with recurring needs in industries with high automation, high distribution costs and/or large initial investments.

COMPETITION FROM LOW-COST COUNTRIES

Sales of products from low-cost countries are on the rise in Indutrade's markets. The risk that Indutrade will be affected by this competition is counterbalanced by the fact that the Group offers products and services with a high-tech content, high level of service and qualified technical advice.

Moreover, Indutrade strives to establish close partnerships with its customers by becoming involved early on in the planning and development phases, where its employees can contribute their expertise in various processes.

CHANGES AT THE SUPPLIER LEVEL

There is always a risk of suppliers deciding to leave 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 tackles this 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 includes ensuring that a target company's key employees are motivated to continue running the company after the acquisition.

To attract and retain key personnel, Indutrade also conducts continuous competence development and management development programmes.

ENVIRONMENTAL ISSUES

Of Indutrade's subsidiaries, nine in Sweden and two outside Sweden conduct operations that require permits or notification under the Environmental Code in their respective countries and are subjected to regulatory oversight.

FINANCIAL RISKS

In the course of its business Indutrade is exposed to various types of financial risk, including 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 to minimise handling risks.

Financial activities are co-ordinated by the Parent Company, which executes all important external financial transactions and serves as an internal bank for 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.

FINANCING AND LIQUIDITY RISK

Financing and liquidity risk refer to the risk of not being able to meet payment obligations due to insufficient liquidity or difficulties in obtaining credit from external financing institutions. This risk is mitigated as far as possible by ensuring that the Company has a maturity structure in place that creates conditions to secure necessary alternative means of raising capital should this be necessary.

INTEREST RATE RISK

Interest rate risk refers to the risk that unfavourable changes in interest rates will have an excessive impact on the Group's balance of net financial income and expense as well as earnings. To limit the negative effect on the Group's earnings caused by interest rate movements in the market, the Company maintains a staggered structure in the fixed-interest periods of its debt portfolio.

CURRENCY RISK

Currency risk is the risk of unfavourable movements in exchange rates affecting the Group's earnings and shareholders' equity measured in SEK.

The Group's net flows in foreign currencies are hedged primarily through currency clauses in customer contracts.

CUSTOMER AND COUNTERPARTY RISK

Credit risk in the Group's treasury management arises in connection with investments of liquid assets and as counterparty risk in connection with the use of forward contracts and other derivative instruments.

These risks are limited by dealing with counterparties that have been approved in accordance with the guidelines stipulated in the finance policy. Assessment of credit risk in commercial transactions is handled by the individual subsidiaries.

Indutrade's exposure to individual customers is small, and the spread of risk is considered to be favourable.

SENSITIVITY ANALYSIS

Based on the debt structure at year-end, a one percentage point rise in interest rates on an annualised basis would result in higher interest expense of approximately SEK 7.0 million, without taking into account the fixed-interest periods of loans. Taking into account the current terms of fixed interest, the effect for 2008 would be approximately SEK 5.6 million.

Indutrade estimates that the Company's translation exposure entails that a one percentage point change in the value of the Swedish krona (SEK) relative to other currencies would result in an annual positive/negative effect of approximately SEK 31 million on net sales and approximately SEK 3.5 million on pre-tax profit.

SEVERAL-YEAR OVERVIEW

Figures for 2000–2003 not adjusted according to IFRS

CONDENSED INCOME STATEMENTS (SEK MILLION)	2007	2006	2005	2004	2003	2002	2001 ¹⁾	2000 ²⁾
Net sales	5,673	4,516	3,822	3,486	3,197	3,078	3,109	1,919
Cost of goods sold	-3,826	-3,027	-2,582	-2,367	-2,166	-2,083	-2,123	-1,276
Gross profit	1,847	1,489	1,240	1,119	1,031	995	986	643
Development costs	-20	-15	-12	-11	-10	-9	-9	-6
Selling costs	-972	-835	-725	-677	-663	-642	-623	-393
Administrative expenses	-250	-205	-182	-175	-167	-149	-157	-94
Other operating income/expenses	4	2	3	0	4	7	0	28
Operating profit	609	436	324	256	195	202	197	178
Financial income and expense	-31	-20	-15	-13	-13	-21	-21	-1
Profit after financial items	578	416	309	243	182	181	176	177
Tax	-159	-116	-87	-75	-67	-67	-64	-60
Net profit for the year	419	300	222	168	115	114	112	117
EBITA	650	460	333	264	229	238	234	198

CONDENSED BALANCE SHEETS (SEK MILLION)	2007	2006	2005	2004	2003	2002	2001 ¹⁾	2000 ²⁾
Assets								
Goodwill	378	265	210	156	167	133	166	60
Other intangible assets	364	183	88	15	4	4	5	7
Property, plant and equipment	388	327	287	277	266	255	225	132
Financial assets	43	25	31	18	13	19	20	21
Inventories	936	719	615	556	567	571	625	382
Current receivables	959	748	585	517	480	447	468	293
Cash and cash equivalents	203	119	117	97	168	172	213	119
Total assets	3,271	2,386	1,933	1,636	1,665	1,601	1,722	1,014
Liabilities								
Equity	1,189	892	714	708	688	643	611	375
Non-current interest-bearing liabilities	470	356	411	175	283	449	545	174
Non-current noninterest-bearing liabilities	198	123	48	24	39	25	19	19
Current interest-bearing liabilities	383	236	116	204	188	42	82	145
Accounts payable, trade	470	398	322	263	228	225	227	154
Other current noninterest-bearing liabilities	561	381	322	262	239	217	238	147
Total liabilities and equity	3,271	2,386	1,933	1,636	1,665	1,601	1,722	1,014

¹⁾ On 1 January 2001, Indutrade acquired the Faberberg (incl. GEFA), EIE, and Tecalemit company groups, among others, with net sales of SEK 1,029 million for the 2001 financial year.

²⁾ Incl. SEK 26 million in funds with Alecta.

DEFINITIONS

Earnings per share:

Net profit for the period divided by the number of shares outstanding.

EBITA:

Operating profit before amortisation of intangible assets.

EBITA margin:

EBITA divided by net sales.

Equity per share:

Equity divided by the number of shares outstanding.

Equity ratio:

Equity divided by total assets.

Gross margin:

Gross profit divided by net sales.

Interest-bearing net debt:

Interest-bearing liabilities, including pension liabilities, less cash and cash equivalents.

Interest coverage ratio:

EBITA plus financial income divided by financial expenses.

Investments:

Gross investments in property, plant and equipment, excluding company acquisitions.

Net debt/equity ratio:

Net debt divided by equity.

Operating capital:

Equity plus net debt.

Operating cash flows:

Cash flows from operating activities and net investments in non-current assets (not including company acquisitions and divestments).

Return on equity:

Net profit for the period divided by average equity.

Return on operating capital:

EBITA divided by average operating capital.

CONDENSED CASH FLOW STATEMENTS (SEK MILLION)	2007	2006	2005	2004	2003	2002	2001 ¹⁾	2000 ²⁾
Cash flows from operating activities before changes in working capital	526	369	313	251	210	210	201	193
Changes in working capital	-127	-104	9	16	-8	44	-66	-37
Cash flow from operating activities	399	265	322	267	202	254	135	156
Net investment in non-current assets ³⁾	-67	-57	-41	-24	-53	-77	-46	-26
Company acquisitions and divestments	-307	-157	-148	-14	-57	6	-343	-33
Change in other financial assets	1	-	-8	2	-	13	2	-13
Cash flow from investing activities	-373	-214	-197	-36	-110	-58	-387	-72
Net borrowing	203	65	192	-157	-83	-91	340	-51
Dividend, Group contributions and shareholder contributions paid	-150	-110	-301	-144	-11	-144	-1	-105
Cash flow from financing activities	53	-45	-109	-301	-94	-235	339	-156
Cash flow for the year	79	6	16	-70	-2	-39	87	-72
Cash and cash equivalents at start of year	119	117	97	168	172	213	119	189
Exchange rate differences	5	-4	4	-1	-2	-2	7	2
Cash and cash equivalents at end of year	203	119	117	97	168	172	213	119

¹⁾ On 1 January 2001, Indutrade acquired the Faberberg (incl. GEFA), EIE, and Tecalemit company groups, among others, with net sales of SEK 1,029 million for the 2001 financial year.

²⁾ Incl. SEK 26 million in funds with Alecta.

³⁾ Refers to the sum of the year's investments in/sales of property, plant and equipment and intangible non-current assets (not including company acquisitions and sales).

FINANCIAL RATIOS (SEK MILLION)	2007	2006	2005	2004	2003	2002	2001 ¹⁾	2000 ²⁾
Non-current interest-bearing liabilities	470	356	411	175	283	449	545	174
Current interest-bearing liabilities	383	236	116	204	188	42	82	145
Cash and cash equivalents	-203	-119	-117	-97	-168	-172	-213	-119
Group net debt	650	473	410	282	303	319	414	200
Net debt/equity ratio, %	55	53	57	40	44	50	68	53
Interest coverage ratio	16.9	18.6	16.1	14.9	10.8	8.2	7.9	22.9
Equity ratio, %	36.3	37.4	36.9	43.3	41.3	40.2	35.5	37.0

RETURN RATIOS (SEK MILLION)	2007	2006	2005	2004	2003	2002	2001 ¹⁾	2000 ²⁾
Return on equity, %	40.3	37.4	31.2	24.3	17.3	18.2	22.7	32.0
Return on operating capital, %	40.6	36.9	31.5	26.0	23.5	24.0	29.3	36.7

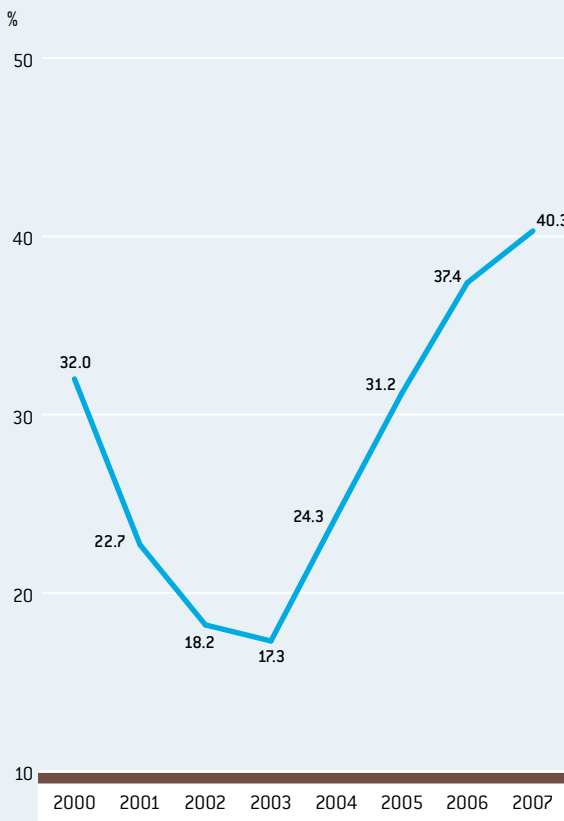
KEY DATA PER EMPLOYEE	2007	2006	2005	2004	2003	2002	2001 ¹⁾	2000 ²⁾
Average number of employees	1,929	1,673	1,510	1,415	1,377	1,351	1,375	846
Net sales, SEK 000	2,941	2,699	2,531	2,464	2,322	2,278	2,261	2,268
Pre-tax profit, SEK 000	300	249	205	172	132	134	128	209

¹⁾ On 1 January 2001, Indutrade acquired the Faberberg (incl. GEFA), EIE, and Tecalemit company groups, among others, with net sales of SEK 1,029 million for the 2001 financial year.

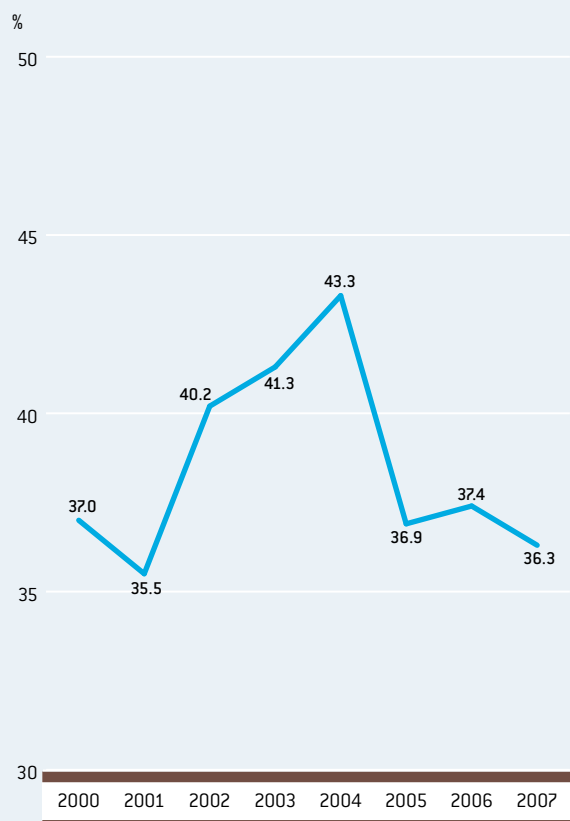
²⁾ Incl. SEK 26 million in funds with Alecta.

SEVERAL-YEAR OVERVIEW

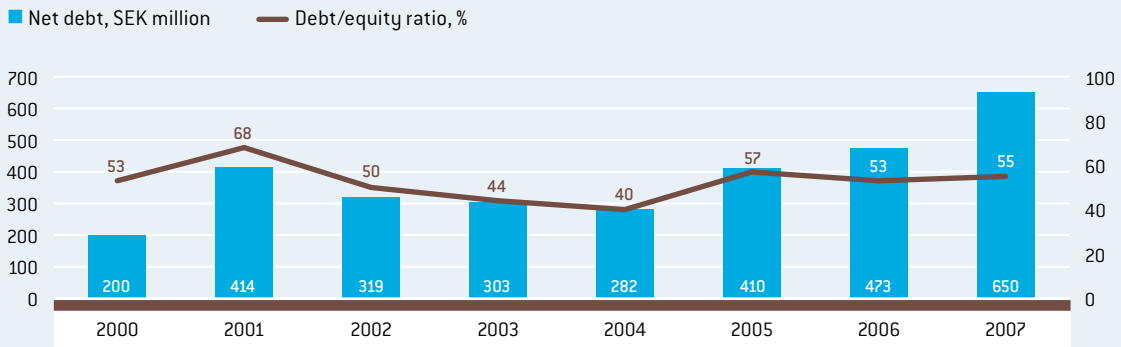
RETURN ON EQUITY



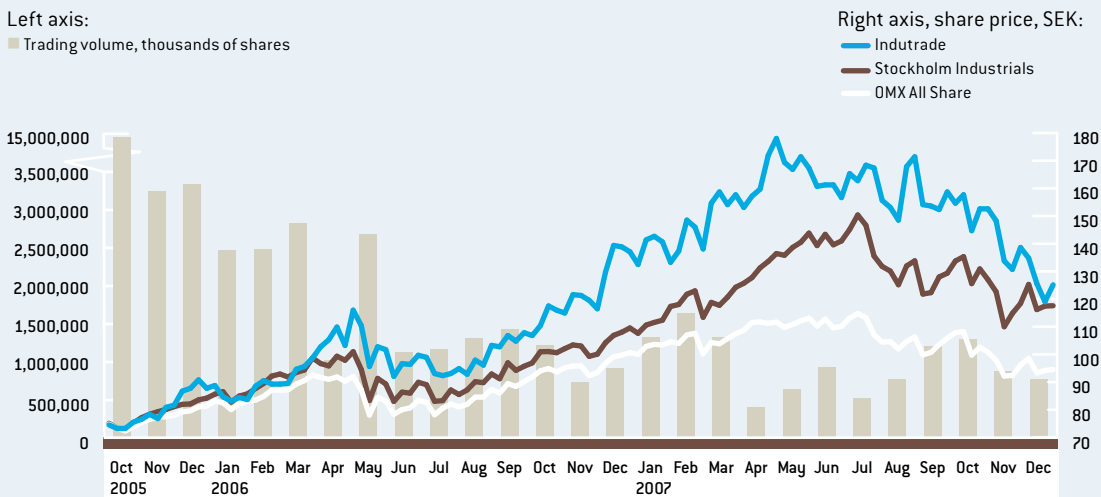
EQUITY RATIO



NET DEBT AND DEBT/EQUITY RATIO



SHARE PRICE TREND 2005–2007



DIRECTORS' REPORT

The Board of Directors and President of Indutrade AB (publ), reg. no. 556017-9367, herewith submit the annual report and consolidated financial statements for the 2007 financial year.

OPERATIONS

Indutrade 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 Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Russia, Germany, the UK, Belgium and the Netherlands. Indutrade's shares are listed on the OMX Nordic Exchange Stockholm, Mid Cap list.

NET SALES AND EARNINGS

Incoming orders for the Group amounted to SEK 5,771 million (4,739), an increase of 22%. For comparable units, incoming orders rose 10%, while acquired growth was 12%.

Net sales rose 26% during the year to SEK 5,673 million (4,516). For comparable units, net sales rose 14%, while acquired growth was 12%.

Operating profit before amortisation of intangible assets (EBITA) was SEK 650 million (460), an increase of 41%, corresponding to a strengthening of the EBITA margin by 1.3 percentage points, to 11.5% (10.2%).

Net financial items totalled SEK -31 million (-20). Profit after tax rose 40% to SEK 419 million (300), corresponding to earnings per share of SEK 10.48 (7.50).

BUSINESS AREAS

Engineering & Equipment

Net sales rose 25% in 2007, to SEK 1,968 million (1,576). For comparable units, net sales rose 22%, while acquired growth was 3%. EBITA increased by 40%, to SEK 204 million (146). The EBITA margin was 10.4% (9.3%). The strong organic growth, together with a limited cost increase, contributed to the improved EBITA margin.

Flow Technology

Net sales rose 37% in 2007, to SEK 1,474 million. For comparable units, net sales rose 12%, while acquired growth was 25%. EBITA was SEK 145 million (93), corresponding to an EBITA margin of 9.8% (8.7%). The improved EBITA margin is attributable to volume growth that was achieved with a limited rise in overheads. The increase was moderated by a higher proportion of sales of products and projects with a lower gross margin.

Industrial Components

Net sales totalled rose 18% in 2007, to SEK 940 million (798). For comparable units, net sales rose 7%, while acquired growth was 11%. EBITA was SEK 103 million (78), and the EBITA margin was 10.9% (9.8%). The

margin improvement is mainly attributable to the strong increase in net sales achieved with a limited rise in overheads. A slightly improved gross margin resulting from a changed product mix also contributed to the improved EBITA margin.

Special Products

Net sales rose 21% for the year, to SEK 1,322 million (1,094). For comparable units, net sales rose 11%, while acquired growth was 10%. EBITA reached SEK 234 million (179), and the EBITA margin strengthened by 1.3 percentage points, to 17.7% (16.4%), mainly due to volume growth.

COMPANY ACQUISITIONS

The following twelve companies were acquired during the year:

- ES Hydagent AB, Sweden, with annual sales of approximately SEK 60 million
- Axelvalves AB, Sweden, with annual sales of approximately SEK 36 million
- SAV-Danmark Trading A/S, Denmark, with annual sales of approximately SEK 65 million
- Sigurd Sørum AS, Norway, with annual sales of approximately SEK 60 million
- Aluflex System AB, Sweden, with annual sales of approximately SEK 70 million
- Carrab Industri AB, Sweden, with annual sales of approximately SEK 26 million
- Labkotec, Finland, with annual sales of approximately SEK 60 million
- Palmstiernas Svenska AB, Sweden, with annual sales of approximately SEK 35 million
- MWS Ventil Service AB, Sweden, with annual sales of approximately SEK 24 million
- Elra AB, Norway, with annual sales of approximately SEK 10 million
- International Plastic Systems Ltd, UK, with annual sales of approximately SEK 115 million
- Recair Oy, Finland, with annual sales of approximately SEK 50 million.

PROFITABILITY, FINANCIAL POSITION AND CASH FLOW

The return on operating capital was 41% (37%), and the equity ratio was 36% (37%) at year-end. Equity per share was SEK 29.73 (22.30).

The Group's interest-bearing net debt, after deducting cash and cash equivalents, was SEK 650 million (473), corresponding to a net debt/equity ratio of 55% (53%).

Cash flow from operating activities was SEK 399 million (265). The increase is attributable to higher earnings.

Capital expenditures, excluding company acquisitions, totalled SEK 67 million (57). The price paid for company acquisitions carried out during the year amounted to SEK 391 million (247).

EMPLOYEES

At year-end Indutrade had 2,083 employees (1,758). The average number of employees during the year was 1,929 (1,673). Acquisitions made during the year increased the number of employees by approximately 265 persons.

INCENTIVE PROGRAMME

In 2005, Indutrade's board of directors, in co-operation with AB Industrivärden, established an incentive programme directed at senior executives of the Group. The aim of the programme is to encourage management's long-term commitment and participation in the Company. The term of the programme extends until 30 June 2010.

A total of 30 senior executives have acquired a combined total of 169,900 shares and 284,800 stock options in the Company, at market price. The stock options were issued by AB Industrivärden and expire on 30 June 2010.

Indutrade pays 40% of the invested amount to the executives participating in the programme.

The total cost for the Company will amount to approximately SEK 7 million, of which SEK 1.3 million was charged against 2007 earnings, while SEK 1.3 million will be charged against earnings for each of the next two years.

PRINCIPLES FOR COMPENSATION OF SENIOR EXECUTIVES

Information provided at the 2007 Annual General Meeting pertaining to the 2007 financial year

The Chairman and members of the Board of Directors are paid a fee in accordance with a decision by the Annual General Meeting. According to the currently applicable AGM decision, the Chairman receives a fee of SEK 350,000. A fee of SEK 175,000 is paid to each of the other directors. However, no fee is paid to directors who are employees of companies belonging to the Indutrade Group. In addition, no special fee is paid for committee work.

Compensation of the CEO and other senior executives consists of a base salary, variable compensation, other benefits and pension. The term "Other senior executives" refers to four persons holding the positions of Chief Financial Officer (CFO) and three business area presidents. During the year, two new senior executives were added, a business area vice president and a head of business development. The senior executives employed by the subsidiaries receive their compensation from the respective subsidiaries. For the president of the Parent Company, the variable salary component is maximised to nine months' salary, i.e., 75% of his base salary. For other senior executives, the variable compensation is maximised to between 3 and 7 months' salaries, or 25%-58% of base salary. The variable compensation is related to the earnings performance of the Group or of the respective business units.

The retirement age for the CEO is 65. In addition to statutory pension benefits, Indutrade is to pay pension premiums corresponding to 35% of his base salary, but not more than the amount that is tax deductible for the Company. The CEO is entitled to choose his pension plan, within the said cost framework and subject to the approval of the Chairman.

Other senior executives are entitled to pension benefits cor-

responding to 28% of their 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 term of notice with retained employment benefits. In the event the CEO gives notice, a six month term of notice 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.

The Board's proposed principles for compensation and other terms of employment for Company management to be presented to the 2008 Annual General Meeting

By Company management is meant in this context the President and CEO, the Chief Financial Officer, the business area presidents, a business area vice president and the head of business development.

Compensation of Company management shall normally consist of a fixed and variable salary component. The variable component shall reward clear, target-related improvements in simple and transparent structures and shall have a cap.

The base salary for members of Company management shall be in line with the going rate in the market and be commensurate with the executive's competence, responsibility and performance. The variable salary component for members of Company management shall normally not exceed 7 months' salary and shall be related to improvement in the Company's and respective business area's earnings and the Group's growth.

Incentive programmes in the Company shall mainly be share price-related and cover persons in senior positions in the Company that have a significant influence on the Company's earnings and growth, and shall be conditional upon the achievement of set targets. An incentive programme shall ensure a long-term commitment to the Company's development and be implemented at market terms.

The pension terms for members of Company management shall be in line with the going rate for peer executives in the market in which the respective executives work and should be based on defined contribution pension solutions or correspond to a general pension plan (in Sweden, the ITP plan). Severance pay for a member of Company management shall not exceed 24 months in the event the Company serves notice and 6 months in the event a member of Company management gives notice.

The Board's remuneration committee handles and conducts drafting work on compensation matters pertaining to Company management for decision by the Board. The Remuneration Committee thus prepares and drafts proposals for decision regarding the terms of employment for the CEO, and the Board evaluates the CEO's performance annually. The CEO consults with the Remuneration Committee on the terms of employment for other members of Company management. The Board shall have the right to depart from the above-described principles for compensation of Company management in individual cases if there are special reasons.

RISKS AND UNCERTAINTIES

Indutrade conducts operations in twelve countries in northern Europe through approximately 90 companies. Operational risks are mitigated by this spread along with the large number of customers in various sectors and a large number of suppliers in various technology areas.

In the course of its operations, 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. The Parent Company executes all major external financial transactions and acts as an internal bank for 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 discussion on how Indutrade manages its various financial risks, see Note 2.

ENVIRONMENTAL IMPACT

Nine of the Group's Swedish subsidiaries conduct operations that require permits or notifications in accordance with the Swedish Environmental Code. Two foreign subsidiaries conduct operations subject to an equivalent permit or notification obligation.

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

RESEARCH AND DEVELOPMENT

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

ACCOUNTING PRINCIPLES

Indutrade prepares its financial reports in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Through 2003 Indutrade applied the recommendations and interpretations of the Swedish Financial Accounting Standards Council.

Starting on 1 January 2007, the Group applies IFRS 7. Application of this standard has no effect on the Group's earnings or financial position, but only entails the addition of certain disclosure requirements.

COMPOSITION AND WORK OF THE BOARD

The Board of Directors had eight members during the financial year. A presentation of the board members can be found on page 70.

During the year, the Board had eight meetings plus the statutory meeting. The Board's work focused on the Group's strategies and goals, company acquisitions and investments, among other things. For a detailed description of the Board's duties, its work methods, routine matters, committees, etc., see the Corporate Governance Report on pages 65–69.

PARENT COMPANY

The Parent Company's sales, which consisted entirely of invoicing of services to other Group companies, amounted to SEK 1 million [1]. The Parent Company's capital expenditures in property, plant and

equipment amounted to SEK 0 million [1]. The number of employees on December 31 was 8 [8].

The Parent Company's primary functions are to take responsibility for business development, major acquisitions and financing of the Group's operations.

SHARE CAPITAL AND SHAREHOLDERS

The share capital is SEK 40 million, divided by a total of 40,000,000 shares with a quota value of SEK 1. All shares have equal voting power.

The Board of Indutrade AB (publ) proposes that the 2008 Annual General Meeting authorise the Board, on one or more occasions during the time up until the next Annual General Meeting, to decide on new issues of a maximum of 4,000,000 shares with departure from the shareholders' pre-emption rights. The Board shall only be able to decide on new issues in kind or through set-off. Set-off shall only be possible in exchange for a promissory note issued by the Company as payment for shares in the Company that the Company aims to purchase.

On 31 December 2007 the Company had 4,739 shareholders. Three shareholders control 10% each, or more, of the share capital and votes:

● AB Industrivärden	36.89%
● AFA Insurance	10.33%
● L E Lundbergföretagen AB	10.00%

EVENTS AFTER THE BALANCE SHEET DATE

Agreements have been signed to acquire all of the shares in Ammertech B.V., in Helmond, the Netherlands; in Douwes International B.V., in Pijnacker, the Netherlands; and in Precision Products Ltd, in Chesterfield, UK. Ammertech is a leading technology sales company in the Benelux market in the area of bearings and transmission, with annual sales of approximately SEK 60 million. Douwes International is a well-established technology sales company with products and specialist expertise in fasteners and assembly tools, with annual sales of approximately SEK 34 million. Precision Products is a well established manufacturer of piston rings and supplies the international marine engine industry and other industries in 48 countries, with annual sales of approximately SEK 70 million.

All companies will be included in the Special Products business area – Ammertech and Precision Products as from January 2008 and Douwes as from February 2008.

FUTURE OUTLOOK

Indutrade's ambition in 2008 continues to be to achieve its set growth and profitability targets through organic growth and acquisitions. Since the Company's business is affected by external factors such as market development in the segments in which the Company operates and access to profitable acquisition candidates, no forecast for the current year has been given.

PROPOSED DISTRIBUTION OF EARNINGS

The Annual General Meeting has the following funds at its disposal:

(SEK million)

Retained earnings	380
Net profit for the year	318
	698

The dividend proposed by the Board of Directors and President corresponds to 28% of the Parent Company's equity and 18% of the Group's equity.

Indutrade's dividend policy is that the dividend shall amount to at least 50% of net profit over time.

The Board is of the opinion that the proposed dividend is fair and reasonable with respect to the goals, scope and risks of the operations and in respect of the opportunities to meet the Company's future obligations.

If the dividend had been paid out at year-end, the equity ratio would have been 30%. After payment of the proposed dividend, Indutrade will continue to have good liquidity and a net debt/equity ratio that is well within the set limit.

The Board of Directors and President propose the following distribution of earnings:

(SEK million)

Dividend of SEK 5.25 per share	210
To be carried forward	488
	698

THE BOARD'S ASSURANCE

The Board 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 view of the Group's and Parent Company's financial position and result of operations. The Directors' Report for the Group and Parent Company give a true and fair overview of the Group's and Parent Company's operations, financial position and result of operations and describe essential risks and uncertainties that the Parent Company and companies included in the Group face.

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

Stockholm, 14 March 2008

Bengt Kjell
Chairman of the Board

Owe Andersson
Director

Michael Bertorp
Director

Gerald Engström
Director

Eva Färnstrand
Director

Curt Källströmer
Director

Ulf Lundahl
Director

Johnny Alvarsson
President and CEO, Director

Our audit report was submitted on 17 March 2008.

Öhrlings PricewaterhouseCoopers AB

Lennart Danielsson
Authorised Public Accountant

CONSOLIDATED INCOME STATEMENT

GROUP			
SEK million	Note	2007	2006
Net sales	3	5,673	4,516
Cost of goods sold		-3,826	-3,027
Gross profit		1,847	1,489
Development costs		-20	-15
Selling costs		-972	-835
Administrative expenses		-250	-205
Other operating income	4	15	7
Other operating expenses	4	-11	-5
Operating profit	5, 6, 7, 8, 13, 30	609	436
Financial income	9	8	5
Financial expenses	10	-39	-25
Profit after financial items		578	416
Tax	12	-159	-116
Net profit for the year		419	300
Earnings per share ¹⁾		10.48	7.50
Proposed dividend per share		5.25	3.75

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

INCOME AND EXPENSES REPORTED DIRECTLY AGAINST EQUITY

SEK million	2007	2006
Actuarial gains/losses	6	10
Exchange rate differences on foreign operations	24	-17
Tax on items reported directly against equity	-2	-5
Total income and expenses reported directly against equity	28	-12
Net profit for the year	419	300
Total reported income and expenses for the financial year	447	288

CONSOLIDATED BALANCE SHEET

GROUP			
SEK million	Note	31 Dec. 2007	31 Dec. 2006
ASSETS			
<i>Non-current assets</i>			
Intangible assets	14	742	448
Property, plant and equipment	15		
Buildings and land		196	171
Machinery		63	55
Equipment		122	100
Construction in progress and advances for property, plant and equipment		7	1
Total property, plant and equipment		388	327
Financial assets			
Financial assets available for sale	16	7	3
Non-current receivables	17	7	6
Deferred tax assets	12	29	16
Total financial assets		43	25
Total non-current assets		1,173	800
Current receivables			
Inventories	18	936	719
Accounts receivable, trade	19	859	679
Tax assets		20	16
Other current receivables		31	16
Prepaid expenses and accrued income	20	49	37
Cash and cash equivalents	29	203	119
Total current assets		2,098	1,586
Total assets		3,271	2,386

CONSOLIDATED BALANCE SHEET

GROUP			
SEK million	Note	31 Dec. 2007	31 Dec. 2006
EQUITY AND LIABILITIES			
<i>Equity</i>			
	21		
Share capital		40	40
Reserves		17	-7
Profit brought forward incl. net profit for the year		1 132	859
Total equity		1,189	892
<i>Non-current liabilities</i>			
Borrowings	22	347	238
Other non-current liabilities	24	1	–
Pension obligations	23	122	118
Deferred tax liabilities	12	112	71
Other provisions	24	86	52
Total non-current liabilities		668	479
<i>Current liabilities</i>			
Borrowings	22	383	236
Accounts payable, trade		470	398
Tax liabilities		104	53
Other current liabilities		180	123
Provisions	24	10	–
Accrued expenses and deferred income	25	267	205
Total current liabilities		1,414	1,015
Total equity and liabilities		3,271	2,386
Pledged assets	27	88	54
Contingent liabilities	28	1	1

CONSOLIDATED CASH FLOW STATEMENT

GROUP			
SEK million	Note	2007	2006
OPERATING ACTIVITIES			
Cash flow from operating activities	29	582	405
Interest received		7	4
Interest paid		-35	-19
Paid tax		-155	-125
Cash flow from operating activities		399	265
INVESTING ACTIVITIES			
Acquisitions of subsidiaries	26	-307	-157
Acquisitions of property, plant and equipment	15	-73	-65
Sales of property, plant and equipment	15	15	14
Acquisitions of intangible assets	14	-9	-6
Increase/decrease in financial assets		1	0
Cash flow from investing activities		-373	-214
FINANCING ACTIVITIES			
Borrowings		207	100
Repayment of debt		-4	-35
Dividend		-150	-110
Cash flow from financing activities		53	-45
Cash flow for the year		79	6
Cash and cash equivalents at start of year		119	117
Exchange rate differences in cash and cash equivalents		5	-4
Cash and cash equivalents at end of year	29	203	119

INCOME STATEMENT/CASH FLOW STATEMENT, PARENT COMPANY

PARENT COMPANY INCOME STATEMENT				PARENT COMPANY CASH FLOW STATEMENT			
SEK million	Note	2007	2006	SEK million	Note	2007	2006
Net sales		1	1	OPERATING ACTIVITIES			
Gross profit		1	1	Cash flow from operating activities	29	-115	-29
Administrative expenses		-39	-35	Interest received		22	14
Other operating income/expenses	4	1	-1	Interest paid		-26	-15
Operating profit	5, 6, 7, 8, 13, 30	-37	-35	Group contributions received and dividend income		331	213
Financial income	9	22	14	Income tax paid		-44	-52
Financial expenses	10	-25	-15	Cash flow from operating activities		168	131
Profit from participations in Group companies	11	427	293	INVESTING ACTIVITIES			
		424	292	Acquisitions of subsidiaries	16	-212	-167
Profit after financial items		387	257	Acquisitions of property, plant and equipment	15	0	-1
Excess depreciation of equipment		0	0	Change in financial assets		-4	79
Profit before tax		387	257	Cash flow from investing activities		-216	-89
Tax	12	-69	-41	FINANCING ACTIVITIES			
Net profit for the year	21	318	216	Borrowings		201	100
				Repayment of debt		-27	-26
				Change in current financial liabilities		18	0
				Dividends paid		-150	-110
				Cash flow from financing activities		42	-36
				Cash flow for the year		-6	6
				Cash and cash equivalents at start of year		15	9
				Cash and cash equivalents at end of year	29	9	15

BALANCE SHEET, PARENT COMPANY

PARENT COMPANY			
SEK million	Note	31 Dec. 2007	31 Dec. 2006
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	15		
Equipment		2	2
Financial assets			
Participations in Group companies	16	855	673
Receivables from Group companies	17	104	100
Total financial assets		959	773
Total non-current assets		961	775
<i>Current assets</i>			
Current receivables			
Receivables from subsidiaries		562	365
Other receivables		1	1
Prepaid expenses and accrued income	20	4	5
Total current receivables		567	371
Cash and cash equivalents	29	9	15
Total current assets		576	386
Total assets		1,537	1,161

PARENT COMPANY			
SEK million	Note	31 Dec. 2007	31 Dec. 2006
EQUITY AND LIABILITIES			
<i>Equity</i>			
Restricted equity			
Share capital		40	40
Statutory reserve		5	5
		45	45
Unrestricted equity			
Profit brought forward		380	314
Net profit for the year		318	216
		698	530
Total equity		743	575
Excess depreciation of equipment			
		0	0
<i>Provisions</i>			
Deferred tax liability	12	–	0
Other provisions	24	34	34
Total provisions		34	34
<i>Non-current liabilities</i>			
Borrowings	22	296	201
Liabilities to Group companies		0	83
Total non-current liabilities		296	284
<i>Current liabilities</i>			
Borrowings	22	359	217
Accounts payable, trade		1	1
Tax liabilities		41	16
Liabilities to Group companies		49	27
Other current liabilities		1	0
Provisions	24	4	–
Accrued expenses and deferred income	25	9	7
Total current liabilities		464	268
Total equity and liabilities		1,537	1,161
Pledged assets			
		–	–
Contingent liabilities			
	28	71	79

ACCOUNTING PRINCIPLES AND NOTES

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

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 Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Russia, Germany, the Netherlands, Belgium and the UK. Indutrade's shares are listed on the OMX Nordic Exchange, in Stockholm, Mid Cap list.

The Parent Company is a limited liability company with registered office in Stockholm.

This annual report and the consolidated financial statements were approved by the Board of Directors for publication on 14 March 2008. The consolidated and parent company income statements and balance sheets will be presented for approval by the Annual General Meeting on 24 April 2008.

Basis of preparation

The consolidated accounts for the Indutrade Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union and in compliance with RR30 and the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the cost method, with the exception of revaluations of derivative instruments, which have been stated at fair value through profit or loss.

Preparation of reports in accordance with IFRS requires the use of important accounting estimations. Further, application of the Company's accounting principles requires that management make certain estimates and assumptions. 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 2007

The Group has begun application of the new standard IFRS 7 Financial Instruments: Disclosures. Application of this standard has not had any impact on the Group's earnings or position, but only entails the addition of certain disclosure requirements and a slight change in the format of the balance sheet compared with previous years. The standard has not entailed any change in accounting principle. Nor have the new IFRIC interpretations 7, 8, 9 and 10, or the revised URA 43, had any impact on Indutrade's earnings or position.

Standards, amendments and interpretations that apply as from 1 January 2008

No newly issued IFRSs or interpretations have been applied prospectively.

IFRS 8 Business Segments (applies from 1 January 2009) and the amendment to IAS 23 Borrowing Costs (applies from 1 January 2009) are not judged to have any impact on Indutrade's earnings or position upon adoption in 2009.

The new IFRIC interpretations 11, 12, 13 and 14 take effect during the 2008 financial year. IFRIC 11 pertains to transactions with treasury shares. The interpretation will be applied starting on 1 January 2008 but is not judged to have any impact on the Group's earnings or position. IFRIC 12 and IFRIC 13 are not relevant for the Group. IFRIC 14, which provides guidance to IAS 19, will be applied starting on 1 January 2008. However, this statement is not expected to have any impact on Indutrade's earnings or position.

Basis of consolidation

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

The consolidated accounts have been prepared in accordance with the purchase method, which means that the subsidiaries' equity at the date of acquisition, defined as the difference between the fair value of assets and liabilities, is eliminated in its entirety. This means that only that portion of the equity of subsidiaries that arose after acquisition is included in the Group's equity.

If the consolidated cost of shares exceeds the value of the Company's net assets entered in the acquisition analysis, this is reported as consolidated goodwill.

Translation of foreign currency

Items that are included in the financial reports for the Group's different units have been valued in the currency that is used in the economic environment where each company mainly operates (functional currency). In the consolidated accounts, the Swedish krona (SEK) is used. This is the Parent Company's functional currency and reporting currency. The earnings and financial position of all Group companies that have a different functional currency than their reporting currency are translated to the Group's reporting currency in accordance with the following:

- assets and liabilities for each of the subsidiaries' balance sheets are translated at the exchange rate on the balance sheet date,
- income and expenses for each of the income statements are translated at the average exchange rate, and
- all exchange rate differences that arise are reported as a separate part of equity.

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 company 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 when paying such transactions and when translating monetary assets and liabilities in foreign currencies at the exchange rate on the balance sheet date are reported in the income statement. Exchange rate differences that arise upon payment 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.

Property, plant and equipment

Property, plant and equipment are stated at cost with deduction for accumulated depreciation according to plan. 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. In this context, the following depreciation periods are used:

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

No depreciation is booked for land.

Intangible non-current assets

Goodwill

Goodwill represents 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 to cash-generating units for impairment testing. For impairment testing during the year, see "Testing of goodwill impairment" below.

Agencies, trademarks, customer lists, licences, etc.

Agencies, trademarks, customer lists, licences, etc., are carried at cost. These assets have a limited useful life and are carried at cost less accumulated amortisation. Amortisation is calculated on a straight-line basis to allocate the cost of these assets over their estimated useful lives (5–10 years). Acquired software licences are valued at cost and are amortised over their estimated useful lives (not more than 3 years).

In connection with nearly all completed company acquisitions made by Indutrade, a value is identified for purchased agencies, brands and the customer lists that make up part of the acquisition. According to IFRS, supplementary disclosures are to be made for each significant intangible asset. Since the Indutrade Group's intangible assets consist of many minor sub-items of which none constitute an intangible item with a material impact on the Group's earnings or position, no supplementary disclosures are made for intangible assets.

Impairment of non-financial assets

Land has an indefinite useful life and is not depreciated, but is instead tested for impairment annually. Impairment of assets is judged on the basis of a decline in value whenever events or changes in conditions indicate that the carrying amount is not recoverable. Impairment is booked of 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 assets other than financial assets and goodwill that have previously been written down, 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. The value of inventories 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 marketing and selling costs.

Financial instruments

The Group mainly has the following financial instruments: trade accounts receivable, cash and cash equivalents, trade accounts payable, borrowings and forward agreements.

Trade accounts receivable

Trade accounts receivable are stated initially at fair value and thereafter in the amount that is expected to be received after individual assessment. A provision for decreases in the value of trade accounts receivable is made when there is objective evidence that the Group will not be able to receive all amounts due according to the original terms of the receivable. 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 amounts previously written off are credited to selling costs in the income statement.

Since Indutrade's trade accounts receivable normally have a remaining lifetime of less than six months, the stated value is considered to reflect the fair value.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and other short-term investments with maturities of three months or less. Drawn bank overdrafts are stated in the balance sheet as Borrowings among current liabilities.

Trade accounts payable

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

The Group's derivative instruments consist of forward contracts. Reporting is done in the balance sheet on the contract date at fair value. Realised and unrealised gains and losses as a result of changes in the fair value are included in the income statement during the period in which they arise.

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 in the balance sheet when the Group has a formal or constructive obligation as a result of an event that has occurred and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been calculated in a reliable manner. A provision is made for estimated, future earn-out payments associated with purchases of shares. The earn-out payment is based on future profits in the acquired company. The provision is stated at fair value by discounting the provision for the earn-out payment using a discount rate of 4.5%.

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 the 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 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 reported in 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 among amortisation of debt and financial expenses to achieve a fixed rate of interest for the reported liability. Corresponding payment obligations, after deducting financial expenses, are included in the balance sheet under the items Long-term borrowings and short-term borrowings. The interest portion of financial expenses is reported in the income statement allocated over the period of the lease so that every reporting period is charged with an amount that corresponds to a fixed interest rate for the liability reported during the respective periods. Non-current assets held under finance leases are depreciated during the shorter of the asset's period in use or lease period.

Segment reporting

The Group's operations are reported in primary and secondary segments. Assets and liabilities as well as income and expenses are attributed to the segment in which they are used or earned and consumed, respectively. The primary segment classification is based on the business area organisation according to which the governance and follow-up of the Group's operations are conducted. The secondary segment classification is based on the geographic areas in which the Group conducts its operations.

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 directly against equity.

Current tax is tax that is to be paid or received in the current year using the tax rates that have been decided 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. 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 have been decided 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

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 pension benefits that an employee will receive upon retirement. A defined contribution pension plan is a pension plan to which the Group makes set contributions to a separate legal entity.

The liability recognised in 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 government bonds that have been issued in the same currency that the benefits will be paid in and with

maturity periods comparable to those of the current pension liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised directly in equity after taking into account payroll tax and deferred tax.

Pension costs relating to past service are recognised directly in the income statement.

For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension plans on a mandatory, 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 only product-specific development activities. Outlays for development are reported as development costs in the income statement as they arise. The Group does not normally report any outlays for development as an asset in the balance sheet. Any minor amounts carried by a subsidiary are included in the item "Other intangible assets". Reporting is done in accordance with IAS 38.

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 VAT and discounts. 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. Sales attributable to services pertain to short-term services, and revenue from these is recognised in the accounting period in which the services are rendered.

Interest income and interest expenses are recognised taking into account accrued interest at 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 estimates and assumptions about the future. By definition, the estimations for accounting purposes that are a consequence of these rarely match the actual outcome. The estimates and assumptions that entail a considerable risk for significant adjustments in the carrying amount of assets and liabilities in the next financial year are discussed below.

Impairment testing of goodwill

In connection with the annual impairment testing of goodwill, which was conducted most recently in December 2007, Indutrade applied a model in which assumptions were made about such items as revenue growth, gross margins, investments and capital costs. Important assumptions that were made for estimations of value in use: the rate of growth for all segments has been estimated at 2%, and the discount rate before tax at 14%.

The gross margin has been assumed as the reported gross margin for 2007. The forecast period is five years. The impairment test was performed at the business area level, which is the lowest cash-generating unit.

The impairment test did not result in any need to recognise impairment. Even if the discount rate before tax used in the model had been 1 percentage point higher and the gross margin had been 1 percentage point lower than management's estimations as at 31 December 2007, no need to recognise impairment would have arisen.

Valuation of pension obligations

In calculating the liability in 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 18 million, including payroll tax, and other defined benefit plans would increase by SEK 33 million. If the discount rate were to be increased by 1 percentage point, the PRI liability would decrease by SEK 15 million, and other defined benefit plans would decrease by SEK 27 million.

Parent Company

The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act and Swedish Financial Accounting Standards Council recommendation RR32:06, Reporting for legal entities. According to recommendation RR32, in the annual report for a legal entity, the Parent Company shall apply all IFRSs and statements approved by the EU shall be used 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. Dividends and Group contributions received are reported as income under the condition that these stem from profits earned after the acquisition.

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).

Leasing contracts are reported in the Parent Company as operational leases.

NOTE 2 RISKS AND RISK MANAGEMENT

Market risks

The Indutrade Group's operations are conducted in Sweden, Finland, Denmark, Norway, the Netherlands, Belgium, Germany, the UK, Russia and the Baltic countries. The geographic spread along with a large number of customers and products provides relatively limited risk exposure and sensitivity to economic fluctuations.

A trading group such as Indutrade is subject to 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's 90 or so companies have, on average, 2–3 main agencies per company, complemented by a number of smaller agencies. As a result of the large number of agencies, no individual agency accounts for a decisive financial risk from the Group's perspective.

The risk associated with major customers deciding to bypass the agency level and trading directly with the producers is judged to be marginal, 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 companies also provide aftermarket services such as servicing, installation, etc.

Financial risks

Owing to its international operations, the Indutrade Group is exposed to various types of financial risk:

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

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

Financing risk is the risk that financing of the Group's capital requirements is impeded or becomes more expensive. This is mitigated as far as possible by ensuring that the Company has a maturity structure that facilitates the taking of necessary alternative actions required to secure the raising of capital should this be necessary.

Indutrade has 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 currencies. Group account systems are established in Sweden, Finland and the Netherlands.

At year-end 2007 the Parent Company had external interest-bearing loans worth SEK 655 million [418]. The corresponding amount for the Group was SEK 730 million [474]. After taking interest-bearing provisions and cash and cash equivalents into

account, the Group's interest-bearing net debt, including other interest-bearing liabilities, was SEK 650 million at year-end, compared with SEK 473 million a year earlier.

At year-end 2007 the Group had SEK 203 million [119] in cash and cash equivalents and SEK 274 million [433] in granted unutilised overdraft facilities. Of the Group's interest-bearing loans, 48% of the total amount falls due for payment after 31 December 2008. For a more detailed analysis of maturities, see the description of the Group's borrowings in Note 22.

Indutrade defines its managed assets as equity in the Group. Management of the capital structure aims to create a 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 55% [53%].

Interest rate risk

Interest rate risk is 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 2007 the average remaining fixed interest term for the Group's loans was 3 months. Based on the loan structure at the end of the year, a one [1] percentage point rise in the interest rate on an annualised basis would result in an increase of about SEK 7.0 million in interest expense, without taking into account the loans' fixed interest periods. Taking into account the existing fixed interest periods, the effect for 2008 would be approximately SEK 5.6 million. For further disclosures on the Group's debt structure, see Note 22.

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Maturity dates for financial liabilities:				
Maturity 2007	–	167	–	149
Maturity 2008	153	110	129	95
Maturity 2009	202	54	176	42
Maturity 2010	108	69	93	68
Maturity 2011	44	12	32	10
Maturity 2012 or thereafter	16	9	16	–
Total borrowings incl. interest, SEK m	523	421	446	364

Currency risk

Currency risk is 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.
- Transaction exposure arises as a result of the Group, via its foreign subsidiaries, having net investments in foreign currencies.

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

The consolidated income statement includes SEK -1 million [2] in exchange rate differences in operating profit and SEK 0 million [-1] in net financial items.

With respect to transaction exposure, at year-end 2007 Indutrade had net exposure of SEK -119 million [-65] in foreign currency. The largest part of this exposure consisted of SEK -79 million in EUR [EUR -8.4 million], SEK -20 million in GBP [GBP -1.6 million], SEK -13 million in USD [USD -1.9 million], SEK -7 million in CHF [CHF -1.2 million] and SEK 6 million in DKK [DKK 4.3 million]. The corresponding figures in 2006 were SEK -66 million in EUR [EUR -7.3 million], SEK -17 million in GBP [GBP -1.3 million], SEK 13 million in USD [USD 1.9 million], SEK 11 million in DKK [DKK 11.9 million] and SEK -6 million in CHF [CHF -1.1 million]. At year-end 2007 the Group had outstanding forward contracts amounting to SEK 28 million [26] in order to reduce the currency risk associated with future flows, of which SEK 12 million [2] pertains to EUR and SEK 16 million [24] to USD. The EUR-based contracts expire within one month from the end of the year, and the USD contracts expire at regular dates during the first half of 2008. Fair valuation of the outstanding forward contracts as at 31 December 2007 resulted in an unrealised gain of SEK 0.5 million [0.2]. In 2007, realised forward contracts had a marginal earnings impact.

In addition, the Parent Company has hedged outstanding receivables from subsidiaries. Forward contracts pertain to DKK 15 million [-], NOK 11 million [-] and EUR 99 million [18]. All contracts have a term of one year.

The Group is exposed to a translation risk on the translation of the accounts of foreign subsidiaries into the Group currency, SEK. This type of currency risk is not hedged. At year-end, net investments in foreign subsidiaries amounted to SEK 525 million in EUR [EUR 55.4 million], SEK 89 million in DKK [DKK 69.8 million], SEK 39 million in NOK [NOK 32.8 million], and SEK 30 million in GBP [GBP 2.4 million]. The corresponding figures for 2006 were SEK 364 million in EUR [EUR 40.2 million] and SEK 75 million in DKK [DKK 61.8 million]. Indutrade also had net investments in other currencies both in 2007 and 2006, but the amounts were insignificant.

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 SEK 31 million [26] on net sales and approximately SEK 2.5 million [1.7] on pre-tax profit.

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 and other derivative instruments. These risks are limited by using counterparties that have been approved in accordance with the guidelines contained 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 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 2% of sales. The Indutrade Group does business in many countries, which leads to a spread of credit risk exposure over several geographic markets. For information on sale 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.

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 primary segments. The Group's business areas operate primarily in the Nordic countries and northern Europe. The geographic segments Sweden, Finland, Denmark/Norway and Other Europe constitute the Group's secondary segments.

The Engineering & Equipment business area offers customised niche products, design solutions, aftermarket service and special processing. Products consist primarily of hydraulics, equipment for automotive workshops, flow products and transmissions.

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

The Industrial Components business area offers a wide range of technically advanced components and systems for production and maintenance. Its products, which consist mainly of consumables for recurring needs, include fasteners, filters, adhesives and cutting tools.

The Special Products business area offers custom-fabricated niche products, design solutions, aftermarket service, assembly and special processing. Its products include temperature sensors, special plastics, tool holders, electrical components, etc.

Indutrade's internal sales for its primary segments are reported together with external sales, since they are limited in scope and since for most of Indutrade's companies, internal transactions consist of random "support purchases". Companies with the same agencies sometimes do business with each other in order to meet a sudden customer need. Normally, the price is the purchase price plus an administrative surcharge (10%–15%).

Two of Indutrade's companies (GEFA and ETP) use other Indutrade companies as sales channels (Fagerbergbolagen and Bengtssons Maskin). The pricing between these companies is according to the market rate. Internal sales are estimated at slightly more than SEK 16 million per year. Due to the scope and nature of internal transactions, the problem of internal profit in inventory is negligible.

Capital expenditures include purchases of property, plant and equipment (Note 15) and intangible assets (Note 14).

Note 3, continued
Primary segments

2007	EE	FT	IC	SP	TOTAL	PC/ELIM.	TOTAL GROUP
Net sales	1,968	1,474	940	1,322	5,704	-31	5,673
Operating profit	194	135	97	226	652	-43	609
Financial income/expense	-8	-5	-3	-12	-28	-3	-31
Income tax	-49	-38	-25	-60	-172	13	-159
Profit for the year	137	92	69	154	452	-33	419
Amortisation of intangible assets	-10	-11	-6	-14	-41	-	-41
Depreciation of property, plant and equipment	-10	-15	-11	-27	-63	-	-63
Sales growth, %	24.9	37.4	17.8	20.8			25.6
EBITA	204	145	103	234	686	-36	650
EBITA margin, %	10.4	9.8	10.9	17.7			11.5
Operating capital	527	461	264	578	1,830	8	1,838
Return on operating capital, %	42.9	42.1	43.8	41.6			40.6
Capital expenditures	17	23	18	34	92	0	92
Non-cash items	-2	-1	-1	-	-4	-	-4
Total assets	1,003	974	543	967	3,487	-216	3,271
Noninterest-bearing liabilities	391	457	288	355	1,491	-256	1,235
Interest-bearing liabilities	267	139	127	187	720	132	852

2006	EE	FT	IC	SP	TOTAL	PC/ELIM.	TOTAL GROUP
Net sales	1,576	1,073	798	1,094	4,541	-25	4,516
Operating profit	138	91	75	168	472	-36	436
Financial income/expense	-5	-3	-2	-9	-19	-1	-20
Income tax	-34	-25	-22	-46	-127	11	-116
Profit for the year	99	63	51	113	326	-26	300
Amortisation of intangible assets	-8	-2	-3	-11	-24	-	-24
Depreciation of property, plant and equipment	-9	-13	-9	-22	-53	-1	-54
Sales growth, %	13.1	11.1	17.4	35.9			18.2
EBITA	146	93	78	179	496	-36	460
EBITA margin, %	9.3	8.7	9.8	16.4			10.2
Operating capital	423	228	206	548	1,405	-39	1,366
Return on operating capital, %	34.5	40.8	37.9	32.7			36.9
Capital expenditures	16	16	12	28	72	2	74
Non-cash items	-	-	-	-4	-4	-	-4
Total assets	726	525	420	891	2,562	-176	2,386
Noninterest-bearing liabilities	268	276	207	305	1,056	-154	902
Interest-bearing liabilities	168	100	98	223	589	3	592

Secondary segments

GROUP	2007	2006
Net sales		
Sweden	2,399	1,919
Finland	1,631	1,315
Benelux	546	487
Denmark and Norway	610	424
Other Europe	487	371
	5,673	4,516

GROUP	2007	2006
EBITA		
Sweden	263	186
Finland	178	130
Benelux	95	75
Denmark and Norway	55	32
Other Europe	59	37
	650	460

GROUP	2007	2006
Assets		
Sweden	1,397	1,099
Finland	813	558
Benelux	370	358
Denmark and Norway	301	189
Other Europe	390	182
	3,271	2,386

GROUP	2007	2006
Capital expenditures per geographic market		
Sweden	66	35
Finland	13	13
Benelux	3	12
Denmark and Norway	6	8
Other Europe	4	6
	92	74

NOTE 4 OTHER OPERATING INCOME/EXPENSES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Other operating income				
Exchange rate gains	10	7	1	0
Other	5	0	–	–
	15	7	1	0
Other operating expenses				
Exchange rate losses	-11	-5	0	-1
	-11	-5	0	-1
Other operating income/expenses	4	2	1	-1

NOTE 5 AVERAGE NUMBER OF EMPLOYEES

	2007		2006	
	No. employees	Of whom, women	No. employees	Of whom, women
Parent Company	8	4	8	4
Subsidiaries in Sweden	836	169	701	144
Total Sweden	844	173	709	148
Subsidiaries outside Sweden				
Denmark	162	26	132	15
Finland	531	96	493	86
Netherlands	136	28	134	30
Norway	42	6	20	2
Germany	81	27	75	23
Other	133	26	110	23
Total outside Sweden	1,085	209	964	179
Group total	1,929	382	1,673	327

The Parent Company's board is composed of one woman and seven men. Subsidiaries' boards of directors and management include two women (2006: none). There are no women in the Parent Company's management.

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

	2007			2006		
	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	12	8	3	11	7	3
Subsidiaries in Sweden	328	146	34	276	128	30
Total Sweden	340	154	37	287	135	33
Subsidiaries outside Sweden						
Denmark	90	7	6	75	6	5
Finland	224	56	43	186	45	35
Netherlands	59	13	5	57	9	2
Norway	26	5	2	11	2	1
Germany	42	7	–	34	6	–
Other	20	5	0	15	4	0
Total outside Sweden	461	93	56	378	72	43
Group total	801	247	93	665	207	76

Of the Parent Company's pension costs, SEK 1 million [1] pertains to the Board of Directors and President. The corresponding amount for the Group is SEK 16 million [11].

Wages, salaries and other remuneration broken down by country and between board members, etc. and other employees

	2007				2006			
	Boards and presidents	Of which, bonuses and similar	Other employees		Boards and presidents	Of which, bonuses and similar	Other employees	
Parent Company	7	2	5		6	2	5	
Subsidiaries in Sweden	29	4	299		27	4	249	
Total Sweden	36	6	304		33	6	254	
Subsidiaries outside Sweden								
Denmark	7	1	83		6	1	69	
Finland	16	3	208		15	2	171	
Netherlands	3	0	56		2	0	55	
Norway	4	0	22		2	0	9	
Germany	3	1	39		2	1	32	
Other	3	1	17		3	0	12	
Total outside Sweden	36	6	425		30	4	348	
Group total	72	12	729		63	10	602	

Total sick leave in the Parent Company in 2007 was 176 hours of a total of 13,908 hours, i.e., 1.27% (0.36%) of the total number of work hours. As in the preceding year, total sick leave in 2007 consisted of short-term absence. By short-term absence is meant uninterrupted absence due to sickness lasting less than 60 days.

Wages, salaries and remuneration of senior executives

Information provided at the 2007 Annual General Meeting pertaining to the 2007 financial year.

The Chairman and members of the Board of Directors are paid a fee in accordance with a decision by the Annual General Meeting. According to the currently applicable AGM decision, the Chairman receives a fee of SEK 350,000. A fee of SEK 175,000 is paid to each of the other directors. However, no fee is paid to directors who are employees of companies belonging to the Indutrade Group. In addition, no special fee is paid for committee work.

Compensation of the CEO and other senior executives consists of a base salary, variable compensation, other benefits and pension. By "Other senior executives" is meant four persons: the Chief Financial Officer (CFO) and three business area presidents. During the year, an additional two senior executives have been added – a business area vice president and a head of business development. The senior executives who are employed by subsidiaries receive their compensation from the respective subsidiaries. For the president of the Parent Company, the variable salary component is maximised to nine months' salary, i.e., 75% of his base salary. For other senior executives, the variable compensation is maximised to between 3 and 7 months' salaries, or 25%-58% of base salary. The variable compensation is related to the earnings performance of the Group or of the respective business units. The retirement age for the CEO is 65. In addition to statutory pension benefits, Indutrade is to pay pension premiums corresponding to 35% of his base salary, but not more than the amount that is tax deductible for the Company. The CEO is entitled to choose his pension plan, within the said cost framework and subject to the approval of the Chairman. Other senior executives are entitled to pension benefits corresponding to 28% of their 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 term of notice with retained employment benefits. In the event the CEO gives notice, a six month term of notice 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 programme

Indutrade's board of directors, in co-operation with AB Industrivärden, has established an incentive programme directed at senior executives of Indutrade. The aim of the programme is to encourage management's long-term commitment and participation in the Company. The term of the programme extends until 30 June 2010. A total of 30 senior executives – including the Executive Management and a number of subsidiary presidents – have acquired a combined total of 169,900 shares and 284,800 stock options in the Company, at market price. The stock

Note 6 continued

options were issued by AB Industrivärden. Indutrade pays 40% of the invested amount to the executives participating in the programme. The total cost for the Company will amount to approximately SEK 7 million, of which SEK 1.3 million was charged against 2007 earnings, while SEK 1.3 million will be charged against earnings for each of the next two years.

The Board's proposed principles for compensation and other terms of employment for Company management to be presented to the 2008 Annual General Meeting

By Company management is meant in this context the President and CEO, the Chief Financial Officer, the business area presidents, a business area vice president and the head of business development. Compensation of Company management shall normally consist of a fixed and variable salary component. The variable component shall reward clear, target-related improvements in simple and transparent structures and shall have a cap. The base salary for members of Company management shall be in line with the going rate in the market and be commensurate with the executive's competence, responsibility and performance. The variable salary component for members of Company management shall normally not exceed 7 months' salary and shall be related to improvement in the Company's and respective business area's earnings and the Group's growth. Incentive programmes in the Company shall mainly be share price-related and cover persons in senior positions in the Company that have a significant influence on the Company's earnings and growth, and shall be conditional upon the achievement of set targets. An incentive programme shall ensure a long-term commitment to the Company's development and be implemented at market terms. The pension terms for members of Company management shall be in line with the going rate in the market for peer executives in the market in which the respective executives work and should be based on defined contribution pension solutions or correspond to a general pension plan (in Sweden, the ITP plan). Severance pay for a member of Company management shall not exceed 24 months in the event the Company serves notice and 6 months in the event a member of Company management gives notice. The Board's remuneration committee handles and conducts drafting work on compensation matters pertaining to Company management for decision by the Board. The Remuneration Committee thus prepares and drafts proposals for decision regarding the terms of employment for the CEO, and the Board evaluates the CEO's performance annually. The CEO consults with the Remuneration Committee on the terms of employment for other members of Company management. The Board shall have the right to depart from the above-described principles for compensation of Company management in individual cases if there are special reasons.

COMPENSATION AND OTHER BENEFITS, 2007

SEK 000s	Base salary/ directors' fees	Variable compensation ¹⁾	Other benefits	Pension cost	Total
Bengt Kjell, Chairman of the Board	350	–	–	–	350
Eva Färnstrand, Director	175	–	–	–	175
Michael Bertorp, Director	175	–	–	–	175
Owe Andersson, Director	175	–	–	–	175
Curt Källströmer, Director	175	–	–	–	175
Ulf Lundahl, Director	175	–	–	–	175
Gerald Engström, Director	175	–	–	–	175
Johnny Alvarsson, President and CEO	2,906	2,394	96	1,003	6,399
Other senior executives (6 persons)	8,286	3,456	506	2,349	14,597
Total	12,592	5,850	602	3,352	22,396

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

COMPENSATION AND OTHER BENEFITS, 2006

SEK 000s	Base salary/ directors' fees	Variable compensation ¹⁾	Other benefits	Pension cost	Total
Bengt Kjell, Chairman of the Board	300	–	–	–	300
Eva Färnstrand, Director	150	–	–	–	150
Michael Bertorp, Director	150	–	–	–	150
Owe Andersson, Director	150	–	–	–	150
Curt Källströmer, Director	150	–	–	–	150
Ulf Lundahl, Director	150	–	–	–	150
Gunnar Tindberg, Director	150	–	–	–	150
Johnny Alvarsson, President and CEO	2,632	1,763	88	790	5,273
Other senior executives (4 persons)	5,673	2,269	345	1,866	10,153
Total	9,505	4,032	433	2,656	16,626

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 amounts of:

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Cost of goods sold	58	36	–	–
Development costs	0	1	–	–
Selling costs	32	29	–	–
Administrative expenses	14	12	1	1
	104	78	1	1

NOTE 8 OPERATING LEASES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Leasing payments expensed during the year:	64	63	7	6
Future contracted leasing payments				
Maturity year 1	70	62	3	3
Maturity year 2	55	51	4	3
Maturity year 3	32	41	4	4
Maturity year 4	18	24	4	4
Maturity year 5	12	14	2	4
Maturity year 6-	20	26	0	2
Total future leasing payments	207	218	17	20

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

NOTE 9 FINANCIAL INCOME

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Interest	7	5	22	14
Other	1	0	0	0
	8	5	22	14
Of which, pertaining to Group companies:				
Interest	–	–	21	14

NOTE 10 FINANCIAL EXPENSES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Interest expenses, bank loans	-32	-18	-25	-14
Interest expenses, pension liability	-5	-4	-	-
Interest expenses, finance leases	-2	-2	0	0
Total interest expenses	-39	-24	-25	-14
Exchange rate differences	0	-1	0	-1
Other	0	0	0	0
	-39	-25	-25	-15
Of which, pertaining to Group companies in the Indutrade Group				
Interest			0	0

NOTE 11 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	PARENT COMPANY	
	2007	2006
Dividends from subsidiaries	149	111
Group contributions and shareholder contributions	285	182
Write-down of investments in subsidiaries	-7	-
	427	293

NOTE 12 TAXES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Tax expense				
Current tax	-180	-125	-69	-41
Deferred tax	21	9	0	0
	-159	-116	-69	-41

The Group's tax expense amounted to 27.5% (27.9%) of the Group's pre-tax profit. The difference between the reported tax expense and anticipated tax expense is explained below.

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Profit before tax	578	416	387	257
Weighted average tax based on national tax rates (Group 28.4% and 28.5%, respectively, and Parent Company 28.0%)	-161	-118	-108	-72
Tax effect of:				
Non-deductible other expenses/non-taxable income	0	0	39	31
Unreported deferred tax revenue	1	-	-	-
Change in tax rate	1	2	-	-
	-159	-116	-69	-41
	27.5%	27.9%	17.8%	16.0%

Deferred tax assets in temporary differences whose value has not been estimated amount to SEK 0 million [0].

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Deferred tax liability				
Intangible assets	85	45	-	-
Land and buildings	14	13	-	-
Fixtures and equipment	7	8	-	-
Current assets	-5	-1	0	-
Untaxed reserves	0	4	-	-
Pension obligations	-14	-14	-	-
Accrued income and prepaid expenses	-1	0	-	0
Tax-loss carryforward	-3	-	-	-
	83	55	0	0
Of which, deferred tax asset	-29	-16	0	-
Of which, deferred tax liability	112	71	-	0

In applying IFRS, Indutrade has utilised the option to offset the total effect of actuarial gains and losses related to pensions directly against equity in consideration of deferred tax. At the end of the financial year, the deferred tax asset for this was SEK 10 million [10].

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Deferred tax liability, 1 January	55	20	0	0
Deferred tax asset attributable to actuarial losses	2	5	-	-
Deferred tax liability attributable to acquisitions	49	39	-	-
Deferred tax liability in income statement	-21	-9	0	0
Deferred tax liability attributable to revaluation of company acquisitions	-1	-	-	-
Exchange rate differences	-1	0	-	-
Deferred tax liability, 31 December	83	55	0	0

NOTE 13 AUDITORS' FEES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Auditing fees				
Öhrlings PricewaterhouseCoopers	6	6	1	1
Other auditing firms	0	0	-	-
Total auditing fees	6	6	1	1
Fees for other assignments				
Öhrlings PricewaterhouseCoopers	1	1	0	0
Other auditing firms	1	0	-	-
Total fees for other assignments	2	1	0	0
Total	8	7	0	1

Auditing assignments pertain to review of the annual report and bookkeeping, as well as of the Board's and President's administration, other work duties that are incumbent upon a company auditor, and consulting or other assistance stemming from observations in connection with such review or implementation of other duties. Everything else constitutes other assignments.

NOTE 14 INTANGIBLE ASSETS

GROUP	Goodwill	Agencies/licences, etc.	Other intangible assets	Total intangible assets
As per 1 January 2006				
Cost	212	141	1	354
Accumulated amortisation and write-downs	-2	-53	-1	-56
Book value	210	88	0	298
1 January-31 December 2006				
Opening book value	210	88	0	298
Exchange rate differences	-5	-3	0	-8
Investments during the year	-	6	0	6
Company acquisitions	60	112	4	176
Sales and disposals	-	0	-	0
Amortisation (Note 7)	-	-23	-1	-24
Closing book value	265	180	3	448
As per 31 December 2006				
Cost	267	249	7	523
Accumulated amortisation and impairment charges	-2	-69	-4	-75
Book value	265	180	3	448
1 January-31 December 2007				
Opening book value	265	180	3	448
Exchange rate differences	7	4	1	12
Investments during the year	-	9	-	9
Company acquisitions	106	212	-	318
Sales and disposals	-	-4	-	-4
Amortisation (Note 7)	-	-40	-1	-41
Closing book value	378	361	3	742
As per 31 December 2007				
Cost	380	470	8	858
Accumulated amortisation and impairment charges	-2	-109	-5	-116
Book value	378	361	3	742

A summary of the breakdown of goodwill at the segment level is as follows:

	2007	2006
Engineering & Equipment	118	101
Flow Technology	115	27
Industrial Components	4	4
Special Products	141	133
Indutrade Group	378	265

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

GROUP	Land and buildings	Machinery	Fixtures and equipment	Construction in progress	Total property, plant and equipment
As per 1 January 2006					
Cost	237	100	349	4	690
Accumulated depreciation and impairment charges	-84	-63	-256	0	-403
Book value	153	37	93	4	287
1 January-31 December 2006					
Opening book value	153	37	93	4	287
Exchange rate differences	-2	0	-1	-	-3
Investments during the year ¹⁾	1	14	49	4	68
Company acquisitions	26	11	6	-	43
Transferred from construction in progress	2	4	1	-7	0
Sales and disposals	-1	0	-13	-	-14
Depreciation (Note 7)	-8	-11	-35	-	-54
Closing book value	171	55	100	1	327
As per 31 December 2006					
Cost	264	148	333	1	746
Accumulated depreciation and impairment charges	-93	-93	-233	0	-419
Book value	171	55	100	1	327
1 January-31 December 2007					
Opening book value	171	55	100	1	327
Exchange rate differences	2	1	2	-	5
Investments during the year ¹⁾	2	13	60	8	83
Company acquisitions	30	7	14	-	51
Transferred from construction in progress	0	2	0	-2	0
Sales and disposals	0	0	-15	-	-15
Depreciation (Note 7)	-9	-15	-39	-	-63
Closing book value	196	63	122	7	388
As per 31 December 2007					
Cost	310	188	392	7	897
Accumulated depreciation and impairment charges	-114	-125	-270	-	-509
Book value	196	63	122	7	388

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

	2007	2006
Cost – capitalised finance leases	66	50
Accumulated depreciation	-16	-14
Book value	50	36

¹⁾ Of total investments in property, plant and equipment, SEK 73 million (65) had an effect on cash flow, while SEK 10 million (3) pertain to investments financed via finance leases.

The tax assessment value of Swedish property was SEK 111 million (86), of which SEK 87 million (68) pertains to buildings and SEK 24 million (18) land. The corresponding book value of Swedish property was SEK 138 million (114).

Note 15, continued

	PARENT COMPANY	
	2007	2006
Opening cost	6	4
Investments during the year	0	1
Sales and disposals	0	0
Closing accumulated cost	6	5
Opening depreciation	-3	-2
Depreciation for the year	-1	-1
Sales and disposals	0	0
Closing accumulated cost	-4	-3
Planned residual value	2	2

NOTE 16 SHARES AND PARTICIPATIONS**The Parent Company's direct holdings of shares and participations in subsidiaries**

Company name/reg. no./VAT no.	Domicile	Share	Number	Book value
Gustaf Fagerberg Holding AB, 556040-9087	Gothenburg	100%	100,000	17
Bengtssons Maskin AB, 556037-8670	Arlöv	100%	2,000	14
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	30
ETP Transmission AB, 556158-5398	Linköping	100%	20,000	25
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	185
Indutrade Oy, Finland	Helsinki	100%	42,000	48
Ingenjörfirman GA Lindberg AB, 556606-8747	Stockholm	100%	1,000	0
Saniflex AB, 556441-5882	Stockholm	100%	2,500	3
Pentronic AB	Västervik	100%	30,000	9
Carlsson & Möller AB	Helsingborg	100%	1,800	11
Eie Maskin AB	Stockholm	100%	30,000	24
Robota AB	Täby	100%	1,000	22
Gedevelop AB	Helsingborg	100%	9,868	26
Spinova AB	Torsås	100%	20,000	70
Tribotec AB	Mölnlycke	100%	4,000	33
Damalini AB	Mölnådal	100%	1,000,000	50
Palmstiernas Svenska AB	Karlstad	100%	100	3
International Plastic Systems Ltd	Newcastle	100%	10,000	113
Carrab Industri AB	Mönsterås	100%	10,000	19
Aluflex System AB	Helsingborg	100%	20,000	41
Total				855

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

	Domicile	Share of capital, %	Share of votes, %	Number	Book value
AS Fors MW	Tallinn, Estonia	11	11	14,324	3
Honkakoli Oy	Finland	-	-	18	1
Kytäjän Golf Oy	Finland	-	-	5	1
SN-Kiinnike Oy	Finland	33	33	33	0
Other		-	-	-	2
Held-for-sale financial assets					7

Shares and participations

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Opening cost	3	3	1,199	954
External acquisitions	1	-	173	202
Shareholder contribution	-	-	16	-
Sales	0	-	-	-
Restructuring within the Group	-	-	0	43
Company acquisitions	3	-	-	-
Closing accumulated cost	7	3	1,388	1,199

Note 16 continued

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Opening revaluations	-	-	8	8
Closing accumulated revaluations	-	-	8	8
Opening impairment	-	-	-534	-534
Impairment during the year	-	-	-7	-
Closing accumulated impairment	-	-	-541	-534
Book value	7	3	855	673
Effect on cash flow				
Purchase price			-173	-245
Purchase price not paid			18	78
Purchase price paid from previous years			-43	-
Earn-out payments made			-14	-
			-212	-167

NOTE 17 NON-CURRENT RECEIVABLES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Opening balance	6	5	100	104
Additional receivables	1	1	-	-
Repaid deposits/Amortisation	-2	0	-	-
Company acquisitions	2	-	-	-
Exchange rate differences	-	-	4	-4
	7	6	104	100

Other items pertain primarily to endowment insurance policies in which the book value corresponds to fair value. The maturity dates for these is dependent on the date of retirement for the persons insured.

NOTE 18 INVENTORIES

	GROUP	
	2007	2006
Inventories are broken down into the following items:		
Raw materials and consumables	98	85
Products in process	82	43
Finished products and goods for resale	756	591
Total	936	719

At year-end 2007, total accumulated impairment amounted to SEK 78 million (67).

NOTE 19 TRADE ACCOUNTS RECEIVABLE**Age breakdown of trade accounts receivable and provisions for doubtful trade accounts receivable**

	GROUP	
	2007	2006
Trade accounts receivable	679	557
Trade accounts receivable not due	156	90
Trade accounts receivable past-due 0-3 months	33	36
Trade accounts receivable past-due more than 3 months	-	-
Total	868	683
Provision for doubtful trade accounts receivable	-	-
Provision for trade accounts receivable, less than 3 months past-due	-2	-1
Provision for trade accounts receivable, 3-6 months past-due	-2	-1
Provision for trade accounts receivable, more than 6 months past-due	-5	-2
Total	-9	-4

Trade accounts receivable are reported after taking into account customer losses incurred during the year, totalling SEK 3 million (2). 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	
	2007	2006	2007	2006
Prepaid rents	17	13	4	4
Prepaid leases	1	1	0	0
Prepaid service and maintenance charges	3	3	0	0
Prepaid insurance premiums	5	3	0	1
Prepaid marketing costs	2	–	–	–
Accrued income	4	–	–	–
Derivative instruments	–	0	–	0
Other items	17	17	–	–
	49	37	4	5

NOTE 21 CHANGE IN SHAREHOLDERS' EQUITY

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	Share capital	Translation differences	Profit brought forward	Total equity
Equity at 1 January 2006	40	10	664	714
Translation differences	–	-17	–	-17
Actuarial gains/losses	–	–	10	10
Tax on items reported directly in or transferred from equity	–	–	-5	-5
Total income and expenses reported directly against equity	–	-17	5	-12
Net profit for the year	–	–	300	300
Total reported income and expenses excl. transactions with the Company's owners	–	-17	305	288
Dividend payout	–	–	-110	-110
Equity at 31 December 2006	40	-7	859	892
Translation differences	–	24	–	24
Actuarial gains/losses	–	–	6	6
Tax on items reported directly in or transferred from equity	–	–	-2	-2
Total income and expenses reported directly against equity	–	24	4	28
Net profit for the year	–	–	419	419
Total reported income and expenses excl. transactions with the Company's owners	–	24	423	447
Dividend payout	–	–	-150	-150
Equity at 31 December 2007	40	17	1,132	1,189

PARENT COMPANY

	Share capital ¹⁾	Statutory reserve	Unrestricted equity	Total equity
Equity at 1 January 2006	40	5	424	469
Dividend	–	–	-110	-110
Net profit for the year	–	–	216	216
Equity at 31 December 2006	40	5	530	575
Dividend	–	–	-150	-150
Net profit for the year	–	–	318	318
Equity at 31 December 2007	40	5	698	743

¹⁾ On 31 December 2006 and 2007, the share capital consisted of 40,000,000 shares with a quota value of SEK 1.

At the Annual General Meeting on 24 April 2008, a dividend of SEK 5.25 per share for the 2007 financial year, totalling SEK 210 million, will be proposed. The proposed dividend has not been reported as a liability in these financial statements.

NOTE 22 BORROWINGS

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Long-term borrowing				
Future leasing commitments for finance leases	30	21	–	–
SEK-denominated loans with terms longer than 1 year	144	83	125	70
EUR-denominated loans with terms longer than 1 year	173	134	171	131
	347	238	296	201
Short-term borrowing				
Utilised bank overdraft facilities	250	81	248	78
Future leasing commitments for finance leases	20	15	–	–
SEK-denominated loans with terms shorter than 1 year	41	22	40	21
EUR-denominated loans with terms shorter than 1 year	72	118	71	118
	383	236	359	217
Total borrowings	730	474	655	418

Car leases are reported as finance leases in accordance with IFRS, entailing an increase in both assets and liabilities of SEK 50 million. Of the Group's long-term leasing commitments, SEK 16 million fall due for payment in 2009 and SEK 14 million in 2010.

Externally granted bank overdraft facilities amounted to SEK 524 million (514) for the Group and SEK 457 million (456) for the Parent Company.

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Maturity dates for long-term loans in EUR:				
Amounts in EUR million				
Maturity 2008	–	7.6	–	7.5
Maturity 2009	13.2	2.2	13.0	2.0
Maturity 2010	5.0	5.0	5.0	5.0
Total long-term borrowings in EUR million	18.2	14.8	18.0	14.5
Corresponding amounts in SEK million	173	134	171	131

The fixed interest rate on long-term loans, totalling EUR 11 million (EUR 11 million) is 4.56%. The corresponding market interest rate is 4.40% (3.72%). This means that the difference between the book value and fair value is immaterial. No adjustment due to restatement at fair value has affected the consolidated income statement. The loan carries a fixed rate of interest through 30 March 2009.

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Maturity dates for long-term loans in SEK:				
Amounts in SEK million				
Maturity 2008	–	21	–	20
Maturity 2009	47	21	40	20
Maturity 2010	41	21	40	20
Maturity 2011	41	11	30	10
Maturity 2012 and thereafter	15	9	15	–
Total long-term borrowings in SEK million	144	83	125	70

The fair value of long-term SEK-denominated loans is the same as the book value. The reported amount for short-term borrowing is a close approximation of its fair value.

	SEK	EUR	DKK
Effective interest rate on balance sheet date			
Bank overdraft facility, %	4.80	–	4.72
Bank loans, %	4.54	4.58	–

NOTE 23 PENSION OBLIGATIONS

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

Defined benefit plans

The Group's defined benefit pension plans include retirement pension, disability pension and family pension. Apart from the PRI plan in Sweden, the Group has defined benefit plans in the Netherlands. The liability is broken down as follows:

Breakdown of liability in SEK million

PRI plan	85
Defined benefit plans, Netherlands	29
Total defined benefit plans	114
Other pension obligations	8
Total	122

The Group's plan assets, totalling SEK 133 million, consist of investments with insurance companies, mainly in bonds. The pension obligation is vested.

Defined contribution plans

The Group's defined contribution 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's salary, and the cost of the premium is reported on a continuing basis in the income statement. According to a statement 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 2007 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 12 million. Alecta's funding ratio was 152% in December 2007.

Actuarial gains and losses, including payroll taxes in Sweden, are reported directly against equity.

Assumptions used in actuarial calculations

The discount rate is based on the market return of high-grade corporate bonds. If there is not active market for such bonds, the market return of government bonds is used.

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

GROUP	2007		2006		2005	
	Sweden	Netherlands	Sweden	Netherlands	Sweden	Netherlands
Discount rate, %	4.30	5.50	3.90	4.50	3.90	4.25
Anticipated return on plan assets, %	–	5.50	–	4.50	–	5.00
Future salary increases, %	3.50	2.50	3.00	2.50	3.00	2.00
Anticipated inflation, %	2.00	2.00	1.80	1.80	1.80	2.00
Future pension increases, %	2.00	1.80	1.80	2.00	1.80	2.00
Employee turnover, %	2.00	Age-dependent	0	Age-dependent	0	Age-dependent
Anticipated remaining service period for employees, average (years)	18.2	14.6	18.2	13.9	18.8	13.9

The remaining longevity in Sweden is based on data compiled by the Swedish Financial Supervisory Authority (DUS 06). In the Netherlands, GBM/V2000-2005 has been used to calculate longevity.

	2007	2006	2005
Amounts reported in balance sheet			
Present value of funded obligations	162	177	189
Fair value of plan assets	-133	-138	-137
	29	39	52
Present value of unfunded obligations	85	76	76
	85	76	76
Net liability in the balance sheet, defined benefit plans	114	115	128
Experience-based adjustments of defined benefit obligations	-2	-3	-4
Experience-based adjustments of plan assets	-18	0	0
Present value of pension obligations at start of year	253	265	214
Pension costs	6	7	11
Interest expenses	11	11	11
Pension payments	-8	-7	-7
Change in pension terms	–	-4	–
Company acquisitions	–	–	3
Actuarial gains/losses	-24	-12	29
Exchange rate differences	9	-7	4
Present value of pension obligations at year-end	247	253	265
Plan assets at start of year	138	137	119
Return on plan assets	6	6	6
Employee contributions	1	1	1
Company contributions	6	6	9
Pension payments	-6	-5	-5
Company acquisitions	–	–	3
Actuarial losses	-18	-2	0
Exchange rate differences	6	-5	4
Plan assets at year-end	133	138	137
Net liability at start of year	115	128	95
Net cost reported in the income statement	10	7	15
Pension payments	-2	-2	-2
Company contributions	-6	-6	-9
Actuarial gains/losses	-6	-10	29
Exchange rate differences in foreign plans	3	-2	0
Net liability at year-end	114	115	128

GROUP	2007			2006			2005		
	Defined benefit plans	Defined contribution plans	Total	Defined benefit plans	Defined contribution plans	Total	Defined benefit plans	Defined contribution plans	Total
Amounts reported in income statement									
Past service cost	5	88	93	6	70	76	10	71	81
Change in pension terms	–	–	–	-4	–	-4	–	–	–
Interest on obligation	11	–	11	11	–	11	11	–	11
Anticipated return on plan assets	-6	–	-6	-6	–	-6	-6	–	-6
Net cost in income statement	10	88	98	7	70	77	15	71	86
Of which, included in selling costs	5	72	77	2	56	58	6	57	63
Of which, included in administrative expenses	0	16	16	0	14	14	4	14	18
Of which, included in financial items	5	–	5	5	–	5	5	–	5

Anticipated company contributions to defined benefit pension plans in 2008 amount to SEK 5 million (9).

NOTE 24 OTHER PROVISIONS

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Guarantee commitments	2	2	–	–
Earn-out payments	84	50	34	34
Total long-term provisions	86	52	34	34
Earn-out payments payable within 1 year	10	–	4	–
Total provisions	96	52	38	34

In addition to the earn-out payments above, an initial earn-out payment of SEK 1 million (-) that has not been paid out arose during the year. This has been reported under the item Other non-current liabilities.

	Guarantee commitments	Earn-out payments	Guarantee commitments	Earn-out payments
Opening balance, 1 January 2007	2	50	–	34
Guarantee commitments in acquired companies	0	–	–	–
Earn-out payments for new acquisitions	–	61	–	18
Earn-out payments made	–	-14	–	-14
Earn-out payments reversed	–	-3	–	–
Closing balance, 31 December 2007	2	94	–	38

Provisions for earn-out payments in 2007 pertained to the acquisitions of ES Hydagent AB, Axelvalves AB, SAV-Danmark Trading A/S, AluFlex System AB, MWS Ventil Service AB, International Plastic Systems Ltd and Recair Oy. If they result in payment, this will take place in 2009-2010.

NOTE 25 ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Accrued personnel-related expenses	185	147	6	5
Derivative expenses	0	–	1	–
Other	82	58	2	2
Total	267	205	9	7

NOTE 26 ACQUISITIONS/SALES OF SUBSIDIARIES

Acquisitions 2007

All of the shares were acquired in ES Hydagent AB, Axelvalves AB, SAV-Danmark Trading A/S, Sigurd Sørum AS, Carrab Industri AB, AluFlex System AB, Palmstiernas Svenska AB, MWS Ventil Service AB, Elra AS, International Plastic Systems Ltd and Recair Oy. In addition Wavin-Labko Oy's Net & Instrument division (Labkotec) was acquired.

Engineering & Equipment

Labkotec manufactures and sells alarm and measurement units, automation solutions and ice detection units. Annual sales amount to approximately SEK 60 million. Elra AS is a technology trading company focusing primarily on servo motors and bonding material. Annual sales amount to approximately SEK 10 million. Recair Oy, with annual sales of approximately SEK 50 million, is a leading manufacturer of air treatment systems in Finland.

Labkotec is included in the business areas as from mid-August, Elra from 1 October, and Recair from 1 November 2007.

Flow Technology

ES Hydagent, which designs and sells hydraulic systems for mobile industrial solutions, has annual sales of approximately SEK 60 million. Axelvalves is one of Scandinavia's leading suppliers of industrial valves to the process industry in Eastern Europe, with own brands. Annual sales amount to approximately SEK 36 million. SAV-Danmark Trading is a well established technology sales company with a broad product programme of couplings and valves in the heating and plumbing segment, with annual sales of approximately SEK 65 million. Sigurd Sørum is a well-known supplier in the Norwegian market, with a broad range of products in

the areas of valves, couplings and instruments. Its customers are primarily in the process, oil, gas and offshore industries. Sigurd Sørum has annual sales of approximately SEK 60 million. Palmstiernas Svenska supplies products and systems for measurement, control and supervision of industrial processes, with annual sales of approximately SEK 35 million. MWS Ventil Service is one of Sweden's most modern and comprehensive workshops for valve maintenance and service, with annual sales of approximately SEK 24 million. International Plastic Systems Ltd, with annual sales of approximately SEK 115 million, is one of the UK's leading suppliers of plastic piping systems and valves, with a broad product range of installation tools and welding equipment.

ES Hydagent is consolidated as from 1 January 2007, while Axelvalves and SAV-Danmark Trading are consolidated as from 1 February 2007, and Sigurd Sørum from 1 April. MWS Ventil Service is consolidated as from 1 September, Palmstiernas Svenska from 15 September, and International Plastic Systems from 1 October 2007.

Industrial Components

AluFlex sells comprehensive building kit systems based on aluminium profiles, as well as conveyor and linear systems. The company has annual sales of SEK 70 million.

AluFlex was consolidated in the business area starting 1 May.

Special Products

Carrab Industri, with annual sales of SEK 26 million, manufactures stamped sheet metal parts and industrial springs. Carrab Industri is included in the business area starting 1 May.

Effects of acquisitions during the year

SEK MILLION	BUSINESS AREA	NET SALES		EBITA	
		Jan.–Dec.	Jan.–Dec.	Jan.–Dec.	Jan.–Dec.
Company	Business area				
PRP Plastic Oy, Labkotec, Elra AS and Recair Oy	Engineering & Equipment	52	7		
ES Hydagent AB, Axelvalves AB, SAV-Danmark Trading A/S, Sigurd Sørum AS, MWS Ventil Service AB, Palmstiernas Svenska AB and International Plastic Systems Ltd	Flow Technology	276	31		
Tribotec AB and AluFlex System AB	Industrial Components	85	8		
Gedvelop AB, Spinova AB, Damalini AB and Carrab Industri AB	Special Products	113	19		
Effect on Group		526	65		
Acquisitions completed 2007		385	42		
Acquisitions completed 2006		141	23		
Effect on Group		526	65		

If the Group had consolidated the acquired units from 1 January 2007, net sales for the period January–December would have amounted to SEK 5,886 million, and EBITA for the same period would have been SEK 682 million.

Acquired assets in ES Hydagent AB, Axelvalves AB, SAV-Danmark Trading A/S, Sigurd Sørum AS, Carrab Industri AB, AluFlex System AB, Labkotec, Palmstiernas Svenska AB, MWS Ventil Service AB, Elra AS, International Plastic Systems Ltd and Recair Oy.

Preliminary acquisition calculation

SEK million

Purchase price including earn-out payment **391**

Acquired assets	Book value	Fair value adjustment	Fair value
Goodwill	–	106	106
Agencies, trademarks, customer lists, licences, etc.	1	211	212
Property, plant and equipment	37	14	51
Financial assets	5	–	5
Inventories	88	–	88
Other current assets	108	–	108
Cash, and cash equivalents	38	–	38
Deferred tax liability	0	-49	-49
Interest-bearing loans	-34	–	-34
Other operating liabilities	-134	–	-134
	109	282	391

Since disclosures about the individual acquisitions are insignificant, they are provided here in aggregate form. The cost of customer lists and agencies has been valued at one year's contribution margin and has been recorded in the balance sheet as agencies, trademarks, customer lists, licences, etc., and is amortised over a period of 10 years. Goodwill is justified by the good profitability of the companies.

Effect on cash flow	
Purchase price incl. earn-out payment	391
Purchase price not paid out	-62
Cash and cash equivalents in acquired companies	-38
Earn-out payments pertaining to previous years' acquisitions	16
	307

Acquisitions 2006

All of the shares were acquired in Puwimex Oy, Suomen Putkisto Tarvike Oy, Robota AB, PRP-Plastic Oy, Gedevlop AB, Spinova AB, Tribotec AB and Damalini AB.

Engineering & Equipment

In November 2005 an agreement was made to purchase 100% of the shares in Puwimex Oy, with transfer of possession on 1 January 2006. Puwimex is a technology sales company in the area of pump technology with annual sales of approximately SEK 60 million.

On 1 January 2006, 100% of the shares were acquired in Robota AB, and on 1 February, 100% of the shares were acquired in Suomen Putkisto Tarvike Oy (SPT). Robota, with annual sales of approximately SEK 53 million, sells customised water and drainage solutions. SPT sells products and services for leak detection and has annual sales of approximately SEK 8 million.

PRP-Plastic manufactures various types of plastic products for the processing industry, including surface linings, cisterns, components and pipe systems, and has annual sales of approximately SEK 27 million. PRP-Plastic is included in the Group as from 1 June 2006.

Industrial Components

Tribotec sells chemical-technical products in the areas of corrosion protection, bonding and lubrication technology. Customers are mainly in the general engineering industry and automotive industry along with subcontractors to these. Annual sales amount to SEK 70 million. Tribotec is included in the Group as from 1 June 2006.

Special Products

In April 2006, 100% of the shares were acquired in Gedevlop AB, which markets precision instruments and systems for measuring flows and temperatures, mainly in the glass industry. Annual sales amount to approximately 35 million.

Spinova is one of Sweden's leading manufacturers of customised springs and wire forms. Its products are used as components in hydraulic systems, locks, garage doors, pumps, heating and plumbing applications, and equipment for the food industry. Annual sales amount to SEK 60 million. Spinova is included in the Group as from 1 June 2006.

Damalini AB is a technological leader in laser-based measurement and alignment systems. Its proprietary EasyLaser® laser systems are used for shaft alignment, sheave/pulley alignment and geometrical measurements. Damalini has annual sales of approximately SEK 60 million in 70 countries. Damalini is included in the Group as from 1 September 2006.

	Business area	NET SALES		EBITA	
		Jan.–Dec.	Jan.–Dec.	Jan.–Dec.	Jan.–Dec.
Effect of acquisitions made					
Puwimex Oy, PRP Plastic Oy, Suomen Putkisto Tarvike Oy and Robota AB	Engineering & Equipment	131	15		
Satron Instrument Process & Project AB	Flow Technology	19	0		
Saniflex AB, Tribotec AB and Colly A/S	Industrial Components	56	5		
Hanwel Europé B.V., Gedevlop AB, Spinova AB and Damalini AB	Special Products	216	51		
Effect on Group		422	71		
Acquisitions completed in 2006		270	47		
Acquisitions completed in 2005		152	24		
Effect on Group		422	71		

If the Group had consolidated the acquired units from 1 January 2006, net sales for the period January–December would have amounted to SEK 4,631 million, and EBITA for the same period would have amounted to SEK 478 million.

Acquired assets in Puwimex Oy, Suomen Putkisto Tarvike Oy, Robota AB, PRP-Plastic Oy, Gedevlop AB, Spinova AB, Tribotec AB and Damalini AB.

SEK million			
Purchase price incl. earn-out payment			
	Book value	Fair value adjustment	Fair value
Acquired assets			
Goodwill	–	60	60
Agencies, trademarks, customer lists, licences, etc.	4	112	116
Property, plant and equipment	40	3	43
Inventories	55	–	55
Other current assets	50	–	50
Cash and cash equivalents	40	–	40
Deferred tax liability	-8	-31	-39
Interest-bearing loans	-16	–	-16
Other operating liabilities	-62	–	-62
	103	144	247

The cost of customer lists and agencies has been valued at one year's contribution margin and has been recorded in the balance sheet as agencies, trademarks, customer lists, licences, etc., and is amortised over a period of 5-10 years. Goodwill is justified by the good profitability of the companies.

Effect on cash flow	
Purchase price incl. earn-out payment	247
Purchase price not paid out	-50
Cash and cash equivalents in acquired companies	-40
	157

Acquisitions after the end of the financial year

Agreements have been signed to acquire all of the shares in Ammertech B.V., in Helmond, the Netherlands; in Douwes International B.V., in Pijnacker, the Netherlands; and in Precision Products Ltd, in Chesterfield, UK. Ammertech is a leading technology sales company in the Benelux market in the area of bearings and transmission, with annual sales of approximately SEK 60 million. Douwes International is a well-established technology sales company with products and specialist know-how in fasteners and assembly tools, with annual sales of approximately SEK 34 million. Precision Products is a well established manufacturer of piston rings and supplies the international marine engine industry other industries in 48 countries, with annual sales of approximately SEK 70 million.

All companies will be included in the Special Products business area – Ammertech and Precision Products as from January 2008 and Douwes as from February 2008.

Acquired assets in Ammertech BV, Douwes International BV and Precision Products Ltd.

Preliminary sales calculations

SEK million			
Purchase price incl. earn-out payment			
	Book value	Fair value adjustment	Fair value
Acquired assets			
Goodwill	–	25	25
Agencies, trademarks, customer lists, licences, etc.	–	38	38
Property, plant and equipment	29	–	29
Financial assets	1	–	1
Inventories	28	–	28
Other current assets	29	–	29
Cash and cash equivalents	5	–	5
Deferred tax liability	–	-10	-10
Interest-bearing loans	-20	–	-20
Other operating liabilities	-27	–	-27
	45	53	98

Agencies, trademarks, customer lists, licences, etc. will amortised over a 10-year period. The acquisitions affected cash flow in 2008 by SEK 83 million.

NOTE 27 PLEDGED ASSETS

GROUP	2007		2006	
For own liabilities				
Real estate mortgages	21	14		
Chattel mortgages	15	–		
Assets subject to liens	50	36		
Endowment insurance plans	2	2		
Other	0	1		
	88	53		
For own contingent liabilities				
Other	–	1		
	–	1		
Total pledged assets	88	54		

Car leases are reported as finance leases in accordance with IFRS, entailing an increase in assets, liabilities and pledged assets of SEK 50 million (36).

NOTE 28 CONTINGENT LIABILITIES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Contingent liabilities for subsidiaries' PRI liabilities	–	–	66	62
Guarantees pledged on behalf of subsidiaries	–	–	5	17
Contingent liabilities for own PRI liabilities	1	1	–	–
Other contingent liabilities	0	0	–	–
Total	1	1	71	79

NOTE 29 CASH FLOW FROM OPERATIONS

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Net profit for the year	419	300	318	216
Adjustments for:				
Tax	159	116	69	41
Amortisation of intangible assets	41	24	–	–
Depreciation of property, plant and equipment	63	54	1	1
Gain/loss on sale of property, plant and equipment	0	0	0	0
Net change in other provisions	-4	-4	0	0
Financial income	-8	-5	-22	-14
Financial expenses	39	25	25	15
Dividend income, etc.	–	–	-427	-293
Total adjustments	290	210	-354	-250
Changes in working capital:				
Inventories	-106	-65	–	–
Trade accounts receivable and other receivables	-80	-132	-75	-1
Trade accounts payable and other liabilities	59	92	-4	6
Total changes in working capital	-127	-105	-79	5
Cash flow from operations	582	405	-115	-29

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

	2007		2006	
Cash and bank balances	203	118	9	15
Short-term investments	–	1	–	–
Total	203	119	9	15

NOTE 30 INCOME STATEMENT CLASSIFIED BY TYPE OF COST

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Changes in inventories of finished products	-320	-195	–	–
Raw materials and consumables	-2,834	-2,424	–	–
Costs for employee benefits	-1,048	-872	-18	-17
Depreciation/amortisation/impairment charges	-104	-78	-1	-1
Other costs	-758	-511	-19	-18
Total costs	-5,064	-4,080	-38	-36

NOTE 31 RELATED PARTY TRANSACTIONS

Intra-Group purchases and sales have been negligible. Investments with and borrowings from Group companies are done according to market terms.

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

The lease expires on 30 June 2012. If notice of cancellation of the lease is not given within two years prior to its expiration, the term of the lease will be renewed for five years at a time. Colly Company bears the operating and maintenance costs as well as property tax assessed on the property. The rent was SEK 7 million in 2007 and is adjusted annually based on changes in the consumer price index.

AUDIT REPORT

To the annual meeting of the shareholders of Indutrade AB (publ) Corporate identity number 556017-9367

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Indutrade AB (publ) for the year 2007. The company's annual accounts and the consolidated accounts are included in the printed version on pages 39-63. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for

our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member 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 our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm March 17 2008

Öhrlings PricewaterhouseCoopers AB

Lennart Danielsson
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT

The Swedish Code of Corporate Governance ("the Code") went into force on 1 July 2005. The Code is based on a comply-or-explain principle, entailing that companies that apply the Code may depart from individual rules, but if they do, they must provide an explanation for each departure. Indutrade was listed on the OMX Nordic Exchange Stockholm on 5 October 2005 and has been subject to the rules of the Code since 1 July 2006.

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 tools.

SHAREHOLDERS

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 2007 Indutrade had 4,739 shareholders and the ten largest shareholders controlled 77% of the share capital, of which Industrivärden's share was 36.9 percentage points. Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 85% of the share capital and votes. Foreign investors owned 7% of the share capital and votes.

ARTICLES OF ASSOCIATION

Indutrade's Articles of Association stipulate that Indutrade is a public company, whose business is to "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." In votes at general meetings of shareholders, there is no limitation on the number of votes for represented shares.

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 to Annual General Meetings shall be issued not earlier than six weeks and not later than four weeks before the meeting. Notices of an extraordinary general meeting, at which an amendment to the Articles of Association will not be dealt with, shall be issued not earlier than six weeks and not later than two weeks before the meeting. Notice shall be made through advertisements in the Official Swedish Gazette (Post- och Inrikes Tidningar) and in Dagens Nyheter.

GENERAL SHAREHOLDERS' MEETINGS

General shareholders' meetings are Indutrade's supreme 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 2008 Annual General Meeting is provided on page 72.

The notice of the Annual General Meeting scheduled for 24 April 2008 is expected to be published in daily newspapers and on Indutrade's website on 19 March 2008. The notice will provide a detailed agenda including proposals for the dividend, the election of directors, directors' fees (broken down by the Chairman and other directors) auditors' fees, and proposed guidelines on compensation of the Company's senior executives.

2007 ANNUAL GENERAL MEETING

At the Annual General Meeting on 26 April 2007, attorney Klaes Edhall presided as chairman.

At the meeting, 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 principles of 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 2006. The auditors presented relevant parts of their audit report and consolidated audit report for 2006.

The 2007 AGM made the following resolutions:

- to set the dividend at SEK 3.75 per share
- to elect as directors Bengt Kjell, Curt Källströmer, Eva Färnstrand, Ulf Lundahl, Michael Bertorp, Owe Andersson, Johnny Alvarsson and Gerald Engström (new election)
- to 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 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 information as per 31 August 2007 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 the compensation levels and terms of employment that are required to be able to recruit and retain management with a high level of expertise and the capacity to achieve set targets
- in accordance with the Board's proposal, to authorise the Board to decide on the new issue of a maximum of 4,000,000 shares in the Company with stipulations on bonus issues or set-off.

MEMBERS OF THE BOARD OF DIRECTORS

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

At the 2007 Annual General Meeting, Gerald Engström was elected as a director on the Board to succeed the departing director Gunnar Tindberg. The other directors were re-elected.

The Chairman of the Board, Bengt Kjell, is an Executive Vice President of Industrivärden. Curt Källströmer is a former head of the Chairman's Office at Handelsbanken. Eva Färnstrand is a former Site Manager at Södra Cell Mönsterås. Gerald Engström is President and CEO of Systemair. Michael Bertorp is a former Executive Vice President of Svenska Cellulosa Aktiebolaget. Owe Andersson is a former CEO of Mekonomen. Ulf Lundahl is Executive Vice President of LE Lundberg-företagen. 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 70.

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, Curt Källströmer, Michael Bertorp, Gerald Engström and Owe Andersson are independent in relation to Indutrade's 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 formal 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.

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 accounts, treasury management and financial circumstances in general. In addition, the Board is responsible for ensuring that the Company has satisfactory internal control and continually evaluates the effectiveness of the Company's internal control systems. The Board is also responsible for developing and following up the Company's strategies by drawing up plans and setting objectives. The Board maintains constant oversight of the CEO's and operative management's work.

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

In 2007 the Board had a total of nine meetings including the statutory meeting and one per capsulam meeting.

The Board conducted its work in 2007 in accordance with the work plan. Matters requiring special attention by the Board during the year pertained to strategy, finance and acquisitions. All decisions were unanimous.

The directors were in attendance at all board meetings.

THE CHAIRMAN'S ROLE

The Chairman organises and leads the work of the Board to ensure that this is carried out in compliance with the Swedish Companies Act, other laws and directives, applicable rules for listed companies (including the Code), and the Board's own internal governance tools. The Chairman monitors business activities by maintaining regular contact with the CEO and ensuring that the other directors are provided with satisfactory information and decision-making documentation. The Chairman is also responsible for making sure that an annual evaluation is conducted of the Board's work and that the results of this evaluation are presented to the Nomination Committee. The Chairman represents the Company in ownership matters.

REMUNERATION COMMITTEE

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

In accordance with an AGM resolution, the committee conducts preparatory work for decisions to be made by the Board on the CEO's compensation and terms of employment, and decides on matters pertaining to the compensation and terms of employment for other senior executives, and informs the Board about decisions made.

The Remuneration Committee had three meetings during the year.

AUDIT COMMITTEE

The Board has appointed an audit committee, consisting of the entire board excluding the CEO. Curt Källströmer served as chairman of the Audit Committee.

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 auditors to ensure that the Company's internal and external accounting satisfies 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 had two meetings in 2007, at which all members were present.

On two occasions in 2007 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.

NOMINATION COMMITTEE

The AGM on 26 April 2007 resolved that the Nomination Committee shall consist of representatives of four of the largest shareholders as well as the Chairman of the Board, who shall also summon 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 2008 Annual General Meeting was to be based on ownership information as per 31 August 2007 and was to be publicly announced not later than six months prior to the Annual General Meeting.

Ahead of the 2008 Annual General Meeting, the Nomination Committee had the following members:

- Carl-Olof By, Industrivärden (committee chair)
- Claes Boustedt, LE Lundbergföretagen
- Robert Vikström, Handelsbanken Pension Foundation and Handelsbanken Pension Fund
- Lars Öhrstedt, AFA Insurance
- Bengt Kjell, Chairman of the Board, Indutrade

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

The committee recommends re-election of Bengt Kjell, Eva Färnstrand, Michael Bertorp, Owe Andersson, Ulf Lundahl, Gerald Engström and Johnny Alvarsson, and new election of Mats Andersson, as Curt Källströmer has declined re-election. A more detailed presentation of the members of the Board is provided on page 70. The Nomination Committee also does preparatory work regarding the appointment of auditors. Öhrlings PricewaterhouseCoopers AB was appointed by the 2006 Annual General Meeting to serve as auditor through the 2010 Annual General Meeting.

OPERATING ACTIVITIES

The CEO is responsible for the administration of Indutrade's day-to-day affairs, which are managed by the Company's management group. The CEO's decision-making authority regarding investments and financing matters is governed by rules set by the Board.

PRESIDENT AND EXECUTIVE VICE PRESIDENT

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 25,000 shares of Indutrade stock and 100,000 stock options issued by Industrivärden.

Executive Vice President Kaj Österlund left Indutrade at the end of the year at his own request. Prior to that he was President of the Engineering & Equipment business area and President of Indutrade Oy since 1995.

COMPENSATION OF SENIOR EXECUTIVES

The principles for compensation and other terms of employment for senior executives of Indutrade were approved by the 2007 Annual General Meeting. For more information about executive compensation, including fixed and variable compensation, see the Directors' Report or Note 6.

AUDITORS

At the 2006 Annual General Meeting, Öhrlings PricewaterhouseCoopers AB was appointed as the Company auditor for a term extending through the 2010 Annual General Meeting.

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

The chief auditor was Authorised Public Accountant Lennart Danielsson.

In 2007, Öhrlings PricewaterhouseCoopers had a total of 101 audit assignments for companies listed on the OMX Nordic Exchange Stockholm, of which one was conducted in collaboration with another accounting firm. Auditors' fees are described in Note 13 on page 56.

INTERNAL CONTROL OF FINANCIAL REPORTING

In accordance with the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. This report has been prepared in accordance with the Code and describes how the internal control of the financial reporting is organised.

Control environment

Effective board work is a prerequisite for good internal control. The Board's work plan and the instructions for the CEO and the Board's committees ensure a clear delegation of roles and responsibilities to the benefit of effective management of operational risks.

In addition, the Board has adopted a number of fundamental guidelines and policies designed to create the conditions for a favourable control environment. These include economic and financial reporting policies, a Group Finance Policy and a Group Investment Policy, among others. A central aim of these policies is to create a solid platform for good internal control. These policies are followed up and revised as needed.

Company management continually draws up instructions on 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 platform for the Group's monthly consolidation work.

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, which presents its evaluation to the Board.

As a result of this risk assessment, it has been ascertained that the Group's structure, consisting of a multitude of stand-alone companies that are independent from each other in various sectors and of varying size, offers 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 would be greatest. The areas identified consisted primarily of revenue recognition, trade accounts receivable and inventories. However, no material joint risks were identified.

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 valuations of assets or liabilities, for example.

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 could have an impact on the financial reporting. In addition, the Parent Company has a function for continuous analysis and follow-up of financial reporting by the Group, the business areas and subsidiaries. The Parent Company's finance department initiates the work on the annual self-evaluation 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 2007 were required to respond to the questionnaire. An evaluation of the responses was made per group of companies and for the Group as a whole. As a complement to Indutrade's own work, the auditors conducted a validation of the respective companies' completed questionnaires. Both the evaluation performed by Indutrade and the result of the auditors' validation have been reported and discussed with the Audit Committee and the Board of Directors. The overall assessment of the evaluation of the internal control of the Group's financial reporting will serve as documentation for the next year's self evaluation and work on further strengthening internal control.

Information and communication

The Company's key 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 necessary reports on the business results in relation to set targets. Necessary information systems are in place to ensure that reliable and current information is available, to enable management to perform its duties in a correct and effective manner.

Follow-up

The Board conducts a monthly evaluation of business development and performance based on a report packet containing outcomes, forecasts and comments on certain key factors.

The Audit Committee, which reports to the Board on a regular basis, has a supervisory 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 accounting 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, self-contained operations 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 regularly checked by the controllers at the business area and Parent Company level. In addition, the controllers conduct ongoing analyses of the companies' reporting to verify their performance. In view of the above, the Board has opted to not have any special internal audit function.

AUDITORS' REVIEW

This corporate governance report and the report on internal control of the financial reporting have not been reviewed by the Company's auditors.

BOARD OF DIRECTORS AND AUDITORS



Bengt



Ulf



Curt



Michael



Owe



Eva



Gerald



Johnny

Bengt Kjell

Born: 1954

Chairman of the Board since: 2005

Director since: 2002

Executive Vice President, Industrivärden

Education: MBA, Stockholm School of Economics

Other directorships: Chairman of Kungsleden, Director of Höganäs, Isaberg Rapid, Munters, Pandox, and Helsingborgs Dagblad

Previous professional experience: Authorised Public Accountant; Senior Partner, Navet AB; Head of Corporate Finance, Securum

Number of shares: 30,100

Ulf Lundahl

Born: 1952

Director since: 2006

Vice President and Deputy CEO of L E Lundbergföretagen

Education: LL.B. and B.Sc. Econ.

Other directorships: Director of Holmen, IDI, Ramirent Oyj, Brandkontoret and St. Eriks Ögonsjukhus

Previous professional experience: President, Östgöta

Enskilda Bank; CEO, Danske Securities

Number of shares: 0

Curt Källströmer

Born: 1941

Director since: 2002

Education: Advanced level degree in banking

Other directorships: Chairman of Handelsbanken Spain and the Umeå School of Business. Director of Stockholm

Trade Fairs, Holmen, SBC, Wåhlin Fastigheter, the

Stockholm School of Economics MBA programme and

the Wikström foundation.

Previous professional experience: Head of Chairman's

office at Handelsbanken; Vice Chairman of Handels-

banken Pension Foundation, Handelsbanken Employee

Foundation and the SHB Pension Fund; Executive Vice

President, Handelsbanken; Head of Central Sweden

Regional Bank and Northern Norrland Regional Bank,

Handelsbanken

Number of shares: 400

Michael Bertorp

Born: 1949

Director since: 2003

Education: LL.B.

Other directorships: Chairman of Linotech. Director of

Handelsbanken Fonder

Previous professional experience: Executive Vice Presi-

dent, Svenska Cellulosa Aktiebolaget

Number of shares: 1,800

Owe Andersson

Born: 1942

Director since: 2005

Education: MBA, Stockholm School of Economics

Other directorships: Chairman of Nordic Vikings Group,

JOFRAB and the Naval Academy of Sweden. Director of

HK Investment and Calix Group

Previous professional experience: President and CEO,

Mekonomen; President of Mekonomen Detaljist

Number of shares: 10,000

Eva Färnstrand

Born: 1951

Director since: 1998

Education: M.Sc. Chemistry, Royal Institute of Techno-

logy

Other directorships: Chairman of Forest Technology

Division of the Royal Swedish Academy of Engineering

Sciences

Previous professional experience: Site Manager, Södra

Cell Mönsterås; President, Tidningstryckarna Afton-

bladet Svenska Dagbladet; Newsprint Business Area

Manager, SCA Graphic Sundsvall AB; Marketing Manager,

Newsprint Business Area, SCA Graphic Sundsvall AB.

Number of shares: 200

Gerald Engström

Born: 1948

Director since: 2007

President and CEO of Sytemair AB

Education: Engineer

Previous professional experience: Principal owner and founder of Systemair AB (formerly LHG Kanalfäkt)

Number of shares: 0

Johnny Alvarsson

Born: 1950

Director since: 2004

President and CEO

Education: B.Sc. Engineering, Management studies

Other directorships: Director of VBG Group

Previous professional experience: President, Elektro-

nikgruppen; President, Zeteco; various management

positions at Ericsson

Number of shares: 25,000

Number of options: 100,000

Auditors

Öhrlings PricewaterhouseCoopers AB

Chief Auditor: Lennart Danielsson, Authorised Public

Accountant

Born: 1959

Auditor of Indutrade AB since 2006

Other auditing assignments: Securitas

EXECUTIVE MANAGEMENT

**Johnny Alvarsson**

Born: 1950
 President and Chief Executive Officer
 Employed since: 2004
 Education: M.Sc. Eng., Management studies
 Previous professional experience: President, Elektronikgruppen; President, Zeteco; various management positions at Ericsson
 Number of shares: 25,000
 Number of options: 100,000

Olof Paulsson

Born: 1949
 President of Industrial Components business area
 Employed since: 1983
 Education: Upper secondary school, Engineering programme; B.Sc. Market Economics
 Previous professional experience: President of Colly Company; President, Colly Filtreringsteknik; President, Colly Components; Divisional Manager, Colly Company
 Number of shares: 6,200
 Number of options: 18,000

Björn Lindström

Born: 1948
 Vice President, Industrial Components business area
 Employed since: 1976
 Education: Helsinki High School, Machine Technology programme; Technical College Helsinki, IFL
 Previous professional experience: President, Oy Colly Company; President, Vipmek Oy; Area Manager, Oy Colly Company
 Number of shares: 0
 Number of options: 0

Peter Eriksson

Born: 1953
 President of Flow Technology business area
 Employed since: 1995
 Education: Tech. College Engineer, B.Sc. Market Economics, IFL
 Previous professional experience: President, Indutrade Flow Technology Group; President, Alnab; Sales Manager, Alnab
 Number of shares: 12,000
 Number of options: 40,000

Olle Olofsson

Born: 1948
 Chief Financial Officer
 Employed since: 2006
 Education: Upper secondary school, Business programme
 Previous professional experience: CFO, Arcorus; CFO, Zeteco; CFO, Bromma Conquip
 Number of shares: 6,641
 Number of options: 18,000

Anders Martinsson

Born: 1968
 Head of Business Development
 Employed since: 2006
 Education: Tech. College Engineering degree; Management studies
 Previous professional experience: Director of Sales and Marketing, NAF; Project Leader, Ahlström Machinery
 Number of shares: 5,000
 Number of options: 5,000

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, 24 April 2008, at the IVA conference centre, Wallenbergsalen room, Grev Turegatan 16, Stockholm.

Who is entitled to participate?

To be entitled to participate in the Annual General Meeting, shareholders must be listed in the shareholder register maintained by the VPC Central Securities Depository on 18 April 2008 and have notified the Company of their intention to participate no later than 4 p.m. on Friday, 18 April 2008.

How to become registered in the shareholder register

Shareholders who have registered their shares in their own name with VPC are automatically entered in the shareholder register. Shareholders whose shares are registered in the names of trustees must have their shares re-registered temporarily in their own names well in advance of 18 April to be eligible to participate in the Annual General Meeting.

Notice of attendance

Notice of intention to participate in the Meeting can be made using one of the following alternatives:

- by post to: Indutrade, Box 6044, SE-164 06 Kista, attn. Hannelore Söderberg
- by phone +46 (0)8 703 03 00
- by fax +46 (0)8 752 79 39
- via www.indutrade.se

Upon notification, shareholders should indicate their:

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

Notification must be received by the Company no later than 4 p.m. on Friday, 18 April 2006.

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 authorisation document.

Interim report 1 January–31 March 2008	24 April 2008
Interim report 1 January–30 June 2008	4 August 2008
Interim report 1 January–30 September 2008	27 October 2008

Text and production: Indutrade in co-operation with
Hallvarsson & Halvarsson.

Design and layout: Hallvarsson & Halvarsson.

English translation: Joseph Brennan.

Photo: Board, management and acquisition case:
Peter Hoelstad/agentmolly.com. Other photos: Indutrade.

Repro: Turbin. Printed by: Wassberg + Skotte Tryckeri.



Indutrade AB
Box 6044
SE-164 06 Kista
Tel +46 8 703 03 00
Fax +46 8 752 79 39
e-mail: info@indutrade.se
www.indutrade.se

For addresses of Indutrade subsidiaries, visit www.indutrade.se