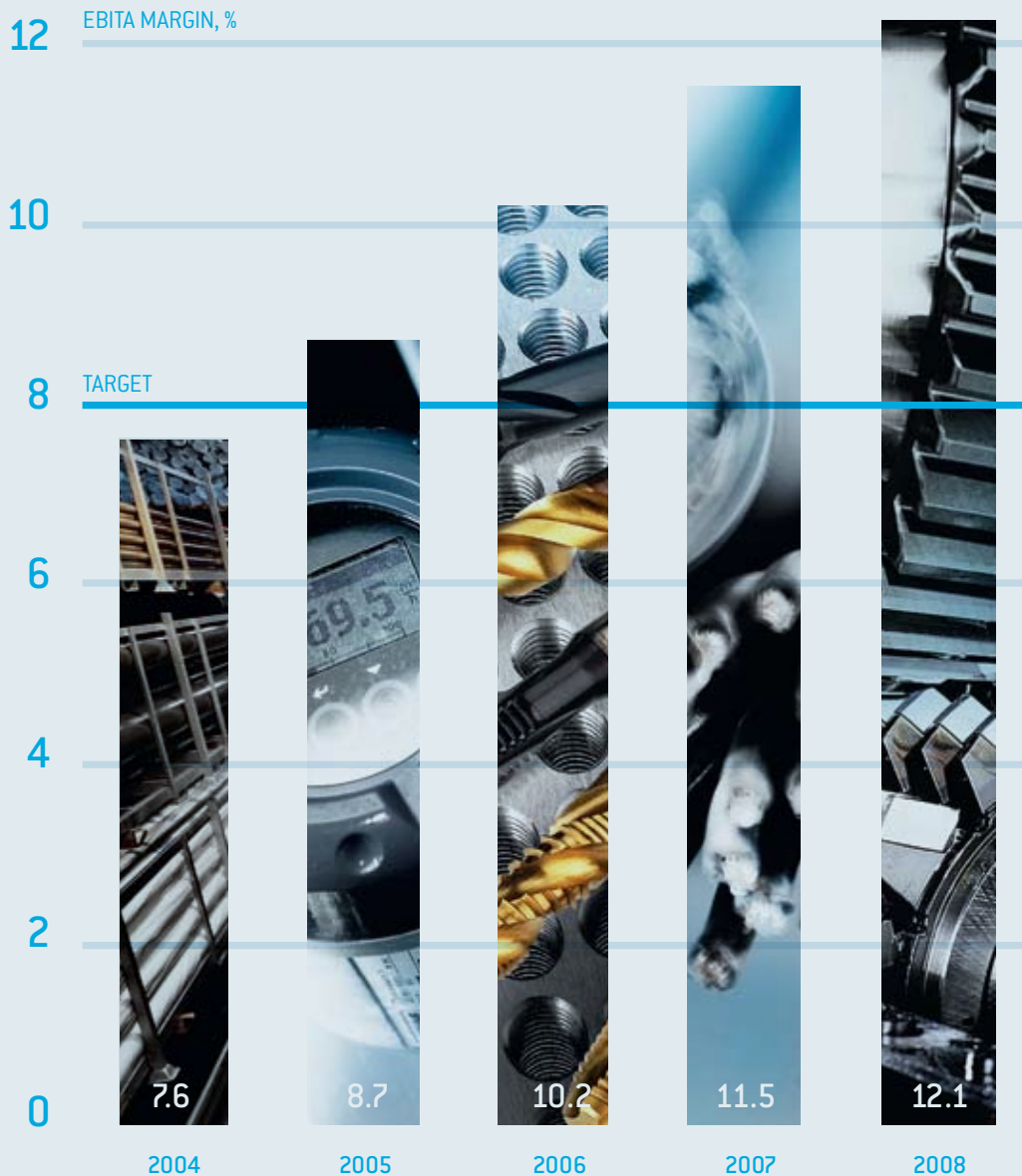


2008



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12.75
SEK

Earnings per share for the year.



6.40
SEK

Proposed dividend for the
year per share.



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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 2007, 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 39–64 have been audited.

YEAR IN BRIEF

- Net sales rose 19% to SEK 6,778 million (5,673). The increase for comparable units was 7%.
- Operating profit before amortisation of intangible assets (EBITA) rose 26% to SEK 820 million (650).
- Earnings per share were SEK 12.75 (10.48).
- Nine companies were acquired.
- The Board of Directors proposes a dividend of SEK 6.40 per share (5.25).



26%

Increase in EBITA for the year.

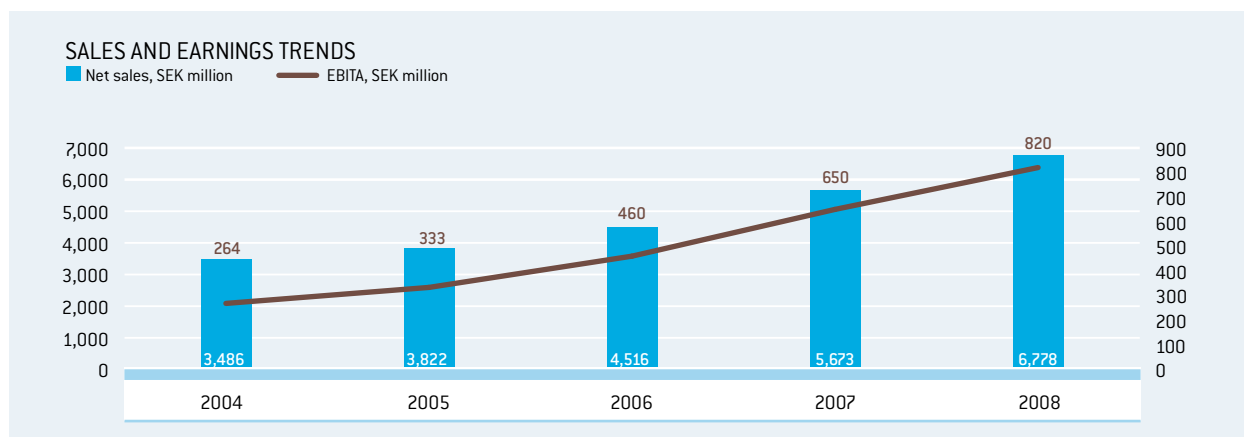
9

new companies acquired during the year.



KEY DATA	2008	2007	CHANGE, %
Net sales, SEK million	6,778	5,673	19
EBITA, SEK million	820	650	26
EBITA margin, %	12.1	11.5	0.6 ¹⁾
Net profit for the year, SEK million	510	419	22
Return on equity, %	38.1	41.1	-3.0 ¹⁾
Return on operating capital, %	36.7	39.7	-3.0 ¹⁾
Average number of employees	2,728	1,929	41

¹⁾ Percentage points



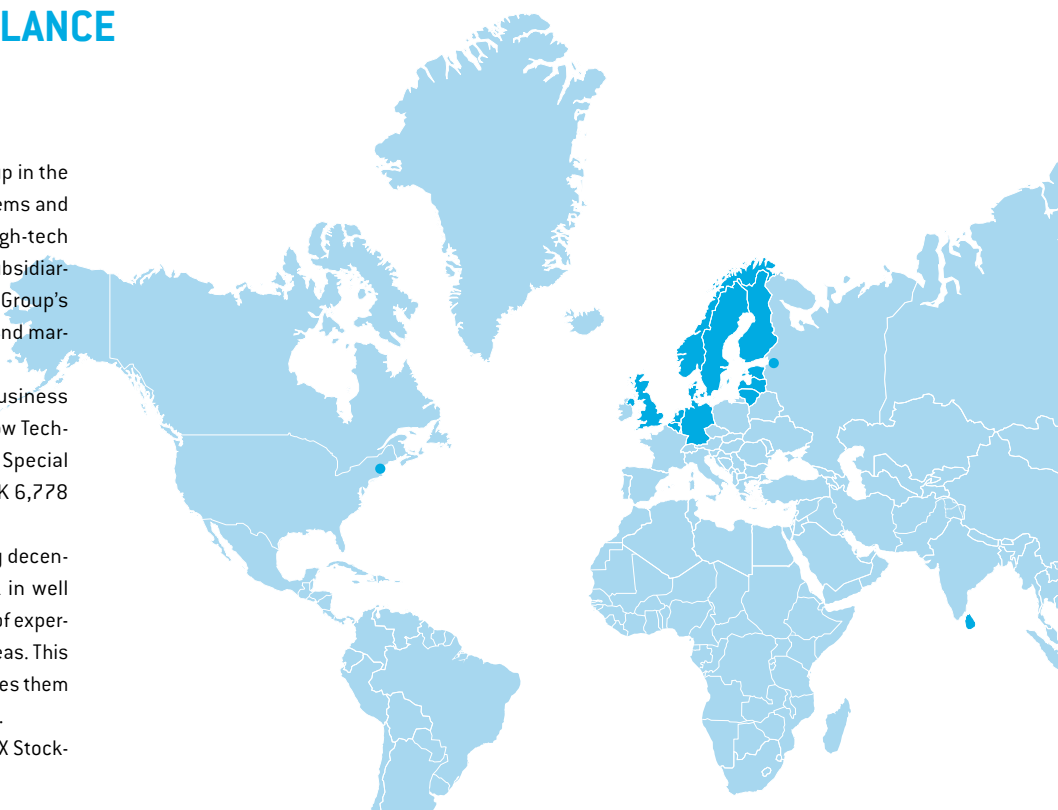
INDUTRADE AT A GLANCE

Indutrade is a technology sales group in the area of industrial components, systems and services. The products all have a high-tech content. Indutrade has some 100 subsidiaries in 14 countries. A number of the Group's subsidiaries develop, manufacture and market own products.

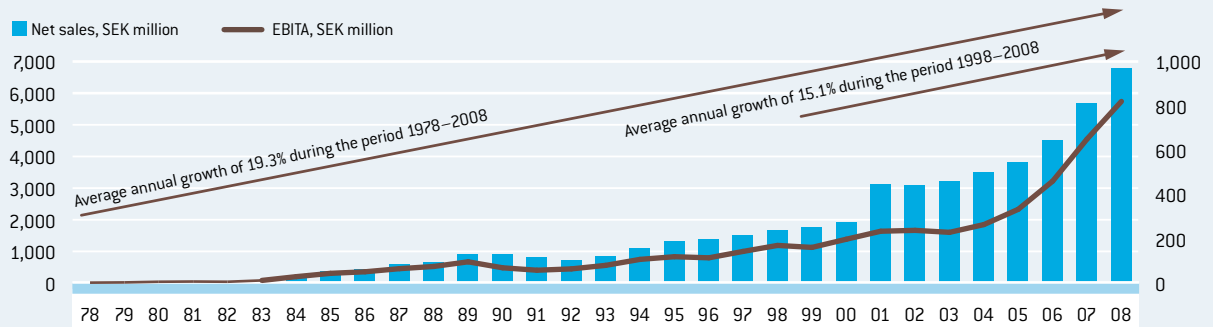
The Group is organised in four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products. Sales in 2008 totalled SEK 6,778 million.

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

Indutrade is listed on Nasdaq OMX Stockholm, Mid Cap list.



EARNINGS AND ACQUISITION HISTORY

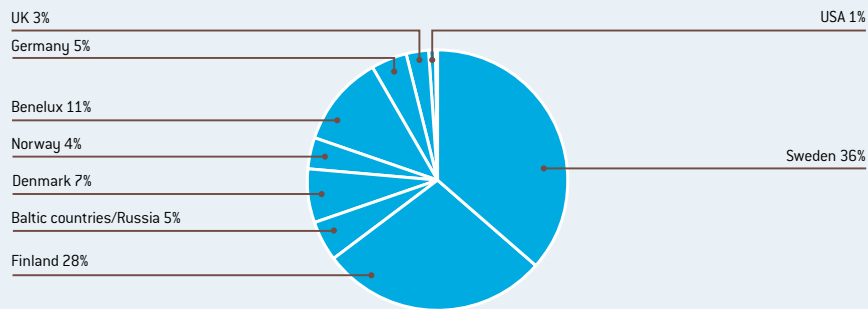


1978–1985	1986–1991	1992–1998	1999–2000	2001–2002	2003–2006	2007	2008
Bengtssons Maskin	Lining (FI)	CCMP ¹ (BE)	Belos	Liljegrens	Euro Energy ²	ES Hydagent	Ammertech (NL)
Carlsson & Möller	Linatex ¹ (DK)	Alnab	Lyma	EIE Maskin	Warla Trade (FI)	Axelvalves	Precision Products (UK)
Sonesson Trading ²	Seltek ¹	Euronord	Akames (FI)	Elmeko (NO)	Maansähkö (FI)	SAV (DK)	Douwes Intl. (NL)
G.A. Lindberg	Tehovoitelu ²	GPA	Lining Components (FI)	EIE (FI)	Kontram (FI)	Sigurd Sørum (NO)	KG Enterprise (FI)
Diatom (DK)	Granzow (DK)	GPA (DK)	Pinteco (FI)	Pentronic	Granaths	Carrab Industri	EssMed
Colly Components	ETP	Indutek (EE)	Processpumpar	GEFA (DE)	Hanwel (NL/BE)	Aluflex Group	Flintec Group
Colly Filter	YTM (FI)	Industek (LV)	Teollisuusapu (FI)	G. Fagerberg (FI) ²	HP Valves (NL)	Labkotec (FI)	Kabetex
Colly VT	HITMA (NL)	Ventim	Novum (NO)	Tecalemit (FI)	Gimex (NL)	MWS	Inkal
Colly Teknik	Aluglas (NL)	Maanterä (FI)	Techflow	G. Fagerberg	Satron	Palmstiernas	Brinch (NO)
Colly (FI)	Novum	Edeco Tool		Teck Instrument ¹	Saniflex	ELRA (NO)	
Colly (DK)	Novatool ²	Vipmek (FI)		G. Fagerberg (NO)	Puwimex (FI)	IPS (UK)	
	Mandorf ²	Kiinnike-Kolmio (FI)		G. Fagerberg (DK)	Robota	Recair (FI)	
		Indutek (RU)		Tecalemit (EE)	SPT (FI)		
		Industek (LT)		Tecalemit (LV)	Gedevelop		
				Tecalemit (LT)	PRP-Plastic (FI)		
				Tecalemit (RU)	Tribotec		
					Spinova		
					Damalini		

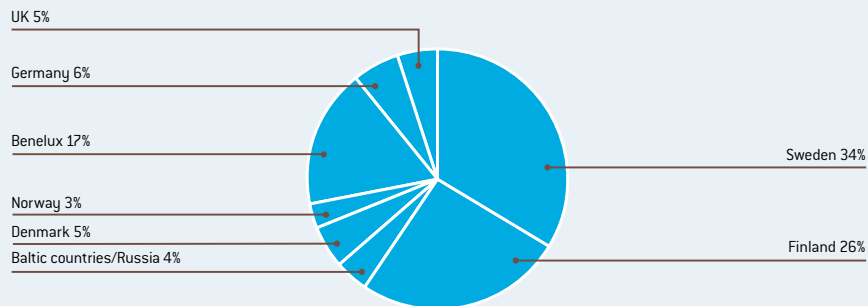
¹ Subsequently sold by Indutrade.
² Now a department of other Indutrade subsidiary.

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 main product areas are hydraulics, automotive workshops, flow products, transmissions and measuring instruments.	Flow Technology offers components and systems for the management, control and supervision of flows. The main product areas are valves, pumps, measuring and analysis instruments, pipe systems, hydraulics, compressors and service.	Industrial Components offers a wide range of technically advanced components and systems for production and maintenance. The main product areas are fasteners, mechanical components, pumps, lubricants, rust protection, adhesives and chemical technology, cutting tools, transmission and automation, medical technology and filters and process technology.	Special Products offers specially manufactured niche products, design solutions, aftermarket service and assembly, and special processing. The main product areas are valves, electrical components, glass, technical ceramics, measuring technology, special plastics, filters and process technology, industrial springs, piston rings and hydraulic couplings.
Net sales	SEK 1,900 m	SEK 1,712 m	SEK 1,401 m	SEK 1,812 m
EBITA	SEK 189 m	SEK 185 m	SEK 150 m	SEK 337 m
Average number of employees	657	485	410	1,168

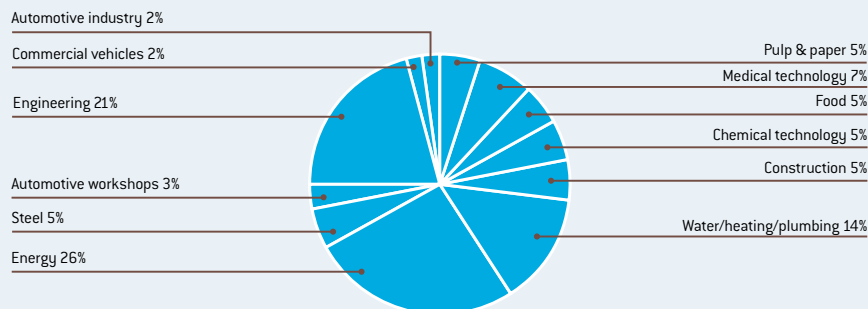
NET SALES PER MARKET



EBITA PER MARKET



CUSTOMER MIX



BEST RESULT EVER - DESPITE CHALLENGING EXTERNAL ENVIRONMENT

Indutrade succeeded once again in 2008 at exceeding both its growth and profitability targets, and I am convinced that our strategic considerations have been a strong contributing factor. These include a distinct focus on certain, selected market segments combined with clear and decentralised earnings and operational responsibility.

The past year was historic inasmuch as we experienced a severe global financial crisis that progressively made an impact on the real economy.

My perception during the year is that the negative headlines were more prominent than the real effects that we have seen among our customers. Certain sectors have been clearly affected, but there are also areas in which we have not seen any direct impact. The first to be affected was the consumer durables segment, and thereafter industries with ties to the automotive industry. The energy sector in general, as well as the pharmaceutical and environment-related industries, were not affected in 2008. Other operations, such as maintenance of process facilities in operation, are conducted regardless of the economic situation.

Indutrade has a wide spread of business in various customer segments. Energy and process industries are the dominant segments. The energy sector today accounts for 26% of our sales.

In the process industry, we are seeing continued favourable growth in the environmental sector, especially in Finland. This is due to, among other things, legal requirements to reduce residential sewage discharges into the ground, especially in sparsely populated areas.

Generally the products that our companies sell are components that regularly wear out and are replaced or are included as parts in end products. We are seeing continued demand from our customers for our technical expertise, our products and our solutions for improving the efficiency of their operations. These things taken together entail that the economic impact for Indutrade has been relatively less than for many other industrial companies.

Despite the harsh economic climate, Indutrade succeeded in 2008 at growing net sales by 19%, to SEK 6,778 million [5,673]. It is particularly gratifying to note that this also applied for the fourth quarter, which showed good growth in sales.

However, the increase in order intake was lower during the latter part of the year. At year-end order intake was more uneven from month to month, with an actual decline in November, while the last month of the year showed a level of order intake that was higher than in December 2007.

Our earnings, measured as EBITA, rose 26% to SEK 820 million (650), and the EBITA margin rose to 12.1% (11.5%). These earnings mark the best in Indutrade's history.

Indutrade's thirty-year history shows that we have a good ability to adapt our operations to upturns and downturns. Through our decentralised organisation, our companies can quickly make decisions and take advantage of new business opportunities when they arise.

We are a group of some one hundred companies, each with their own president who has total responsibility for his company. Due to the size of these companies (a typical Indutrade company has sales in the range of SEK 50–100 million), the respective presidents have good control over the total operation and can relatively quickly adapt operations based on the customers' needs. In a turbulent market, this is an effective and good way of running a profitable business. Moreover, every company has its own profitability and growth targets. This can entail, for example, that some companies may be cutting costs while others are investing in new recruitment.

Over the course of 30 years we have developed our model for running companies in an efficient manner. Three years ago we introduced internal benchmarking and a ranking list to clarify goals for the companies and to give the company presidents knowledge about best practice.

An important part of Indutrade's business strategy is to grow through acquisitions. We acquire only profitable companies and companies that we believe we can further develop. A fundamental aspect of this model is that we retain the company's name, culture and management.

Last year we made our largest acquisition ever, by incorporating Flintec Group, with more than 1,000 employees, most of whom are in Sri Lanka. Flintec is active in measurement technology and brings to us yet another brand. The share of companies with proprietary brands is now approximately 27%, which contributes to greater profitability, as the margins are higher and the market potential is greater than for agency operations.

Two other important acquisitions were EssMed and Brinch, which have strengthened our position in the medtech sector.

From having been primarily active in the Nordic countries, we are now well established in the UK, Benelux and Germany, and we do business in 14 countries.

In all we acquired nine companies in 2008. Of our sales increase of 19%, acquired growth accounted for 12%, while organic growth accounted for 5%. The currency effect was 2%. We intentionally lowered the number of acquisitions during the latter part of the year pending better insight into where the economy is headed.

The economic decline that we are currently experiencing should reasonably create interesting acquisition opportunities. We have

already noticed that owners who were previously not interested in selling their companies at the prices we were willing to pay, are now coming back and want to resume dialogue with us.

The outlook for 2009 and thereafter is uncertain. The only thing we are certain about is that we will cope with a decline relatively better than industry in general, thanks to our flexible business model and our focus on repetitive products and sectors that are not cyclical-dependent, such as energy, the process industry and medical technology.

Looking back on the slightly more than three years that we have been listed on the stock exchange, since our introduction in October 2005 we have experienced favourable growth in sales and earnings. Sales have grown by 77%, and earnings per share have risen from SEK 5.55 to 12.75, which is more than a doubling in three years' time.

As a company we will continue to do our best to develop our business in the best way possible.

The foundation of our development is formed by the competent and committed employees in all companies throughout the Group, and I would like to direct a special thanks to all of them for their contributions during the past year.



Johnny Alvarsson, President and CEO



"We acquire only profitable companies and companies that we believe we can further develop. A fundamental aspect of this model is that we retain the company's name, culture and management."



SHARE DATA

Indutrade's shares are listed on Nasdaq OMX Stockholm, Mid Cap list. Indutrade's market capitalisation on 31 December 2008 was SEK 2,650 million (4,930).

SHARE PRICE TREND AND RETURN

Indutrade's share price fell 46% during the year, from SEK 123.25 to SEK 66.25. The Stockholm Stock Exchange fell 42% for the year, while the OMX Industrials index fell by 47%. Including reinvested dividends, the total return for Indutrade shares decreased by 44%. The highest price paid during the year was on 25 April (SEK 149), and the lowest price paid was on 23 December (SEK 63.75). Since the stock market introduction on 5 October 2005, Indutrade's shares have delivered a total return of -2%, including reinvested dividends, while the SIX Return Index, which measures the total return of the market as a whole, showed a total return of -18% during the same period.

TRADING VOLUME

Trading in Indutrade shares decreased in 2008. A total of 6.7 million Indutrade shares were traded (11.7), for a combined value of SEK 0.8 billion (1.9). This corresponds to a turnover rate of 17% (29%). The turnover rate for the stock market as a whole was 152% for the year. Average trading volume per trading day was 26,552 shares (46,759), with an average of 44 transactions (72) in Indutrade shares per trading day.

DIVIDEND AND DIVIDEND POLICY

The Board's goal is to offer shareholders an attractive dividend yield and high dividend growth. The goal is that the dividend over time will amount to a minimum of 50% of net profit. For 2008, Indutrade's board has proposed a dividend of SEK 6.40 per share (5.25), corresponding to 50% of net profit for the year.

SHARE CAPITAL

Indutrade's share capital was SEK 40 million on 31 December 2008 (40), divided by 40,000,000 shares with a quota value of SEK 1. All shares have equal voting power.

INCENTIVE PROGRAMME

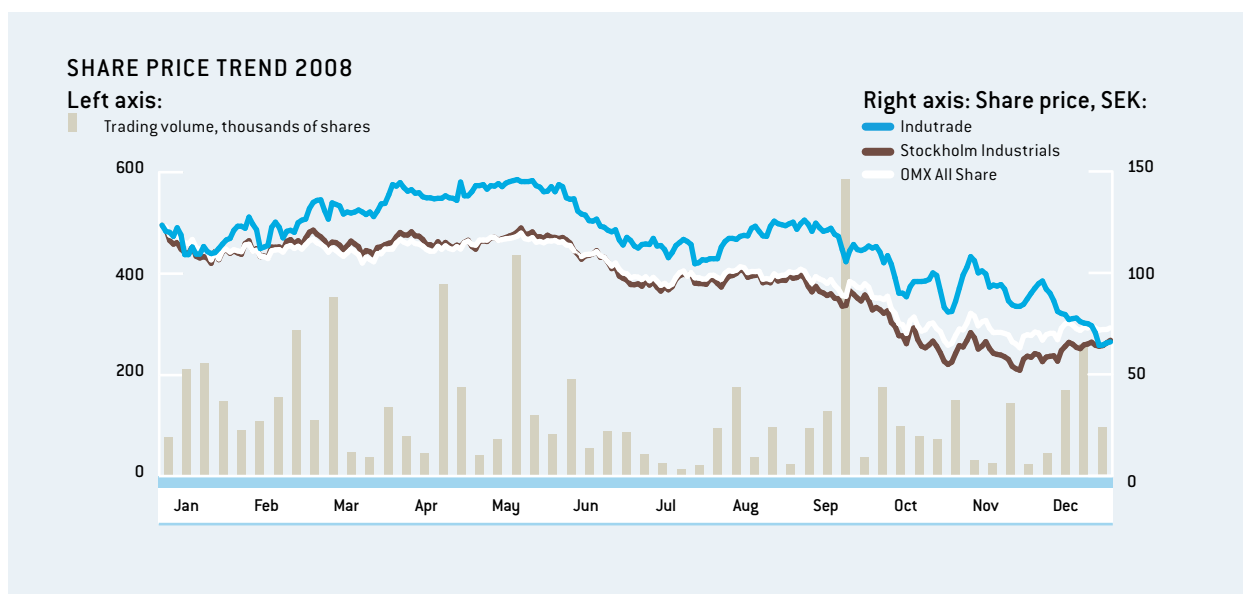
In November 2005, Indutrade's board of directors, in co-operation with AB Industrivärden, established an incentive programme directed at senior executives of the Group. The aim of the programme is to encourage management's long-term commitment and participation in the Company. The term of the programme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

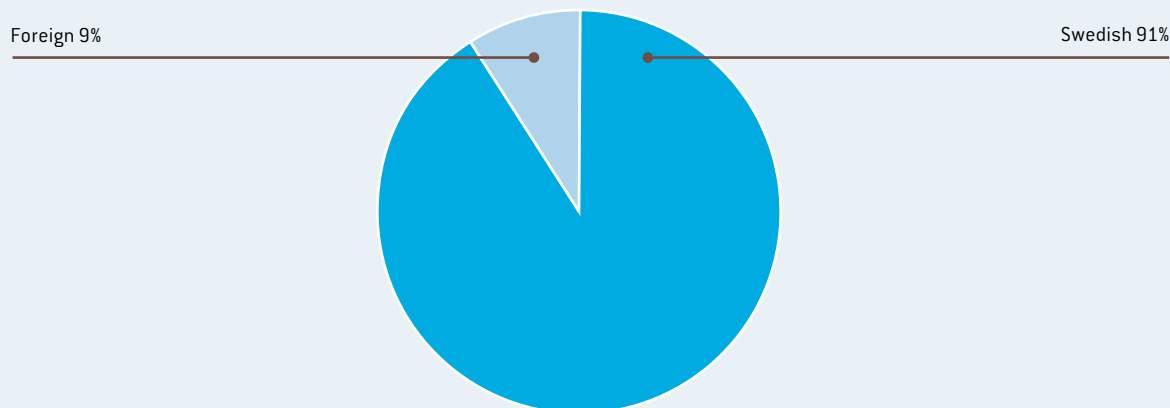
Indutrade compensates the executives participating in the programme with a total of 40% of the invested amount. The total cost for the Company is estimated to be approximately SEK 7 million, of which SEK 1.2 million was charged against 2008 earnings, while SEK 1.2 million will be charged against 2009 earnings and SEK 0.6 million against 2010 earnings.

OWNERSHIP STRUCTURE

Indutrade had 4,577 shareholders on 31 December 2008 (4,739). At year-end the ten largest owners controlled 77% of the capital and votes (77%). Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 83% of the capital and votes at year-end (85%). Foreign ownership in the Company was 9% (7%).



DISTRIBUTION AMONG SWEDISH/FOREIGN SHAREHOLDERS



THE TEN LARGEST SHAREHOLDERS ON 31 DECEMBER 2008

	Number of shares	Capital/votes, %
AB Industrivärden	14,757,800	36.89
AFA Insurance	4,666,382	11.67
L E Lundbergföretagen	4,000,000	10.00
Handelsbanken Pension Foundation	1,978,000	4.95
Handelsbanken Pension Fund	1,969,300	4.92
Aktie-Ansvar funds	997,500	2.49
Swedbank Robur funds	862,541	2.16
Handelsbanken funds, incl. XACT	665,794	1.66
SSB CL Omnibus funds, USA	578,212	1.45
SEB Investment Management	332,900	0.83
Others	9,191,571	22.98

KEY DATA PER SHARE

Share price at 31 December, SEK	66.25
Market capitalisation at 31 December, SEK m	2,650
Dividend, ¹⁾ SEK	6.40
Earnings, SEK	12.75
Number of shares outstanding, thousands	40,000
Number of shareholders on 31 December	4,577
Highest price paid during the financial year, SEK	149
Lowest price paid during the financial year, SEK	63.75
Dividend yield, ²⁾ %	9.7
Shareholders' equity, SEK	39.93
Cash flow from operating activities, SEK	12.25

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	2,987	1.84
501	– 1,000	823	1.70
1,001	– 2,000	326	1.32
2,001	– 5,000	212	1.84
5,001	– 10,000	96	1.80
10,001	– 20,000	48	1.76
20,001	– 50,000	31	2.40
50,001	– 100,000	16	3.17
100,001	– 500,000	30	13.24
500,001	– 1,000,000	3	5.26
1,000,001	– 5,000,000	4	28.77
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 strives to 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 gradually 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
 - remaining growth will be achieved through acquisitions.

During the period 2004–2008, consolidated net sales increased from SEK 3,486 million to SEK 6,778 million, corresponding to average annual sales growth of 16.2%.

Sales in 2008 rose 19%, of which approximately 12% was acquired growth and approximately 7% organic growth, including currency effects.

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

The average EBITA margin during the last five years (2004–2008) was 10.4%. The EBITA margin in 2008 was 12.1%.
- Return on operating capital shall exceed 25% on average per year over a business cycle.

During the last five years (2004–2008), the average return on operating capital was 34.5%. In 2008 the return was 36.7%.
- 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 60.9%, and was thus below 100% by a wide margin. The debt/equity ratio at year-end 2008 was 60.9%.

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

Growth shall take place organically as well as 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 enhances Indutrade's position.

Long-term partnerships with leading suppliers

Indutrade gives priority to suppliers who, through own product development, provide market-leading, high-quality products with a high-tech content. A partnership with Indutrade should be the most profitable way for suppliers to sell their products in the geographic markets in which Indutrade operates.

A range of market-leading products from the best suppliers, coupled with Indutrade's technology and market know-how, makes Indutrade a more attractive business partner for existing and potential customers.

Companies with proprietary products and brands

Indutrade balances its technology 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

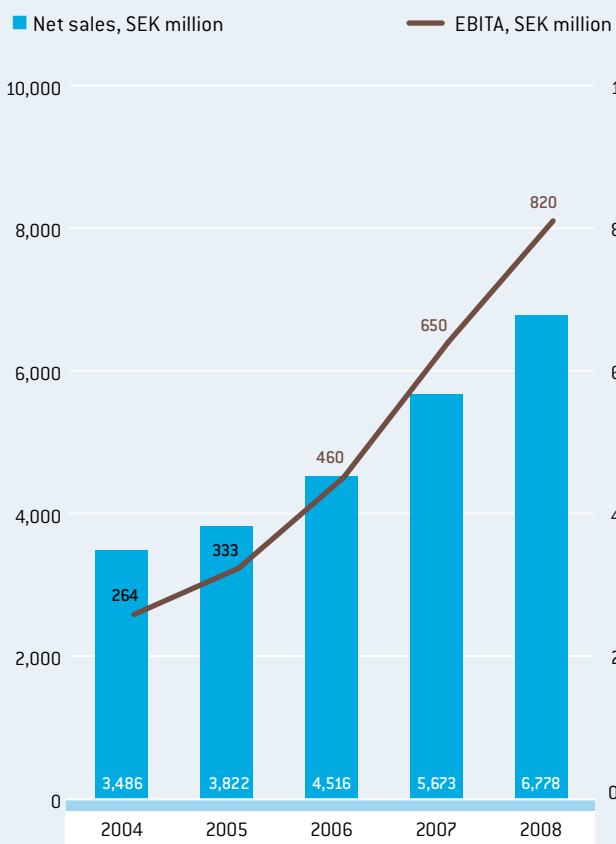
Indutrade's range of products and services, which are aimed at both end users and OEM customers (customers that integrate Indutrade's products in their own products), shall have a high-tech content and incorporate a high level of service and qualified technical consulting. Indutrade's sales representatives 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

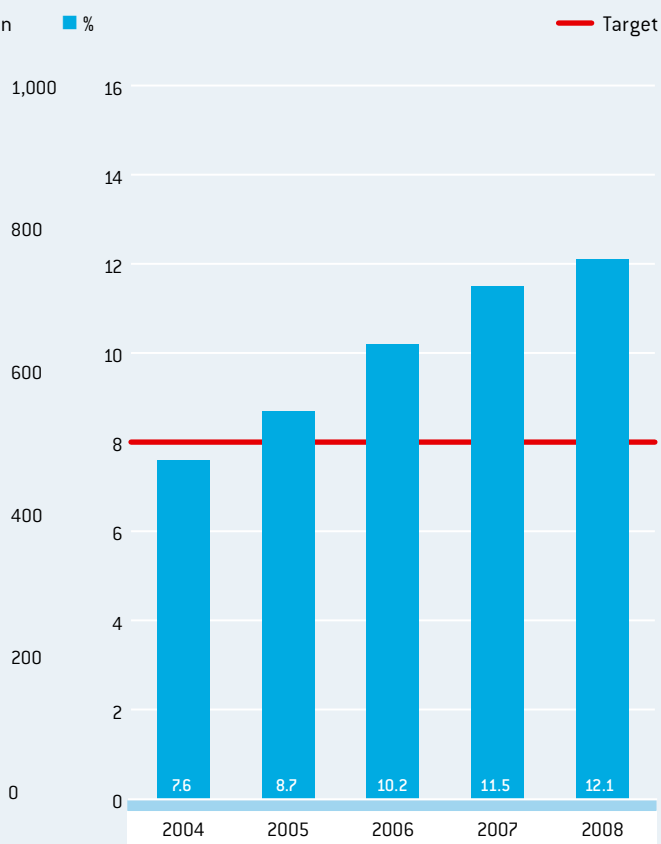
Indutrade's governance model is characterised by decentralisation, as the best business decisions are made close to customers by people who have a solid understanding of the customers' needs and processes.

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

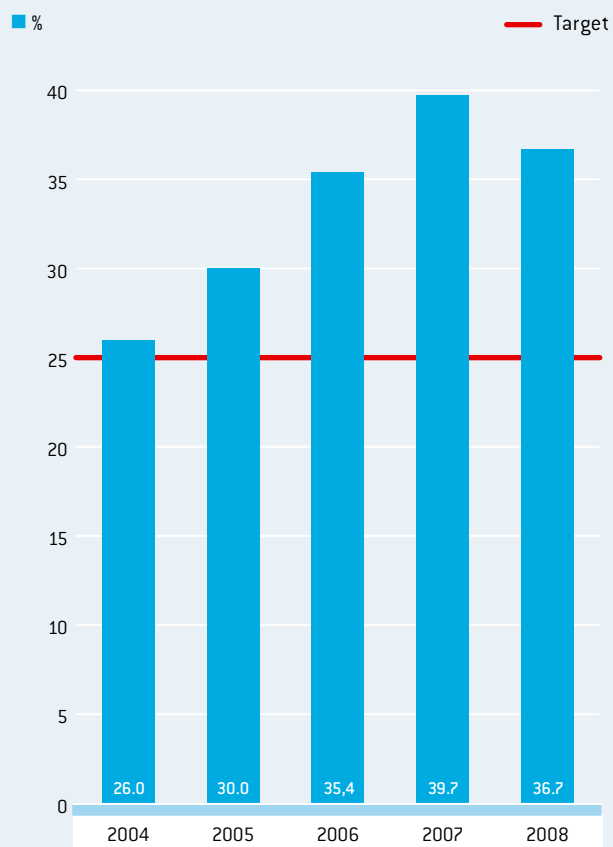
NET SALES AND EARNINGS DEVELOPMENT



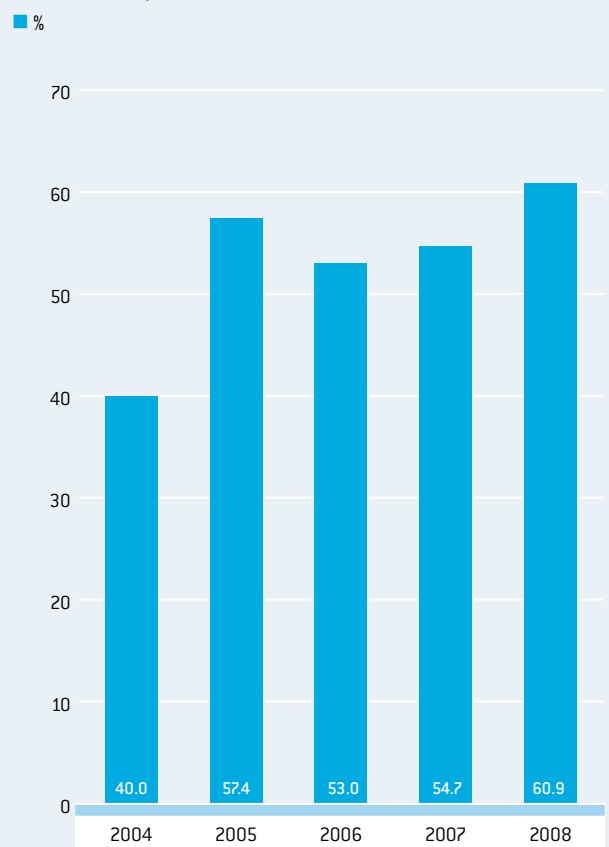
EBITA MARGIN



RETURN ON OPERATING CAPITAL



NET DEBT/EQUITY RATIO



GROWTH THROUGH ACQUISITIONS

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

The Group has a long record of experience in company acquisitions. Since 1978 more than 70 acquisitions have been carried out, of which more than 50 were during the last decade. These acquisitions have accounted for a large share of Indutrade's sales growth.

Through a well 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, executing and implementing 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

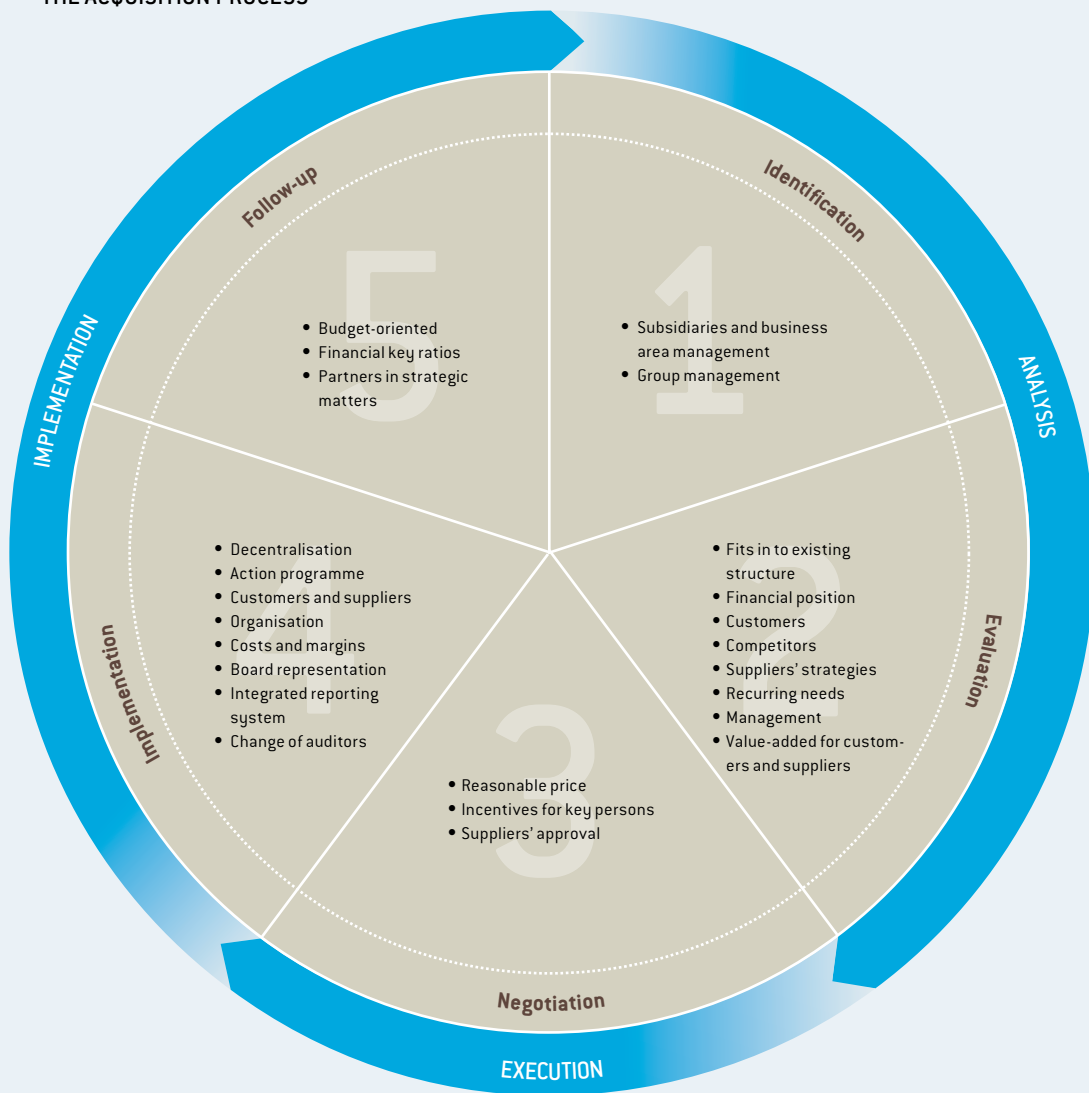
New financial targets are established and adjusted to the company's specific conditions.

5. Follow-up

Group management and the management 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:

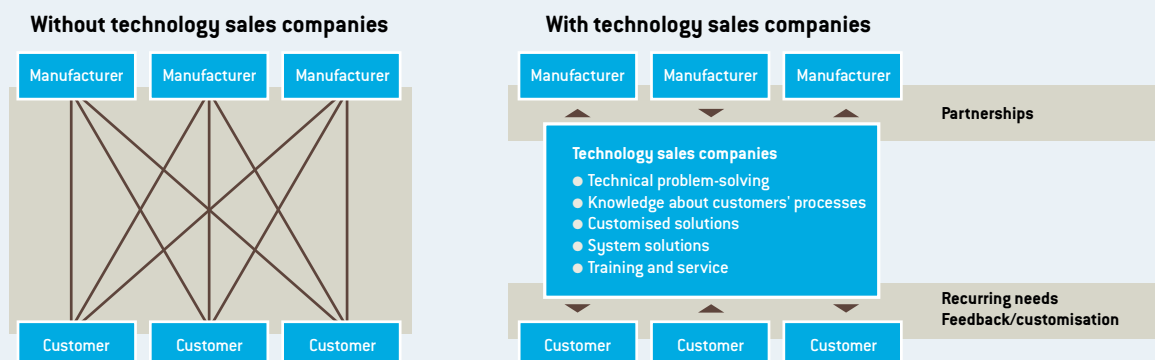
- **Technical problem-solving regarding choices of components and systems.** Indutrade's subsidiaries offer a wide array of technically advanced products in selected niches. The products are often important for the customers' production processes and are designed to meet exacting demands on quality, 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 to problem-solving 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 2008 sales of proprietary and further-developed products amounted to approximately SEK 1,840 million, corresponding to roughly 27% of consolidated net sales.

- **Support, training and other aftermarket services, and access to a local business partner.** Some 40 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 280 million in 2008, or approximately 4% of consolidated net sales. Indutrade also offers training in use of the Group's products and their integration in large systems.

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.

PRODUCT & SERVICE DEVELOPMENT IN CLOSE CO-OPERATION WITH CUSTOMERS

One of the most important elements of value-added that Indutrade provides is its role as a technical problem-solver for customers. For the manufacturing company HP Valves in Oldenzaal, the Netherlands, key factors for this are having competent employees, conducting intensive product & process development and working in partnership with customers.



”To retain our leading position and be able to continue solving our customers’ problems, we put heavy emphasis on product development,” says Marten Hinsenveld, President of HP Valves, a leading international company in the design, manufacture and sales of valves for medium to high-pressure applications.

The product programme spans from small, standardized valves that are manufactured in large series to large, custom-engineered valves made in small series.

For the standardized products, apart from the actual product development, a great deal of attention is paid to improving productivity in the manufacturing processes. For the engineered products, resources are dedicated primarily to developing specific customer applications.

”The sales organisation and our intensive contacts with major OEM customers generate perhaps the most important impulses in HP Valves’ product development,” says Hinsenveld.

Of course, being able to offer advanced technical solutions, premium service and advice requires qualified employees. HP Valves is building up depth and breadth in its cutting edge expertise, among other things through a pronounced concentration on – and in close co-operation with – customers in the international power industry.

This expertise must then be retained and further developed. An important instrument in this work is the daily internal exchange of expertise and experience that takes place between engineers and the sales organisation – both with respect to product development and advanced customer demands. In addition, HP Valves’ organisation is characterised by decentralised decision-making that stimulates personal initiatives.

HP Valves, which has been part of Indutrade since 2005, has annual sales over SEK 300 million and 60 employees. The company’s heritage dates back as far as 1879, when Dijkers Hengelo began manufacturing industrial valves to support the steam-powered industrialization. In modern time, the product portfolio has grown with respect to the size and scope of operations as well as to the range of pressure classes for a multitude of different customer applications.

The market consists mainly of OEM’s and end-users in power generation (which account for over 85% of sales) and companies in the petrochemical industry, with a geographic spread ranging from the USA, the Netherlands and Japan to India, China and other Asian countries. Key customers include Siemens, Alstom, Hitachi and General Electric.



»To retain our leading position and be able to continue solving our customers’ problems, we put heavy emphasis on product development.«

Marten Hinsenveld, President of HP Valves

CONTINUOUS COMPETENCE DEVELOPMENT IMPORTANT

Indutrade's technical sales companies also play a vital role as technical problem solvers for customers. Kontram in Finland conducts product development in close co-operation with customers and suppliers, and puts heavy emphasis on further developing its employees' competence on a continuous basis.



"To be able to meet changing market trends and individual customers' needs for improved functionality, continuous product development has high priority in our operations," says Jorma Kuivalainen, President of Kontram, one of Finland's leading providers of technical problem-solving in industrial processes and environmental technology.

For a technology sales company like Kontram, product development is conducted in close and highly developed co-operation with both suppliers and customers, at the same time that the company stays abreast of international developments.

The company's original idea, to offer industrial companies technical components in the areas of instrumentation and automation, has evolved over time to also cover deliveries of systems and complex, customer-adapted projects and logistics solutions. Often these are combined with professional support for customers in areas such as training, service and maintenance – mainly focusing on companies active in industrial processes, engineering and energy. One area that has shown strong development in recent years is electrotechnology, which encompasses testing and measurement instruments, electrical components and specialised switches for handling, governing and controlling energy consumption.

"To be able to offer advanced technical solutions and advice, it is essential that we have competent employees," says Kuivalainen.

Kontram has a highly educated and qualified base of sales engineers and customer service staff. The sales organisation is supported in turn by product specialists with extensive experience in products, processes and customer applications.

As part of its efforts to retain and further develop its competence base, Kontram continuously strives to offer its employees interesting challenges in development-oriented industries and technology areas, such as environmental technology, energy, precision measurement and process automation.

Kontram, with annual sales of SEK 340 million and 85 employees, has been part of Indutrade since 2003. Key customers include UPM Kymmene, Stora Enso, Andritz, Metso and Fortum.

»To be able to offer advanced technical solutions and advice, it is essential that we have competent employees.«

Jorma Kuivalainen, President of Kontram

STRONGLY DECENTRALISED GROUP

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 necessary for each subsidiary to form 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 subsidiaries can also benefit from benchmarking and the informal exchange of ideas between different companies in the Group.

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.

In all Indutrade has nearly 100 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.

Serving as a technical problem-solver for customers is one of the most important measures of value-added that Indutrade contributes. This ability is based in large part on the employees' business and technical competence. Consequently, the Group strongly emphasises continuous competence development. Business competence is strengthened through leadership development and sales training, among other things. Technical training is conducted primarily under the direction of suppliers.

Indutrade had an average of 2,728 (1,929) employees during the year, of whom 23% were women and 77% men.

QUALITY

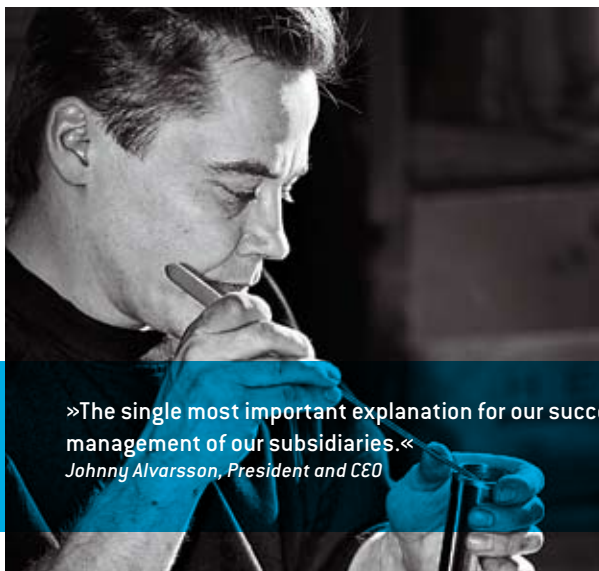
Indutrade's objective is that the products and services it provides should meet or exceed customer expectations. Consequently, high quality always has top priority. Customers should equate Indutrade with quality products, delivery reliability, excellent technical support and a positive, professional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

Quality assurance work covers 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 on evaluating quality aspects.

Thirty-five 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 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.



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



LONG HERITAGE OF RESPONSIBLE BUSINESS

Indutrade strives for sustainable development, which entails giving consideration 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.

Indutrade's long history of doing responsible business is a compelling obligation for the future. The Group's business is based on long-term, strong relationships with customers and suppliers, good ethics and respect for all individuals within the Company as well as in external contacts.

As in other parts of the Group's operations, the concrete work with the environment and corporate social responsibility is highly decentralised. An example can be seen in the company Flintec, which is described below.

THE ENVIRONMENT

The goal is to continuously minimise the environmental impact of operations through the use of environmental plans and systematic improvement work. 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 standards made by the market.

The Group strives for transparent reporting with respect to its successes as well as to any problems that may arise in the environmental area.

Indutrade's core business involves trade and distribution. Only a few of the Group's companies have own manufacturing. Indutrade's environmental impact is thus limited and is mainly a result of transports of finished products, business travel and waste management.

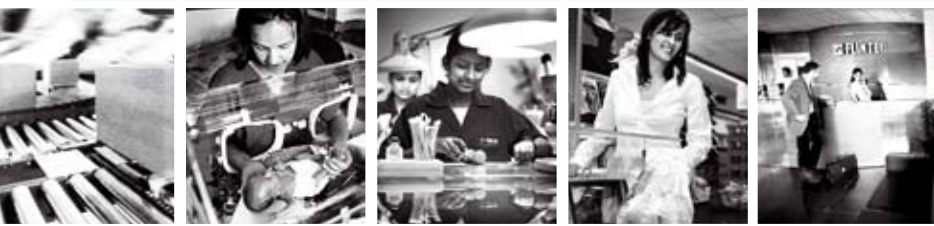
Fifteen of the Group's subsidiaries are certified according to ISO 14001. Certification processes are conducted if warranted by demands from customers or suppliers. However, even subsidiaries without any certification conduct systematic environmental work focused on continuous improvement.

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

FLINTEC

HIGH EUROPEAN STANDARD IN ENVIRONMENTAL WORK

In 2008 Indutrade acquired Flintec, which manufactures and markets measurement technology products – primarily for weighing. However, the same technology is also used in other application areas.



President of Flintec. "Sri Lankan authorities frequently bring visitors to our plants to show the high industrial standard in the country."

The environmental impact of production is limited, with little use of environmentally hazardous material. The plants adhere to strict rules for waste management. Products include a good share of expensive and recyclable material, and as a result virtually all products are recycled. Although the plants are not environmentally certified at present, there are plans to do so.

Also with respect to health and safety, the plants maintain a high European standard. For example, individual monitors are used to ensure that exposure to certain chemicals does not exceed the recommended limits.

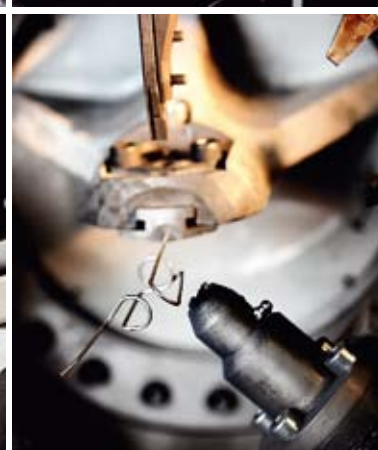
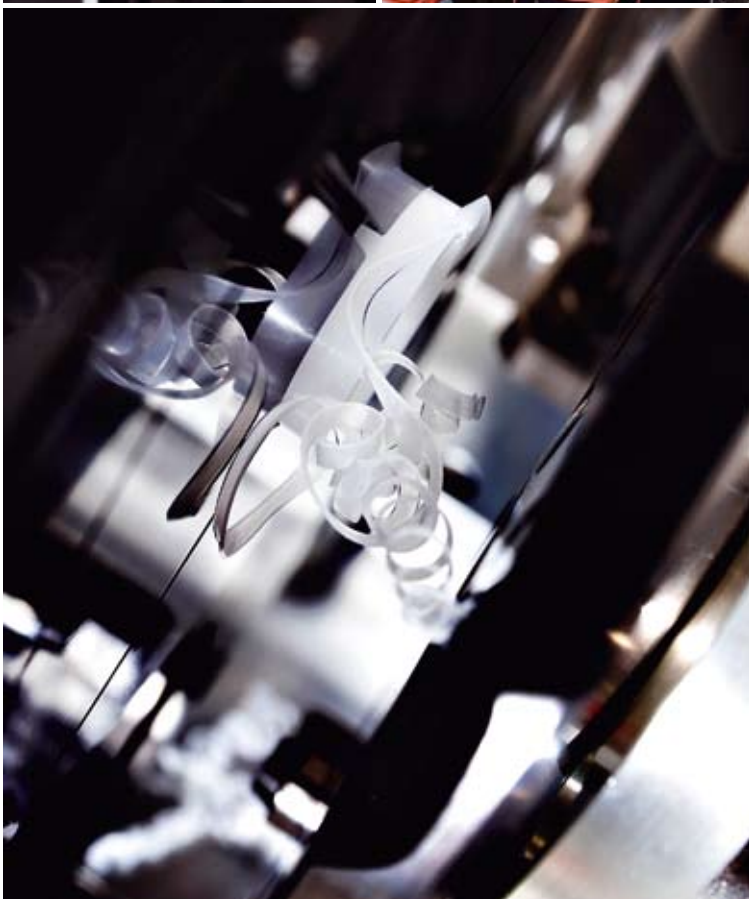
Flintec puts great emphasis on employee training. This involves internal training as well as sponsoring of university courses in technical subjects – both in Sri Lanka and in other countries. Language training in English has met keen interest in Sri Lanka.

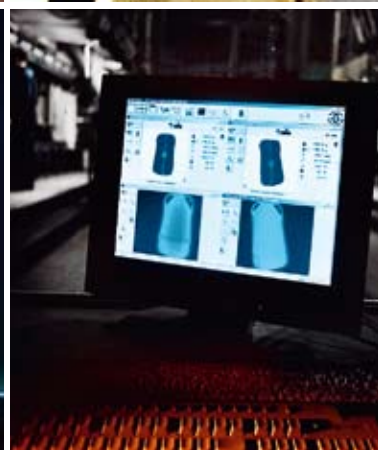
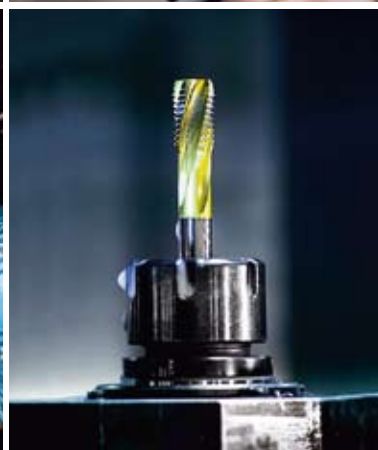
The strategy for the future is to grow by using technology in new application areas and new geographic markets. Examples of new application areas are in the pharmaceutical industry and in improving the efficiency of industrial processes. The potential in emerging markets such as China, India and Brazil is considered to be very strong. At the same time, the company is further stepping up the pace of its product development in order to bring more new products to market every year.

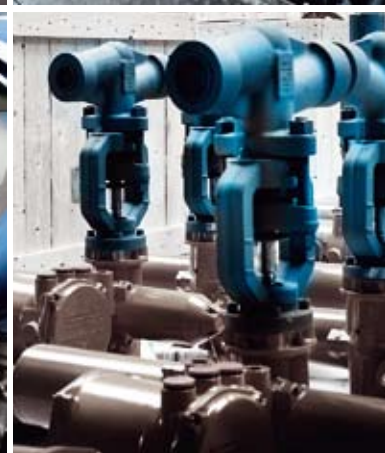
Product development and an ability to quickly come up with solutions for customers are key strength factors for Flintec. More than 10% of annual sales are invested in research & development. Flintec Group has three R&D centres – in the USA, the UK and Sri Lanka. Flintec also has as solid reputation for high product quality.

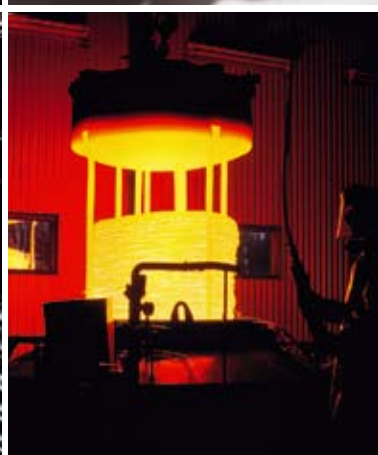
Production is conducted at two plants in Sri Lanka, and almost entirely under own management, since the network of subcontractors is less developed in Sri Lanka than in Europe and the USA. Both plants are very modern. One of these, which is located outside the capital city of Colombo, was opened in 2006, and the other, which is located in the southern part of the country, was recently expanded.

"The plants are equal to or higher than the European standard with respect to quality and environmental aspects," says David Weeks,









BROAD MARKET PROVIDES STABILITY

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 industrial components, systems and services. 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 14 countries. In 2008 the Group's three most important geographic markets, Sweden, Finland and Benelux, together accounted for about 76% 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 19% 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

Indutrade's sales are made to many different industries, each of which is affected differently by a certain economic climate. This means that, compared with other companies with similar operations, Indutrade's profitability is normally less sensitive to economic swings.

DRIVING FORCES AND TRENDS

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

Focus on core business

Many industrial companies in northern Europe are focusing more strongly on their core businesses. In many cases, non-core activities are being given lower priority, which leads to 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.

Greater demand for services

Many customers are striving 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 opens 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 alliances with a limited number of suppliers contribute 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 and services, which normally benefits large technology sales companies.

One way in which customers can reduce the number of suppliers is to use 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 a wide 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 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.

Consolidation among manufacturers

When a manufacturer acquires a company, this can result in Indutrade's subsidiaries acquiring more products in their product range. However, there is also a risk that growing suppliers will choose to invest in their own sales organisations.

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

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, mainly China and India.

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 that 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 Eugen Wiberger in mechanical components and Rollco in linear systems.

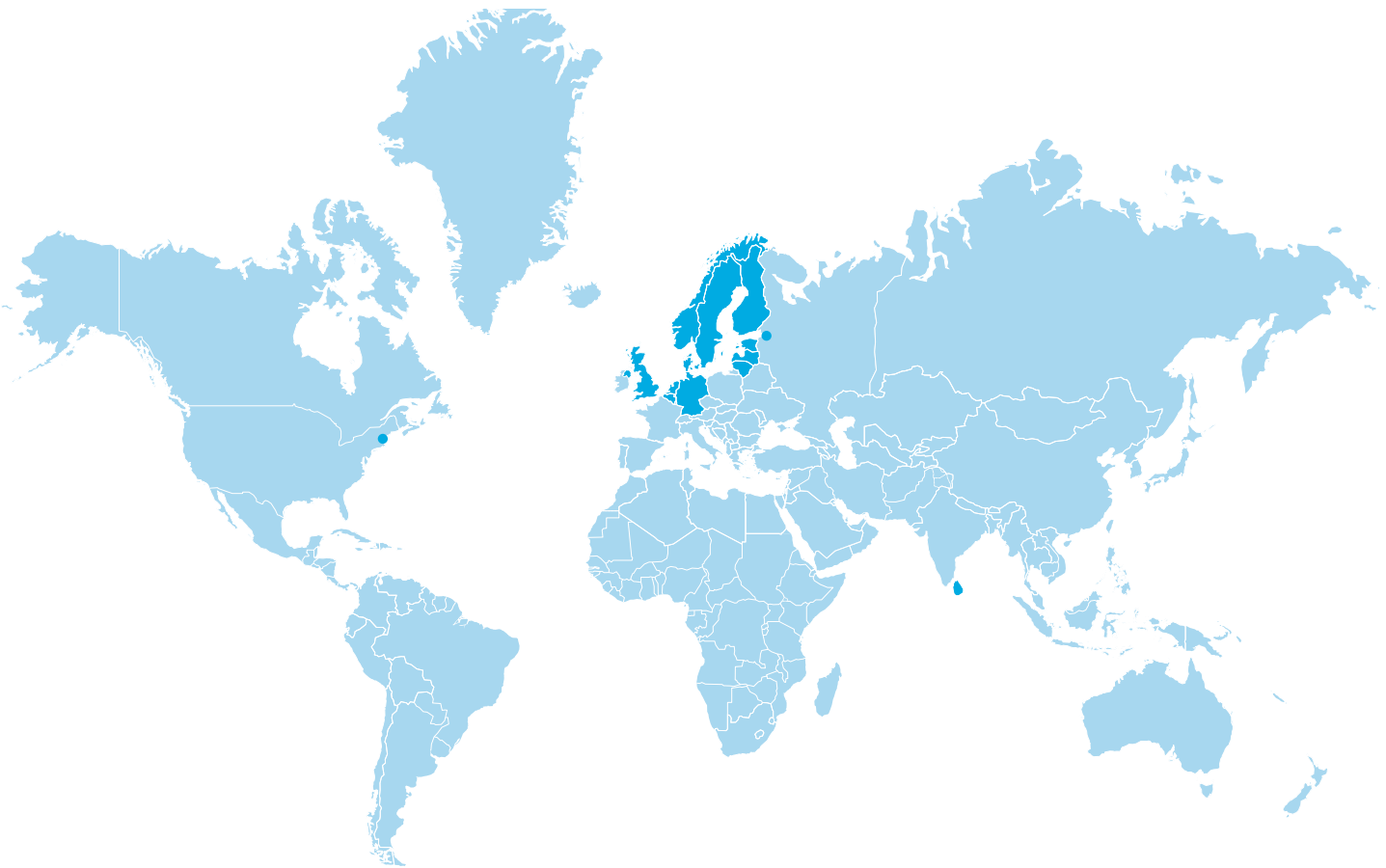
In some markets, Indutrade competes with specific subsidiaries of other major players, such as Addtech, B&B Tools, G&L Beijer and OEM International. However, these companies do only limited business in Indutrade’s niches, and Indutrade estimates that competition from

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.



NINE COMPANIES ACQUIRED IN 2008

Indutrade completed nine company acquisitions in 2008. Combined annual net sales of the acquired companies are estimated at SEK 545 million.

AMMERTECH

Lager- en Aandrijftechniek

Ammertech B.V.

Ammertech is a leading technical sales company in the Netherlands in the area of bearings and transmissions. The company also has a sales office in Belgium.



Net sales:* SEK 60 million
Business area:
Special Products
Became part of Indutrade:
1 January 2008
Number of employees:* 25
www.ammertech.nl

PRECISION



PRODUCTS

Precision Products Ltd

Precision Products is a well-established supplier of piston rings to the international marine engine industry as well as products for other industrial applications. The company has an extensive customer base in 48 countries.



Net sales:* SEK 70 million
Business area:
Special Products
Became part of Indutrade:
1 January 2008
Number of employees:* 56
www.precisionproductsuk.com

FLINTEC

Flintec Group AB

Flintec manufactures and markets measurement technology products. Customers work in a range of market segments, primarily weighing, automation, medicine, testing and measuring systems, transport and agriculture. Flintec is distinguished by innovative design, customer-adapted solutions and world-class manufacturing. See also page 16.



Net sales:* SEK 275 million
Business area:
Special Products
Became part of Indutrade:
1 July 2008
Number of employees:* 1,000
www.flintec.com

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

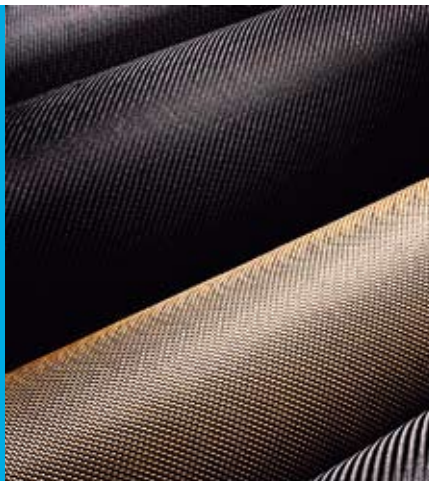
Net sales:* SEK 34 million
 Business area:
 Special Products
 Became part of Indutrade:
 1 February 2008
 Number of employees:* 14
www.douwes.nl



Douwes International BV

Douwes is a well established technology sales company with products and specialist know-how in fasteners and assembly tools. Customers are primarily in the OEM, machinery and automotive industries. Sales are mainly in the Netherlands, although a significant share of products are also exported to other European countries.

Net sales:* SEK 8 million
 Business area:
 Engineering & Equipment
 Became part of Indutrade:
 1 March 2008
 Number of employees:* 2
www.kgenterprise.fi



KG Enterprise Oy

KG Enterprise delivers plastic and fibreglass modules to the boat industry, among others.

Net sales:* SEK 60 million
 Business area:
 Industrial Components
 Became part of Indutrade:
 1 March 2008
 Number of employees:* 10
www.essmed.se



EssMed AB

Essmed markets ophthalmology products and services. The company is a market leader in Sweden in sales of equipment to private and public sector ophthalmology departments. Essmed also sells other medical products, including surgical microscopes and pressure relief devices. The company has a subsidiary in Finland.

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



Kabetex Kullager & Transmission AB

Kabetex specialises in customised transmission solutions. The largest customers are in the engineering and manufacturing industries as well as in the municipal sector.

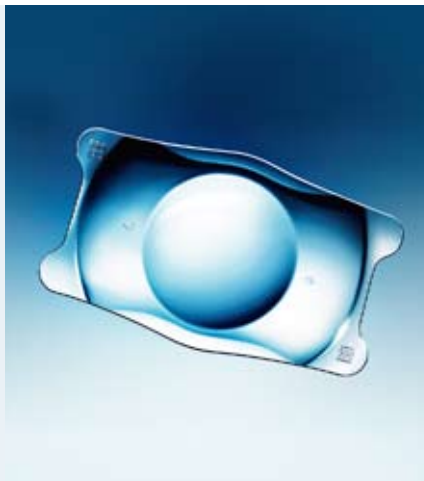


Net sales:* SEK 20 million
Business area:
Industrial Components
Became part of Indutrade:
1 September 2008
Number of employees:* 8
www.kabetex.se



Brinch AS

The Norwegian company Brinch markets products, technical service and support to private and public sector ophthalmology departments in Scandinavia.

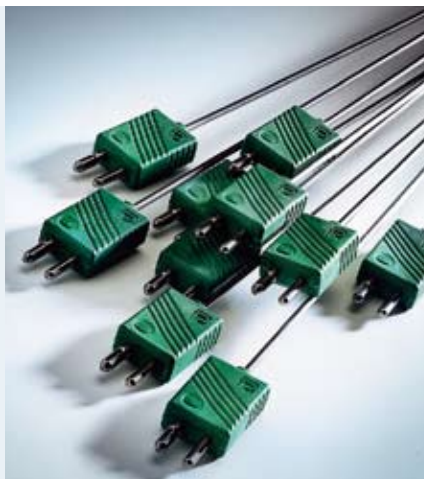


Net sales:* SEK 15 million
Business area:
Industrial Components
Became part of Indutrade:
1 November 2008
Number of employees:* 3
www.brinchas.no



Inkal Industrikalibreringar AB

Inkal is a calibration laboratory specialising in temperature. The company also offers a number of services in the area of measurement technology.



Net sales:* SEK 3 million
Business area:
Special Products
Became part of Indutrade:
1 October 2008
Number of employees:* 1
www.inkal.se

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

STRONG DEMAND IN WATER AND ENERGY SECTORS

Engineering & Equipment offers customised niche products and design solutions along with aftermarket service and special processing. The geographic focal point is in Finland. Sales and earnings rose in 2008.

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 business area includes some 20 companies. The five largest subsidiaries are Tecalemit, Kontram, Lining, YTM-Industrial and Labkotec, which together accounted for 73% of the business area's net sales in 2008.

MARKET

The business area's geographic focal point is in Finland, but subsidiaries are also in Sweden, Estonia, Latvia and Lithuania. 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. Examples of major customers are Kemira, Kvaerner, Metso, Stora Enso and Wärtsilä.

PRODUCT AREAS

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

Industrial Equipment

This product area features a comprehensive range of workshop equipment, with related project design for the refurbishing and new construction of 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 gearboxes for the processing industry, among others. Customised conveyor belts and power transmission belts are also offered for the engineering, food and paper industries.

Measurement Equipment

The product area includes a relatively comprehensive range of instruments from leading manufacturers for measuring, controlling and analysing flows, pressure, temperature and levels. The instruments are used primarily in the general processing industry and the energy sector.

Flow Control Products

The products range consists primarily of valves, pumps and pump systems, measurement instruments and couplings, and wastewater handling solutions.

Hydraulics & Pneumatics

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

YEAR IN REVIEW

Net sales for comparable units rose 12% to SEK 1,900 million (1,689). Comparable units accounted for 1% of the increase in sales, while acquired growth was 7%. Currency effects increased sales by approximately 4%.

During the year, the subsidiaries Bengtssons Maskin and EIE Maskin were transferred to the Industrial Components business area. Comparison figures have been adjusted for the transferred companies.

The trend in demand varied from industry to industry, especially in the latter part of the year. The market was particularly strong in the water/waste water and energy segments.

EBITA rose 7% to SEK 189 million (176), and the EBITA margin decreased to 9.9% (10.4%). A gradually improving EBITA margin during the year was hurt during the fourth quarter by low growth in net sales and slightly higher overheads.

During the year, the company KG Enterprise Oy was acquired, which manufactures plastic and fibreglass modules for the boat industry, among others. The company has approximately SEK 8 million in annual sales.

Within the framework of the decentralised organisation, cooperation was intensified between subsidiaries in connection with major projects, such as at the Talivaara mine in Finland.

Curt Kock took office in 2008 as the new President of the business area.

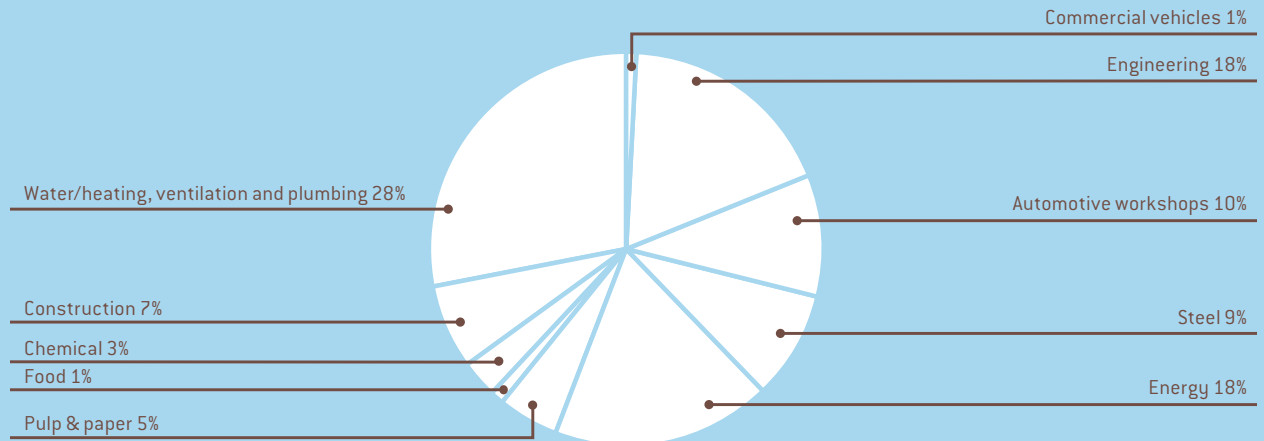
ENGINEERING & EQUIPMENT

»Sales and earnings increased during the year. The increase in sales was derived primarily from completed acquisitions.«

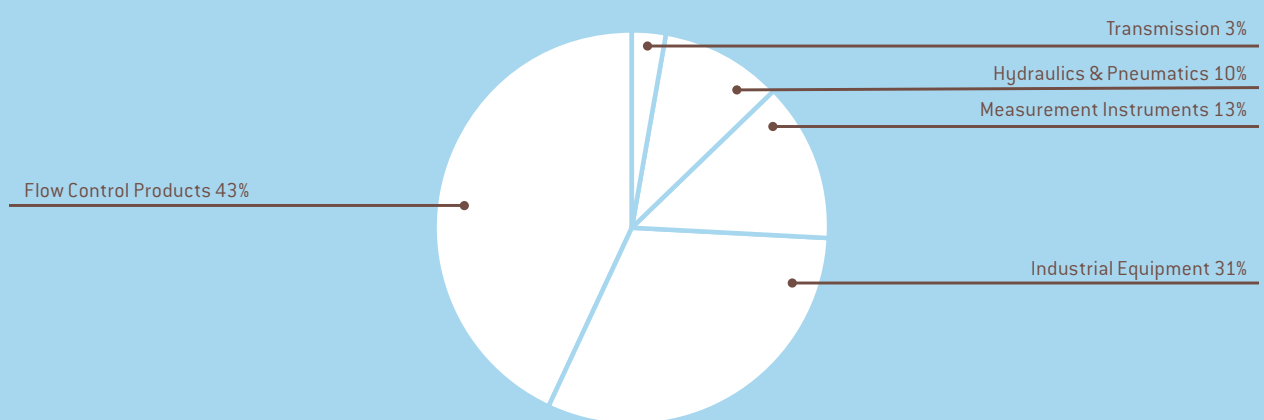
Curt Kock, President of the Engineering & Equipment business area



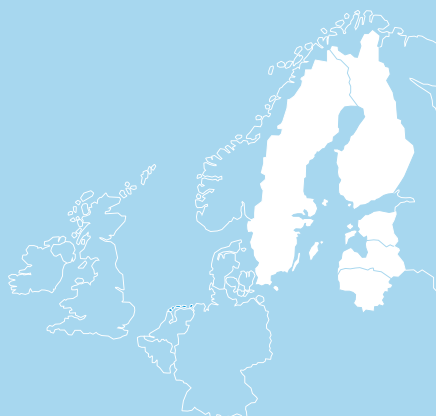
NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



NET SALES PER GEOGRAPHIC MARKET



Finland 86%
Sweden 3%
Baltic countries 11%

KEY RATIOS, FIVE YEARS

KEY RATIOS	2008	2007	2006	2005	2004
Net sales, SEK million	1,900	1,689	1,342	1,176	1,052
EBITA, SEK million	189	176	129	119	94
EBITA margin, %	9.9	10.4	9.6	10.1	9.0
Average number of employees	657	581	546	453	441

IMPROVED MARGIN FROM PROFITABILITY PROJECT

The Flow Technology business area offers components and systems for controlling, measuring, monitoring and regulating flows. A number of successful projects aimed at enhancing profitability resulted in an improved EBITA margin.

The business unit has some 20 subsidiaries that specialise in various areas of industrial flow technology. The five largest subsidiaries are Gustaf Fagerberg A/S, Gustaf Fagerberg AB, GPA, Alnab and Ventim, which together accounted for roughly 44% of the business area's sales in 2008.

MARKET

The business area 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 and food 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.

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

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 that combine hydraulics and electricity, 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 by several of the business area's subsidiaries as well as by a separate service company.

YEAR IN REVIEW

Net sales for the business area rose 16% to SEK 1,712 million (1,474). EBITA rose 28% to SEK 185 million (145). The sales increase can be credited to a combination to strong organic growth in most subsidiaries (5%), acquired growth (10%) and currency movements (1%). The EBITA margin increased to 10.8% (9.8%). The improved margin is attributable in part to efforts during the year to increase sales of products with higher gross margins.

Demand remained strong during the first nine months of the year, but weakened somewhat during the fourth quarter. The trend was particularly favourable in the energy and water segments. The subsidiaries in the business area grew their market shares in several areas.

The seven companies that were acquired in 2007 developed well during the year. Particular mention can be made of International Plastic Systems (IPS) in the UK, which showed very favourable performance in both sales and earnings. No additional acquisitions were made in 2008.

During the year, a number of internal training courses were held to further raise the level of entrepreneurship in the subsidiaries. The courses were targeted at three separate employee categories: presidents, sales staff and potential future leaders.

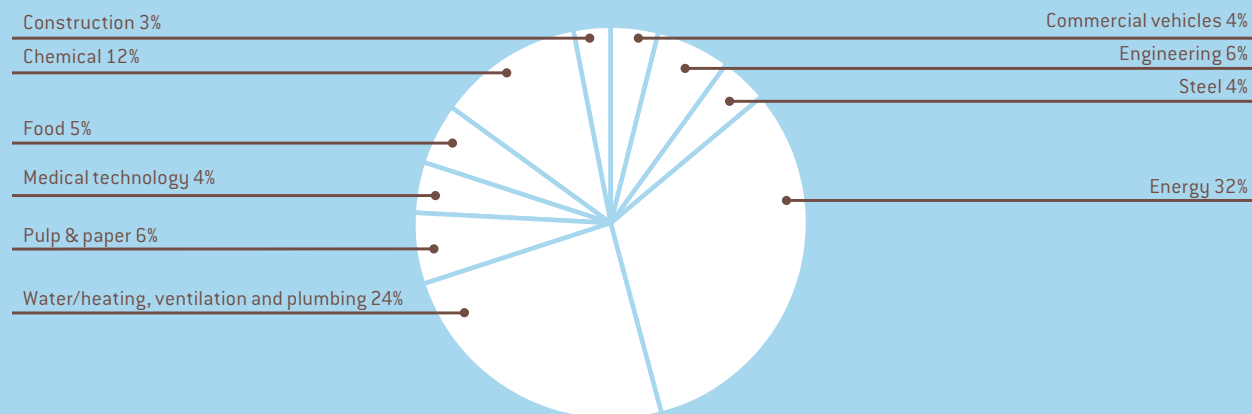
FLOW TECHNOLOGY

»The sales increases can be credited to strong organic growth in several subsidiaries as well as to the fact that the companies acquired in 2007 were included in the business area for the full year in 2008.«

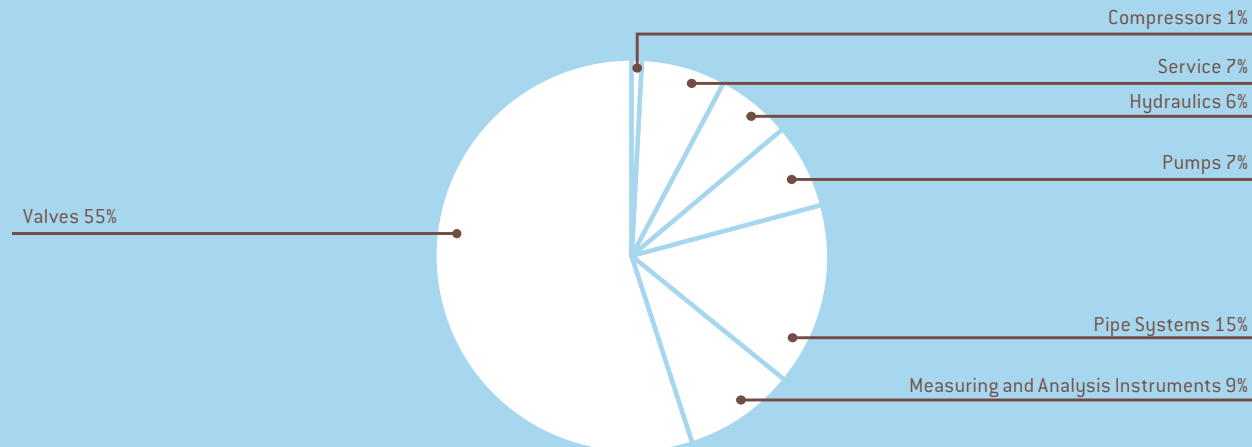
Peter Eriksson, President of Flow Technology business area



NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



NET SALES PER GEOGRAPHIC MARKET



Sweden 53%
Denmark 22%
Norway 10%
Russia 8%
UK 7%

KEY RATIOS, FIVE YEARS

KEY RATIOS	2008	2007	2006	2005	2004
Net sales, SEK million	1,712	1,474	1,073	966	869
EBITA, SEK million	185	145	93	67	53
EBITA margin, %	10.8	9.8	8.7	6.9	6.1
Average number of employees	485	428	341	329	304

HIGHER MARKET SHARES IN SEVERAL AREAS

Industrial Components offers a wide range of technically advanced components and systems for production and maintenance. Products consist to a great extent of consumables. Earnings improved during the year due to a combination of continued growth and good cost control.

The companies in the Industrial Components 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 EIE Maskin, Bengtssons Maskin, G.A. Lindberg ChemTech, Colly Components and Edeco Tool. Together these companies accounted for approximately 44% of the business area's sales in 2008.

MARKET

Most of the business area's sales are in Sweden, although it does a considerable amount of business in Finland, Denmark and Norway, too. Competitors consist of international companies with own sales organisations as well as small, family-owned companies.

CUSTOMERS

Key customer groups are in the engineering, pulp & paper, commercial vehicles and pharmaceutical industries. Examples of major customers include ABB, Metso, Stora Enso, AstraZeneca, Novo Nordisk, Tetra Pak, Rolls Royce and Scania.

PRODUCT AREAS

The business area is organised into six product areas:

Filters, pumps and process technology

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

Fasteners and mechanical components

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. The product range also includes box and flat gaskets as well as a number of specialised sealants for demanding fluid and gas seals.

Medical technology

In co-operation with leading manufacturers, the business area offers equipment, consumables and service for private and public sector ophthalmology and eye surgery applications.

Cutting tools

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

Lubricants, rust protection and adhesives

Indutrade's companies in this product area work with leading suppliers of lubricants, adhesives, silicone and rust protection. They also offer environmentally adapted oils and fluids for metalworking, rust protection, hydraulics, spray painting and tissue production.

Transmission and automation

The product area offers high-quality transmission products to the engineering industry in Sweden, Denmark, Norway and Finland, as well as products and machine systems for the pulp and paper industry in Sweden and Finland. In addition, it includes the market's most tried-and-tested and complete building systems in the area of aluminium profiles, rail guide systems and integrated linear modules.

YEAR IN REVIEW

Net sales rose 15% to SEK 1,401 million (1,219). Of the increase, 6% is attributable to organic growth, 8% to acquisitions and 1% to currency effects. The market was characterised by continued strong demand in most product groups during the first nine months of the year. Demand then weakened, especially from the automotive industry. The business area is judged to have increased its market shares in several product areas.

During the year, the subsidiaries Bengtssons Maskin and EIE Maskin were transferred from the Engineering & Equipment business area. Comparison figures have been adjusted for the transferred companies.

EBITA rose 15% to SEK 150 million (131). The earnings improvement is attributable to an increase in sales with maintained overhead. The EBITA margin reached 10.7% (10.7%).

During the year, co-operation was initiated with ExxonMobil, which chose G A Lindberg ChemTech as a new distributor of lubricating oils. ExxonMobil has been distributing quality lubricants in the Swedish market for many years under the Mobil brand. The co-operation added approximately SEK 40 million to the business area's sales in 2008. In two to three years' time it is believed that annual sales of Mobil products can rise significantly.

The filters and process technology product area was broadened to also include pumps.

Two medical technology companies were acquired. Both market ophthalmology products and services. EssMed, in Sweden and Finland, has annual sales of approximately SEK 60 million, and the Norwegian company Brinch has sales of approximately SEK 15 million.

In addition, Kabetex was acquired, which specialises in customised transmission solutions and has its largest customers in the engineering and manufacturing industries as well as the municipal sector. Kabetex has annual sales of approximately SEK 20 million.

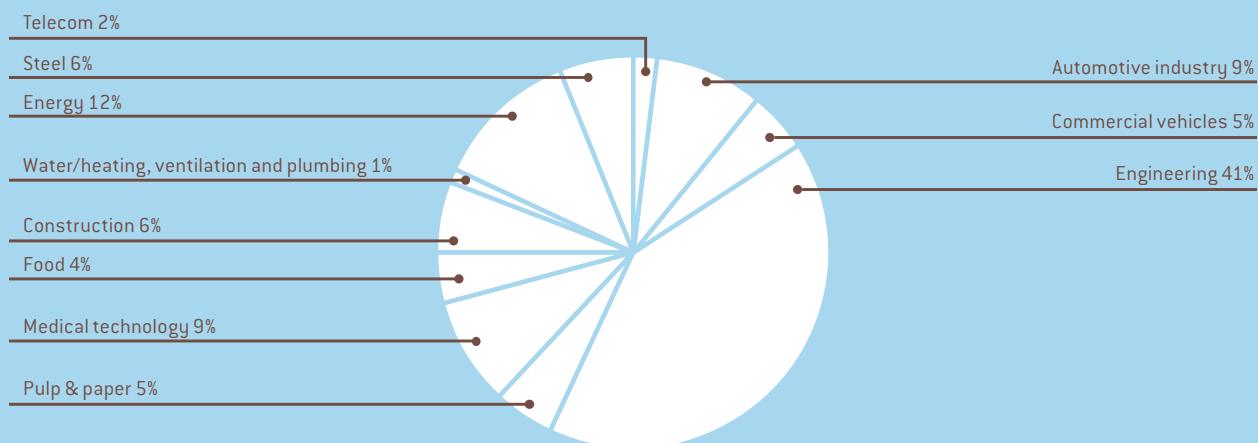
INDUSTRIAL COMPONENTS

»The earnings improvement is attributable to an increase in sales with maintained overhead.«

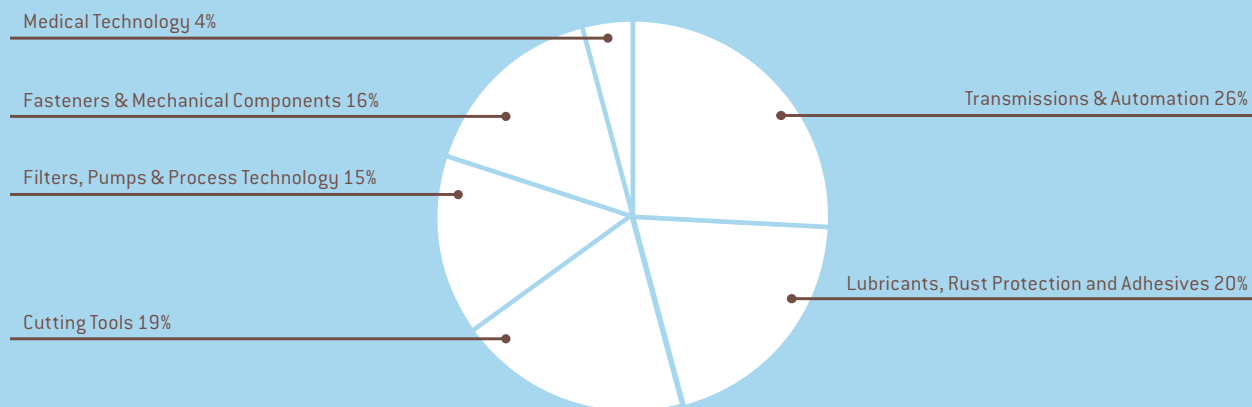
Olof Paulsson, President of Industrial Components business area



NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



NET SALES PER GEOGRAPHIC MARKET



Sweden 68%
 Finland 20%
 Denmark 7%
 Norway 5%

KEY RATIOS, FIVE YEARS

KEY RATIOS	2008	2007	2006	2005	2004
Net sales, SEK million	1,401	1,219	1,031	900	886
EBITA, SEK million	150	131	94	60	56
EBITA margin, %	10.7	10.7	9.1	6.6	6.3
Average number of employees	410	381	343	321	311

PROPRIETARY BRANDS STRENGTHENED PROFITABILITY

Special Products offers custom-fabricated niche products, design solutions, aftermarket service and assembly, and special processing. The business area benefited during the year from continued strong demand, particularly in the energy sector.

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, Flintec and ETP, which together accounted for 53% of the business area's net sales in 2008. In the beginning of the year HITMA was broken up into four independent companies: HITMA Process, HITMA Instrument, HITMA Filter and HITMA Ultrapure.

MARKET

The business area is active primarily in five geographic markets: Sweden, Germany, Benelux, the USA and the UK.

CUSTOMERS

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

PRODUCT AREAS

The business area is structured in nine product areas:

Valves

Development, manufacturing and marketing of butterfly valves, ball valves and complete systems in valve and flow control technology. As a rule, the valves are specially designed, primarily for applications in the energy sector.

Filters and Process Technology

Filters for cleaning various types of media as well as instruments, hoses and couplings for the process and pharmaceutical industries.

Hydraulic Couplings

Development, manufacturing and marketing of hydraulic connections, couplings and chucks used in the assembly and disassembly of drills and similar machinery with a high level of precision and quality.

Electrical Components

This product area includes electrical components and surge protection products sold mainly to customers in the construction industry.

Glass and Ceramics

Glass products and customer-specific technical ceramic products, primarily for the pharmaceutical and cosmetics industries.

Measurement Technology

The product area develops, produces, refines and markets advanced equipment in the following areas:

- Industrial measurement of temperatures and flows
- Laser-based measurement systems for use in alignment and geometric measurement.
- Products and systems for advanced weighing.

Construction Plastics

Customised products and finished plastic components. Plastic materials with various properties are used in a large number of applications, from heavy industry to the food and pharmaceutical industries.

Industrial Springs

Manufacturing 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.

Piston Rings

Development, production and marketing of metal piston rings designed primarily for diesel engines and industrial applications in the energy sector.

YEAR IN REVIEW

Net sales rose 37% to SEK 1,812 million (1,322), and EBITA rose 44% to SEK 337 million (234). Of the sales increase, 10% was organic growth and acquisitions 25%. Exchange rate movements affected the increase in net sales by 2%. Growth was favourable in most markets. The energy sector, where several of the business area's subsidiaries work, showed continued strong growth – in part as a result of major investments in power generation and in part as a result of energy efficiency improvement measures by industrial companies.

The EBITA margin rose to 18.6% (17.7%). The margin improvement is partly attributable to continuous efficiency improvements and a systematic review of the product offering, which led to a higher share of product sales with a higher gross margin. Profitability was also strengthened by strong performance for several subsidiaries that are now marketing proprietary brands. One example is GEFA, in Germany, which reported a strong improvement in profitability. GEFA manufactures valves and sells filters and instruments to the process industry. HP Valves, which manufactures high-pressure valves for steam processes in coal- and gas-fired power plants, continued the recent years' favourable performance. In three years the company has tripled its sales entirely through organic growth.

Four acquisitions were carried out during the year. Precision Products, in the UK, manufactures piston rings for use in marine diesel engines, among other things. The company has annual sales of approximately SEK 70 million.

Douwes International, in the Netherlands, is a technology sales company with products and specialist know-how in fasteners and assembly tools. Customers are mainly in the OEM, machinery and automotive industries. The company has annual sales of approximately SEK 34 million. Ammertech is a leading technology sales company in the Netherlands in the area of bearings and transmissions, with annual sales of approximately SEK 60 million.

Finally, Indutrade acquired Flintec Group, which manufactures and markets measurement technology products. Customers work in a range of market segments, primarily weighing, automation, medicine, testing and measuring systems, transport and agriculture. Flintec has annual sales of approximately SEK 275 million and roughly 900 employees, of whom approximately 800 work at two manufacturing units in Sri Lanka.

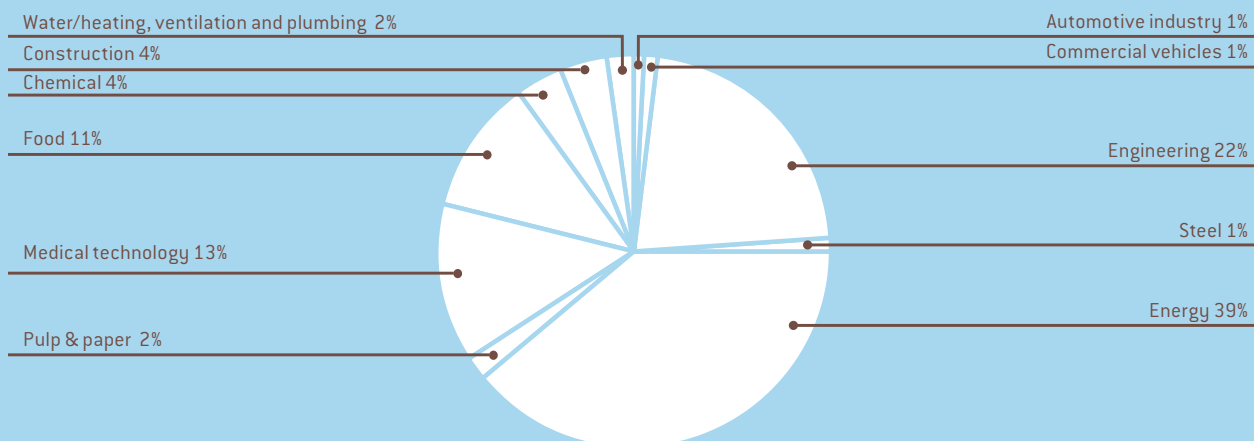
SPECIAL PRODUCTS

»The margin improvement is partly attributable to continuous efficiency improvements and a systematic review of the product offering.«

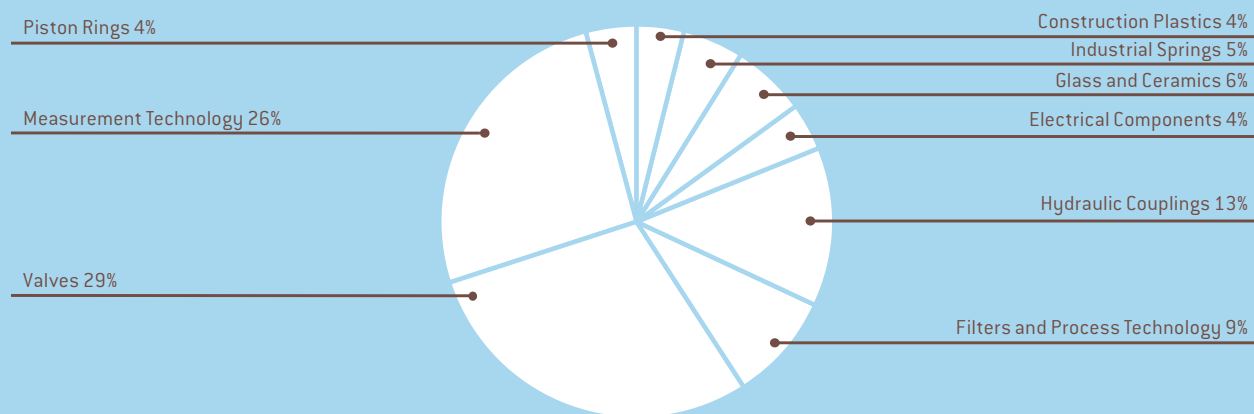
Johnny Alvarsson, President of Special Products business area



NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



NET SALES PER GEOGRAPHIC MARKET



Sweden 33%
Benelux 42%
Germany 17%
UK 5%
USA 3%

KEY RATIOS, FIVE YEARS

KEY RATIOS	2008	2007	2006	2005	2004
Net sales, SEK million	1,812	1,322	1,094	805	735
EBITA, SEK million	337	234	179	108	91
EBITA margin, %	18.6	17.7	16.4	13.4	12.4
Average number of employees	1,168	531	520	424	356

OPERATIONAL RISKS

Indutrade conducts operations in 14 countries, primarily in northern Europe, through some 100 companies. Operational risks are mitigated by this spread along with a large number of customers in various sectors and a large number of suppliers.

Changes in the economy

Indutrade's business is dependent on its customers' purchases and investments. However, profitability is relatively unaffected by 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 takes place in the markets in which Indutrade works. This has had a limited impact on Indutrade, mainly due to the Group's 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 adversely affected by this competition is counterbalanced by the fact that the Group offers products and services with a high-tech content, a 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 leaving a partnership with a technology sales company to set up their own sales organisation. Consolidation among manufacturers is one trend in the market that points to this. Indutrade addresses this risk by choosing suppliers who view a partnership with Indutrade as the most cost-effective sales method. Stable supplier relationships are one of the parameters that are assessed prior to Indutrade's acquisition of a company. To ensure that an acquired company does not lose its product agency agreements, its primary suppliers must give their consent to the acquisition.

Key person dependence

The risk of losing experienced employees is accentuated in connection with company acquisitions. Consequently, Indutrade's acquisition strategy includes ensuring that the target company's key employees are motivated to continue running the company after the acquisition.

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

Environmental issues

Of Indutrade's subsidiaries, nine in Sweden and three outside Sweden conduct operations that require permits or reporting 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 applicable limits for counterparties.

Financing and liquidity risk

Financing and liquidity risk refer to the risk of an inability 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 adverse 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 Swedish kronor (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 1% rise in interest rates on an annualised basis would result in higher interest expense of approximately SEK 9.2 million, without taking into account the fixed-interest periods of loans. Taking into account the current terms of fixed interest, the effect for 2009 would be approximately SEK 6.3 million.

Indutrade estimates that the Company's translation exposure entails that a 1% change in the value of the Swedish krona (SEK) relative to other currencies would result in an annual positive/negative effect of approximately SEK 36 million on net sales and approximately SEK 3.8 million on pre-tax profit.

SEVERAL-YEAR OVERVIEW

Figures for 2000–2003 not adjusted according to IFRS

CONDENSED CASH FLOW STATEMENTS (SEK MILLION)	2008	2007	2006	2005	2004	2003	2002	2001	2000 ¹⁾
Net sales	6,778	5,673	4,516	3,822	3,486	3,197	3,078	3,109	1,919
Cost of goods sold	-4,520	-3,826	-3,027	-2,582	-2,367	-2,166	-2,083	-2,123	-1,276
Gross profit	2,258	1,847	1,489	1,240	1,119	1,031	995	986	643
Development costs	-32	-20	-15	-12	-11	-10	-9	-9	-6
Selling costs	-1,169	-972	-835	-725	-677	-663	-642	-623	-393
Administrative expenses	-299	-250	-205	-182	-175	-167	-149	-157	-94
Other operating income/expenses	2	4	2	3	0	4	7	0	28
Operating profit	760	609	436	324	256	195	202	197	178
Financial income and expense	-68	-31	-20	-15	-13	-13	-21	-21	-1
Profit after financial items	692	578	416	309	243	182	181	176	177
Tax	-182	-159	-116	-87	-75	-67	-67	-64	-60
Net profit for the year	510	419	300	222	168	115	114	112	117
EBITA	820	650	460	333	264	229	238	234	198

CONDENSED BALANCE SHEETS (SEK MILLION)	2008	2007	2006	2005	2004	2003	2002	2001	2000 ¹⁾
Assets									
Goodwill	574	378	265	210	156	167	133	166	60
Other intangible assets	599	364	183	88	15	4	4	5	7
Property, plant and equipment	554	388	327	287	277	266	255	225	132
Financial assets	52	43	25	31	18	13	19	20	21
Inventories	1,207	936	719	615	556	567	571	625	382
Current receivables	1,202	959	748	585	517	480	447	468	293
Cash and cash equivalents	223	203	119	117	97	168	172	213	119
Total assets	4,411	3,271	2,386	1,933	1,636	1,665	1,601	1,722	1,014
Liabilities and equity									
Equity	1,597	1,189	892	714	708	688	643	611	375
Non-current interest-bearing liabilities	705	470	356	411	175	283	449	545	174
Non-current noninterest-bearing liabilities	373	198	123	48	24	39	25	19	19
Current interest-bearing liabilities	490	383	236	116	204	188	42	82	145
Accounts payable, trade	584	470	398	322	263	228	225	227	154
Other current noninterest-bearing liabilities	662	561	381	322	262	239	217	238	147
Total liabilities and equity	4,411	3,271	2,386	1,933	1,636	1,665	1,601	1,722	1,014

¹⁾ 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 flow:

Cash flow 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 per quarter.

Return on operating capital:

EBITA divided by average operating capital per quarter.

CONDENSED CASH FLOW STATEMENTS (SEK MILLION)	2008	2007	2006	2005	2004	2003	2002	2001	2000 ¹⁾
Cash flow from operating activities before changes in working capital	619	526	369	313	251	210	210	201	193
Changes in working capital	-129	-127	-104	9	16	-8	44	-66	-37
Cash flow from operating activities	490	399	265	322	267	202	254	135	156
Net investment in non-current assets ²⁾	-130	-67	-57	-41	-24	-53	-77	-46	-26
Company acquisitions and divestments	-276	-307	-157	-148	-14	-57	6	-343	-33
Change in other financial assets	0	1	-	-8	2	-	13	2	-13
Cash flow from investing activities	-406	-373	-214	-197	-36	-110	-58	-387	-72
Net borrowing	131	203	65	192	-157	-83	-91	340	-51
Dividend payout, Group contributions and shareholder contributions	-210	-150	-110	-301	-144	-11	-144	-1	-105
Cash flow from financing activities	-79	53	-45	-109	-301	-94	-235	339	-156
Cash flow for the year	5	79	6	16	-70	-2	-39	87	-72
Cash and cash equivalents at start of year	203	119	117	97	168	172	213	119	189
Exchange rate differences	15	5	-4	4	-1	-2	-2	7	2
Cash and cash equivalents at end of year	223	203	119	117	97	168	172	213	119

¹⁾ Incl. SEK 26 million in funds with Alecta.

²⁾ Refers to the sum of the year's investments in/divestments of property, plant and equipment and intangible non-current assets (not including company acquisitions and divestments).

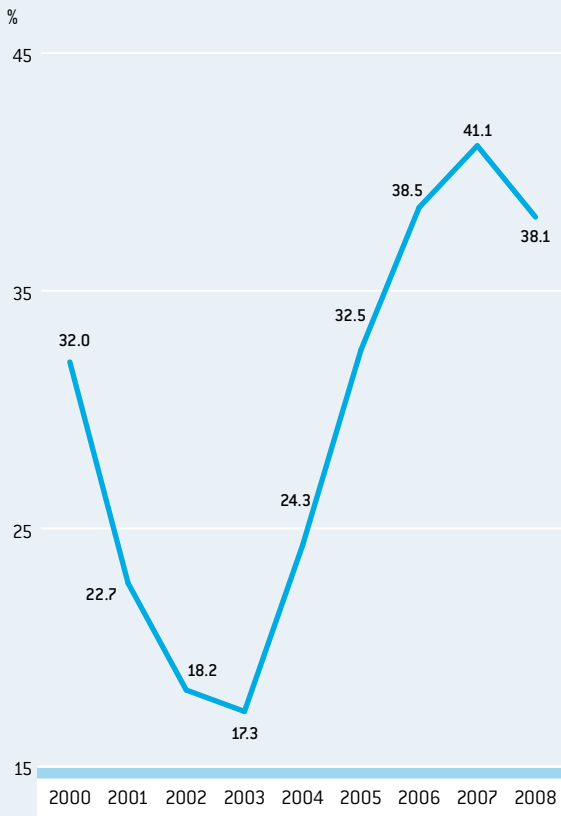
FINANCIAL RATIOS (SEK MILLION)	2008	2007	2006	2005	2004	2003	2002	2001	2000 ¹⁾
Non-current interest-bearing liabilities	705	470	356	411	175	283	449	545	174
Current interest-bearing liabilities	490	383	236	116	204	188	42	82	145
Cash and cash equivalents	-223	-203	-119	-117	-97	-168	-172	-213	-119
Group net debt	972	650	473	410	282	303	319	414	200
Net debt/equity ratio, %	61	55	53	57	40	44	50	68	53
Interest coverage ratio	10.4	16.9	18.6	16.1	14.9	10.8	8.2	7.9	22.9
Equity ratio, %	36.2	36.3	37.4	36.9	43.3	41.3	40.2	35.5	37.0

RETURN RATIOS (SEK MILLIONS)	2008	2007	2006	2005	2004	2003	2002	2001 ¹⁾	2000 ²⁾
Return on equity, %	38.1	41.1	38.5	32.5	24.3	17.3	18.2	22.7	32.0
Return on operating capital, %	36.7	39.7	35.4	30.0	26.0	23.5	24.0	29.3	36.7

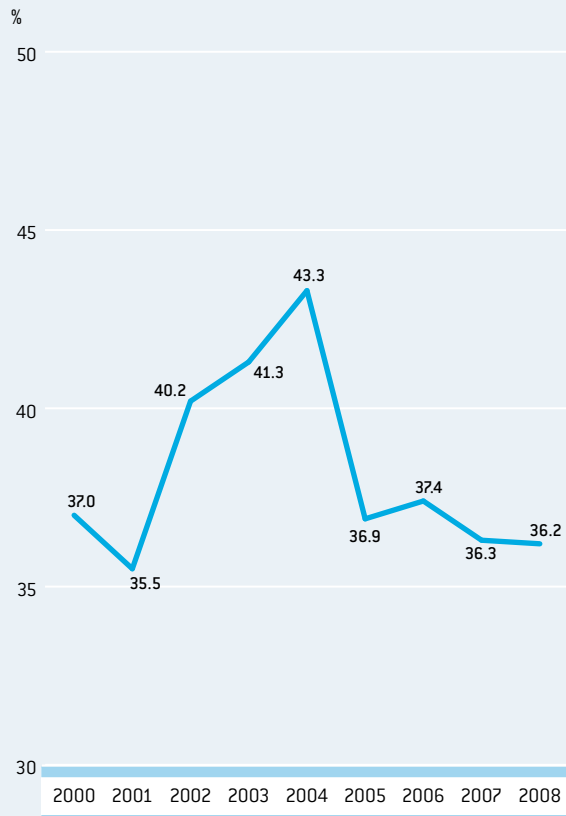
KEY DATA PER EMPLOYEE	2008	2007	2006	2005	2004	2003	2002	2001 ¹⁾	2000 ²⁾
Average number of employees	2,728	1,929	1,673	1,510	1,415	1,377	1,351	1,375	846
Net sales, SEK 000	2,485	2,941	2,699	2,531	2,464	2,322	2,278	2,261	2,268
Pre-tax profit, SEK 000	254	300	249	205	172	132	134	128	209

¹⁾ Incl. SEK 26 million in funds with Alecta.

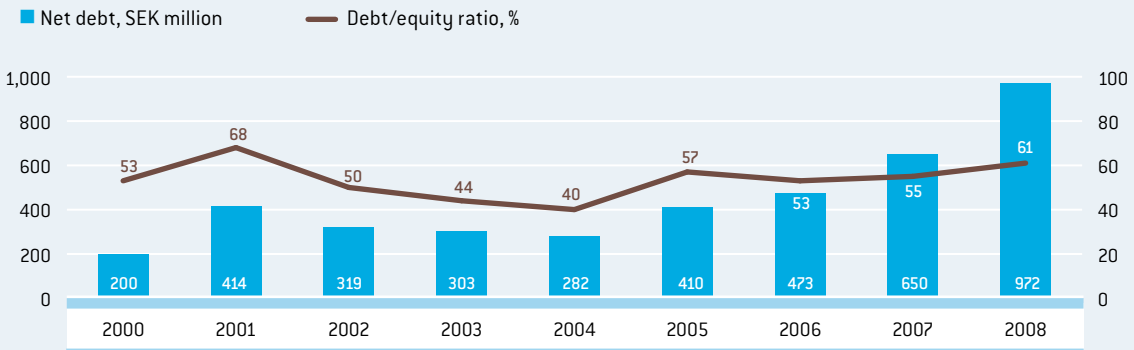
RETURN ON EQUITY



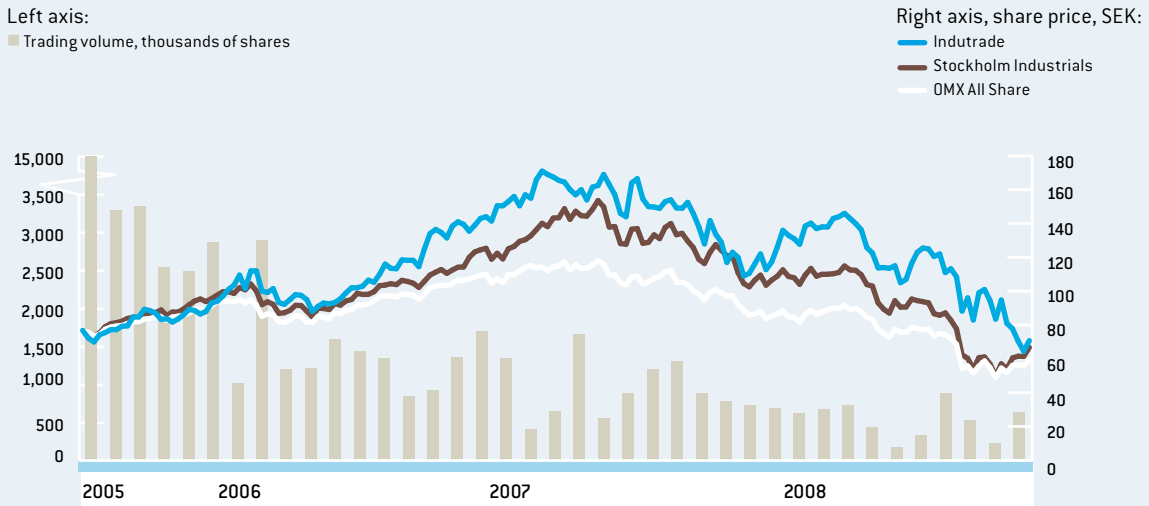
EQUITY RATIO



NET DEBT AND DEBT/EQUITY RATIO



SHARE PRICE TREND 2005–2008



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 2008 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, the Netherlands, the USA and Sri Lanka. Indutrade's shares are listed on Nasdaq OMX Stockholm, Mid Cap list.

NET SALES AND EARNINGS

Incoming orders for the Group amounted to SEK 6,911 million (5,771), an increase of 20%. For comparable units, incoming orders rose 6%, while acquired growth was 12%. Currency movements had a positive impact on incoming orders, by 2%.

Net sales for the year rose 19% to SEK 6,778 million (5,673). For comparable units, net sales rose 5%, while acquired growth was 12%. The positive currency effect was 2%.

Operating profit before amortisation of intangible assets (EBITA) was SEK 820 million (650), an increase of 26%, corresponding to a strengthening of the EBITA margin by 0.6 percentage points, to 12.1% (11.5%).

Net financial items totalled SEK -68 million (-31). Profit after tax rose 22% to SEK 510 million (419), corresponding to earnings per share of SEK 12.75 (10.48).

BUSINESS AREAS

Engineering & Equipment¹⁾

Net sales rose 12% in 2008, to SEK 1,900 million (1,689). For comparable units, net sales rose 1%, while acquired growth was 7%. Currency movements had a positive effect on net sales, by 4%. EBITA increased by 7%, to SEK 189 million (176). The EBITA margin was 9.9% (10.4%). A gradually improving EBITA margin during the year was hurt during the fourth quarter by low growth in net sales and slightly higher overheads.

Flow Technology

Net sales rose 16% in 2008, to SEK 1,712 million (1,474). For comparable units, net sales rose 5%, while acquired growth was 10%. Currency movements had a positive effect on net sales, by 1%. EBITA reached SEK 185 million (145), corresponding to an EBITA margin of 10.8% (9.8%). The improved EBITA margin is mainly attributable to a shift in net sales toward products with a higher gross margin.

Industrial Components¹⁾

Net sales rose 15% in 2008, to SEK 1,401 million (1,219). For comparable units, net sales rose 6%, while acquired growth was 8%. Currency movements had a positive effect on net sales, by 1%. EBITA was SEK 150 million (131), and the EBITA margin was 10.7% (10.7%).

Special Products

Net sales for the year rose 37% to SEK 1,812 million (1,322). For comparable units, net sales rose 10%, while acquired growth was 25%. Currency movements had a positive effect on net sales, by 2%. EBITA reached SEK 337 million (234), and the EBITA margin strengthened by 0.9 percentage points, to 18.6% (17.7%). The improved margin during the year is attributable to a higher share of net sales of products with a higher gross margin.

COMPANY ACQUISITIONS

The following nine companies were acquired during the year:

- Ammertech BV, the Netherlands, with annual sales of approximately SEK 60 million
- Precision Products Ltd, UK, with annual sales of approximately SEK 70 million
- Douwes International BV, the Netherlands, with annual sales of approximately SEK 34 million
- KG Enterprise Oy, Finland, with annual sales of approximately SEK 8 million
- EssMed AB, Sweden, with annual sales of approximately SEK 60 million
- Flintec Group AB, Sweden, with annual sales of approximately SEK 275 million
- Kabetex Kullager & Transmission AB, with annual sales of approximately SEK 20 million
- Inkal Industrikalibreringar AB, Sweden, with annual sales of approximately SEK 3 million
- Brinch AS, Norway, with annual sales of approximately SEK 15 million

PROFITABILITY, FINANCIAL POSITION AND CASH FLOW

The return on operating capital was 36.7% (39.7%), and the equity ratio was 36.2% (36.3%) at year-end. Equity per share was SEK 39.93 (29.73).

The Group's interest-bearing net debt, after deducting cash and cash equivalents, was SEK 972 million (650), corresponding to a net debt/equity ratio of 60.9% (54.7%).

Cash flow from operating activities was SEK 490 million (399). The increase is attributable to an improved operating surplus.

Net investments in property, plant and equipment, excluding company acquisitions, amounted to SEK 130 million (67). Investments in company acquisitions during the year amounted to SEK 276 million (307).

¹⁾ With effect on 1 January 2008, two businesses were transferred from the Engineering & Equipment business area to Industrial Components, which is why the comparison figures for these two business areas have been changed.

EMPLOYEES

At year-end Indutrade had 3,269 employees (2,083). A total of 1,119 employees were added to the Group via acquired companies, of whom approximately 900 are employees of Flintec's production facilities in Sri Lanka. The average number of employees during the year was 2,728 (1,929).

INCENTIVE PROGRAMME

At the end of 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 participation and commitment in the Company. The term of the programme extends until 30 June 2010.

A total of 30 senior executives, the executive management and a number of subsidiary presidents 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.

Indutrade compensates the executives participating in the programme with a total of 40% of the invested amount.

The total cost for the Company will amount to approximately SEK 7 million, of which SEK 1.2 million was charged against 2008 earnings, while SEK 1.2 million will be charged against earnings in 2009 and SEK 0.6 million against 2010 earnings.

PRINCIPLES FOR COMPENSATION OF SENIOR EXECUTIVES

Information provided at the 2008 Annual General Meeting pertaining to the 2008 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 400,000. A fee of SEK 200,000 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. The chairman of the Audit Committee is paid a fee of SEK 25,000, while no particular fee is paid for other 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 six persons: the Chief Financial Officer (CFO), three business area presidents, one business area vice president and head of business development. Senior executives employed by subsidiaries receive their compensation from the respective subsidiaries. For the president of the Parent Company, the variable salary component is maximised at seven months' salary, i.e., 58% of his base salary. For other senior executives, the variable compensation is maximised at 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. The CEO is entitled to choose his pension solution, within the said cost framework and subject to the approval of the Chairman.

Other senior executives are entitled to pension benefits corresponding to an average of 37% 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 2009 Annual General Meeting

By Company management is meant in this context the President and CEO, the Chief Financial Officer, three business area presidents and the Group Controller.

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. The variable compensation paid to Company management can amount to a maximum of approximately SEK 5 million at 2008 salary levels.

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). Salary during the notice period 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 decisions 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

The Indutrade Group conducts operations in 14 countries, primarily in northern Europe, through some 100 companies. Business risks are mitigated by this spread along with a large number of customers in various sectors and a large number of suppliers in different 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 description 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 reporting in accordance with the Swedish Environmental Code. Three foreign subsidiaries conduct operations subject to an equivalent permit or reporting obligation.

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

RESEARCH AND DEVELOPMENT

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

ACCOUNTING PRINCIPLES

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

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 66–69.

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 investments in financial assets, which consist primarily of company acquisitions and capital contributions to subsidiaries, amounted to SEK 539 million (182). Investments in intangible non-current assets amounted to SEK 1 million (-), and investments in property, plant and equipment amounted to SEK 0 million (0). The number of employees on December 31 was 7 (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 1. All shares have equal voting power.

The Board of Indutrade AB (publ) proposes that the 2009 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 2008 the Company had 4,577 shareholders. Three shareholders control more than 10% each, or more, of the share capital and votes:

● AB Industrivärden	36.89%
● AFA Insurance	11.67%
● L E Lundbergföretagen AB	10.00%

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have taken place to date after the end of the financial year.

FUTURE OUTLOOK

Indutrade's ambition in 2009 is to achieve its set profitability target by adapting operations to the prevailing conditions in the business environment. However, there is great uncertainty regarding developments during the year in the markets and segments in which Indutrade works, and therefore 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	488
Net profit for the year	315
	803

The dividend proposed by the Board of Directors and President corresponds to 30% of the Parent Company's equity and 16% 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, it is judged that Indutrade will continue to have good liquidity and a net debt/equity ratio that is within the set limit.

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

(SEK million)

Dividend of SEK 6.40 per share	256
To be carried forward	547
	803

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 material risks and uncertainties facing the Parent Company and companies included in the Group.

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

Stockholm, 16 March 2009

Bengt Kjell
Chairman of the Board

Owe Andersson
Director

Michael Bertorp
Director

Gerald Engström
Director

Eva Färnstrand
Director

Mats Jansson
Director

Ulf Lundahl
Director

Johnny Alvarsson
Director
President and CEO

Our audit report was submitted on 18 March 2009

Öhrlings PricewaterhouseCoopers AB

Lennart Danielsson
Authorised Public Accountant

CONSOLIDATED INCOME STATEMENT, GROUP

GROUP			
SEK million	Note	2008	2007
Net sales	3	6,778	5,673
Cost of goods sold		-4,520	-3,826
Gross profit		2,258	1,847
Development costs		-32	-20
Selling costs		-1,169	-972
Administrative expenses		-299	-250
Other operating income	4	25	15
Other operating expenses	4	-23	-11
Operating profit	5, 6, 7, 8, 13, 30	760	609
Financial income	9	12	8
Financial expenses	10	-80	-39
Profit after financial items		692	578
Tax	12	-182	-159
Net profit for the year		510	419
Earnings per share ¹⁾		12.75	10.48
Proposed dividend per share		6.40	5.25

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	2008	2007
Actuarial gains/losses	-1	6
Exchange rate differences on foreign operations' net assets	109	24
Tax on items reported directly against equity	0	-2
Total income and expenses reported directly against equity	108	28
Net profit for the year	510	419
Total reported income and expenses for the financial year	618	447

CONSOLIDATED BALANCE SHEET, GROUP

GROUP			
SEK million	Note	31 Dec. 2008	31 Dec. 2007
ASSETS			
Non-current assets			
Intangible assets			
	14		
Goodwill		574	378
Other intangible assets		599	364
Total intangible assets		1,173	742
Property, plant and equipment			
	15		
Land and buildings		254	196
Machinery		135	63
Equipment		150	122
Construction in progress and advances for property, plant and equipment		15	7
Total property, plant and equipment		554	388
Financial assets			
Financial assets available for sale	16	8	7
Non-current receivables	17	13	7
Deferred tax assets	12	31	29
Total financial assets		52	43
Total non-current assets		1,779	1,173
Current assets			
Inventories	18	1,207	936
Accounts receivable, trade	19	1,102	859
Tax assets		17	20
Other current receivables		38	31
Prepaid expenses and accrued income	20	45	49
Cash and cash equivalents	29	223	203
Total current assets		2,632	2,098
Total assets		4,411	3,271

CONSOLIDATED BALANCE SHEET, GROUP

GROUP			
SEK million	Note	31 Dec. 2008	31 Dec. 2007
EQUITY AND LIABILITIES			
<i>Equity</i>			
	21		
Share capital		40	40
Reserves		126	17
Profit brought forward incl. net profit for the year		1,431	1,132
Total equity		1,597	1,189
<i>Non-current liabilities</i>			
Borrowings	22	568	347
Other non-current liabilities		1	1
Pension obligations	23	136	122
Deferred tax liabilities	12	146	112
Other provisions	24	227	86
Total non-current liabilities		1,078	668
<i>Current liabilities</i>			
Borrowings	22	490	383
Accounts payable, trade		584	470
Tax liabilities		60	104
Other current liabilities		168	180
Provisions	24	132	10
Accrued expenses and deferred income	25	302	267
Total current liabilities		1,736	1,414
Total equity and liabilities		4,411	3,271
Pledged assets	27	329	88
Contingent liabilities	28	1	1

CONSOLIDATED CASH FLOW STATEMENT, GROUP

GROUP			
SEK million	Note	2008	2007
OPERATING ACTIVITIES			
Cash flow from operating activities	29	776	582
Interest received		9	7
Interest paid		-61	-35
Paid tax		-234	-155
Cash flow from operating activities		490	399
INVESTING ACTIVITIES			
Acquisitions of subsidiaries	26	-276	-307
Acquisitions of property, plant and equipment	15	-127	-73
Sales of property, plant and equipment	15	16	15
Acquisitions of intangible non-current assets	14	-19	-9
Decrease/increase in financial assets		0	1
Cash flow from investing activities		-406	-373
FINANCING ACTIVITIES			
Borrowings		385	207
Repayment of debt		-254	-4
Dividend		-210	-150
Cash flow from financing activities		-79	53
Cash flow for the year		5	79
Cash and cash equivalents at start of year		203	119
Exchange rate differences in cash and cash equivalents		15	5
Cash and cash equivalents at end of year	29	223	203

INCOME STATEMENT/CASH FLOW STATEMENT, PARENT COMPANY

INCOME STATEMENT, PARENT COMPANY				CASH FLOW STATEMENT, PARENT COMPANY			
SEK million	Note	2008	2007	SEK million	Note	2008	2007
Net sales		1	1	OPERATING ACTIVITIES			
Gross profit		1	1	Cash flow from operating activities	29	-42	-115
Administrative expenses		-39	-39	Interest received		30	22
Other operating income/expenses	4	-2	1	Interest paid		-48	-26
Operating loss	5, 6, 7, 8, 13, 30	-40	-37	Group contributions received and dividend income		441	331
Financial income	9	32	22	Income tax paid		-83	-44
Financial expenses	10	-54	-25	Cash flow from operating activities		298	168
Profit from participations in Group companies	11	453	427	INVESTING ACTIVITIES			
		431	424	Acquisitions of subsidiaries	16	-248	-212
Profit after financial items		391	387	Acquisitions of property, plant and equipment	15	0	0
Provision to tax allocation reserve		-14	-	Acquisitions of intangible, non-current assets	14	-1	-
Excess depreciation of equipment		0	0	Change in financial assets		-	-4
Profit before tax		377	387	Cash flow from investing activities		-249	-216
Tax	12	-62	-69	FINANCING ACTIVITIES			
Net profit for the year	21	315	318	Borrowings		384	201
				Repayment of debt		-214	-27
				Change in current financial liabilities		0	18
				Dividends paid		-210	-150
				Cash flow from financing activities		-40	42
				Cash flow for the year		9	-6
				Cash and cash equivalents at start of year		9	15
				Cash and cash equivalents at end of year	29	18	9

BALANCE SHEET, PARENT COMPANY

PARENT COMPANY			
SEK million	Note	31 Dec. 2008	31 Dec. 2007
ASSETS			
<i>Non-current assets</i>			
Intangible assets			
Software and licences	14	1	–
Property, plant and equipment			
Equipment	15	2	2
Financial assets			
Participations in Group companies	16	1,393	855
Receivables from Group companies	17	120	104
Deferred tax assets	12	1	–
Total financial assets		1,514	959
Total non-current assets		1,517	961
<i>Current assets</i>			
Current receivables			
Receivables from subsidiaries		613	562
Other receivables		0	1
Prepaid expenses and accrued income	20	2	4
Total current receivables		615	567
Cash and cash equivalents	29	18	9
Total current assets		633	576
Total assets		2,150	1,537

PARENT COMPANY			
SEK million	Note	31 Dec. 2008	31 Dec. 2007
EQUITY AND LIABILITIES			
<i>Equity</i>			
Restricted equity			
Share capital	21	40	40
Statutory reserve		5	5
		45	45
Unrestricted equity			
Profit brought forward		488	380
Net profit for the year		315	318
		803	698
Total equity		848	743
<i>Untaxed reserves</i>			
Tax allocation reserve		14	–
Excess depreciation of equipment		0	0
Total provisions		14	0
Non-current provisions	24	199	34
<i>Non-current liabilities</i>			
Borrowings	22	495	296
Liabilities to Group companies		0	0
Total non-current liabilities		495	296
<i>Current liabilities</i>			
Borrowings	22	394	359
Accounts payable, trade		0	1
Tax liabilities		21	41
Liabilities to Group companies		80	49
Other current liabilities		0	1
Provisions	24	87	4
Accrued expenses and deferred income	25	12	9
Total current liabilities		594	464
Total equity and liabilities		2,150	1,537
Pledged assets	27	189	–
Contingent liabilities	28	97	71

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, the UK, Sri Lanka and the USA. Indutrade's shares are listed on Nasdaq OMX Stockholm, Mid Cap list.

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

This annual report and the consolidated financial statements were approved by the Board of Directors for publication on 16 March 2009. The consolidated and parent company income statements and balance sheets will be presented for adoption by the Annual General Meeting on 4 May 2009.

Basis of preparation

The consolidated accounts for the Indutrade Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union and in accordance with RFR 1.1 and the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with 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 a number of important accounting estimations. Further, application of the Company's accounting principles requires that management make certain assessments. Areas that involve a high degree of assessment, or areas in which assumptions and estimations are of material significance for the consolidated financial statements, are described below. See the section "Important estimations and assumptions for accounting purposes".

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

Indutrade did not begin applying any new IFRS recommendations in 2008. During the year, the EU approved interpretation IFRIC 11, which pertains to group and treasury share transactions. Application of the interpretation has not had any effect on the Group's result or financial position.

Standards, amendments and interpretations that apply as from 1 January 2009

No newly issued IFRSs or interpretations have been applied prospectively.

Starting in 2009, the following take effect: a new standard, IFRS 8 Operating Segments, an amendment to IAS 32 Financial Instruments: Presentation, and IAS 1 R, Presentation of Financial Statements. None of these are judged to have any material effect on Indutrade's financial statements or any effect on the Company's result or position upon application. In addition to these, the amendment to IFRS 2 Share-based Payment and the amendment to IAS 23 Borrowing Costs, will begin to be applied. IFRS 2 is not judged to have any effect on the Group, and IAS 23 does not affect the Group at all, since there are currently no qualifying assets for which borrowing costs can be capitalized.

Interpretations IFRIC 13 and IFRIC 14 were approved in 2008 with application starting in 2009 for calendar year book-closings. IFRIC 13 is not relevant for Indutrade, and IFRIC 14, which provides guidance for IAS 19, has no effect on the Group's result or position.

In 2009 the EU is expected to approve several interpretations and amendments to existing IFRSs. None of these amendments are expected to have any material impact on Indutrade when the Group begins applying these after EU approval.

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 the 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 purchase price allocation, this is reported as consolidated goodwill.

Translation of foreign currency

Items that are included in the financial statements 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 upon payment in such transactions and when translating monetary assets and liabilities in foreign currencies at the exchange rate on the balance sheet date are reported 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 relations, licences, etc.

The Group's point of departure is that agencies, trademarks, customer relations, licences, etc., have a limited useful life and are carried at cost less accumulated amortisation. In connection with nearly all company acquisitions completed by Indutrade, a value is identified for purchased agencies, brands and the customer relations that are included in 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 these minor intangible assets. To date, Indutrade has only identified one trademark that constitutes a significant intangible asset for the Group, for which a supplementary disclosure is provided.

Amortisation is calculated on a straight-line basis to allocate the cost of these assets over their estimated useful lives (usually 5–10 years). Acquired software licences are valued at cost and are amortised over their estimated useful lives (not more than 3 years).

Impairment of non-financial assets

Goodwill, land and the Flintec brand are judged to have an indefinite useful life and are not amortised, but are instead tested annually for impairment. 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 derivative instruments.

Trade accounts receivable

Trade accounts receivable are stated initially at fair value and thereafter in the amount that is expected to be received after individual assessment. A provision for decreases in the value of trade accounts receivable is made when there is objective evidence that the Group will not be able to receive all amounts due according to the original terms of the receivable. 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 carrying amount 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 from the date of acquisition. Drawn bank overdraft facilities are stated in the balance sheet under Borrowings.

Trade accounts payable

Trade accounts payable are initially stated at fair value and thereafter at amortised cost using the effective interest method. Since Indutrade's trade accounts payable normally have 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 as non-current liabilities unless the Group has an unconditional right to defer repayment by at least 12 months after the balance sheet date.

Derivative instruments

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. Profits and losses as a result of forward cover of payments in foreign currencies relating to operations are posted as other operating income/expense, and the earnings effect of forward contracts used to hedge loans is reported among financial income and expenses.

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 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 a lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

The Group leases certain non-current assets, mainly cars. Leases in which the Group in all essential respects accepts the financial risks are classified as finance leases. At the start of the lease period, finance leases are carried on the balance sheet at the lower of the leased asset's fair value and the present value of the minimum lease payments. Every lease payment is allocated 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 long-term 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 apply on at the balance sheet date; this also includes adjustments of current tax attributable to earlier periods. Tax is calculated according to the tax rate in the respective countries.

Deferred taxes attributable to temporary differences between the book value and the taxable value of assets and liabilities are reported in full in the consolidated accounts, while the Parent Company still reports the difference pertaining to machinery and equipment as an untaxed reserve. Valuation of deferred tax is based on how the underlying asset or liability is expected to be realised or settled. Deferred tax is calculated using the tax rates that apply on at the balance sheet date or announced as per the balance sheet date and which are expected to apply when the deferred tax asset in question is realised or the tax liability is settled. Deferred tax assets attributable to deductible, temporary differences and unutilised tax-loss carryforwards are reported to the extent that it is probable that they will be utilised in the foreseeable future.

Employee benefits

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

The liability carried on the balance sheet pertaining to defined benefit pension plans consists of the present value of the defined benefit obligations on the balance sheet date, less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is calculated by discounting the anticipated future cash flows using the rate of interest for 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 statutory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are reported as payroll cost when they are due for payment.

Termination benefits

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

Profit sharing and bonus plans

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

Development costs

The Group conducts 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. Three subsidiaries have minor amounts forward, and those 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 value added tax 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 is 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 estimations and assumptions about the future. By definition, the estimations for accounting purposes that are a consequence of these rarely match the actual outcome. The estimations 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 2008, 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 2008. The impairment test was performed at the company 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 2008, 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 26 million, including payroll tax, and other defined benefit plans would increase by SEK 32 million. If the discount rate were to be increased by 1 percentage point, the PRI liability would decrease by SEK 20 million, and other defined benefit plans would decrease by SEK 26 million.

Parent Company

The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act and RFR 2.1, Reporting for Legal Entities. According to RFR 2.1, in the annual report for a legal entity, the Parent Company shall apply all IFRSs

and statements endorsed by the EU as far as possible within the confines of the Annual Accounts Act and taking into account the connection between reporting and taxation. The recommendations indicate which exceptions and amendments are to be applied with respect to IFRS.

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

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, Sri Lanka, the USA, the Baltic countries and Russia. 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 exposed 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 100 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 economic risk from the Group's perspective.

The risk associated with major customers deciding to bypass the agency level and trade directly with the producers is 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.

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 takes a central approach to the Group's financing. In principle, all external financing is conducted by the Parent Company, which then finances the Group's subsidiaries, both in and outside Sweden, in local currencies. Cash pools are established in Sweden, Finland and the Netherlands.

At year-end 2008 the Parent Company had external interest-bearing loans worth SEK 889 million (655). The corresponding amount for the Group was SEK 1,058 million (730). 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 972 million at year-end, compared with SEK 650 million a year earlier.

At year-end 2008 the Group had SEK 223 million (203) in cash and cash equivalents and SEK 767 million (274) in granted unutilised overdraft facilities. Of the Group's interest-bearing loans, 54% of the total amount falls due for payment after 31 December 2009. 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 61% (55%).

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 2008 the average remaining fixed interest term for the Group's loans was 1 month (3). Based on the loan structure at year-end, a 1% rise in the interest rate on an annualised basis would result in an increase of about SEK 9.2 million in interest expense (7.0), without taking into account the loans' fixed interest periods. Taking into account the existing fixed interest periods, the effect would be approximately SEK 6.3 million (5.6). Earnings after tax would be affected by SEK -4.6 million (-4.0).

The table below shows the remaining contract terms of loans until maturity. Bank overdraft facilities are not included. For information on the utilisation of bank overdraft facilities and granted credit limits, see Note 22.

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Maturity dates for financial liabilities:				
Maturity 2008	–	153	–	129
Maturity 2009	365	202	318	176
Maturity 2010	216	108	159	93
Maturity 2011	297	44	280	32
Maturity 2012	41	16	38	16
Maturity 2013 or thereafter	67	–	63	–
Total borrowings incl. interest, SEK m	986	523	858	446

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

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

The consolidated income statement includes SEK -5 million (-1) in exchange rate differences in operating profit and SEK -6 million (0) in net financial items.

With respect to transaction exposure, at year-end 2008 Indutrade had net exposure of SEK -115 million in foreign currency (-119). The largest part of this exposure consisted of SEK -103 million in EUR (EUR -9.5 million), SEK -24 million in GBP (GBP -2.1 million), SEK -18 million in USD (USD -2.4 million), SEK 13 million in CHF (CHF 2.2 million) and SEK 8 million in DKK (DKK 5.7 million). The corresponding figures in 2007 were 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). At year-end 2008 the Group had outstanding forward contracts amounting to SEK 135 million (28) in order to reduce the currency risk associated with future flows, of which SEK 35 million (12) pertains to EUR, SEK 99 million (16) to USD, and SEK 1 million (0) to GBP. The contracts in EUR and GBP expire within two months from the end of the year, while the USD contracts expire at regular dates during 2009, with a dominant portion during the first half of the year. Fair valuation of the outstanding forward contracts as at 31 December 2008 resulted in an unrealised loss of SEK -2.7 million (gain of 0.5).

In addition, the Parent Company has hedged outstanding receivables from subsidiaries. Forward contracts pertain to DKK 37 million (15), NOK 11 million (11), GBP 16 million (-) and EUR 191 million (99). All contracts have a term of less than 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 761 million in EUR (EUR 69.6 million), SEK 98 million in DKK (DKK 67.0 million), SEK 49 million in NOK (NOK 44.5 million), SEK 129 million in LKR (LKR 1,887.7 million) and SEK 83 million in GBP (GBP 7.4 million). The corresponding figures for 2007 were 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), and SEK 30 million in GBP (GBP 2.4 million). Indutrade also had net investments in the other currencies both in 2008 and 2007, 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 36 million (31) on net sales and approximately SEK 3.8 million (2.5) on net 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. 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 Indutrade's credit risk in commercial transactions is handled by the respective subsidiaries. Indutrade's exposure to individual customers is small and the risk spread is considered to be favourable. No single customer accounts for more than 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 sales and profit per geographic area, see Note 3.

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

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, Benelux, Denmark/Norway and Other world 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, transmissions and measuring instruments.

The Flow Technology business area offers components and systems for regulating, controlling and monitoring flows, pipe systems, hydraulics, compressors and service. 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, mechanical components, pumps, lubricants, rust protection, filters, adhesives, transmissions and automation, cutting tools and medical technology.

The Special Products business area offers custom-fabricated niche products, design solutions, aftermarket service, assembly and special processing. Its products include temperature sensors, valves, filters, hydraulic couplings, special plastics, glass, technical ceramics, measuring products, industrial springs, piston rings, 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 between business areas consist of occasional "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 (Fagerberg 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.

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

Note 3, continued

Primary segments

2008	EE	FT	IC	SP	TOTAL	P.C./ELIM.	TOTAL GROUP
Net sales	1,900	1,712	1,401	1,812	6,825	-47	6,778
Operating profit	175	170	142	314	801	-41	760
Financial income/expense	-12	-7	-6	-26	-51	-17	-68
Income tax	-42	-43	-39	-76	-200	18	-182
Profit for the year	121	120	97	212	550	-40	510
Amortisation of intangible assets	-14	-15	-8	-23	-60	-	-60
Depreciation of property, plant and equipment	-8	-18	-16	-36	-78	-	-78
Sales growth, %	12.5	16.1	14.9	37.1			19.5
EBITA	189	185	150	337	861	-41	820
EBITA margin, %	9.9	10.8	10.7	18.6			12.1
Operating capital	583	507	421	1,368	2,879	-310	2,569
Return on operating capital, %	35.9	38.2	40.5	34.6			36.7
Investments	33	21	22	68	144	2	146
Non-cash items	0	0	0	0	0	7	7
Total assets	955	1,020	811	1,906	4,692	-281	4,411
Noninterest-bearing liabilities	307	462	354	489	1,612	7	1,619
Interest-bearing liabilities	230	105	168	392	895	300	1,195

2007	EE ¹⁾	FT	IC ¹⁾	SP	TOTAL	P.C./ELIM.	TOTAL GROUP
Net sales	1,689	1,474	1,219	1,322	5,704	-31	5,673
Operating profit	166	135	125	226	652	-43	609
Financial income/expense	-8	-5	-3	-12	-28	-3	-31
Income tax	-40	-38	-34	-60	-172	13	-159
Profit for the year	118	92	88	154	452	-33	419
Amortisation of intangible assets	-10	-11	-6	-14	-41	-	-41
Depreciation of property, plant and equipment	-7	-15	-14	-27	-63	-	-63
Sales growth, %	25.9	37.4	18.1	20.8			25.6
EBITA	176	145	131	234	686	-36	650
EBITA margin, %	10.4	9.8	10.7	17.7			11.5
Operating capital	471	461	320	578	1,830	8	1,838
Return on operating capital, %	42.0	42.1	45.0	41.6			40.6
Investments	15	23	20	34	92	0	92
Non-cash items	-2	-1	-1	-	-4	-	-4
Total assets	860	974	686	967	3,487	-216	3,271
Noninterest-bearing liabilities	317	457	362	355	1,491	-256	1,235
Interest-bearing liabilities	247	139	147	187	720	132	852

¹⁾ Comparison figures for 2007 have been adjusted after re-organisation.**Secondary segments**

GROUP	2008	2007
Net sales		
Sweden	2,544	2,399
Finland	1,919	1,631
Benelux	768	546
Denmark and Norway	705	610
Other world	842	487
	6,778	5,673

GROUP	2008	2007
EBITA		
Sweden	271	263
Finland	216	178
Benelux	139	95
Denmark and Norway	66	55
Other world	128	59
	820	650

GROUP	2008	2007
Assets		
Sweden	1,706	1,397
Finland	921	813
Benelux	623	370
Denmark and Norway	323	301
Other world	838	390
	4,411	3,271

GROUP	2008	2007
Investments per geographic market		
Sweden	57	66
Finland	32	13
Benelux	16	3
Denmark and Norway	7	6
Other world	34	4
	146	92

NOTE 4 OTHER OPERATING INCOME/EXPENSES

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Other operating income				
Exchange rate gains	18	10	–	1
Other	7	5	–	–
	25	15	–	1
Other operating expenses				
Exchange rate losses	-23	-11	-2	0
	-23	-11	-2	0
Other operating income/expenses	2	4	-2	1

NOTE 5 AVERAGE NUMBER OF EMPLOYEES

	2008		2007	
	No. employees	Of whom, women	No. employees	Of whom, women
Parent Company	8	4	8	4
Subsidiaries in Sweden	913	191	836	169
Total Sweden	921	195	844	173
Subsidiaries outside Sweden				
Denmark	151	24	162	26
Finland	617	101	531	96
Netherlands	169	38	129	28
Norway	57	8	42	6
Sri Lanka	464	193	–	–
UK	106	14	9	2
Germany	104	33	81	27
Other	139	30	131	24
Total outside Sweden	1,807	441	1,085	209
Group total	2,728	636	1,929	382

The Parent Company's board is composed of one woman and seven men. As in the preceding year, subsidiaries' boards of directors and management include two women. There are no women in the Parent Company's management.

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

	2008			2007		
	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	14	8	3	12	8	3
Subsidiaries in Sweden	372	177	43	328	146	34
Total Sweden	386	185	46	340	154	37
Subsidiaries outside Sweden						
Denmark	96	8	6	90	7	6
Finland	282	65	49	224	56	43
Netherlands	77	26	16	57	12	5
Norway	31	4	1	26	5	2
Sri Lanka	9	–	–	–	–	–
UK	35	8	2	5	1	–
Germany	53	9	0	37	6	–
Other	33	7	0	22	6	0
Total outside Sweden	616	127	74	461	93	56
Group total	1,002	312	120	801	247	93

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 17 million (16).

Wages, salaries and other remuneration broken down by country and between company management and other employees

	2008			2007		
	COMPANY MANAGEMENT	OF WHICH, BONUSES AND SIMILAR	OTHER EMPLOYEES	COMPANY MANAGEMENT	OF WHICH, BONUSES AND SIMILAR	OTHER EMPLOYEES
Parent Company	7	2	7	7	2	5
Subsidiaries in Sweden	44	7	328	29	4	299
Total Sweden	51	9	335	36	6	304
Subsidiaries outside Sweden						
Denmark	6	1	90	7	1	83
Finland	24	3	258	16	3	208
Netherlands	4	0	73	3	0	54
Norway	5	0	26	4	0	22
Sri Lanka	1	0	8	–	–	–
UK	2	–	33	0	–	5
Germany	4	1	49	3	1	34
Other	4	1	29	3	1	19
Total outside Sweden	50	6	566	36	6	425
Group total	101	15	901	72	12	729

Total sick leave in the Parent Company in 2008 was 480 hours of a total of 13,860 hours, i.e., 3.46% (1.27%) of the total number of work hours. Long-term absence due to illness accounted for 456 hours (0). By long-term absence is meant uninterrupted absence due to illness lasting more than 60 days.

Wages, salaries and remuneration of senior executives

Information provided at the 2008 Annual General Meeting pertaining to the 2008 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, a fee of SEK 400,000 is payable to the Chairman. A fee of SEK 200,000 is payable to each of the other non-executive directors, and a fee of SEK 25,000 is payable to the chairman of the Audit Committee. Compensation for the CEO and other senior executives consists of a base salary, variable compensation, other benefits and pension. By Other senior executives is meant six persons: the Chief Financial Officer (CFO), three business area presidents, one business area vice president and a head of business development. During the year, the business area vice president and head of business development left the category of senior executives, while the Group Controller was added. 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 seven months' salary, i.e., 58% 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. The CEO is entitled to choose his pension solution, within the said cost framework and subject to the approval of the Chairman. Other senior executives are entitled to pension benefits corresponding to an average of 37% 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.

Note 6, continued

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 169,600 shares at market price and 284,800 stock options, 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 1.2 million was charged against 2008 earnings, while SEK 1.2 million will be charged against earnings for 2009 and SEK 0.6 million will be charged against earnings for 2010.

The Board's proposed principles for compensation and other terms of employment for Company management to be presented to the 2009 Annual General Meeting

By Company management is meant in this context the President and CEO, the Chief Financial Officer, business area presidents and the Group Controller. 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 the achievement of improvements in the Company's and respective business area's earnings and the Group's growth. The variable compensation paid to Company management can amount to a maximum of approximately SEK 5 million at 2008 salary levels. Incentive programmes in the Company shall mainly be share price-related and cover persons in senior positions in the Company who have a significant influence 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 non-monetary benefits payable to members of Company management shall facilitate them in the execution of their duties and correspond to what can be considered reasonable in relation to practice in the market in which the respective executive is active.

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 a combined total of 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, 2008

	BASE SALARY/ DIRECTORS' FEES	VARIABLE COMPENSATION ¹⁾	OTHER BENEFITS	PENSION COST	TOTAL
SEK 000s					
Bengt Kjell, Chairman of the Board	400	-	-	-	400
Eva Färnstrand, Director	200	-	-	-	200
Michael Bertorp, Director, chairman of the Audit Committee	225	-	-	-	225
Owe Andersson, Director	200	-	-	-	200
Mats Jansson, Director	200	-	-	-	200
Ulf Lundahl, Director	200	-	-	-	200
Gerald Engström, Director	200	-	-	-	200
Johnny Alvarsson, President and CEO	3,391	2,233	106	1,196	6,926
Other senior executives (6 persons)	7,072	2,977	461	2,643	13,153
Total	12,088	5,210	567	3,839	21,704

COMPENSATION AND OTHER BENEFITS, 2007

	BASE SALARY/DIRECTORS' FEES	VARIABLE COMPENSATION ¹⁾	OTHER BENEFITS	PENSION COST	TOTAL
SEK 000s					
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.

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	
	2008	2007	2008	2007
Cost of goods sold	84	58	-	-
Development costs	1	0	-	-
Selling costs	41	32	-	-
Administrative expenses	12	14	0	1
	138	104	0	1

NOTE 8 OPERATING LEASES

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Leasing payments expensed during the year:	92	64	7	7
Future contracted leasing payments				
Maturity year 1	103	70	4	3
Maturity year 2	67	55	4	4
Maturity year 3	40	32	4	4
Maturity year 4	25	18	2	4
Maturity year 5	12	12	0	2
Maturity year 6-	33	20	-	0
Total future leasing payments	280	207	14	17

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

NOTE 9 FINANCIAL INCOME

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Interest	10	7	30	22
Other	2	1	2	0
	12	8	32	22
Of which, pertaining to Group companies:				
Interest	-	-	29	21

NOTE 10 FINANCIAL EXPENSES

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Interest expenses, bank loans	-57	-32	-48	-25
Interest expenses, pension liability	-5	-5	-	-
Interest expenses, finance leases	-3	-2	0	0
Interest expenses, earn-out payments	-9	-	-6	-
Total interest expenses	-74	-39	-54	-25
Exchange rate differences	-6	0	0	0
Other	0	0	0	0
Of which, pertaining to Group companies in the Indutrade Group:	-80	-39	-54	-25
Interest			0	0

NOTE 11 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY			
	2008	2007	
Dividends from subsidiaries	161	149	
Group contributions	292	285	
Write-down of investments in subsidiaries	-	-7	
	453	427	

NOTE 12 TAXES

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Tax expense				
Current tax	-193	-180	-63	-69
Deferred tax	11	21	1	0
	-182	-159	-62	-69

The Group's tax expense amounted to 26.3% (27.5%) of the Group's pre-tax profit. The difference between the reported tax expense and anticipated tax expense is explained below.

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Profit before tax	692	578	377	387
Weighted average tax based on national tax rates (Group 27.0% and 27.9%, respectively, Parent Company 28.0%)	-187	-161	-106	-108
Tax effect of:				
Non-deductible other expenses/non-taxable income	4	0	44	39
Unreported deferred tax revenue	-2	1	-	-
Change in tax rate	3	1	0	-
	-182	-159	-62	-69
	26.3%	27.5%	16.4%	17.8%

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

DEFERRED TAX LIABILITY	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Intangible assets	-114	-85	-	-
Land and buildings	-13	-14	-	-
Fixtures and equipment	-10	-7	-	-
Current assets	5	5	-	0
Untaxed reserves	-5	0	-	-
Pension obligations	16	14	-	-
Accrued income and prepaid expenses	3	1	1	-
Tax-loss carryforward	3	3	-	-
	-115	-83	1	0
Of which, deferred tax asset	31	29	1	0
Of which, deferred tax liability	-146	-112	-	-

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 14 million [10].

DEFERRED TAX LIABILITY	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Deferred tax liability, 1 January	-83	-55	0	0
Deferred tax asset attributable to actuarial losses	0	-2	-	-
Deferred tax liability attributable to acquisitions	-39	-49	-	-
Deferred tax liability in income statement	8	21	1	0
Change in tax rate affecting the income statement	3	-	-	-
Deferred tax liability attributable to revaluation of company acquisitions	0	1	-	-
Exchange rate differences	-4	1	-	-
Deferred tax liability, 31 December	-115	-83	-	0
Deferred tax asset, 31 December	-	-	1	-

NOTE 13 AUDITORS' FEES

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Auditing fees				
Öhrlings PricewaterhouseCoopers	8	6	1	1
KPMG Bohlins	1	-	-	-
Other auditing firms	0	0	-	-
Total auditing fees	9	6	1	1
Fees for other assignments				
Öhrlings PricewaterhouseCoopers	2	1	1	0
KPMG Bohlins	1	-	-	-
Other auditing firms	0	1	-	-
Total fees for other assignments	3	2	1	0
Total	12	8	2	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, trademarks, customer relations, licenses, etc.	Other intangible assets	Total intangible assets
As per 1 January 2007				
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
Revaluation of company acquisitions	–	-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
1 January–31 December 2008				
Opening book value	378	361	3	742
Exchange rate differences	22	16	0	38
Investments during the year	–	18	1	19
Company acquisitions	174	258	3	435
Sales and disposals	–	0	–	0
Revaluation of company acquisitions	–	-1	–	-1
Amortisation (Note 7)	–	-59	-1	-60
Closing book value	574	593	6	1,173
As per 31 December 2008				
Cost	576	778	14	1,368
Accumulated amortisation and impairment charges	-2	-185	-8	-195
Book value	574	593	6	1,173

In connection with the acquisition of Flintec Group AB, the Flintec brand was identified as an intangible asset with an indefinite period in use. The brand is valued at SEK 113 million, and no amortisation has been made of this item. The brand is included above in the figure for Company acquisitions during the year.

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

	2008	2007
Engineering & Equipment	123	118
Flow Technology	110	115
Industrial Components	39	4
Special Products	302	141
Indutrade Group	574	378

PARENT COMPANY

	2008
Opening cost	–
Investments during the year	1
Closing accumulated cost	1
Opening amortisation	–
Amortisation for the year	–
Closing accumulated cost	–
Planned residual value	1

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 2007					
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
1 January–31 December 2008					
Opening book value	196	63	122	7	388
Exchange rate differences	13	7	6	1	27
Investments during the year ¹⁾	6	30	72	19	127
Company acquisitions	41	53	9	3	106
Transferred from construction in progress	9	6	–	-15	0
Sales and disposals	–	-1	-15	–	-16
Depreciation (Note 7)	-11	-23	-44	–	-78
Closing book value	254	135	150	15	554
As per 31 December 2008					
Cost	391	329	482	15	1,217
Accumulated depreciation and impairment charges	-137	-194	-332	–	-663
Book value	254	135	150	15	554

¹⁾ Of total investments in property, plant and equipment, SEK 127 million (73) had an effect on cash flow, while SEK 0 million (10) pertain to investments financed via finance leases.

Note 15, continued

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

	2008	2007
Cost – capitalised finance leases	70	66
Accumulated depreciation	-20	-16
Book value	50	50

The tax assessment value of Swedish property was SEK 122 million [111], of which SEK 95 million [87] pertains to buildings and SEK 25 million [24] land. The corresponding book value of Swedish property was SEK 111 million [138].

PARENT COMPANY		
	2008	2007
Opening cost	6	6
Investments during the year	0	0
Sales and disposals	–	0
Closing accumulated cost	6	6
Opening depreciation	-4	-3
Depreciation for the year	0	-1
Sales and disposals	–	0
Closing accumulated cost	-4	-4
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.	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	16
C&M Plast AB, 556554-3856	Malmö	100%	1,000	0
GEFA Processtechnik GmbH, Germany	Dortmund	100%	-	25
Colly Company AB, 556193-8472	Stockholm	100%	30,000	31
ETP Transmission AB, 556158-5398	Linköping	100%	20,000	26
AB Novum, 556296-6126	Helsingborg	100%	5,000	9
Indutrade A/S, Danmark	Glostrup	100%	167,443	45
Indutrade Benelux B.V., Holland	Uithoorn	100%	3,502	33
Indutrade Flödesteknik AB, 556364-7469	Stockholm	100%	1,000	210
Indutrade Oy, Finland	Helsinki	100%	42,000	48
Ingenjörfirman GA Lindberg AB, 556606-8747	Stockholm	100%	1,000	8
Saniflex AB, 556441-5882	Stockholm	100%	2,500	2
Pentronic AB, 556042-5141	Västervik	100%	30,000	17
Carlsson & Möller AB, 556057-0011	Helsingborg	100%	1,800	11
Eie Maskin AB, 556029-6336	Stockholm	100%	30,000	24
Robota AB, 556042-4912	Täby	100%	1,000	22
Gedevelop AB, 556291-8945	Helsingborg	100%	9,868	27
Spinova AB, 556188-7430	Torsås	100%	20,000	70
Tribotec AB, 556234-6089	Mölnlycke	100%	4,000	33
Damalini AB, 556474-3705	Mölnådal	100%	1,000,000	51
Palmstiernas Svenska AB, 556650-7314	Karlstad	100%	100	4
International Plastic Systems Ltd, UK	Newcastle	100%	10,000	113
Carrab Industri AB, 556092-1214	Mönsterås	100%	10,000	19
Aluflex System AB, 556367-4067	Helsingborg	100%	20,000	41
Precision Products Ltd, UK	Chesterfield	100%	157,500	52
EssMed AB, 556545-2215	Härryda	100%	1,000	42
Fliintec Group AB, 556736-7098	Västerås	100%	100,000	386
Kabetex Kullager & Transmission AB, 556254-1523	Mark	100%	2,500	11
Total				1,393

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
Other		–	–	–	3
Held-for-sale financial assets					8

Shares and participations

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Opening cost	7	3	1,388	1,199
External acquisitions	0	1	491	173
Shareholder contribution	–	–	48	16
Sales	0	0	–	–
Restructuring within the Group	–	–	–	0
Adjustment of calculated earn-out payment	–	–	-1	–
Company acquisitions	1	3	–	–
Closing accumulated cost	8	7	1,926	1,388
Opening revaluations	–	–	8	8
Impairment for the year	–	–	8	8
Closing accumulated revaluations	–	–	-541	-534
Opening impairment	–	–	–	-7
Closing accumulated impairment	–	–	-541	-541
Book value	8	7	1,393	855

Effect on cash flow

Purchase price	-491	-173
Purchase price not paid	247	18
Purchase price paid from previous years	–	-43
Earn-out payments made	-4	-14
	-248	-212

NOTE 17 NON-CURRENT RECEIVABLES

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Opening balance	7	6	104	100
Additional receivables	1	1	–	–
Repaid deposits/Amortisation	-1	-2	–	–
Company acquisitions	6	2	–	–
Exchange rate differences	0	–	16	4
	13	7	120	104

The Group's non-current receivables pertain primarily to endowment insurance policies and deposits. The book value is judged to correspond to fair value. The maturity dates for the endowment insurance policies is dependent on the date of retirement for the persons insured. The parent company's non-current receivables pertain exclusively to receivables on long-term loans to subsidiaries.

NOTE 18 INVENTORIES

GROUP		
Inventories are broken down into the following items:		
	2008	2007
Raw materials and consumables	190	98
Products in process	103	82
Finished products and goods for resale	914	756
Total	1,207	936

At year-end 2008, total accumulated impairment amounted to SEK 93 million (78).

NOTE 19 TRADE ACCOUNTS RECEIVABLE

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

GROUP		
Trade accounts receivable		
	2008	2007
Trade accounts receivable not due	860	679
Trade accounts receivable past-due 0-3 months	223	156
Trade accounts receivable past-due more than 3 months	34	33
Total	1,117	868
Provision for doubtful trade accounts receivable		
	2008	2007
Provision for trade accounts receivable, less than 3 months past-due	-3	-2
Provision for trade accounts receivable, 3-6 months past-due	-4	-2
Provision for trade accounts receivable, more than 6 months past-due	-8	-5
Total	-15	-9

Change in the provision for doubtful trade accounts receivable during the year

GROUP		2008
Opening provision		-9
Changes written off as customer losses		2
Reversed, unutilised provisions		2
Provision for the year for doubtful trade accounts receivable		-7
Company acquisitions		-2
Exchange rate differences		-1
Closing reserve		-15

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	
	2008	2007	2008	2007
Prepaid rents	14	17	1	4
Prepaid leases	1	1	-	0
Prepaid service and maintenance charges	5	3	0	0
Prepaid insurance premiums	4	5	1	0
Prepaid marketing costs	1	2	-	-
Accrued income	1	4	-	-
Prepaid pension premiums	1	-	-	-
Other items	18	17	-	-
Total	45	49	2	4

NOTE 21 CHANGE IN EQUITY

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
	Share capital	Translation differences	Profit brought forward	Total equity
Equity at 1 January 2007	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
Translation differences	-	109	-	109
Actuarial gains/losses	-	-	-1	-1
Tax on items reported directly in or transferred from equity	-	-	0	0
Total income and expenses reported directly against equity	-	109	-1	108
Net profit for the year	-	-	510	510
Total reported income and expenses excl. transactions with the Company's owners	-	109	509	618
Dividend payout	-	-	-210	-210
Equity at 31 December 2008	40	126	1,431	1,597

PARENT COMPANY

	Share capital ¹⁾	Statutory reserve	Un-restricted equity	Total equity
Equity at 1 January 2007	40	5	530	575
Dividend	-	-	-150	-150
Net profit for the year	-	-	318	318
Equity at 31 December 2007	40	5	698	743
Dividend	-	-	-210	-210
Net profit for the year	-	-	315	315
Equity at 31 December 2008	40	5	803	848

¹⁾ On 31 December 2007 and 2008, the share capital consisted of 40,000,000 shares with a share quota value of SEK 1.

At the Annual General Meeting on 4 May 2009, a dividend for the 2008 financial year of SEK 6.40 per share, totalling SEK 256 million, will be proposed. The proposed dividend has not been reported as a liability in these financial statements.

NOTE 22 BORROWINGS

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Long-term borrowings				
Future leasing obligations for finance leases	30	30	-	-
SEK-denominated loans with terms longer than 1 year	219	144	205	125
EUR-denominated loans with terms longer than 1 year	298	173	290	171
Loans in other currencies with terms longer than 1 year	21	-	-	-
	568	347	495	296

Note 22, continued

Short-term borrowings				
Utilised bank overdraft facilities	162	250	110	248
Future leasing obligations for finance leases	20	20	–	–
SEK-denominated loans with terms shorter than 1 year	60	41	60	40
EUR-denominated loans with terms shorter than 1 year	238	72	224	71
Loans in other currencies with terms shorter than 1 year	10	–	–	–
Total borrowings	490	383	394	359
	1,058	730	889	655

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 obligations, SEK 19 million fall due for payment in 2010 and SEK 11 million in 2011.

Externally granted bank overdraft facilities amounted to SEK 624 million (524) for the Group and SEK 457 million (457) for the Parent Company.

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Maturity dates for long-term loans in EUR:				
Amounts in EUR million				
Maturity 2009	–	13.2	–	13.0
Maturity 2010	7.0	5.0	7.0	5.0
Maturity 2011	20.0	–	19.5	–
Total long-term borrowings in EUR million	27.0	18.2	26.5	18.0
Corresponding amounts in SEK million	298	173	290	171

All long-term loans in EUR carried variable rates of interest in 2008. In 2007, one loan for EUR 11 million carried a fixed interest rate, 4.56%, which was in line with

the market interest rate of 4.4%. Consequently, no present value discounting was done in 2007.

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Maturity dates for long-term loans in SEK:				
Amounts in SEK million				
Maturity 2009	–	47	–	40
Maturity 2010	74	41	60	40
Maturity 2011	50	41	50	30
Maturity 2012	35	15	35	15
Maturity 2013 and thereafter	60	–	60	–
Total long-term borrowings in SEK million	219	144	205	125

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

	GROUP	
	2008	2007
Maturity dates for long-term loans in SEK:		
Amounts in SEK million		
Maturity 2010	11	–
Maturity 2011	6	–
Maturity 2012	1	–
Maturity 2013 and thereafter	3	–
Total long-term borrowings in SEK million	21	–

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

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	113
Defined benefit plans, Netherlands	9
Total defined benefit plans	122
Other pension obligations	14
Total	136

The Group's plan assets, totalling SEK 164 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 2008 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 11 million. Alecta's collective funding ratio was 112% in December 2008.

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 no 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	2008		2007		2006		2005	
	Sweden	Netherlands	Sweden	Netherlands	Sweden	Netherlands	Sweden	Netherlands
Assumptions in calculating pension obligations								
Discount rate, %	3.00	6.40	4.30	5.50	3.90	4.50	3.90	4.25
Anticipated return on plan assets, %	–	6.40	–	5.50	–	4.50	–	5.00
Future salary increases, %	3.50	2.50	3.50	2.50	3.00	2.50	3.00	2.00
Anticipated inflation, %	2.00	2.00	2.00	2.00	1.80	1.80	1.80	2.00
Future pension increases, %	2.00	1.80	2.00	1.80	1.80	2.00	1.80	2.00
Employee turnover, %	2.00	Age-dependent	2.00	Age-dependent	0	Age-dependent	0	Age-dependent
Anticipated remaining service period for employees, average (years)	17.0	11.0	18.2	14.6	18.2	13.9	18.8	13.9

	2008	2007	2006	2005
Amounts reported in balance sheet				
Present value of funded obligations	173	162	177	189
Fair value of plan assets	-164	-133	-138	-137
	9	29	39	52
Present value of unfunded obligations	113	85	76	76
	113	85	76	76
Net liability in the balance sheet, defined benefit plans	122	114	115	128
Experience-based adjustments of defined benefit obligations	-4	-2	-3	-4
Experience-based adjustments of plan assets	6	-18	0	0
Present value of pension obligations at start of year	247	253	265	214
Pension costs	6	6	7	11
Interest expenses	12	11	11	11
Pension payments	-9	-8	-7	-7
Change in pension terms	-	-	-4	-
Company acquisitions	-	-	-	3
Actuarial gains/losses	5	-24	-12	29
Exchange rate differences	25	9	-7	4
Present value of pension obligations at year-end	286	247	253	265
Plan assets at start of year	133	138	137	119
Return on plan assets	7	6	6	6
Employee contributions	1	1	1	1
Company contributions	6	6	6	9
Pension payments	-7	-6	-5	-5
Company acquisitions	-	-	-	3
Actuarial gains/losses	4	-18	-2	0
Exchange rate differences	20	6	-5	4
Plan assets at year-end	164	133	138	137
Net liability at start of year	114	115	128	95
Net cost reported in the income statement	10	10	7	15
Pension payments	-2	-2	-2	-2
Company contributions	-6	-6	-6	-9
Actuarial gains/losses	1	-6	-10	29
Exchange rate differences in foreign plans	5	3	-2	0
Net liability at year-end	122	114	115	128

GROUP	2008			2007			2006			2005		
	Defined benefit plans	Defined contribution plans	Total	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	110	115	5	88	93	6	70	76	10	71	81
Change in pension terms	-	-	-	-	-	-	-4	-	-4	-	-	-
Interest on obligation	12	-	12	11	-	11	11	-	11	11	-	11
Anticipated return on plan assets	-7	-	-7	-6	-	-6	-6	-	-6	-6	-	-6
Net cost in income statement	10	110	120	10	88	98	7	70	77	15	71	86
Of which, included in selling costs	5	90	95	5	72	77	2	56	58	6	57	63
Of which, included in administrative expenses	0	20	20	0	16	16	0	14	14	4	14	18
Of which, included in financial items	5	-	5	5	-	5	5	-	5	5	-	5

Anticipated company contributions to defined benefit pension plans in 2009 amount to SEK 9 million [5].

NOTE 24 OTHER PROVISIONS

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Guarantee commitments	2	2	–	–
Earn-out payments	225	84	199	34
Total long-term provisions	227	86	199	34
Earn-out payments payable within 1 year	132	10	87	4
Total provisions	359	96	286	38

	Guarantee commitments	Earn-out payments	Guarantee commitments	Earn-out payments
Opening balance, 1 January 2008	2	94	–	38
Earn-out payments for new acquisitions	–	263	–	247
Earn-out payments made	–	-10	–	-4
Earn-out payments reversed	–	-1	–	-1
Effect of present value adjustment	–	9	–	7
Exchange rate differences	–	2	–	-1
Closing balance, 31 December 2008	2	357	–	286

Provisions for earn-out payments in 2008 pertained to the acquisitions of Ammertech BV, Douwes International BV, KG Enterprise Oy, EssMed AB, Flintec Group AB and Brinch AS. If they result in payment, this will take place in 2009–2011.

NOTE 25 ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Accrued personnel-related expenses	213	185	6	6
Derivative expenses	2	0	5	1
Other	87	82	1	2
Total	302	267	12	9

NOTE 26 ACQUISITIONS/SALES OF SUBSIDIARIES

Acquisitions 2008

All of the shares were acquired in Ammertech BV and Douwes International BV (Netherlands), Precision Products Ltd (UK), KG Enterprise Oy (Finland), EssMed AB, Flintec Group AB, Kabetex Kullager & Transmission AB, Inkal Industrikalibreringar AB (Sweden), and Brinch AS (Norway).

Engineering & Equipment

KG Enterprise, with annual sales of approximately SEK 8 million, is a supplier of raw materials and semifinished products for the composite industry. The company is included in the Group as from 1 March 2008.

Industrial Components

EssMed markets ophthalmology products and related technical service in Sweden and Finland. The company has annual sales of approximately SEK 60 million and is included in the Group as from 1 March 2008. The Norwegian company Brinch AS, which works in the same area as EssMed, is included in the Group as from 1 November 2008. Annual sales amount to approximately SEK 15 million. Kabetex, with annual sales of approximately SEK 20 million, specialises in customised transmission solutions. The company is included in the Group as from 1 September 2008.

Special Products

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 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 diesel engine industry and other industries in 48 countries, with annual sales of approximately SEK 70 million.

Flintec Group has annual sales of approximately SEK 275 million and some 1,000 employees, of whom most (approximately 900) work at Flintec's two manufacturing units in Sri Lanka. The company also has sales and design companies in the USA and the UK, and sales companies in Sweden and Germany. Flintec manufactures and markets measurement technology products.

Ammertech and Precision Products are included in the Group as from 1 January 2008, Douwes from 1 February 2008, and Flintec Group from 1 July 2008. Inkal Industrikalibreringar AB is a calibration laboratory specialising in temperature. The company has annual sales of approximately SEK 3 million and is included in the Group as from 1 October 2008.

Effects of acquisitions made in 2008 and 2007

Company	Business area	NET SALES		EBITA
		Jan.–Dec.	Jan.–Dec.	
Labkotec Oy, Elra AS, Recair Oy and KG Enterprise Oy	Engineering & Equipment	123	24	
Axelvalves AB, SAV-Danmark Trading A/S, Sigurd Sørum AS, MWS Ventil Service AB, Palmstiernas Svenska AB and International Plastic Systems Ltd.	Flow Technology	149	29	
AluFlex System AB, EssMed AB, Kabetex Kullager & Transmission AB and Brinch AS	Industrial Components	98	10	
Carrab Industri AB, Ammertech BV, Douwes International BV, Precision Products Ltd., Flintec Group AB and Inkal Industrikalibreringar AB	Special Products	326	45	
Effect on Group		696	108	
Acquisitions completed 2007		303	56	
Acquisitions completed 2008		393	52	
Effect on Group		696	108	

If the acquired units had been consolidated as from 1 January 2008, net sales for the full year would have amounted to SEK 6,952 million, and EBITA would have been SEK 844 million.

Acquired assets in Flintec Group AB**Preliminary purchase price allocation**

SEK million

Purchase price including earn-out payment				386
Acquired assets	Book value	Fair value adjustment	Fair value	
Goodwill	–	129	129	
Trademarks, customer relations and development costs brought forward	4	175	179	
Property, plant and equipment	75	–	75	
Financial assets	6	–	6	
Inventories	54	–	54	
Other current assets	63	–	63	
Cash and cash equivalents	13	–	13	
Deferred tax liability	-1	-16	-17	
Borrowings and pension liabilities	-94	–	-94	
Other operating liabilities	-22	–	-22	
	98	288	386	

The Flintec brand and Flintec's customer relationships have been stated at the discounted value of future payment flows. The assumptions that form the basis of the fair value calculations consist of the company's business plan through 2012, and thereafter a long-term annual growth rate of 2% and a discount rate of 11.3%. The value of the trademark is based on assumed royalties of 2% per year. The value of customer relationships is based on an assumed customer loss rate of 10% per year.

The trademark is judged to have an indefinite useful life, while customer relationships are judged to have a useful life of 10 years.

The value of goodwill is justified by good profitability.

Acquired assets in Ammertech BV, Douwes International BV, Precision Products Ltd, KG Enterprise Oy, EssMed AB, Kabetex Kullager & Transmission AB, Inkal Industrialklibrerings AB and Brinch AS.

Preliminary purchase price allocation

SEK million

Purchase price including earn-out payment				167
Acquired assets	Book value	Fair value adjustment	Fair value	
Goodwill	–	45	45	
Agencies, trademarks, customer relations, licences, etc.	–	82	82	
Property, plant and equipment	31	–	31	
Financial assets	1	–	1	
Inventories	43	–	43	
Other current assets	47	–	47	
Cash, and cash equivalents	11	–	11	
Deferred tax liability	-3	-23	-26	
Borrowings and pension liabilities	-19	–	-19	
Other operating liabilities	-48	–	-48	
	63	104	167	

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

Effect on cash flow	
Purchase price including earn-out payment	553
Purchase price not paid out	-263
Cash and cash equivalents in acquired companies	-24
Earn-out payments pertaining to previous years' acquisitions	10
Total effect on cash flow	276

Acquisitions 2007

All of the shares were acquired in ES Hydagent AB, Axelvalves AB, SAV-Danmark Trading A/S, Sigurd Sorum 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 area 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 Sorum 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 Sorum 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 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 Sorum 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.

		NET SALES	EBITA
Effect of acquisitions made	Business area	Jan.–Dec.	Jan.–Dec.
PRP Plastic Oy, Labkotec, Elra AS and Recair Oy	Engineering & Equipment	52	7
ES Hydagent AB, Axelvalves AB, SAV-Danmark Trading A/S, Sigurd Sorum 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 in 2007		385	42
Acquisitions completed in 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 amounted to SEK 682 million.

Note 26, continued

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

SEK million			
Purchase price incl. earn-out payment			
	Book value	Fair value adjustment	Fair value
Acquired assets			
Goodwill	–	106	106
Agencies, trademarks, customer relations, 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 relations and agencies has been valued at one year's contribution margin and has been recorded in the balance sheet as agencies, trademarks, customer relations, licences, etc., and is amortised over a period of ten 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

NOTE 27 PLEDGED ASSETS

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
For own liabilities				
Real estate mortgages	61	21	–	–
Chattel mortgages	27	15	–	–
Assets subject to liens	50	50	–	–
Shares in subsidiaries	189	–	189	–
Endowment insurance policies	2	2	–	–
Other	0	0	–	–
Total pledged assets	329	88	189	–

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

NOTE 28 CONTINGENT LIABILITIES

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Contingent liabilities for subsidiaries' PRI liabilities	–	–	70	66
Guarantees pledged on behalf of subsidiaries	–	–	27	5
Contingent liabilities for own PRI liabilities	1	1	–	–
Other contingent liabilities	0	0	–	–
Total	1	1	97	71

NOTE 29 CASH FLOW FROM OPERATIONS

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Net profit for the year	510	419	315	318
Adjustments for:				
Tax	182	159	62	69
Amortisation of intangible assets	60	41	–	–
Depreciation of property, plant and equipment	78	63	1	1
Gain/loss on sale of property, plant and equipment	0	0	–	0
Net change in other provisions	7	-4	14	0
Financial income	-12	-8	-32	-22
Financial expenses	80	39	54	25
Dividend income, etc.	–	–	-453	-427
Total adjustments	395	290	-354	-354
Changes in working capital:				
Inventories	-79	-106	–	–
Trade accounts receivable and other receivables	-48	-80	4	-75
Trade accounts payable and other liabilities	-2	59	-7	-4
Total changes in working capital	-129	-127	-3	-79
Cash flow from operations	776	582	-42	-115

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

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Cash and bank balances	223	203	18	9
Short-term investments	–	–	–	–
Total	223	203	18	9

NOTE 30 INCOME STATEMENT CLASSIFIED BY TYPE OF COST

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Changes in inventories of finished products	-328	-320	–	–
Raw materials and consumables	-3,290	-2,834	–	–
Costs for employee benefits	-1,314	-1,048	-21	-18
Depreciation/amortisation/impairment charges	-138	-104	0	-1
Other costs	-950	-762	-18	-20
Total costs	-6,020	-5,068	-39	-39

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 2008 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 president of Indutrade AB for the financial year 2008. The company's annual accounts and consolidated accounts are included on pages 39–64 in the printed version of this document. The board of directors and the president 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 application of International Financial Reporting Standards (IFRS) 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 president and significant estimates made by the board of directors and the president 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 president. We also examined whether any board member or the president 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 (IFRS) 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 General 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 president be discharged from liability for the financial year.

Stockholm, 18 March 2009

Öhrlings PricewaterhouseCoopers AB

Lennart Danielsson
Authorised Public Accountant

CORPORATE GOVERNANCE REPORT

This report has not been audited by Indutrade's external auditors and is not part of the formal Annual Report. Indutrade adheres to the Swedish Code of Corporate Governance ("the Code") since 1 July 2006. Indutrade did not make any departures from the Code during the 2008 financial year.

DELEGATION OF RESPONSIBILITIES

Responsibility for the 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 2008 Indutrade had 4,577 shareholders. 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 83% of the share capital and votes at year-end. Foreign investors owned 9% 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 of 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 that does not concern an amendment to the Articles of Association, 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 highest governing body. At the Annual General Meeting (AGM), which is held within six months after the end of each financial year, the income statement and

balance sheet are adopted, the dividend is set, the Board and auditors (where applicable) are elected, their fees are determined, other items of legally ordained business are conducted, and decisions are made on proposals submitted by the Board and shareholders.

All shareholders who are registered in the shareholder register on a specified record date and who have notified the Company in due time of their intention to participate at the general meeting are entitled to attend the meeting and vote for the total number of shares they have. Shareholders can be represented by proxy. More information about the 2009 Annual General Meeting is provided on page 72.

The notice of the Annual General Meeting scheduled for 4 May 2009 is expected to be published in the Official Swedish Gazette, Dagens Nyheter, and on Indutrade's website on 27 March 2009. The notice will provide a detailed proposed agenda including proposals for the dividend, the election of directors, directors' fees (broken down by the Chairman and other directors), auditors' fees, and proposed guidelines on compensation of the Company's senior executives.

2008 ANNUAL GENERAL MEETING

At the Annual General Meeting on 24 April 2008, 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 2007. The auditors presented relevant parts of their audit report and consolidated audit report for 2007.

The 2008 AGM made the following resolutions:

- to set the dividend at SEK 5.25 per share;
- to elect as directors Bengt Kjell, Gerald Engström, Eva Färnstrand, Ulf Lundahl, Michael Bertorp, Owe Andersson, Johnny Alvarsson and Mats Jansson (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 2008 and shall be publicly announced not later than six months prior to the Annual General Meeting;
- in accordance with the Board's recommendation, that Indutrade shall apply compensation levels for senior executives which shall normally consist of a fixed and variable portion, shall be in line with the going rate in the market, and shall be commensurate with the

executives' level of competence, responsibility and performance. The non-monetary benefits and pension benefits for members of Company management shall correspond to what is considered to be reasonable in relation to common practice in the markets in which the respective executives work;

- 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 issues in kind 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 2008 Annual General Meeting, Mats Jansson was elected as a director on the Board to succeed departing director Curt Källströmer. The other directors were re-elected.

The Chairman of the Board, Bengt Kjell, is an Executive Vice President of Industrivärden. 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 Aktieföretaget. Owe Andersson is a former CEO of Mekonomen. Ulf Lundahl is an Executive Vice President of LE Lundberg-företagen. Mats Jansson is President and CEO of SAS Group. 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, Mats Jansson, 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, including a finance policy and a policy for social responsibility and environmental work.

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 conditions 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 has seven regular meetings each year, including the statutory meeting after the Annual General Meeting, and on any other occasions when the situation demands.

In 2008 the Board had a total of nine meetings including the statutory meeting.

The Board conducted its work in 2008 in accordance with the work plan. Matters requiring special attention by the Board during the year pertained to strategy, finance and acquisitions. All Board decisions were unanimous.

The directors were in attendance at all board meetings, with the exception of Gerald Engström and Mats Jansson, who were not present at three 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, Ulf Lundahl. 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 met on three occasions during the year.

AUDIT COMMITTEE

The Board has appointed an audit committee, consisting of the entire board excluding the CEO. Michael Bertorp 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 2008, at which all members were present, with the exception of Mats Jansson, who was not present on one occasion, and Gerald Engström, who was not present on any occasion.

On two occasions in 2008 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 24 April 2008 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 2009 Annual General Meeting was to be based on ownership information as per 31 August 2008 and was to be publicly announced not later than six months prior to the Annual General Meeting. The composition of the Nomination Committee ahead of the 2009 Annual General Meeting was published on 17 September 2008.

Ahead of the 2009 Annual General Meeting, the Nomination Committee has the following members:

- Carl-Olof By, Industrivärden (committee chair)
- Claes Boustedt, L E Lundbergföretagen
- Håkan Sandberg, 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 Nomination Committee is tasked with drawing up proposals to be presented to the AGM for decisions regarding a person to serve as AGM chairman, the Chairman of the Board and other directors, directors' fees and, where applicable, election of auditor and the principles for the composition of the Nomination Committee.

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

Ahead of the 2009 AGM, the Nomination Committee proposes the re-election of Bengt Kjell, Eva Färnstrand, Michael Bertorp, Owe Andersson, Ulf Lundahl, Gerald Engström and Johnny Alvarsson. Mats Andersson has declined re-election. The committee has proposed the re-election of Bengt Kjell as Chairman of the Board. The Nomina-

tion Committee's proposal entails that the Board will be reduced by one member, and during the coming mandate period it will consist of seven members. A more detailed presentation of the members of the Board is provided on page 70 of the Annual Report. 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 CEO

Indutrade's President and CEO, Johnny Alvarsson, has been employed by Indutrade since 2004. He was CEO of Elektronikgruppen from 2001 to 2004, CEO of Zeteco AB from 1988 to 2000, and held various management positions at Ericsson from 1975 to 1987. Johnny Alvarsson owns 25,000 shares of Indutrade stock and 100,000 stock options issued by Industrivärden.

EXECUTIVE COMPENSATION

The principles for compensation and other terms of employment for senior executives of Indutrade were approved by the 2008 AGM. For more information on compensation, including fixed and variable compensation, see the Directors' Report or Note 6 in the Annual Report.

AUDITORS

At the 2006 Annual General Meeting, the chartered accounting firm Öhrlings PricewaterhouseCoopers AB was appointed as 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 2008, Öhrlings PricewaterhouseCoopers had a total of 100 audit assignments for companies listed on Nasdaq OMX Stockholm, of which two were conducted in co-operation with another accounting firm. Auditors' fees are described in Note 13 on page 56 of the Annual Report.

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 good control environment. These include economic and financial reporting, a finance policy and an investment policy, among others. One of the aims of these policies is to create a 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, such as the finance policy and the policy for social responsibility and environmental work, 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 and reported to and discussed with the Board.

Through 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.

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 also 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 2008 were required to respond to the evaluation 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, earnings, position and cash flow 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 and medium-sized 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



Ulf



Michael



Mats



Gerald



Bengt



Eva



Johnny



Owe

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 Skanska, Höganäs, Munters, Pandox and Helsingborgs Dagblad

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, Ramirent Oyj, Brandkontoret, Cardo and SHB Regional Bank Stockholm

Professional experience: President, Östgöta Enskilda Bank; CEO, Danske Securities

Number of shares: 0

Mats Jansson

Born: 1951

Director since: 2008

President and CEO of SAS Group

Education: Studies in Economics and Sociology, Örebro University

Other directorships: Director of Danske Bank

Number of shares: 0

Michael Bertorp

Born: 1949

Director since: 2003

Education: LL.B.

Other directorships: Director of Handelsbanken Fonder

Professional experience: Executive Vice President,

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

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 Technology

Other directorships: Director of Forest Technology

Division of the Royal Swedish Academy of Engineering Sciences, Profilgruppen and Sveaskog

Professional experience: Site Manager, Södra Cell

Mönsterås; President, Tidningstryckarna Aftonbladet

Svenska Dagbladet; Newsprint Business Area Manager,

SCA Graphic Sundsvall AB; Marketing Manager,

Newsprint Business Area, SCA Graphic Sundsvall AB.

Number of shares: 400

Gerald Engström

Born: 1948

Director since: 2007

President and CEO of Systemair AB

Education: Engineer

Other directorships: Director of Repant ASA

Professional experience: Principal owner and founder of Systemair AB

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 and Cardo

Professional experience: President, Elektronikgruppen;

President, Zeteco; various management positions

at Ericsson

Number of shares: 25,000

Number of options: 100,000

Auditor

Öhrlings PricewaterhouseCoopers AB

Chief Auditor: Lennart Danielsson,

Authorised Public Accountant

Born: 1959

Auditor of Indutrade AB since 2006

Other auditing assignments: Securitas,

Sweco and Swedol

EXECUTIVE MANAGEMENT

**Johnny Alvarsson**

Born: 1950
 President and Chief Executive Officer
 Employed since: 2004
 Education: M.Sc. Eng., Management studies
 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, IFL
 Professional experience: President of Colly Company;
 President, Colly Filtereringsteknik; President,
 Colly Components; Divisional Manager, Colly Company
 Number of shares: 6,200
 Number of options: 18,000

Peter Eriksson

Born: 1953
 President of Flow Technology business area
 Employed since: 1995
 Education: Upper secondary school, engineering
 programme; B.Sc. Market Economics, IFL
 Professional experience: President, Indutrade Flow Tech-
 nology 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
 Professional experience: CFO, Arcorus; CFO, Zeteco; CFO,
 Bromma Conquip
 Number of shares: 6,641
 Number of options: 18,000

Curt Kock

Born: 1960
 President of Engineering & Equipment business area
 Employed since: 2008
 Education: MPA, Swedish School of Economics and
 Business Administration
 Professional experience: President, Oy Grundfos Pumput
 Ab; Regional Finance Manager, Oy Grundfos Pumput Ab;
 CFO Oy Curt Enström Ab
 Number of shares: 300
 Number of options: 0

Claes Hjalmarson

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

ANNUAL GENERAL MEETING AND REPORTING DATES

ANNUAL GENERAL MEETING

Time and place

The Annual General Meeting will be held at 4 p.m. on Monday, 4 May 2009, 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 Euroclear Sweden AB (previously VPC AB) on 27 April 2009 and have notified the Company of their intention to participate no later than 4 p.m. on Wednesday, 29 April 2009.

How to become registered in the shareholder register

Shareholders who have registered their shares in their own name with Euroclear are automatically entered in the shareholder register. Shareholders whose shares are registered in the names of trustees must have their shares re-registered temporarily in their own names well in advance of 27 April 2009 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 Wednesday, 29 April 2009.

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 Jan.–31 Mar. 2009	4 May 2009
Interim report 1 Jan.–30 Jun. 2009	4 Aug. 2009
Interim report 1 Jan.–30 Sep. 2009	3 Nov. 2009

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