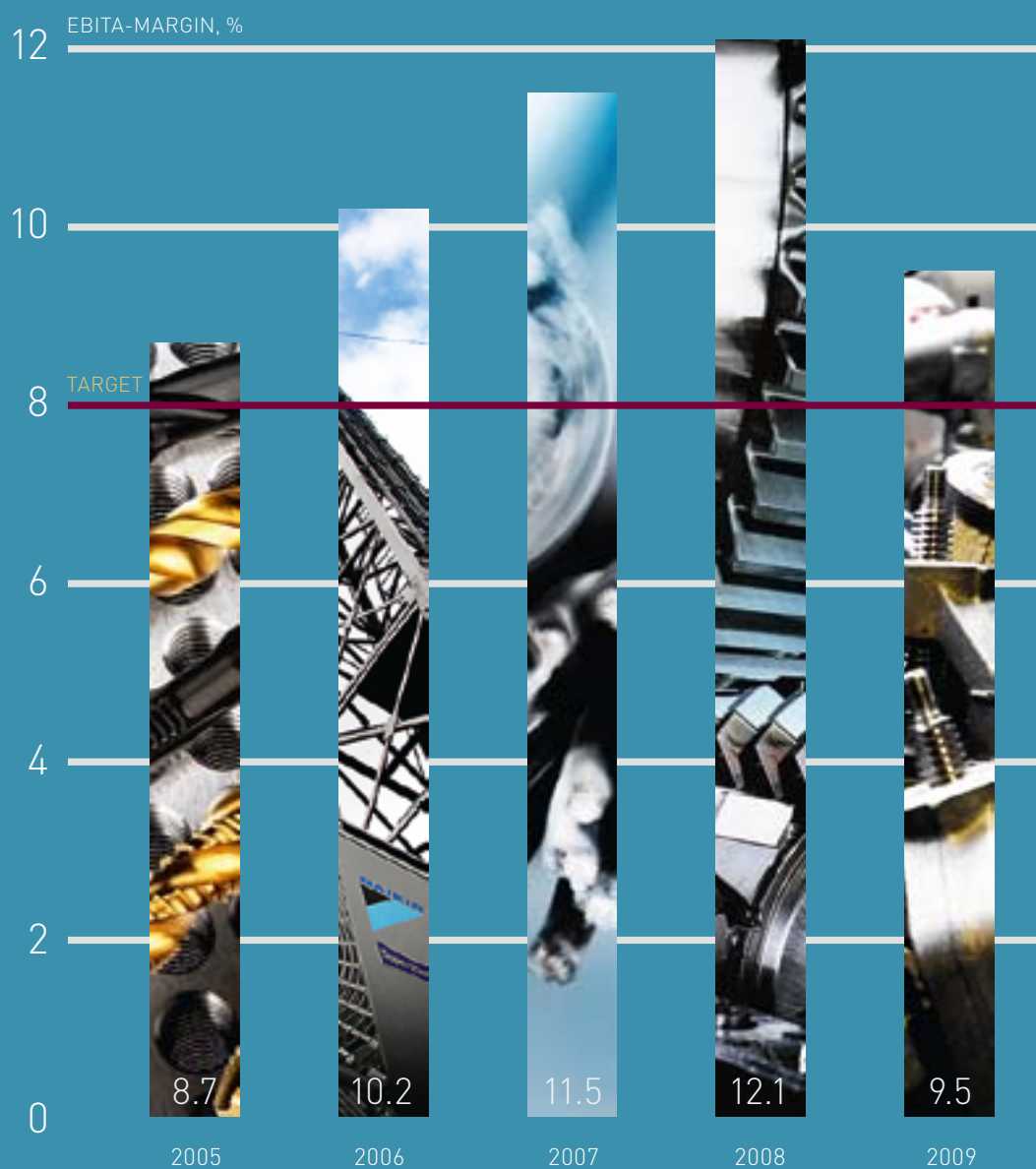


2009



CONTENTS



- 1 Year in brief
- 2 Indutrade at a glance
- 4 CEO's message
- 6 Share data
- 8 Mission, goals and strategies
- 10 The acquisition process
- 12 The value chain
- 13 Snapshot
- 15 A decentralised organisation
- 16 Sustainable development

8.53
SEK

Earnings per share for the year.



4.30
SEK

Proposed dividend for the year per share.



- 18 Market
- 20 Acquisitions during the year
- 22 Engineering & Equipment
- 24 Flow Technology
- 26 Industrial Components
- 28 Special Products
- 30 Risk management
- 32 Several-year overview
- 35 Definitions



- 36 Directors' report
- 41 Consolidated income statement
- 42 Consolidated balance sheet
- 45 Consolidated cash flow statement
- 46 Parent company income statement/cash flow statement
- 47 Parent company balance sheet
- 48 Accounting principles and notes
- 65 Audit report



- 66 Corporate Governance Report
- 70 Board of Directors and Auditors
- 71 Executive Management
- 72 Annual General Meeting and reporting dates

Indutrade AB (publ) "Indutrade" is a Swedish company that is subject to Swedish jurisdiction. Amounts are presented in Swedish kronor (SEK). Amounts in millions of kronor are abbreviated as SEK million. Figures in parentheses refer to 2008, 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 36-64 have been audited.

YEAR IN BRIEF

- Net sales fell 7% during the period to SEK 6,271 million (6,778). For comparable units net sales fell 15%.
- Operating profit before amortisation of intangible assets (EBITA) decreased by 28% to SEK 594 million (820) and the EBITA margin was 9.5% (12.1).
- Earnings per share were SEK 8.53 (12.75).
- The Board proposes a dividend of SEK 4.30 per share (6.40).
- The Board decided to raise the target for the EBITA margin to a minimum of 10% (8) over a business cycle.

9.5
per cent

EBITA of the year



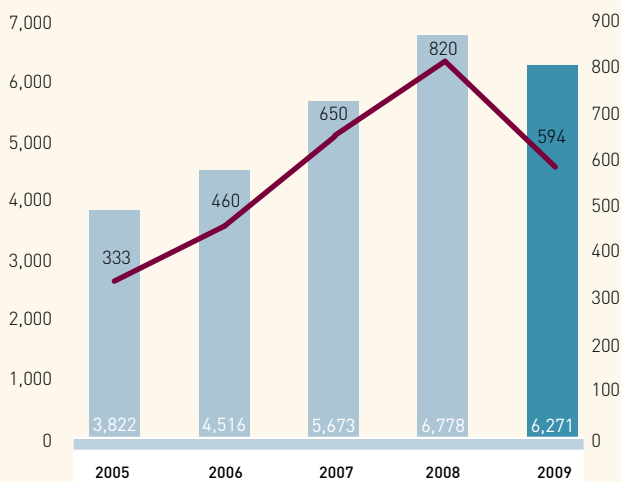
6
acquisitions

during the year



NET SALES AND EARNINGS TRENDS

■ Net sales, SEK million ■ EBITA, SEK million



KEY DATA	2009	2008	Change, %
Net sales, SEK million	6,271	6,778	-7.5
EBITA, SEK million	594	820	-27.6
EBITA margin, %	9.5	12.1	-2.6 ¹⁾
Net profit for the year, SEK million	341	510	-33.1
Return on equity, %	21.3	38.1	-16.8 ¹⁾
Return on operating capital, %	22.2	36.7	-14.5 ¹⁾
Earnings per share, SEK	8.53	12.75	-33.1
Dividend per share	4.30 ²⁾	6.40	-32.8
Net debt/equity ratio, %	57	61	-4 ¹⁾
Equity, %	41.1	36.2	4.9 ¹⁾
Average number of employees	3,122	2,728	-14.5

¹⁾ Percentage points

²⁾ Proposed by the Board of Directors

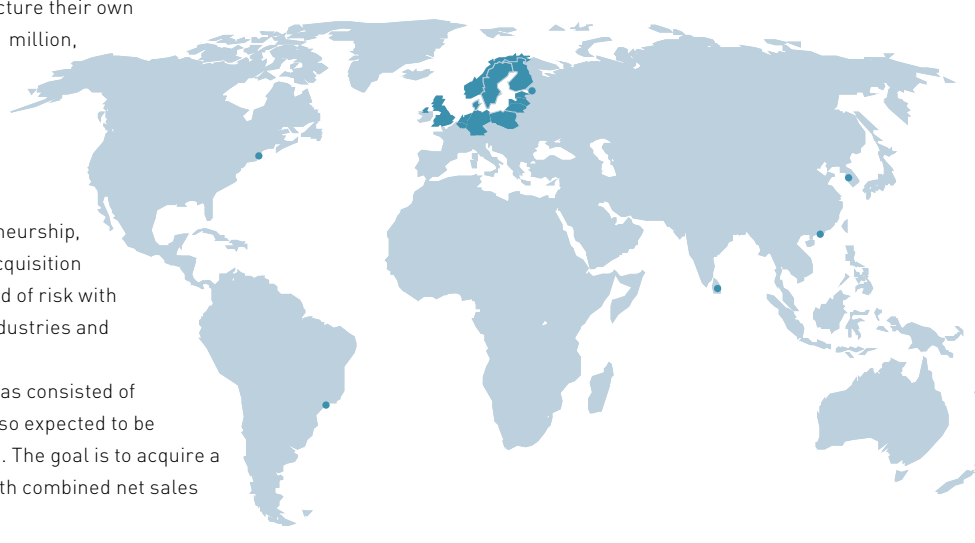
INDUTRADE AT A GLANCE

Indutrade is a group of more than 120 companies in 18 countries in four parts of the world. The business has two main focuses – industrial technology sales and companies that manufacture their own products. Net sales in 2009 totalled SEK 6,271 million, with an EBITA margin of 9.5%. The average number of employees in the Group was 3,122.

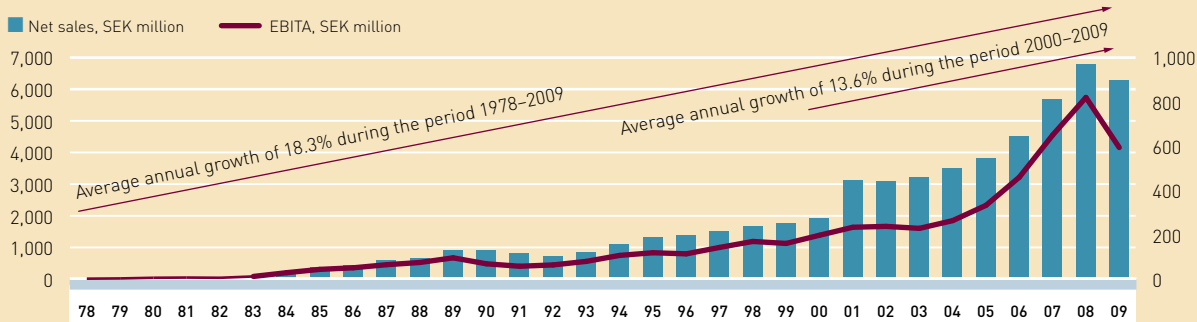
The Group's fundamental governance principle is based on decentralisation of decision-making as well as of responsibility. The organisation is distinguished by entrepreneurship, technical know-how and a tried-and-tested acquisition strategy combined with a well balanced spread of risk with respect to customers, products, suppliers, industries and geographic markets.

A substantial share of the Group's growth has consisted of company acquisitions, and future growth is also expected to be achieved partly through company acquisitions. The goal is to acquire a number of profitable companies every year with combined net sales exceeding SEK 30 million.

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



EARNINGS AND ACQUISITION HISTORY



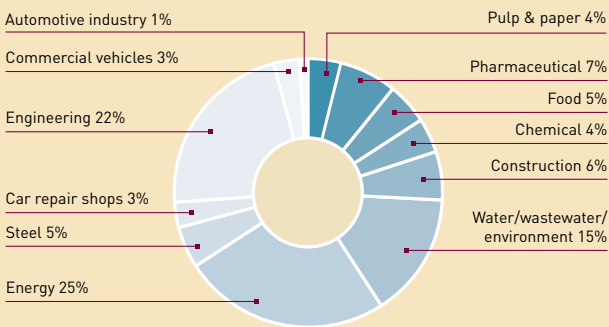
1978-1985	1986-1991	1992-1998	1999-2000	2001-2002	2003-2006	2007	2008-2009
Bengtssons Maskin	Lining (FI) Linatex ¹ (DK)	CCMP ¹ (BE) Alnab	Belos Lyra	Liljegrens EIE Maskin	Euro Energy ² Warla Trade (FI)	ES Hydagent Axelvalves	Ammertech (NL) Precision Products (UK)
Carlsson & Möller	Seltek ¹	Euronord ²	Akamex (FI)	Elmeko (NO)	Maansähkö (FI)	SAV (DK)	Douwes Intl. (NL)
Sonesson Trading ²	Tehovoitelu ² Granzow (DK)	GPA GPA (DK)	Lining Components (FI)	EIE (FI) Pentronic	Kontram (FI) Granaths ²	Sigurd Sørum (NO)	KG Enterprise (FI)
G.A. Lindberg	ETP	Indutek (EE)	Pinteco (FI)	GEFA (DE)	Hanwel (NL/BE)	Carrab Industri	EssMed
Diatom (DK)	YTM (FI)	Industek (LV)	Processpumpar	G. Fagerberg (FI) ²	HP Valves (NL)	Aluflex Group	Flintec Group
Colly Components	HITMA (NL)	Ventim	Teollisuusapu (FI)	Tecalemit (FI)	Gimex (NL)	Labkotec (FI)	Kabetex
Colly Filter	Aluglas (NL)	Maanterä (FI)	Novum (NO)	G. Fagerberg	Satron ²	MWS	Inkal
Colly VT	Novum	Edeco Tool	Techflow	Teck Instrument ¹	Saniflex	Palmstiernas	Brinch (NO)
Colly Teknik	Novatool ²	Vipmek (FI)		G. Fagerberg (NO)	Puwimex (FI)	ELRA (NO)	Rossing & Jansson
Colly (FI)	Mandorf ²	Kiinnike-Kolmio (FI)		G. Fagerberg (DK)	Robota	IPS (UK)	Flintec Brasil (BR)
Colly (DK)		Indutek (RU) Industek (LT)		Tecalemit (EE) Tecalemit (LV) Tecalemit (LT) Tecalemit (RU)	SPT (FI) Gedevelop PRP-Plastic (FI) Tribotec Spinova Damalini	Recair (FI)	KVT (ROK) Dominator Pump

¹Subsequently sold by Indutrade.

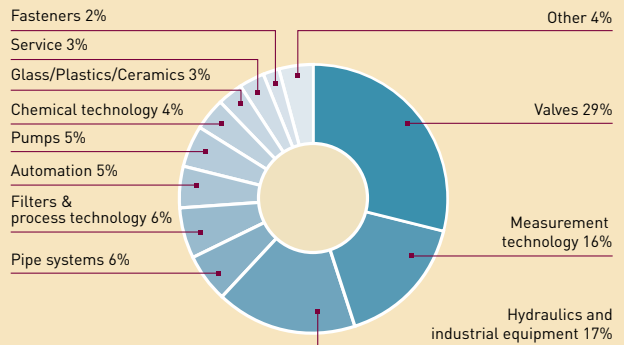
²Now a department of other Indutrade subsidiary.

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 industrial equipment, valves, measuring instruments, pumps and pipe systems.	Flow Technology offers components and systems for the management, control and supervision of flows. The main product areas are valves, pipe systems, measuring and analysis instruments, pumps, hydraulics and pneumatics and service.	Industrial Components offers a wide range of technically advanced components and systems for production and maintenance. The main product areas are automation, adhesives and chemical technology, filters and process technology, cutting tools, fasteners and medical technology.	Special Products offers specially manufactured niche products, design solutions, aftermarket service and assembly, and special processing. The main product areas are valves, measuring instruments, hydraulic couplings, filters and process technology, and glass and ceramics.
Net sales	SEK 1,569 m	SEK 1,689 m	SEK 1,163 m	SEK 1,877 m
EBITA	SEK 83 m	SEK 186 m	SEK 72 m	SEK 288 m
Average number of employees	618	486	395	1,615

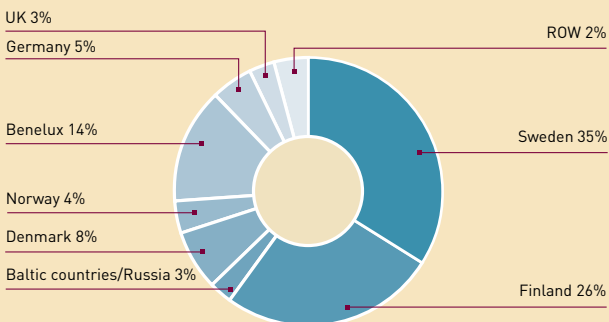
NET SALES PER CUSTOMER SEGMENT



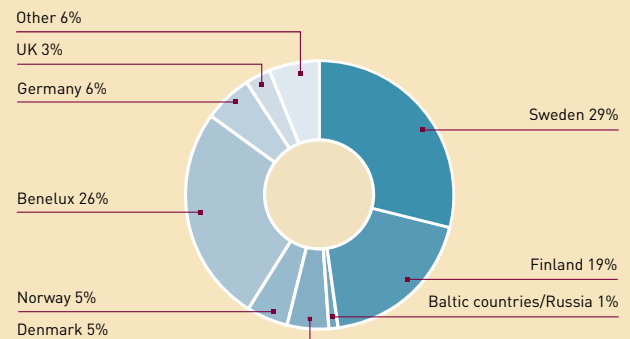
NET SALES PER PRODUCT AREA



NET SALES PER GEOGRAPHIC MARKET



EBITA PER GEOGRAPHIC MARKET



STABLE PERFORMANCE DURING RECESSION

As we entered 2009 there was widespread anxiety in the market and concern for how Indutrade would perform in the deep recession that dominated the world's economies. Many felt it was a new situation for us, and that the large number of independent companies in the Group limited our ability to manoeuvre in the poorer market climate. Quite a bit has changed at Indutrade since the economic downturns in the 1990s and 2000s. We have grown considerably, from some 60 to more than 120 companies in five years, we have broadened our geographic reach and the markets we work in, and we have increased the share of companies with proprietary products and own manufacturing.

Looking back, we can say that the worries for 2009 were exaggerated. Indutrade fared better than most other companies. Our business model works regardless of the economic climate, exactly as it has during the company's 31-year history. Working with a good spread of risk and in a decentralised organisation to sell products with a high-tech content to customers with a repetitive need is the right strategy even in hard times.

Spreading risk in Indutrade is not only a matter of spreading our operations across many different companies and markets, but also about which customers we sell our products to. In connection with our stock market introduction in 2005 we decided to increase our exposure to less cyclical sectors, such as energy, water/wastewater treatment and the environment. Since then, the share of our sales to these customer segments has risen from 11% to 40% and helped balance the total risk in our business. For example, in 2009 we saw that the Indutrade companies that have the energy sector as their main market experienced growth. Demand in Indutrade's largest business segment – valves, measurement instruments, filters and pumps for the process industry and municipal sector – was only marginally affected, since regardless

of the economy, there is always a need to repair and replace worn out parts. At the same time, of course, there are businesses in Indutrade that suffered more from the economic downturn. This applies especially to the companies whose customers are active in the engineering industry in Finland and Sweden.

The cost-cutting plan that we launched in autumn 2008 was based on the consequences of lower sales for the companies in 2009. For every company, an individual analysis was performed of the need for action. What we see today is that our decentralised business model has helped the companies maintain good margins and enabled them to swiftly adapt their organisations to changed demand. A typical Indutrade company sells each year in the range of SEK 50–100 million, which means that the respective company presidents are in control of their overall situation. Moreover, through the companies' individual profitability and growth targets, in 2009 more were able to invest instead of save. A number of companies in the Flow Technology business area posted record sales as well as earnings. On the whole, net sales fell 7% to SEK 6,271 million (6,778). Our earnings, measured as EBITA, decreased by 28% to SEK 594 million (820), and the EBITA margin was 9.5% (12.1%). Considering that we just went through the worst recession since the 1920s, we have reason to be satisfied.

Clearly defined personal responsibility among the management teams of the companies is the key factor behind our favourable earnings performance. There should never be any lack of clarity regarding what the responsibilities of every president entail. The internal benchmarking that we introduced in 2005 has – in addition to defining objectives more clearly – contributed to greater openness in the organisation and to an environment in which the companies stimulate and learn from each other.

Being part of a large company group such as Indutrade provides security for the companies. Our role is to support them with industrial know-how, financing, business development and man-



agement by objective, with a focus on growth through acquisitions, among other things.

We made six acquisitions in 2009 – all during the second half of the year. This somewhat slower pace of acquisitions was mainly due to the uncertain economic outlook at the start of the year. With the exception of the acquisition of Key Valve Technologies in South Korea, the acquisitions were small. All six acquisitions were identified by our subsidiaries, which is yet another good example of how our decentralised structure works. Our Dutch subsidiary HP Valves was behind the acquisition of Key Valve Technologies, which is a niche manufacturer of high pressure valves for the power and process industries, with annual sales of roughly SEK 150 million. It was our first direct acquisition in Asia, in a technologically very prominent country, and has given us our first bridgehead in the region. From having been primarily active in the Nordic region, Indutrade today is established in 18 countries. In addition to our acquisition in South Korea, in 2009 we established a sales organisation in China and in Brazil. At the same time, expanding into new markets is no end in itself. What's most important is that we focus on the right products and make acquisitions at the right price, in industries with a favourable outlook. On average, Indutrade has acquired seven companies per year during the last five years, and we will continue to acquire companies at a high pace in coming years as well. At the start of 2010 we acquired Techno Skruv, Corona Control, Metallcenter Sverige's construction plastics business, AxMediTec in Poland and the Lekang Group, with combined annual sales of SEK 400 million. Acquisition opportunities abound, both among technology sales companies and companies with proprietary brands.

The share of companies with proprietary brands today amounts to 30%. These contribute to greater profitability, as their margins are generally higher and their market potential is greater than for

technology sales companies. In contrast, technical sales companies are more flexible and their operation requires less capital.

HP Valves, which grew its sales to SEK 377 million in 2009, with good profitability, is today our largest company with own brands. Since we acquired them in 2005, their sales have grown by 253%.

In certain sectors we are working to build up clusters of companies in the aim of creating faster and more focused growth. One such cluster is our focus on medical technology. This is being done within the framework of our subsidiary EssMed's organisation, where the goal is to build up a larger business in this area.

Despite the fact that 2009 was a year of recession, we once again exceeded our EBITA margin target of a minimum 8% over a business cycle. As a result, in February 2010 the Board of Directors decided to raise the target for the EBITA margin to a minimum of 10% over a business cycle. We have also achieved our growth target – for average sales growth of 10% over a business cycle. It is true that net sales fell 7% in 2009; however, since 2005, when the target was set, our sales have grown by an average of 12.5% per year.

Indutrade's financial position has also developed well. Our equity ratio is higher today than it was at our stock market debut in 2005, and we have distributed a minimum of 50% of profit after tax, in accordance with our dividend policy.

Indutrade's four-plus years as a listed company clearly reflect the company's 31-year history. Nothing has changed at the core. Our business model works, and the main reason for our successful development is still the competent and committed people who work in all of the Group's companies. To our employees, I want to once again direct special thanks to you for your contributions during the past year.

Johnny Alvarsson, President and CEO

“The main reason for our successful development is still the competent and committed people who work in all of the Group's companies”

SHARE DATA

Indutrade's shares are listed on Nasdaq OMX Stockholm, Mid Cap list. Indutrade's market capitalisation on 31 December 2009 was SEK 5,400 million (2,650).

Indutrade's share price rose 104% for the year, from SEK 66.25 to SEK 135.00 per share. The Stockholm Stock Exchange (Nasdaq OMX Stockholm) gained 47% for the year, and the OMX Industrials index rose 50%. Including reinvested dividends, the total return for Indutrade shares was 116%. The highest price paid during the year was on 21 October (SEK 153), and the lowest price paid was on 2 January (SEK 69.50). Since the stock market introduction on 5 October 2005, Indutrade's shares have delivered a total return of 139% including reinvested dividends, while the SIX Return Index, which measures the total return of the market as a whole, showed a total return of 25% during the same period.

TRADING VOLUME

Trading in Indutrade shares increased in 2009. A total of 8.5 million Indutrade shares were traded (6.7) for a combined value of SEK 0.9 billion (0.8). This corresponds to a turnover rate of 21% (17%). Average daily trading volume was 33,964 shares (26,552), with an average of 69 transactions (44) in Indutrade shares per trading day.

SHARE CAPITAL AND BOARD AUTHORISATION

Indutrade's share capital was SEK 40 million on 31 December 2009 (40), divided among 40,000,000 shares with a quota value of SEK 1. All shares have equal voting power. The Board of Indutrade has proposed that the Annual General Meeting 2010 authorise the Board, during the time until the next Annual General Meeting, to decide on new issues of a maximum of 4,000,000 shares and in doing so be able to deviate from the shareholders' pre-emption rights.

OWNERSHIP STRUCTURE

Indutrade had 5,369 shareholders on 31 December 2009 (4,577). At year-end the ten largest owners controlled 76% of the capital and votes (77%). Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 84% of the capital and votes at year-end (83%). Foreign ownership in the Company was 8% (9%).

Incentive programme

In November 2005, Indutrade's board of directors, in co-operation with AB Industrivärden, established an incentive programme for 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 2009 earnings.

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 2009, Indutrade's board has proposed a dividend of SEK 4.30 per share (6.40), corresponding to 50% of net profit for the year. During the last five-year period, of Indutrade's aggregate profit after tax, totalling SEK 1,792 million, dividends of SEK 898 million have been paid to the shareholders (including the proposed dividend for 2009), which corresponds to a dividend of slightly more than 50% of net profit.

CONTACTS WITH INVESTORS AND ANALYSTS

Indutrade maintains regular contact with various players in the financial market in an effort to clearly inform about the Company's performance and events. This is done, among other things, through presentations in connection with quarterly reports and through participation in conferences and seminars.

For more information about IR activities and the analysts who monitor Indutrade, visit www.indutrade.se.

SHARE PRICE TREND 2009

Left axis:

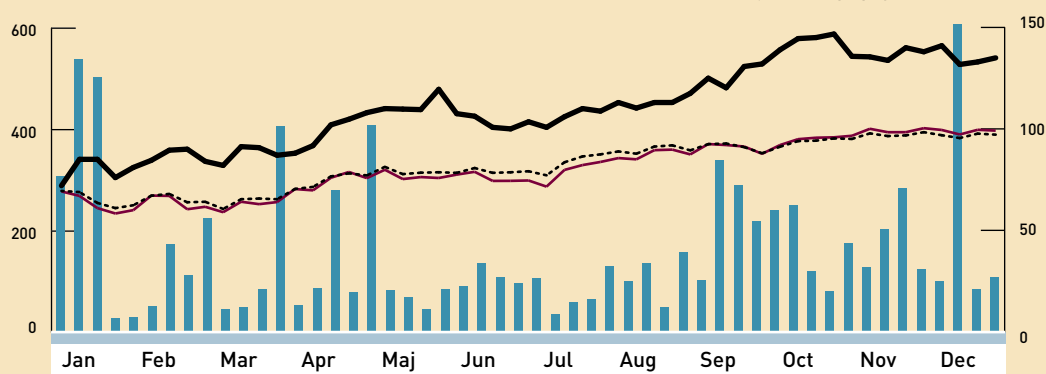
■ Trading volume, thousands of shares

Right axis, Share price: SEK

— Indutrade

— Stockholm Industrials

- - - OMX All Share



THE TEN LARGEST SHAREHOLDERS PER 31 DECEMBER 2010

	Number of shares	Capital / votes, %
AB Industrivärden	14,757,800	36.89
AFA Insurance	4,724,570	11.81
L E Lundbergföretagen	4,000,000	10.00
Handelsbanken Pension foundation	1,978,000	4.95
Handelsbanken Pension fund	1,969,300	4.92
Nordea funds Sweden	1,079,668	2.70
Swedbank Robur funds	658,298	1.65
Handelsbanken funds incl. XACT	555,412	1.39
SSB CL Omnibus OM07 (15 PCT)	509,875	1.27
KAS Depository Trust Company	300,000	0.75
Others	9,467,077	23.67

SHAREHOLDERS GROUPED BY SIZE

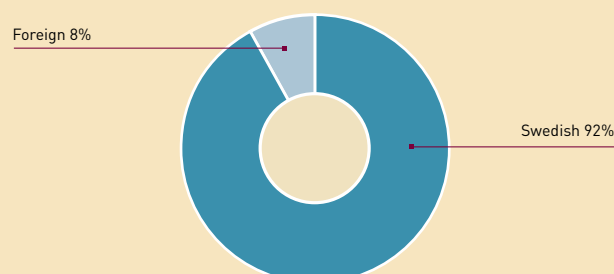
Holding	Number of shareholders	Share of capital and votes, %
1 - 500	3,604	2.04
501 - 1,000	887	1.85
1,001 - 2,000	374	1.50
2,001 - 5,000	271	2.30
5,001 - 10,000	91	1.77
10,001 - 20,000	54	1.98
20,001 - 50,000	31	2.47
50,001 - 100,000	22	4.01
100,001 - 500,000	28	13.04
500,001 - 1,000,000	2	3.23
1,000,001 - 5,000,000	4	28.91
10,000,001 -	1	36.89

KEY DATA PER SHARE

	2009
Share price per 31 December, SEK	135.00
Market capitalisation at 31 December, SEK m	5.400
Dividend ¹⁾ , SEK	4.30
Earnings, SEK	8.53
Number of shares outstanding, thousands	40.000
Number of shareholders on 31 December	5.369
Highest price paid during the financial year, SEK	153.00
Lowest price paid during the financial year, SEK	69.50
Dividend yield ²⁾ , %	3.2
Shareholders' equity, SEK	41.10
Cash-flow from operating activities, SEK	13.95

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

DISTRIBUTION AMONG SWEDISH/FOREIGN SHAREHOLDERS



MISSION, GOALS AND STRATEGIES

MISSION

Indutrade markets, manufactures, develops 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

The Group strives to continuously grow in selected geographical markets, product areas and niches with limited business risk. Growth is pursued organically as well as through acquisitions.

The Group's overall goals for creating profitable growth are

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

FINANCIAL TARGETS

- Average sales growth shall amount to 10% per year over a business cycle, of which organic growth is to exceed GDP growth in the geographic markets in which Indutrade operates. The remaining growth will be achieved through acquisitions. During the period 2005–2009, consolidated net sales increased from SEK 3,486 million to SEK 6,271 million, corresponding to average annual sales growth of 12.5%. Net sales in 2009

decreased by 7%, of which organic growth was –10% including currency effects, and acquired growth was approximately 3%.

- In February 2010 the Board of Directors decided to raise this target to a minimum of 10% per year over a business cycle (8%). The average EBITA margin during the last five years (2005–2009) was 10.6%. The EBITA margin in 2009 was 9.5%.
- Return on operating capital shall exceed 25% on average per year over a business cycle. During the last five years (2005–2009), the average return on operating capital was 32.7%. In 2009 the return was 22.2%.
- The net debt/equity ratio should normally not exceed 100%. During the last five years (2005–2009), the net debt/equity ratio varied between 53% and 61%, and was thus below 100% by a wide margin. The debt/equity ratio at year-end 2009 was 57.2%.

STRATEGIES

Indutrade has adopted the following strategies to achieve these targets:

Growth with limited operational risk.

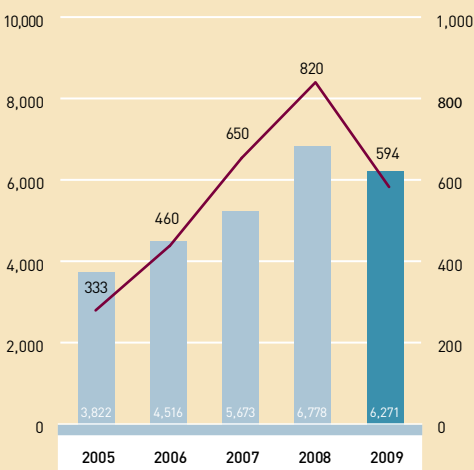
Growth shall be pursued in three dimensions:

- 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.

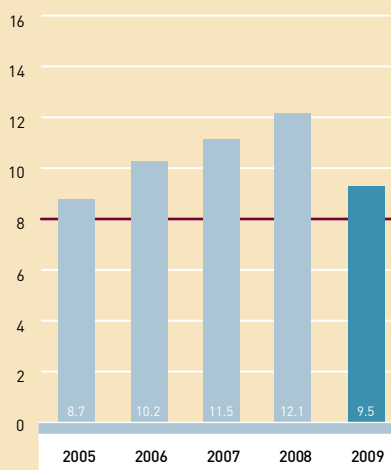
NET SALES AND EARNINGS DEVELOPMENT

■ Net sales, SEK million ■ EBITA, SEK million



EBITA MARGIN

■ % ■ Target



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 sales 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. Since 2004 the share of companies with proprietary products has increased by 18 percentage points, and in 2009 they accounted for 30% of consolidated sales.

High share of repetitive sales and focus on selected customer segments

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

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

Sales organisation with high level of technical expertise

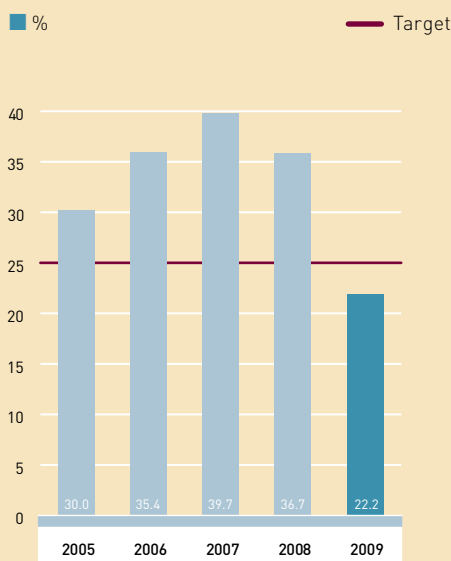
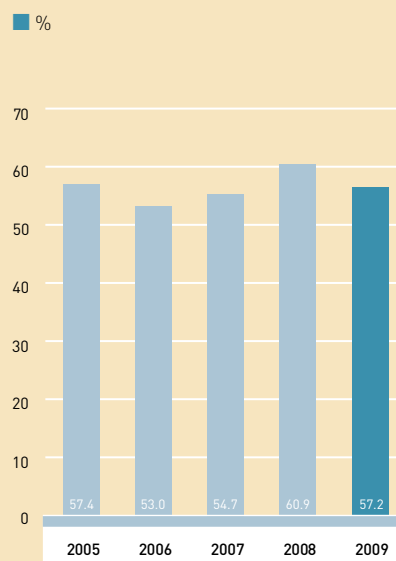
Indutrade's range of products and services, which are aimed at both end users and OEM customers (customers that integrate Indutrade's products in their own products), shall have a high-tech content and incorporate a high level of service and qualified technical consulting.

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.

RETURN ON OPERATING CAPITAL**NET DEBT/EQUITY RATIO**

THE ACQUISITION PROCESS

Indutrade has a long record of experience in company acquisitions. Since 1978 more than 80 acquisitions have been carried out, of which some 60 were during the last ten years. These acquisitions have accounted for a large share of the Group's sales growth. Future growth is also expected to be achieved in part through company acquisitions.

Indutrade is a long-term owner, and the companies it acquires are not subject to further sale.

The acquisition strategy is based on a two-pronged approach:

- 1) acquiring niche technology sales companies in countries with a strong trading tradition. Examples of such countries are the Benelux countries, Denmark, Norway, Sweden, Finland, Switzerland, the UK and Austria;
- 2) acquiring international niche companies with proprietary products.

ANALYSIS



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 get to know the company, their business and its owners, and by doing so to minimise the operational and financial risk associated with an acquisition.

FOCUS ON

- Subsidiaries and business area management
- Potential acquisition candidates

- Fits in to existing structure
- Financial position
- Customers
- Competitors
- Suppliers' strategies
- Recurring needs
- Management
- Value-added for customers and suppliers



The goal is to acquire a number of companies each year with net sales exceeding SEK 30 million each. Through a network of customers, suppliers and other market actors, 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 carry out 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:

EXECUTION

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 company 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.

IMPLEMENTATION

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 the company, even after an earn-out payment. A key reason for this is Indutrade's company culture, with a strongly decentralised organisation that gives entrepreneurs freedom to continue developing their businesses.

- Reasonable price
- Incentive for key persons
- Suppliers' approval

- Decentralisation
- Action programme
- Customers and suppliers
- Organisation
- Costs and margins

- Growth
- Margin
- Tied-up capital

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:

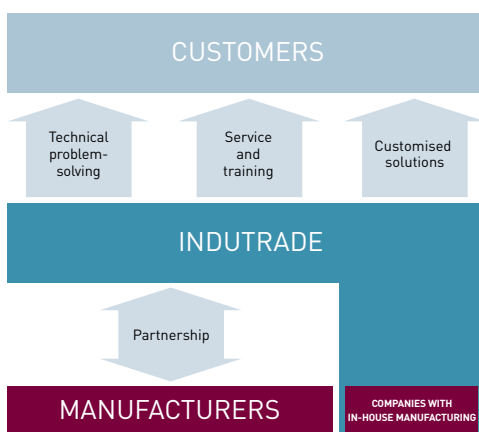
- **Technical problem-solving regarding choices of components and systems.** Indutrade’s subsidiaries offer a wide array of technically advanced products in selected niches. The products are often important for the customers’ production processes and are designed to meet exacting demands on quality, 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 2009 sales of proprietary and further-developed products amounted to approximately SEK 850 million, corresponding to roughly 30% 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 270 million in 2009, 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:

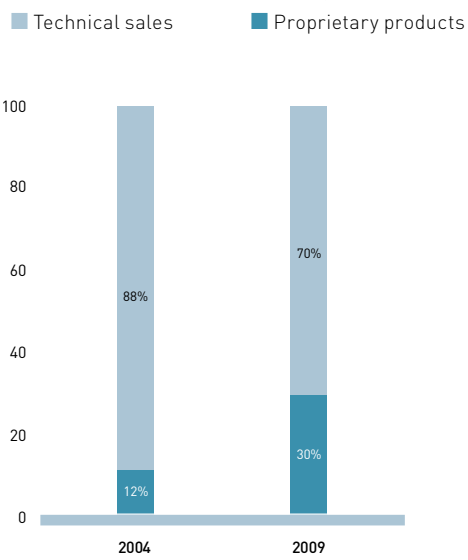
- Access to a technically qualified sales organisation with established customer relationships and local market knowledge.
- Access to information about customers’ production processes through the technology sales companies’ established customer relationships.
- Broader areas of application for manufacturers’ 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 companies specialise in small technology niches and provide customers with technical, specialist expertise, customised solutions, service and training. In addition, Indutrade helps structure the value chain and thereby reduce the number of capacity-demanding business transactions.

SHARE PROPRIETARY PRODUCTS, %



Since 2004 the share of companies with proprietary products has increased by 18 percentage points.

PROFITABILITY IS ALWAYS IN FOCUS AT GUSTAF FAGERBERG

Despite the weak economy, Gustaf Fagerberg succeeded in setting records in both sales and earnings in 2009.



Göran Kortz, President of Gustaf Fagerberg

"Through our good reputation with the nuclear power industry and tremendous teamwork in our projects, we managed to achieve record sales and earnings in 2009," says Göran Kortz, President of Gustaf Fagerberg, a leading player in Sweden in technical advanced control and regulation of flows in the process industry.

Gustaf Fagerberg AB was established in 1897. The company started out by delivering quality products to shipyards, the shipping industry and industry in general, but a great deal has happened since then. Today Gustaf Fagerberg represents several of the world's foremost manufacturers of process components, and

its customers can be found in a range of different industries, not least the steadily growing energy sector.

"We have been a supplier to the Nordic nuclear power industry for many years, and since early 2009 we have agreements with all of Sweden's nuclear power plants," says Kortz. "To be able to sign these agreements, we have had to show that we have routines, knowledge and products that meet the nuclear power industry's and Swedish Radiation Safety Authority's standards and rules. As a result, our share of sales in power and heating, which includes nuclear power, grew from 20% to 34% in 2009. We also established a number of contracts in the area of alternative energy, including deliveries of valves to a plant in Piteå [Sweden] that manufactures components for so-called green diesel."

Indutrade became the new owner of Gustaf Fagerberg in 2001 after buying the business from its former owner, Hexagon. In its nine years as an Indutrade company, Gustaf Fagerberg's sales have grown from SEK 140 million to last year's record SEK 210.5 million. Profitability has always been in focus at Gustaf Fagerberg – the EBITA margin during Indutrade's ownership has varied between 9.0% and 11.9%.

"In January 2009 we held a big meeting in the company, where we agreed to hold costs down but at the same time intensify our sales activities," Kortz recalls. "Through teamwork – external sales reps, internal sales reps and product heads working together – we made sure that we met with all conceivable customers in order to drum up business. Our strategy succeeded – at both ends. Overheads were within budget, but sales were considerably higher than expectations."

The employees have been instrumental to Gustaf Fagerberg's success. Many of the 55 employees have been with the company for a long time, which has helped build up unique expertise in a number of product and customer areas.

"Our product specialists have built up knowledge about technology and applications over a long period of time, and they give the sales people vital support in their contacts with customers. At the same time, we are facing a major generation shift. The average age at Gustaf Fagerberg today is above 50, so we need employees who, step-by-step, can take over the know-how and capacity that has been built up," says Kortz, who himself has worked for the company since 1974 and been President since 1998.

"In this regard, Indutrade is an important sounding board that provides a depth of knowledge about industry and flow technology. Together we can meet our talent succession needs and continue the successful development of Gustaf Fagerberg for years to come."



ESSMED IS EXPERIENCING RAPID EXPANSION IN OPHTHALMOLOGY

Belonging to a major company group like Indutrade gives Essmed greater strength in relation to customers and suppliers, along with opportunities for rapid growth.



Stefan Helgesson, President of Essmed

"With Indutrade as our owner we can more quickly carry out our planned expansion in new markets and in new customer segments," says Stefan Helgesson, President of Essmed, a market-leading agency in the Nordic countries for ophthalmology equipment.

Essmed was established in 1997, after Helgesson, together with Bertil Blomgren, bought out the agencies for ophthalmology products from their then employer, Sunrise Medical. Up until 2008 they developed the business, focusing on Swedish and Finnish customers in the public and private ophthalmology care sectors. When the time then came to expand into other markets in the Nordic region and increase sales to the optometrist segment, they realised they would need a bigger partner. Their choice fell on Indutrade, whose growth experience and acquisition process could offer Essmed the right conditions for rapid growth.

"We were acquired by Indutrade in March 2008," notes

Helgesson. "A year and a half later we carried out acquisitions that enabled us to expand both geographically and in new product and customer segments."

At the end of 2008, Essmed acquired Brinch A/S, which markets eye surgery products and services in Norway, and in autumn 2009 Sefo Consulting AB was acquired, which markets instruments, products and services primarily for optometrists in Sweden. These two acquisitions have enabled Essmed not only to strengthen its position in the optometrist segment, but also to become a stronger partner to its existing customers in ophthalmology.

In January 2010, the company AxMediTec Sp z o.o in Poland was acquired, which specialises in medical technology equipment for healthcare applications in operating rooms, intensive care wards, emergency wards, and cardio and neonatal units.

LONG-TERM APPROACH

"In the longer perspective, the market for eye care is growing more than for the healthcare sector as a whole, partly as a result of a rise in common afflictions like diabetes and cataracts," says Helgesson. "In addition, we are seeing that Swedish, private clinics for eye surgery, such as Memira and Vårda Ögonklinik, are growing not only in Sweden, but also internationally. This, together with an increasingly stronger position with large optometrist chains like Specsaver, Synsam and Synoptik, is leading to a greater need for us to also grow and strengthen our product offering."

Essmed markets products from leading European manufacturers in ophthalmology, mainly from Switzerland and Germany. The products, ranging from microscopes to comprehensive laser systems, are in the upper price segments. As a result of the recession, many eye clinics and optometrists have become more tentative about their investments in new equipment. Essmed has felt the effects of this, even though it has managed to soften the blow by increasing its share of service and spare parts sales. In 2009 the company had SEK 77 million in sales, with continued good profitability. The EBITA margin was 14%, which can be partly credited to a focus on keeping overhead costs down during the year.

Essmed's organisation has grown in pace with its expansion. In March 2010 the company had 66 employees in four countries, with head offices in Mölnlycke, outside Gothenburg. Over time, additional people will be brought into the organisation.

"Belonging to a large company group like Indutrade gives us greater strength in relation to our customers and suppliers. This also makes it easier for us to attract and retain new talent – something that will be essential ahead of the future expansion we are facing," concludes Helgesson.



A DECENTRALISED ORGANISATION

The best decisions are made by the people who have the best knowledge about the customers' needs and processes. Since its start in 1978, Indutrade's philosophy has been to run a decentralised organisation in which the financial responsibility rests with the Group companies that generate business, earnings and cash flow.

Indutrade is a group of some 120 companies that each have their own president, all with total responsibility for their respective companies. By virtue of the companies' size (a typical Indutrade company has annual sales of SEK 50–100 million), the respective presidents can maintain control over the entire operation and relatively quickly adapt the business to the customers' needs. The companies all have individual profitability and growth targets, which means that while some companies may be cutting back on costs, others may be investing in more employees.

INDEPENDENCE REMAINS AFTER ACQUISITION

The latitude of independence that the subsidiaries keep leads to customer specialisation and flexibility, and creates favourable conditions for retaining entrepreneurship in the organisation. Moreover, the subsidiary heads' self determination is a key factor in retaining key persons in acquired companies. With Indutrade's acquisition model, the companies keep their name, culture and management after becoming part of Indutrade's organisation. Acquired companies are not subsequently sold.

CONCENTRATION ON SPECIFIC NICHES

Decentralisation is also a natural consequence of the Group's niche strategy. To build up the expertise that is required to create customer value – and thus profitability – it is necessary to concentrate business on a number of niches. However, the conditions differ quite a bit between the various niches, which makes it necessary for each subsidiary to formulate its own strategy.

ENDURING RELATIONSHIPS

The Group is structured into four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products (see also pages 22–29). 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. The business of the agency companies often revolves around a couple of strong, well established suppliers, backed up by a number of smaller agencies. Companies with own manufacturing are also characterised by enduring relationships with customers and subcontractors, with sharp focus on a limited number of product lines.

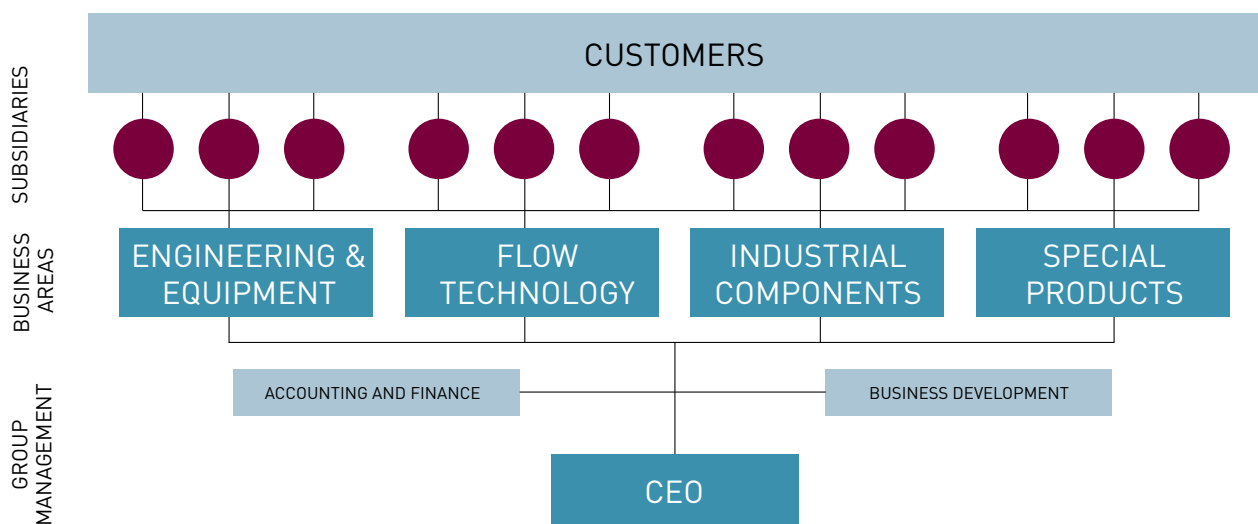
FOCUS ON PROFIT MARGIN AND GROWTH

The parent company's and business areas' 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 internal benchmarking and the informal exchange of ideas and experience between different companies in the Group. In 2006 an annual internal benchmarking system was established, consisting of a ranking list to lay out goals for the companies and to give the company presidents knowledge about best practice in other companies within the Group.

CONTINUOUS COMPETENCE DEVELOPMENT

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 within the subsidiaries – which also helps in their efforts to attract and retain key persons. Business competence is strengthened through leadership development and sales training, among other things. Technical training is conducted primarily under the direction of suppliers.

ORGANISATION



SUSTAINABLE DEVELOPMENT

Indutrade strives for sustainable development, which entails taking long-term environmental aspects into account as well as maintaining a balance between social and economic demands. The Group strives to develop and maintain profitable, long-term sustainable businesses, with products and services that meet or exceed customers' expectations.

In response to rising demands in recent years for general improvements in the environment and more effective energy generation, together with growth in international trade, Indutrade is increasingly focusing on industrial segments such as energy, water and wastewater, and the environment. Indutrade gives priority to products that help industries measure, regulate, control and streamline their processes, along with products that support industries' environmental requirements and energy needs.

Indutrade's mission and strategies should support constructive environmental work and social responsibility also in the Group's own organisation. 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. As support for the subsidiaries in their work in this regard is a Group-wide policy for social responsibility and environmental work.

CONTINUOUS ENVIRONMENTAL IMPROVEMENTS

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 attentive to customers' and suppliers' preferences and thereby be able to meet the environmental standards made by the market.

The Group strives for transparent reporting, both 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, however, the share of the Group's companies that conduct own manufacturing has risen. Indutrade's environmental impact is thus limited and mainly arises through transports of finished products, business travel and waste handling.

Today 17 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.

FOCUS ON HIGH QUALITY

Indutrade is intent on ensuring that its products and services meet or exceed customers' expectations. Therefore, high quality always has top priority. Customers should associate Indutrade with quality products, delivery reliability, excellent technical support and a positive and professional attitude.

Quality assurance work covers products as well as processes, where all aspects – from purchasing and stock-keeping routines to delivered products and technical solutions – shall maintain the highest possible quality. Indutrade's quality systems are distinguished by attention to detail, long-term perspective and continuous improvement with a distinct customer focus.

When co-operation is initiated with a new supplier, major emphasis is placed on evaluating quality aspects.

Of Indutrade's subsidiaries, 35 are certified according to ISO 9001 and/or QS 9000. All companies with ISO certification have quantifiable goals (such as delivery times to customers and the number of returns), which are continuously followed up and compared to outcome. Subsidiaries seek certification only when this is deemed necessary for market reasons. Even subsidiaries without any certification conduct quality assurance work aimed at continuous improvement.

ENVIRONMENTALLY ADAPTED ANTI-CORROSION CONCEPT

Corrosion is a constant, indiscriminate and costly enemy of metal parts, especially when packaged for storage and distribution. Traditional anti-corrosion methods are messy, costly, and can be hazardous to personnel and the environment. The solution to this problem can be found at Tribotec AB, in Gothenburg, Sweden – a subsidiary of Indutrade since 2006.



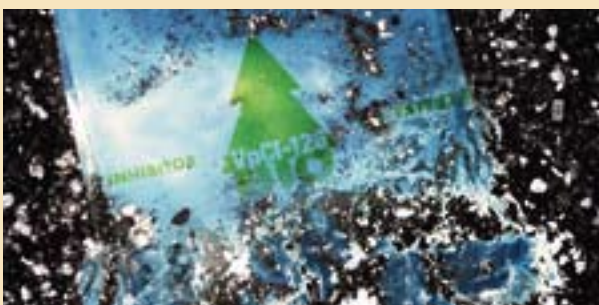
Joakim Dock, President of Tribotec

“With the vision of being the first-hand choice in environmentally adapted rust protection, Tribotec has been selling knowledge and products to Nordic customers for 30 years,” says Joakim Dock, President of Tribotec. “Apart from being at the forefront in our own environmental work, we focus on offering our customers the best possible technology and product range from an environmental perspective. We have watched demand for environmentally adapted anti-corrosion solutions climb during the last four to five years in pace with growing environmental awareness in industry.” Among other things, Tribotec offers a complete anti-corrosion programme based on VpCI (Vapor Phase Corrosion Inhibitor) technology. VpCI was developed by the US company Cortec, a world leader in developing biodegradable anti-corrosion products. Cortec puts high demands on its retailers. Tribotec’s concept for environmentally adapted anti-corrosion solutions is therefore a good fit for Cortec’s demand specifications. Today Tribotec is one of the world’s five biggest retailers of Cortec’s environment-friendly anti-corrosion products for packaging solutions, surface treatment and cleaners.

Tribotec’s largest product based on Cortec’s technology is an anti-corrosion packaging concept, consisting of a bag that encloses the metal product in a molecular barrier to protect it from corrosion. A large share of the bags are sold to customers who transport products that are shipped in containers. Here it is important to “stop time”, especially for transports between different climate zones.

“We also conduct a corrosion-prevention school for our customers,” continues Dock. “The aim is to increase their understanding of the advantages – such as a lower total cost – that packaging has compared with chemicals and greases. During the last five years we have hosted more than 100 participants.” Tribotec’s 17 employees receive continuous training from the company’s suppliers, including Cortec. In addition, the employees are trained in environmental issues in order to gain an understanding of the environmental consequences of their actions and to be able to take responsibility for the environmental impact of their work.

Tribotec has all of the environmental and quality management systems required by the market, such as ISO 14001 and ISO 9001.



MARKET

Indutrade's sales are made in many product areas and to customers from an array of sectors and countries. This broad spread reduces the Group's sensitivity to fluctuations in the economy.

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. Indutrade's spread of business over various product segments is reasonably well balanced. The two largest product groups are valves and measurement/analysis instruments.

MARKET SIZE

Indutrade conducts business in 18 countries. In 2009 the Group's three most important geographic markets, Sweden, Finland and Benelux, together accounted for about 74% 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 20% 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. The four largest sectors for Indutrade are energy; engineering; water/wastewater treatment/environment and medicine.

DRIVING FORCES AND TRENDS

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

Focus on core businesses

Many industrial companies in northern Europe are narrowing their focus to their core businesses. In many cases, non-core activities are being given lower priority, which is leading 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 as they concentrate on their core businesses. 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 that 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 total 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.

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 numbers of 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 a greater allocation of capital to research and development. This, in turn, enhances the competitive strength of Indutrade's products.

Rise in 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. Structurally, many family businesses are similar to Indutrade's subsidiaries and normally represent one or a few manufacturers in a select number of niches. Examples of such competitors include Eugen Wiberger in mechanical components and Rollco in linear systems. The market also has a few larger players, like Indutrade, as well as manufacturers that sell through their own sales organisations. In some markets, Indutrade competes with specific subsidiaries of other major play-

ers, 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 (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 lower. 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.



ACQUISITIONS DURING THE YEAR

Indutrade completed six acquisitions in 2009. All of these were carried out during the second half of the year, when the market outlook had improved and the number of companies for sale had increased. The acquired companies have estimated, combined sales of SEK 212 million and an EBITA margin of 12%.

The purchase price for the companies amounted to SEK 78 million, including SEK 11 million in earn-out payments.

Net sales*: SEK 20 million
Part of Colly Components in business area Industrial Components
Became part of Indutrade: 1 August 2009
Number of employees*: 1

www.colly.se



The acquired business revolves around components and sub-systems for automation of industrial manufacturing processes. The products come from leading European manufacturers and are used primarily in automated assembly units for fasteners.

Net sales*: SEK 12 million
Business area: Industrial Components
Became part of Indutrade: 1 December 2009
Number of employees*: 4

www.dominator.se



Dominator Pump AB

Dominator manufactures and distributes pneumatic diaphragm pumps in Scandinavia and is a market leader in this field in Sweden. Their customers are in the food, pharmaceutical, engineering and chemical industry.

Net sales*: SEK 150 million
Business area: Special Products
Became part of Indutrade: 1 November 2009
Number of employees*: 31

www.keyvalve.com



Key Valve Technologies Ltd.

South Korean Key Valve Technologies (KVT) is a leading player in R&D and manufacturing of high pressure valves. The products are used to control pressure and flows in severe-duty environments in power generation and in the petrochemical industry.

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

ROSSING JANSSON

Ingenjörfirman Rossing & Jansson AB

Rossing & Jansson supplies complete system solutions, standalone products and services in the areas of automation and control technology for energy production, industry and shipping.



Net sales*: SEK 20 million

Business area:

Flow Technology

Became part of Indutrade:

1 September 2009

Number of employees*: 4

www.rossingjansson.se

SEFO CONSULTING AB

The acquired business revolves around instruments, products and service for opticians, oculists and ophthalmic clinics. The products come from leading Japanese, American and European manufacturers.



Net sales*: SEK 6 million

Business area:

Industrial Components

Became part of Indutrade:

1 October 2009

Number of employees*: 3

www.sefo.se

Flintec Brasil Ltda

Flintec Brasil, previously a dealer for Flintec's products in Brazil, delivers load cells for the Brazilian marknad.



Net sales*: SEK 4 million

Business area:

Special Products

Became part of Indutrade:

1 September 2009

Number of employees*: 4

www.flintec.com

ENGINEERING & EQUIPMENT

Engineering & Equipment's operations are characterised by components sales as well as a relatively high share of customisation, combinations and installations of products from various suppliers. Compared with the other business areas, sales consist to a slightly higher degree of investment goods.

The five largest subsidiaries are Tecalemit, Lining, Kontram, YTM-Industrial and Labkotec, which together accounted for 74% of the business area's net sales. In early 2009, Tecalemit's five business units were each converted to standalone companies in order to be able to better serve customers and suppliers in various segments.

MARKET

Although the business area's geographic focal point is in Finland, it also has subsidiaries in Sweden, Estonia, Latvia and Lithuania. Engineering & Equipment has a particularly strong position in the Finnish market in most businesses. Competitors consist mainly of 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. Major customers include Kemira, municipal water treatment companies, Metso, Stora Enso and Wärtsilä.

PRODUCT AREAS

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

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 pumps for process industries and equipment for fire safety, central lubrication systems, industrial painting and surface treatment processes.

Transmission

The offering includes customised conveyor belts and power transmission belts for the engineering, food and paper industries.

Flow Technology

The product area, which is the business area's biggest, consists primarily of valves, pumps and pump systems, pipes, 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.

Measurement Equipment

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 general process industries and the energy sector.

Service

Includes repairs, maintenance and service of valves, pumps and compressors. Service activities, with direct ties to sold products, are handled by most of the business area's companies.

YEAR IN REVIEW

Net sales decreased by 17% to SEK 1,569 million (1,900). For comparable units, net sales fell 25%, while currency movements had a favourable effect on net sales, by 8%. Demand in Finland, which is the business area's largest market, was weak during the entire year. Finland's economy is dominated by a large industrial sector with a high share of exports and has been strongly impacted by the downturn in the global economy and the strong euro.

Demand for the business area's products for the industrial sector fell sharply in early 2009 and remained at a low level throughout the year, even though a slight improvement in demand could be noted towards the end of the year. An extensive inventory clear-out took place among industrial customers throughout 2009. Due to weakness among many of the competitors, the business area managed to take market shares in several product areas. The business area's sales to the public sector, including the Water/wastewater treatment/environment customer segment, were stable during the year, entailing that its share of total sales increased.

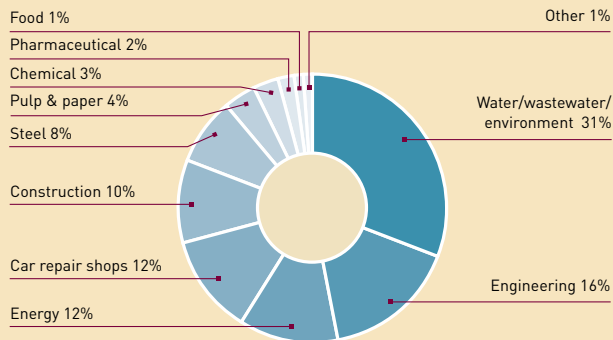
The poorer net sales affected EBITA, which amounted to SEK 83 million (189) for the year, corresponding to an EBITA margin of 5.3% (9.9%). Projects for reducing the level of overheads have been carried out by the companies hurt by the drop in demand. EBITA was charged with SEK 10 million in one time costs.



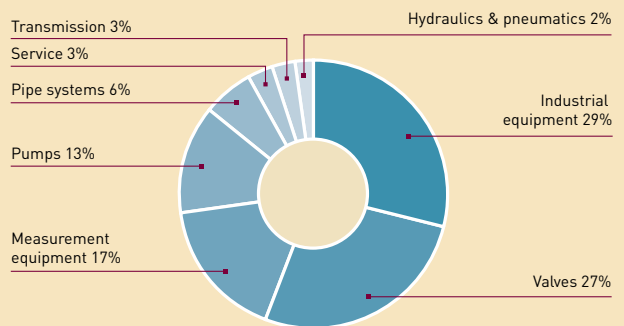
“The year was characterised by weak demand and cost-cutting.”

Curt Kock, President of Engineering & Equipment business area

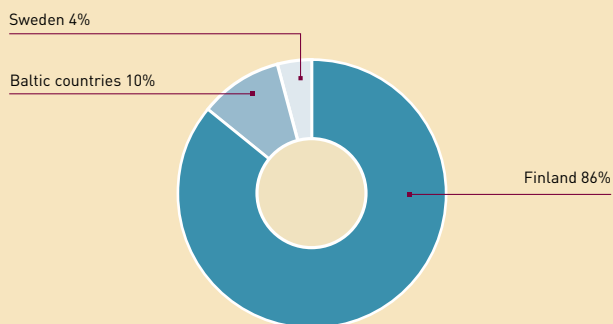
NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



NET SALES PER GEOGRAPHIC MARKET



KEY RATIOS, FIVE YEARS

Key ratios	2009	2008	2007	2006	2005
Net sales, SEK million	1,569	1,900	1,689	1,342	1,176
EBITA, SEK million	83	189	176	129	119
EBITA margin, %	5.3	9.9	10.4	9.6	10.1
Average number of employees	618	657	581	546	453

FLOW TECHNOLOGY

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

The five largest companies are Gustaf Fagerberg AB, Gustaf Fagerberg A/S, GPA, Alnab and Ventim, which together accounted for approximately 48% of the business area's sales in 2009.

MARKET

The business area is the premier 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/wastewater treatment/environment, pulp & paper, medical technology 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, Areva, 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, energy, water treatment and environmental applications. A high level of expertise forms a foundation for close cooperation and partnerships with customers.

Measuring and Analysis Instruments

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

Pipe Systems

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

Pumps

Pumps and customised system solutions in which pumps, regulating systems, valves and pipes are assembled together to form a

complete unit. Many of these are turnkey systems. The product area also includes special products for handling aggressive, corrosive and environmentally hazardous fluids.

Hydraulics

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

Compressors

Pneumatic compressors and vacuum pumps, as well as manufacturing 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 were stable during the year and amounted to SEK 1,689 million (1,712). For comparable units, sales decreased by 3%, while currency movements had a favourable effect on net sales, by 2%.

Demand in the energy and Water treatment/environment customer segments, which account for slightly more than half of the business area's sales, was strong during the year. The positive development in the water treatment segment is mainly due to a higher share of public sector projects. Other customer segments showed weak or stable performance in 2009, with a slight strengthening in demand at the end of the year.

EBITA increased to SEK 186 million (185), entailing that the EBITA margin remained at the same level as a year ago, at 11.0% (10.8%). Profitability was favourably affected by a continued focus on products and customers segments with higher gross margins, among other things. Sales activities were also intensified during the year. In addition, activities were initiated to reduce working capital in the companies, mainly by improving the efficiency of inventory management.

During the year, the company Rossing & Jansson was acquired, with annual sales of approximately SEK 20 million. For nearly 40 years, Rossing & Jansson has been delivering turnkey system solutions, individual products and services in the areas of automation and control technology to the energy generation, industrial and shipping industries. The acquisition strengthens the business area's depth of expertise in control technology.

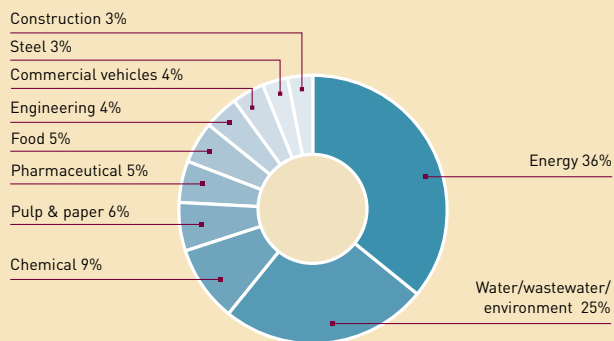
The business area's focus on leadership training in its companies continued during the year. Thirty-five managers and senior executives participated in the "Future Leaders" training programme, which was designed to retain and develop prospective leaders.



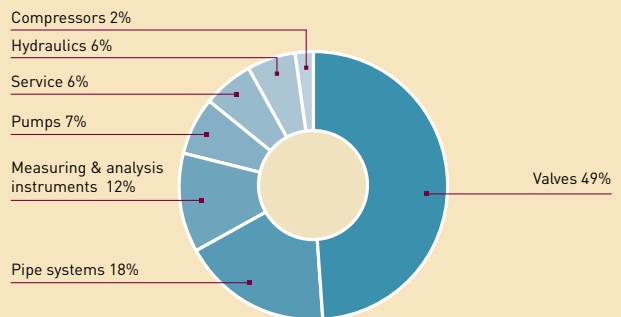
“Continuous focus on products with higher gross margins.”

Peter Eriksson, President of Flow Technology business area

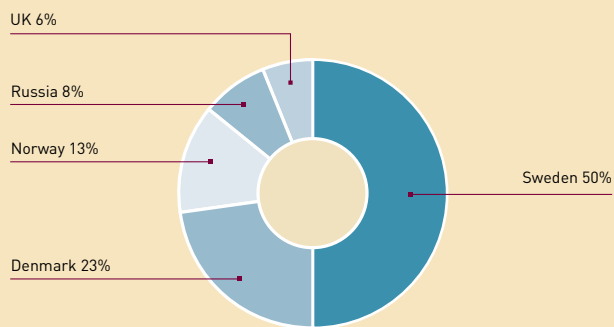
NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



NET SALES PER GEOGRAPHIC MARKET



KEY RATIOS, FIVE YEARS

Key ratios	2009	2008	2007	2006	2005
Net sales, SEK million	1,689	1,712	1,474	1,073	966
EBITA, SEK million	186	185	145	93	67
EBITA margin, %	11.0	10.8	9.8	8.7	6.9
Average number of employees	486	485	428	341	329

INDUSTRIAL COMPONENTS

The Industrial Components business area offers a wide range of technically advanced components and systems for production and maintenance, and medical technology equipment. Products consist to a great extent of consumables. The companies in the 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 five largest companies are G.A. Lindberg ChemTech, EIE Maskin, Bengtssons Maskin, Edeco Tool and Colly Components. Together these companies accounted for approximately 43% of the business area's sales in 2009.

MARKET

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

CUSTOMERS

Key customer groups are in the engineering, energy, pulp & paper, commercial vehicles, food, pharmaceutical and medical technology industries. Major customers include ABB, Metso, Stora Enso, Astra-Zeneca, Novo Nordisk, Tetra Pak, Rolls Royce and Scania.

PRODUCT AREAS

The business area is organised into six product areas: Filters, Pumps and Process Technology; Fasteners and Mechanical Components; Medical Technology; Cutting Tools; Lubricants, Rust Protection and Adhesives; and Transmission and Automation.

Filters, Pumps and Process Technology

The business area works with leading manufacturers primarily of 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 array of fasteners and mechanical components with related assembly and automation equipment. The products are often included as subcomponents in customers' own products. Products also include 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 applications.

Cutting Tools

Through 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 drilling, cutting, turning, milling and thread cutting.

Adhesives and chemical technology

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, corrosion protection, hydraulics and tissue production.

Automation

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

YEAR IN REVIEW

Net sales decreased by 17% to SEK 1,163 million (1,401). For comparable units, net sales fell 22%, while acquired growth was 3%. Currency movements had a favourable effect on net sales, by 2%. Due to the business area's exposure to subcontractors, sales are highly affected by drops in demand among end customers. The demand situation for companies in the Cutting Tools product area, which are commonly subcontractors for the automotive industry, deteriorated considerably during the first half of the year. A slight recovery was noted towards the end of the year. Energy, medical technology and food were customer segments that showed stable or stronger development during the year.

EBITA decreased by 48% to SEK 72 million (150). The EBITA margin fell to 6.2% (10.7%), mainly due to lower volumes. The weak Swedish krona gave rise to higher purchasing costs, which hurt margins. Cost-cutting programmes were initiated in the companies affected by the drop in demand, resulting in costs of SEK 7 million that were charged against EBITA in 2009.

The business area is steadily building up its exposure in the medical technology segment. The companies Essmed and Brinch, which were acquired in 2008 and are active in the ophthalmology sector in the Nordic and Baltic countries, continued to develop well. In 2009 the business area acquired Sefo Consulting's Optic Products business, with annual sales of approximately SEK 6 million. Annual sales in the medical technology segment now amount to roughly SEK 80 million.

Other acquisitions during the year were of the company Dominator Pump, with annual sales of approximately SEK 12 million, and the Automation Products business of Begner AB, with annual sales of approximately SEK 20 million.

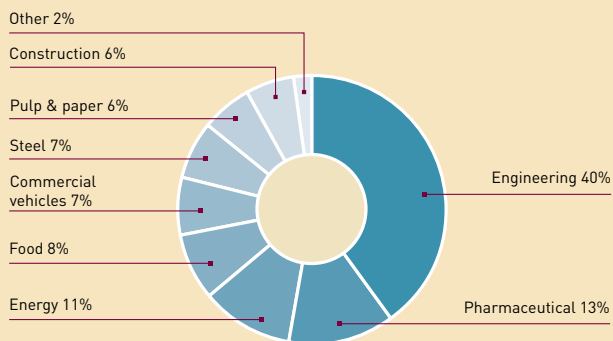
G A Lindberg's co-operation with ExxonMobil as a new distributor of lubricating oils in the Swedish market continued during the year, with favourable growth.



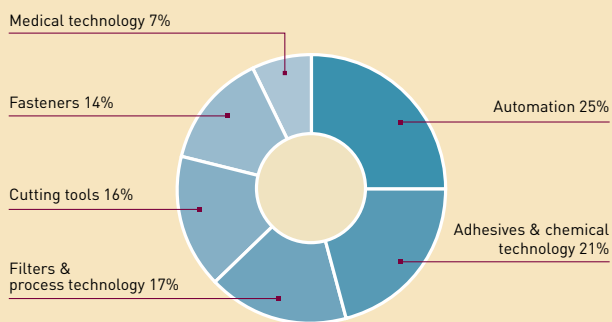
“ The venture into medical technology continues.”

Olof Paulsson, President of Industrial Components business area

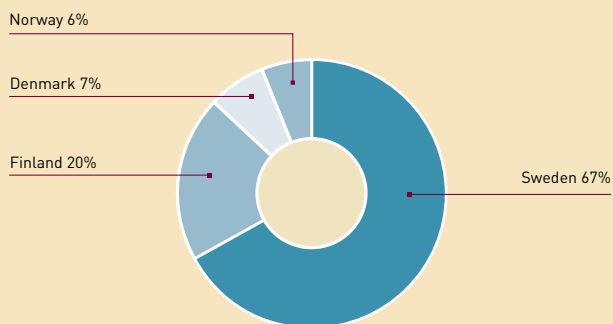
NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



NET SALES PER GEOGRAPHIC MARKET



KEY RATIOS, FIVE YEARS

Key ratios	2009	2008	2007	2006	2005
Net sales, SEK million	1,163	1,401	1,219	1,031	900
EBITA, SEK million	72	150	131	94	60
EBITA margin, %	6.2	10.7	10.7	9.1	6.6
Average number of employees	395	410	381	343	321

SPECIAL PRODUCTS

The Special Products business area offers custom-fabricated niche products, design solutions, aftermarket service and assembly, and special processing. Special Products comprises 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 companies are HP Valves, Flintec, GEFA, HITMA and Aluglas, which together accounted for 61% of the business area's net sales in 2009.

MARKET

The business area is active primarily in Sweden, Germany, Benelux, the USA, the UK, and starting in 2009, also in South Korea.

CUSTOMERS

Customers are primarily in the pharmaceutical, energy, food and engineering industries. 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

The offering consists primarily of filters for cleaning various types of media as well as of 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

The offering consists of glass products and customer-specific technical ceramic products, primarily for the pharmaceutical and cosmetics industries.

Measurement Technology

In this product area Indutrade develops, produces, refines and markets advanced equipment and products 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

The offering includes customised products and finished plastic components. Plastic materials with specific 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 4% to SEK 1,877 million (1,812). For comparable units, sales decreased by 11%, while acquired growth was 7%. Currency movements had a favourable effect on sales, by 8%. The business area's companies in the Netherlands and Belgium, which are mainly active in process technologies and the pharmaceutical industry, continued to perform well and accounted for most of organic growth.

EBITA totalled SEK 288 million (337), and the EBITA margin was 15.3% (18.6%). Together Indutrade's own manufacturing companies accounted for 71% of the business area's sales in 2009.

The lower EBITA margin is attributable in part to a slight shift during the year towards products with lower margins, and in part to lower demand, which mainly affected the business unit's Swedish companies. In these companies, measures have been initiated to adapt capacity to the lower volumes.

The acquisition of the measurement technology company Flintec has progressed well. Even though the EBITA margin decreased in 2009, the company managed to capture market share in profitable segments, including medical technology. Flintec is also investing in development of more qualified products than previously, which will open up opportunities to obtain a higher margin.

During the year, HP Valves acquired the South Korean company Key Valve Technologies Ltd (KVT), with annual sales of approximately SEK 150 million. KVT is a leading player in research, development and manufacturing of high-pressure valves and has worked closely with HP Valves for many years. Today nearly 50% of KVT's sales are through HP Valves. Through this acquisition Indutrade has increased its presence in the Asian market and strengthened its position in the energy segment.

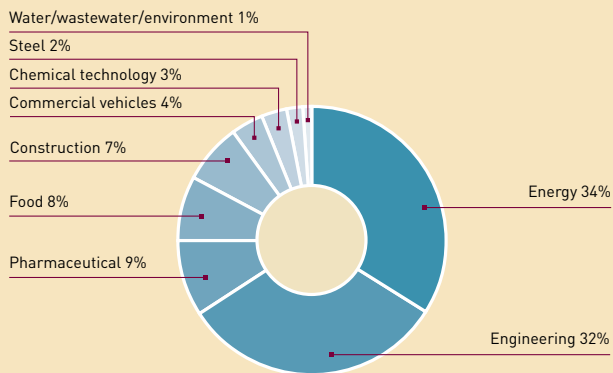
The business area's orientation became even more international in 2009. In addition to the acquisition of KVT in South Korea, sales companies were established in Brazil and China.



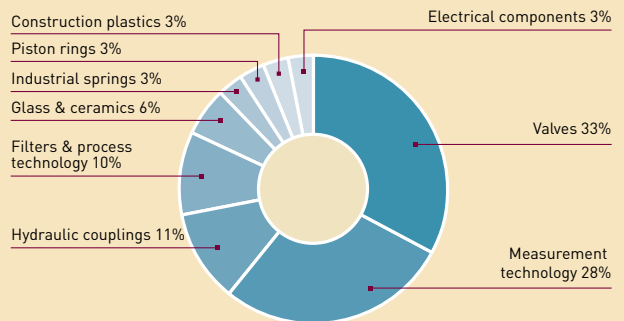
“Acquired companies generated sales growth.”

Johnny Alvarsson, President of Special Products business area

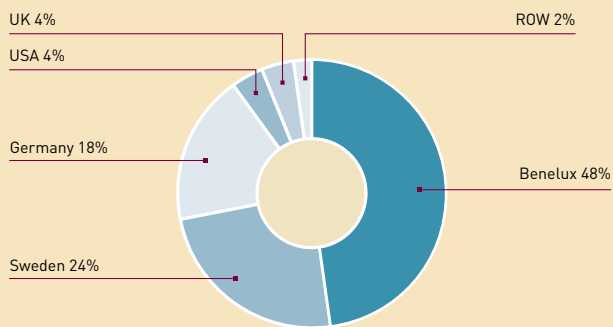
NET SALES PER CUSTOMER SEGMENT



NET SALES PER PRODUCT AREA



NET SALES PER GEOGRAPHIC MARKET



KEY RATIOS, FIVE YEARS

Key ratios	2009	2008	2007	2006	2005
Net sales, SEK million	1,877	1,812	1,322	1,094	805
EBITA, SEK million	288	337	234	179	108
EBITA margin, %	15.3	18.6	17.7	16.4	13.4
Average number of employees	1,615	1,168	531	520	424

OPERATIONAL RISKS

Indutrade conducts operations in 18 countries, in four parts of the world, through some 120 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 less affected 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, however, mainly due to the Group's focus on customers with recurring needs in industries with a high degree of 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.

In addition, Indutrade strives to establish close partnerships with its customers by becoming involved early 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 special management development programmes.

Environmental issues

Of Indutrade's subsidiaries, 9 in Sweden and 3 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 currency 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 pertains to 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 mitigated 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 handed 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 8.3 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 40 million on net sales and approximately SEK 2.8 million on net profit.

SEVERAL-YEAR OVERVIEW

Figures for 2000–2003 not adjusted according to IFRS

Condensed cash flow statements (SEK m)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Net sales	6,271	6,778	5,673	4,516	3,822	3,486	3,197	3,078	3,109	1,919
Cost of goods sold	-4,207	-4,520	-3,826	-3,027	-2,582	-2,367	-2,166	-2,083	-2,123	-1,276
Gross profit	2,064	2,258	1,847	1,489	1,240	1,119	1,031	995	986	643
Development costs	-44	-32	-20	-15	-12	-11	-10	-9	-9	-6
Selling costs	-1,169	-1,169	-972	-835	-725	-677	-663	-642	-623	-393
Administrative expenses	-323	-299	-250	-205	-182	-175	-167	-149	-157	-94
Other operating income/expenses	-3	2	4	2	3	0	4	7	0	28
Operating profit	525	760	609	436	324	256	195	202	197	178
Financial income and expenses	-64	-68	-31	-20	-15	-13	-13	-21	-21	-1
Profit after financial items	461	692	578	416	309	243	182	181	176	177
Tax	-120	-182	-159	-116	-87	-75	-67	-67	-64	-60
Net profit for the year	341	510	419	300	222	168	115	114	112	117
EBITA	594	820	650	460	333	264	229	238	234	198

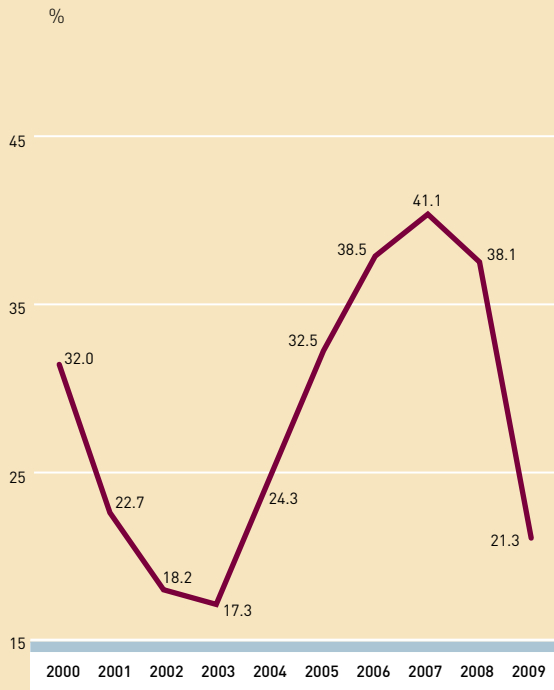
Condensed balance sheets (SEK m)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Assets										
Goodwill	514	574	378	265	210	156	167	133	166	60
Other intangible assets	555	599	364	183	88	15	4	4	5	7
Property, plant and equipment	563	554	388	327	287	277	266	255	225	132
Financial assets	48	52	43	25	31	18	13	19	20	21
Inventories	1,064	1,207	936	719	615	556	567	571	625	382
Current receivables	1,026	1,202	959	748	585	517	480	447	468	293
Cash and cash equivalents	229	223	203	119	117	97	168	172	213	119
Total assets	3,999	4,411	3,271	2,386	1,933	1,636	1,665	1,601	1,722	1,014
Liabilities and equity										
Equity	1,644	1,597	1,189	892	714	708	688	643	611	375
Non-current interest-bearing liabilities	794	705	470	356	411	175	283	449	545	174
Non-current noninterest-bearing liabilities	224	373	198	123	48	24	39	25	19	19
Current interest-bearing liabilities	375	490	383	236	116	204	188	42	82	145
Accounts payable, trade	424	584	470	398	322	263	228	225	227	154
Other current noninterest-bearing liabilities	538	662	561	381	322	262	239	217	238	147
Total liabilities and equity	3,999	4,411	3,271	2,386	1,933	1,636	1,665	1,601	1,722	1,014

Condensed cash flow statements (SEK m)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Cash flow from operating activities before changes in working capital	438	619	526	369	313	251	210	210	201	193
Changes in working capital	120	-129	-127	-104	9	16	-8	44	-66	-37
Cash flow from operating activities	558	490	399	265	322	267	202	254	135	156
Net investment in non-current assets ¹⁾	-90	-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	0	1	-	-8	2	-	13	2	-13
Cash flow from investing activities	-278	-406	-373	-214	-197	-36	-110	-58	-387	-72
Net borrowing/-amortisation	-12	131	203	65	192	-157	-83	-91	340	-51
Dividend payout, Group contributions and shareholder contributions	-256	-210	-150	-110	-301	-144	-11	-144	-1	-105
Cash flow from financing activities	-268	-79	53	-45	-109	-301	-94	-235	339	-156
Cash flow for the year	12	5	79	6	16	-70	-2	-39	87	-72
Cash and cash equivalents at start of year	223	203	119	117	97	168	172	213	119	189
Exchange rate differences	-6	15	5	-4	4	-1	-2	-2	7	2
Cash and cash equivalents at end of year	229	223	203	119	117	97	168	172	213	119

¹⁾ Refers to the sum of the year's investments/divestments of property, plant and equipment and intangible non-current assets (not including company acquisitions and divestments).

Financial ratios (SEK m)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Non-current interest-bearing liabilities	794	705	470	356	411	175	283	449	545	174
Current interest-bearing liabilities	375	490	383	236	116	204	188	42	82	145
Cash and cash equivalents	-229	-223	-203	-119	-117	-97	-168	-172	-213	-119
Group net debt	940	972	650	473	410	282	303	319	414	200
Net dept/equity ratio, %	57	61	55	53	57	40	44	50	68	53
Interest coverage ratio	7.6	10.4	15.8	18.4	18.2	16.3	10.7	7.8	6.6	20.4
Equity ratio, %	41.1	36.2	36.3	37.4	36.9	43.3	41.3	40.2	35.5	37.0
Return ratios (SEK m)	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Return on equity, %	21.3	38.1	41.1	38.5	32.5	24.3	17.3	18.2	22.7	32.0
Return on operating capital, %	22.2	36.7	39.7	35.4	30.0	26.0	23.5	24.0	29.3	36.7
Key data per employee	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Average number of employees	3,122	2,728	1,929	1,673	1,510	1,415	1,377	1,351	1,375	846
Net sales, SEK 000	2,009	2,485	2,941	2,699	2,531	2,464	2,322	2,278	2,261	2,268
Pre-tax profit, SEK 000	148	254	300	249	205	172	132	134	128	209

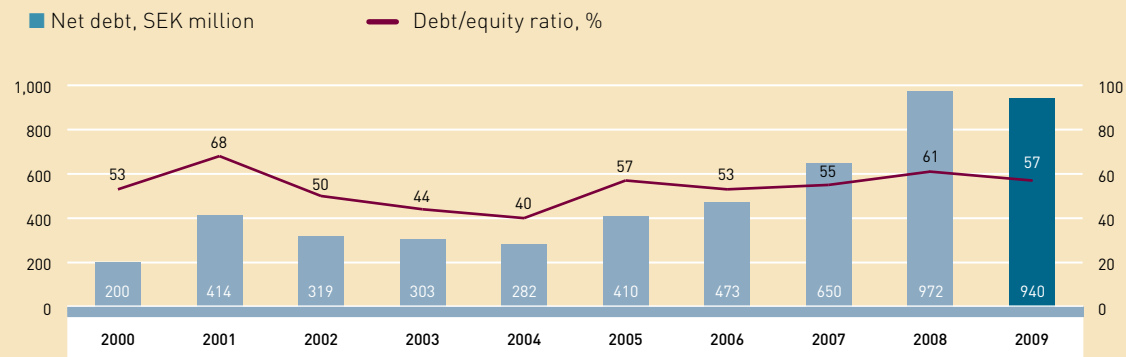
RETURN ON EQUITY



EQUITY RATIO



NET DEBT AND DEBT/EQUITY RATIO



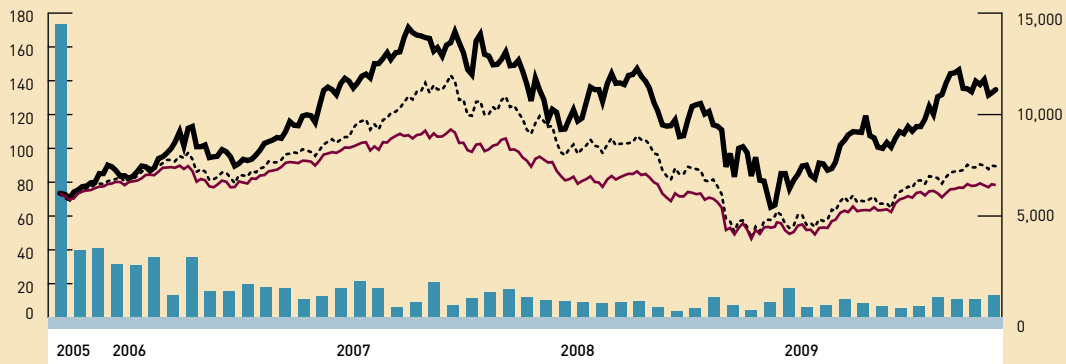
SHARE PRICE TREND 2005-2009

Left axis: share price, SEK

- Indutrade
- OMX Stockholm_PI
- OMX Stockholm Industrials

Right axis:

- Trading volume, thousands of shares



©NASDAQ OMX

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:

Operating profit 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.

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 2009 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 through more than 120 subsidiaries in 18 countries in four parts of the world. Indutrade's shares are listed on Nasdaq OMX Stockholm, Mid Cap list.

NET SALES AND EARNINGS

Business during the year was hurt by weak demand, which affected performance above all of the Engineering & Equipment and Industrial Components business areas.

Incoming orders for the Group amounted to SEK 6,000 million (6,911), a decrease of 13%. For comparable units, incoming orders fell 20%, while acquired growth was 3%. Currency movements had a positive impact on incoming orders, by 4%.

Net sales for the year fell 7% to SEK 6,271 million (6,778). For comparable units, net sales fell 15%, while acquired growth was 3%. The positive currency effect was 5%.

Operating profit before amortisation of intangible assets (EBITA) was SEK 594 million (820), a decrease of 28%. The EBITA margin narrowed by 2.6 percentage points to 9.5% (12.1%). Measures have been taken in the companies affected by the lower demand, with the goal of reducing overheads by SEK 200 million on a full-year basis and the number of employees by 250. During the fourth quarter, costs savings amounted to approximately SEK 53 million. The number of employees decreased by 270 persons compared with year-end 2008.

Net financial items totalled SEK -64 million (-68). Profit after tax decreased by 33% to SEK 341 million (510), corresponding to earnings per share of SEK 8.53 (12.75).

BUSINESS AREAS

Engineering & Equipment

Net sales in 2009 amounted to SEK 1,569 million (1,900), a decrease of 17%. For comparable units, sales fell 25%, while currency movements had a positive effect on net sales, by 8%. EBITA decreased by 56%, to SEK 83 million (189). The EBITA margin was 5.3% (9.9%). Finland, the business area's largest market, was hurt by weak performance during the year for the Finnish export industry. The companies in the business area that have been hurt by the weak trend have focused on reducing their overheads, which had a gradual effect during the year. EBITA was charged with SEK 9 million in costs for adaptation to the lower business volume.

Flow Technology

Net sales in 2009 amounted to SEK 1,689 million (1,712). For comparable units, net sales fell 3%, while currency movements had a positive effect on net sales, by 2%. EBITA for the year was SEK 186 million (185), and the EBITA margin reached 11.0% (10.8%) due to a greater share of products with higher margins.

Industrial Components

Net sales amounted to SEK 1,163 million (1,401), a decrease of 17%. For comparable units, net sales fell 22%, while acquired growth was 3%. Currency movements had a positive effect on net sales, by 2%. EBITA was SEK 72 million (150), and the EBITA margin was 6.2% (10.7%). Cost reduction programmes have been carried out in the companies hurt by lower demand. EBITA was thereby charged with SEK 8 million in one-time costs.

Special Products

Net sales for the year rose 4% to SEK 1,877 million (1,812). For comparable units, net sales fell 11%, while acquired growth was 7%. Currency movements had a positive effect on net sales, by 8%. EBITA was SEK 288 million (337), and the EBITA margin was 15.3% (18.6%). The EBITA margin was affected by a shift towards products with lower margins. Measures were taken during the year in certain Swedish companies to adapt overheads to anticipated outgoing delivery volumes.



COMPANY ACQUISITIONS

The following four companies were acquired during the year:

- Ingenjörfirman Rossing & Jansson AB (Sweden), with annual sales of approximately SEK 20 million.
- Flintec Brasil Ltda (Brazil), with annual sales of approximately 4 million.
- Key Valve Technologies Ltd (South Korea), with annual sales of approximately SEK 150 million.
- Dominator Pump AB (Sweden), with annual sales of approximately SEK 12 million.

In addition, two businesses with combined annual sales of approximately SEK 26 million were acquired; both are included in the Industrial Components business area.

PROFITABILITY, FINANCIAL POSITION AND CASH FLOW

The return on operating capital was 22.2% (36.7%), and the equity ratio was 41.1% (36.2%) at year-end. Equity per share was SEK 41.10 (39.93).

The Group's interest-bearing net debt, after deducting cash and cash equivalents, was SEK 940 million (972), corresponding to a net debt/equity ratio of 57.2% (60.9%).

Cash flow from operating activities was SEK 558 million (490). The increase is attributable to a lower level of working capital.

Net investments in property, plant and equipment, excluding company acquisitions, amounted to SEK 90 million (130). Investments in company acquisitions during the year amounted to SEK 56 million (266). In addition, SEK 132 million (10) was paid in earn-out payments for previous years' acquisitions.

EMPLOYEES

Indutrade had 3,040 employees (3,269) at year-end. The workforce decreased by 270 persons as a result of the weak business situation.

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 was 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 members of the executive management, and a number of subsidiary presidents have acquired a combined total of 169,900 shares and 284,800 stock options in the Company, at market price. The stock options were issued by AB Industrivärden.

Indutrade has compensated the executives participating in the programme for a total of 40% of the invested amount.

The total cost for the Company amounts to approximately SEK 7 million, of which SEK 1.2 million was charged against 2009 earnings.

PRINCIPLES FOR COMPENSATION OF SENIOR EXECUTIVES

Information provided at the 2009 Annual General Meeting pertaining to the 2009 financial year

The Chairman and members of the Board of Directors are paid fees 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 Audit Committee chair 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 five persons: the Chief Financial Officer (CFO), three business area presidents, and the Group Controller. Senior executives employed by subsidiaries receive their compensation from the respective subsidiaries. For the CEO of the Parent Company, the variable salary component has a cap of seven months' salary, i.e., 58% of his base salary. For other senior executives, the variable compensation has a cap of 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 29% 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 2010 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 the achievement of improvements in the Company's and respective business area's earnings and the Group's growth. Variable compensation of Company management can amount to a maximum of approximately SEK 5 million, based on 2010 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. Incentive programmes shall ensure long-term commitment to the Company's development and shall be implemented at market terms.

The pension terms for members of Company management shall be in line with the going rate for peer executives in the market in which the respective executives work and should be based on defined contribution pension solutions or correspond to a general pension plan (in Sweden, the ITP plan). Salary during the notice period for members 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 Remu-

neration 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 business in 18 countries, in four world regions, through more than 120 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 business, Indutrade is exposed to various types of financial risks: financing and liquidity risk, interest rate risk, currency risk, and customer and counterparty risks (credit risk). The Group's financial activities are centralised in the Parent Company in order to benefit from economies of scale and minimise handling risks. 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).

COMPOSITION AND WORK OF THE BOARD

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

During the year, the Board held nine meetings plus the statutory meeting. The Board's work focused on the Group's strategies, 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 4 million (539). Investments in intangible non-current assets amounted to SEK 1 million (1), and investments in property, plant and equipment amounted to SEK 0 million (0). The number of employees on December 31 was 8 (8).

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

SHARE CAPITAL AND SHAREHOLDERS

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

The Board of Indutrade AB (publ) proposes that the 2010 Annual General Meeting authorises 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 Indutrade as payment for shares in companies that Indutrade seeks to purchase.

Indutrade had 5,369 shareholders as per 31 December 2009. Three shareholders together control more than 10% of the share capital and votes:

● AB Industrivärden	36.89%
● AFA Insurance	11.81%
● L E Lundbergföretagen AB	10.00%

EVENTS AFTER THE BALANCE SHEET DATE

Company acquisitions

In January, four businesses were acquired: Techno Skruv i Värnamo AB, with annual sales of approximately SEK 70 million, has a strong market position in customer-specific fasteners and mechanical products. AxMediTec Sp.z.o.o., in Bialystok, Poland, with annual sales of approximately SEK 70 million, specialises in sales of medical technology equipment used for healthcare applications in operating rooms, intensive care wards, emergency wards, and cardio and neonatal units. Techno Skruv and AxMediTec are part of the Industrial Components business area as from 1 January 2010. Corona Control AB, which is included in the Flow Technology business area as from 1 January 2010, has annual sales of approximately SEK 50 million. The company is a total supplier of solutions for industrial valves. In February, Lekang Group was acquired, which specialises primarily in liquid filtration products and services. Lekang Group, which has annual sales of approximately SEK 200 million and conducts business in Norway, Sweden and Denmark, will be included in the Special Products business area. In addition, a small construction plastics business was acquired by the Special Products business area.

RAISED TARGET FOR EBITA MARGIN

In February the Board decided to raise the target for the EBITA margin to a minimum of 10% (8%) over a business cycle, as a result of the company's favourable earnings performance combined with a higher share of manufacturing companies.

FUTURE OUTLOOK

Indutrade's ambition in 2010 is to achieve its set profitability target by adapting operations to the prevailing conditions in the business environment. However, there is great uncertainty regarding performance in 2010 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	547
Net profit for the year	289
	<hr/>
	836

The dividend proposed by the Board of Directors corresponds to 20% of the Parent Company's equity and 10% 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 well-balanced with respect to the goals, scope and risks of the operations and with respect to the opportunities to meet the Company's future obligations.

If the dividend had been paid out at year-end, the equity ratio would have been 37%. 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 target limit.

The Board of Directors proposes the following distribution of earnings:

(SEK million)	
Dividend of SEK 4.30 per share	172
To be carried forward	664
	<hr/>
	836

THE BOARD'S ASSURANCE

The Board of Directors and President certify that the consolidated financial statements and annual report have been prepared in accordance with International Financial Reporting Standards (IFRS) and generally accepted accounting principles and give a true and fair view of the Group's and Parent Company's 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, 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 position in general are shown in the following income statements, balance sheets, cash flow statements and notes.

Stockholm, 11 March 2010

Bengt Kjell
Chairman of the Board

Owe Andersson
Director

Michael Bertorp
Director

Gerald Engström
Director

Eva Färnstrand
Director

Ulf Lundahl
Director

Johnny Alvarsson
President and CEO, Director

Our audit report was submitted on 15 March 2010.

Öhrlings PricewaterhouseCoopers AB

Lennart Danielsson
Authorised Public Accountant



CONSOLIDATED INCOME STATEMENT

GROUP			
SEK million	Note	2009	2008
Net sales	3	6,271	6,778
Cost of goods sold		-4,207	-4,520
Gross profit		2,064	2,258
Development costs		-44	-32
Selling costs		-1,169	-1,169
Administrative expenses		-323	-299
Other operating income	4	24	25
Other operating expenses	4	-27	-23
Operating profit	5, 6, 7, 8, 13, 30	525	760
Financial income	9	8	12
Financial expenses	10	-72	-80
Profit after financial items		461	692
Tax	12	-120	-182
Net profit for the year		341	510
Earnings per share, SEK ¹⁾		8.53	12.75
Proposed dividend per share, SEK		4.30	6.40

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

GROUP		
SEK million	2009	2008
Net profit for the year	341	510
Other comprehensive income		
Actuarial gains/losses	12	-1
Tax attributable to actuarial gains/losses	-3	0
Exchange rate differences	-47	109
Other comprehensive income, net after tax	-38	108
Total comprehensive income for the year	303	618

CONSOLIDATED BALANCE SHEET

GROUP			
SEK million	Note	31 Dec. 2009	31 Dec. 2008
ASSETS			
Non-current assets			
	14		
Intangible assets			
Goodwill		514	574
Other intangible assets		555	599
Total intangible assets		1,069	1,173
Property, plant and equipment			
	15		
Land and buildings		273	254
Machinery		133	135
Equipment		141	150
Construction in progress and advances for property, plant and equipment		16	15
Total property, plant and equipment		563	554
Financial assets			
Financial assets available for sale	16	7	8
Non-current receivables	17	13	13
Deferred tax assets	12	28	31
Total financial assets		48	52
Total non-current assets		1,680	1,779
Current assets			
Inventories	18	1,064	1,207
Accounts receivable, trade	19	901	1,102
Tax assets		47	17
Other current receivables		29	38
Prepaid expenses and accrued income	20	49	45
Cash and cash equivalents	29	229	223
Total current assets		2,319	2,632
Total assets		3,999	4,411

CONSOLIDATED BALANCE SHEET

GROUP			
SEK million	Note	31 Dec. 2009	31 Dec. 2008
EQUITY AND LIABILITIES			
<i>Equity</i>			
Share capital		40	40
Reserves		79	126
Profit brought forward incl. net profit for the year		1,525	1,431
Total equity		1,644	1,597
<i>Non-current liabilities</i>			
Borrowings	22	672	568
Other non-current liabilities		2	1
Pension obligations	23	122	136
Deferred tax liabilities	12	128	146
Other provisions	24	94	227
Total non-current liabilities		1,018	1,078
<i>Current liabilities</i>			
Borrowings	22	375	490
Accounts payable, trade		424	584
Current tax liabilities		32	60
Other current liabilities		164	168
Provisions	24	87	132
Accrued expenses and deferred income	25	255	302
Total current liabilities		1,337	1,736
Total equity and liabilities		3,999	4,411
Pledged assets	27	236	329
Contingent liabilities	28	1	1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GROUP SEK million	Attributable to owners of the parent			Total
	Share capital	Reserves	Profit brought forward	
Opening balance, 1 January 2008	40	17	1,132	1,189
Comprehensive income				
Net profit for the year	—	—	510	510
Other comprehensive income				
Actuarial gains/losses	—	—	-1	-1
Tax attributable to actuarial gains/losses	—	—	0	0
Exchange rate differences	—	109	—	109
Total comprehensive income	40	126	1,641	1,807
Transactions with shareholders				
Dividend payout for 2007	—	—	-210	-210
Opening balance, 1 January 2009	40	126	1,431	1,597
Comprehensive income				
Net profit for the year	—	—	341	341
Other comprehensive income				
Actuarial gains/losses	—	—	12	12
Tax attributable to actuarial gains/losses	—	—	-3	-3
Exchange rate differences	—	-47	—	-47
Total comprehensive income	40	79	1,781	1,900
Transactions with shareholders				
Dividend payout for 2008	—	—	-256	-256
Closing balance, 31 December 2009	40	79	1,525	1,644

CONSOLIDATED STATEMENT OF CASH FLOWS

GROUP			
SEK million	Note	2009	2008
Operating activities			
Cash flow from operating activities	29	801	776
Interest received		7	9
Interest paid		-49	-61
Paid tax		-201	-234
Cash flow from operating activities		558	490
INVESTING ACTIVITIES			
Acquisitions of subsidiaries	26	-188	-276
Acquisitions of property, plant and equipment	15	-90	-127
Sales of property, plant and equipment	15	15	16
Acquisitions of intangible non-current assets	14	-15	-19
Decrease/increase in financial assets		0	0
Cash flow from investing activities		-278	-406
FINANCING ACTIVITIES			
Borrowings		628	385
Repayment of debt		-640	-254
Dividend		-256	-210
Cash flow from financing activities		-268	-79
Cash flow for the year		12	5
Cash and cash equivalents at start of year		223	203
Exchange rate differences in cash and cash equivalents		-6	15
Cash and cash equivalents at end of year	29	229	223

INCOME STATEMENT/CASH FLOW STATEMENT, PARENT COMPANY

PARENT COMPANY INCOME STATEMENT			
SEK million	Note	2009	2008
Net sales		1	1
Gross profit		1	1
Administrative expenses		-34	-39
Other operating income/ expenses	4	-1	-2
Operating loss	5, 6, 7, 8, 13, 30	-34	-40
Financial income	9	20	32
Financial expenses	10	-48	-54
Profit from participations in Group companies	11	378	453
		350	431
Profit after financial items		316	391
Change in tax allocation reserve		14	-14
Excess depreciation of equipment		-1	0
Profit before tax		329	377
Tax	12	-40	-62
Net profit for the year	21	289	315

PARENT COMPANY CASH FLOW STATEMENT			
SEK million	Note	2009	2008
OPERATING ACTIVITIES			
Cash flow from operating activities	29	93	-42
Interest received		18	30
Interest paid		-37	-48
Group contributions received and dividend income		490	441
Income tax paid		-90	-83
Cash flow from operating activities		474	298
INVESTING ACTIVITIES			
Acquisitions of subsidiaries	16	-135	-248
Acquisitions of property, plant and equipment	15	0	0
Acquisitions of intangible, non-current assets	14	-1	-1
Change in financial assets		122	—
Cash flow from investing activities		-14	-249
FINANCING ACTIVITIES			
Borrowings		426	384
Repayment of debt		-350	-214
Change in current financial liabilities		-257	0
Dividends paid		-256	-210
Cash flow from financing activities		-437	-40
Cash flow for the year		23	9
Cash and cash equivalents at start of year		18	9
Cash and cash equivalents at end of year	29	41	18

BALANCE SHEET, PARENT COMPANY

PARENT COMPANY			
SEK million	Note	31 Dec. 2009	31 Dec. 2008
ASSETS			
Non-current assets			
Intangible non-current assets			
Software and licences	14	2	1
Property, plant and equipment			
Equipment	15	2	2
Financial assets			
Participations in Group companies	16	1,329	1,393
Receivables from Group companies	17	—	120
Deferred tax assets	12	3	1
Total financial assets		1,332	1,514
Total non-current assets		1,336	1,517
Current assets			
Current receivables			
Receivables from Group companies		627	613
Current tax assets		26	—
Other receivables		0	0
Prepaid expenses and accrued income	20	2	2
Total current receivables		655	615
Cash and cash equivalents	29	41	18
Total current assets		696	633
Total assets		2,032	2,150

PARENT COMPANY			
SEK million	Note	31 Dec. 2009	31 Dec. 2008
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	21	40	40
Statutory reserve		5	5
		45	45
Unrestricted equity			
Profit brought forward		547	488
Net profit for the year		289	315
		836	803
Total equity		881	848
Untaxed reserves			
Tax allocation reserve		—	14
Excess depreciation of equipment		1	0
Total untaxed reserves		1	14
Non-current provisions	24	83	199
Non-current liabilities			
Borrowings	22	420	495
Liabilities to Group companies		0	0
Total non-current liabilities		420	495
Current liabilities			
Borrowings	22	288	394
Accounts payable, trade		0	0
Current tax liabilities		—	21
Liabilities to Group companies		285	80
Other current liabilities		0	0
Provisions	24	68	87
Accrued expenses and deferred income	25	6	12
Total current liabilities		647	594
Total equity and liabilities		2,032	2,150
Pledged assets			
	27	127	189
Contingent liabilities			
	28	295	97

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 through subsidiaries in Sweden, Finland, Norway, Denmark, Estonia, Latvia, Lithuania, Russia, Germany, the Netherlands, Belgium, the UK, Sri Lanka, the USA, Brazil and Korea. 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 11 March 2010. The consolidated and Parent Company income statements and balance sheets will be presented for adoption by the Annual General Meeting on 24 May 2010.

Basis of preparation

The consolidated accounts for the Indutrade Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union and in accordance with RFR 1.2 and the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the cost method, with the exception of revaluations of derivative instruments, which have been stated at fair value through profit or loss.

Preparation of reports in accordance with IFRS requires the use of 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 2009

Effective 1 January 2009 the Group applies IFRS 8 Operating Segments, the amendment of IAS 32 Financial Instruments: Presentation, and IAS 1 R Presentation of Financial Statements. None of these has any material impact on Indutrade's financial statements or any impact on Indutrade's result of operations and position. However, the new standard, IFRS 8, entails that Note 3 has acquired certain additional supplementary disclosures, and the amendment of IAS 1 has resulted in the addition of a new financial statement for the Group: the consolidated statement of changes in equity. In addition to these new standards are requirements that the Group apply the amendment of IFRS 2 Share-based Payment and the amendment of IAS 23 Borrowing Costs. However, IFRS 2 has no effect on the Group, and IAS 23 does not affect the Group at all, since there are currently no assets for which borrowing costs can be capitalised. The interpretations IFRIC 13 and IFRIC 14 were approved in 2008, with application as from 1 July 2009. IFRIC 13 is not relevant for Indutrade, and IFRIC 14, which provides guidance for IAS 19, has not had any effect on the Group's result of operations or position.

Standards, amendments and interpretations that apply as from 1 January 2010

No newly issued IFRSs or interpretations have been applied prospectively.

Effective 1 January 2010, the Group will begin to apply two revised standards: IAS 27 R: Consolidated and Separate Financial Statements, and IFRS 3 R Business Combinations. Even though the Group acquires many companies, application of these revised standards is not expected to result in any material differences. This is because the major changes pertain to companies that do not acquire 100% of the interests, which Indutrade's basic principle is to always do. A change that will have some effect is that acquisition costs will no longer be capitalised. Apart from these two changes, there are no new IFRSs or IFRIC pronouncements that will have a material impact on the Group's result of operations or position in 2010.

Basis of consolidation

The consolidated accounts include subsidiaries in which the Parent Company directly or indirectly has a controlling interest. Subsidiaries are recognised in the consolidated accounts from the date when the controlling interest is transferred to the Group. They are derecognised 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 a subsidiary's equity that arose after its acquisition is included in the Group's equity.

If the consolidated cost of shares exceeds the value of the Company's net assets used in the purchase price allocation, then the difference 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 result and financial position of all Group companies that have a different functional currency than their reporting currency are translated to the Group's reporting currency in accordance with the following:

- assets and liabilities 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 currency 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 currency at the exchange rate on the balance sheet date are reported in the income statement. Exchange rate differences that arise upon translation or realisation of operating assets/liabilities are reported as other income/expenses, while exchange rate differences that arise upon payment of financial assets/liabilities are reported as financial income/expenses.

Intangible non-current assets

Goodwill

Goodwill 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. Gains or losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold. Goodwill is allocated at the segment level for impairment testing. For impairment testing during the year, see "Impairment testing of non-financial assets" below.

Agencies, trademarks, customer lists, licences, etc.

The Group's standpoint is that agencies, trademarks, customer lists, 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, trademarks and the customer relationships that are included as part of the acquisition. Since most of Indutrade's acquisitions are small, it is not possible to break down the intangible assets. According to IFRS, supplementary disclosures are to be made for each significant intangible asset. Since the Indutrade Group's intangible assets mainly consist of many small sub-items, where none constitutes an intangible item with material impact on the Group's result or position, no supplementary disclosures are made for these 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).

Property, plant and equipment

Property, plant and equipment are stated at cost less 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. The following depreciation periods are used:

Buildings	25-40 years
Machinery	5-10 years
Equipment	3-10 years
No depreciation is booked for land.	

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 for the amount in which the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less selling costs and its value in use. When determining any need to recognise impairment, assets are grouped at the lowest levels in which there are separate, identifiable cash flows (cash-generating units). For Indutrade this entails that such determination is done at the segment level. For assets other than financial assets and goodwill for which an impairment loss has previously been recognised, a test is performed as per each balance sheet date to determine if any reversals should be done.

Inventories

Inventories are stated at the lower of their cost and net realisable value. The cost 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 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 initially stated at fair value and thereafter in the amount that is expected to be received after individual assessment. A provision for decreases in the value of trade accounts receivable is made when there is objective evidence that the Group will not be able to receive all amounts due according to the original terms of the receivable. Testing is conducted locally in the respective subsidiaries. The asset's carrying amount is reduced through use of a value impairment account, and the loss is reported in the income statement under the item Selling costs. Recoveries of previous impairment losses are credited to Selling costs in the income statement.

Since the Group consists of 120 active companies, the item Trade accounts receivable consists of many small amounts. The subsidiaries have close contact with their customers, and thus valuation of trade accounts receivable seldom does pose any difficulty. The risk is lower, and the subsidiaries can act quickly if a customer does not pay in accordance with the terms and conditions. See also Note 2. Since Indutrade's trade accounts receivable normally have a remaining 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. Drawn bank overdraft facilities are stated in the balance sheet under Borrowings.

Trade accounts payable

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

Derivative instruments

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 fair value are included in the income statement during the period in which they arise. Profits and losses arising from forward cover of payments in foreign currencies are posted as other operating income/expense, and the earnings effect of forward contracts used to hedge loans is reported among financial income and expenses.

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 the principal 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 useful life or lease period.

Segment reporting

The Group applies IFRS 8, effective from the 2009 financial year. Segment reporting is based on the internal reporting to the chief operating decision maker. For Indutrade, this means the Group CEO and the key ratios that he receives on a monthly basis for the business areas. The segment classification has not been affected compared with 2008; the Group's business areas constitute operating segments in the same way that they constituted primary segments in accordance with the previous rules.

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

The liability carried on the balance sheet pertaining to defined benefit pension plans consists of the present value of the defined benefit obligations on the balance sheet date, less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is calculated by discounting the anticipated future cash flows using the rate of interest for 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. If the requirements in IAS 38 for internally prepared intangible assets are fulfilled, then the development that has been conducted is capitalised and is included in Other intangible assets in Note 14. The requirements of this standard are that it is possible to identify the asset, that it will generate future economic benefit, and that the cost can be determined in a reliable manner.

Revenue recognition

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

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

Important estimations and assumptions for accounting purposes

The Group makes estimations and assumptions about the future. By definition, the estimations for accounting purposes that are a consequence of these rarely match the actual outcome. 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 non-financial assets

In connection with the annual impairment testing of goodwill and other non-financial assets, which was conducted most recently in December 2009, Indutrade applied a model in which assumptions were made about such items as revenue growth, gross margins, investments and cost of capital. The following important assumptions 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 has been estimated at 14%. The gross margin has been assumed as the reported gross margin for 2009. The impairment test was performed at the segment level, which is the Group's 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 per 31 December 2009, 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 21 million, including payroll tax, and other defined benefit plans would increase by SEK 35 million. If the discount rate were to be increased by 1 percentage point, the PRI liability would decrease by SEK 16 million, and other defined benefit plans would decrease by SEK 30 million.

Parent Company

The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act and RFR 2.2, Reporting for Legal Entities. According to RFR 2.2, in the annual report for a legal entity, the Parent Company shall apply all IFRSs and statements endorsed by the EU as far as possible within the confines of the Annual Accounts Act and taking into account the connection between reporting and taxation. The recommendations indicate which exceptions and amendments are to be applied with respect to IFRS. The Company has not chosen to apply new rules prospectively.

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 conducts business in Sweden, Finland, Denmark, Norway, the Netherlands, Belgium, Germany, the UK, Sri Lanka, the USA, the Baltic countries, Russia, Korea and Brazil. 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 approximately 120 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 attach great value to the technical expertise, availability and delivery reliability provided by an inventory-holding local technology sales company such as Indutrade. Indutrade's companies also provide aftermarket services such as servicing.

Financial risks

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 requirement 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. Group account systems are established in Sweden, Finland, Norway and the Netherlands.

At year-end 2009 the Parent Company had external interest-bearing loans worth SEK 708 million (889). The corresponding amount for the Group was SEK 1,047 million (1,058). 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 940 million at year-end, compared with SEK 972 million a year earlier.

At year-end 2009 the Group had SEK 229 million (223) in cash and cash equivalents and SEK 497 million (767) in granted, unutilised overdraft facilities. Of the Group's interest-bearing loans, 64% of the total amount falls due for payment after 31 December 2010. 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 57% (61%).

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 2009 most of the Group's loans carried variable rates of interest. At the preceding year-end, the average remaining fixed interest term for the Group's loans was 1 month. 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 8.3 million in interest expense (9.2), without taking into account the loans' fixed interest periods. Taking into account the existing fixed interest periods, the effect would be approximately SEK 8.3 million (6.3). Earnings after tax would be affected by SEK -6.1 million (-6.8).

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	
	2009	2008	2009	2008
Maturity dates for financial liabilities:				
Maturity 2009	—	365	—	318
Maturity 2010	315	216	258	159
Maturity 2011	322	297	223	280
Maturity 2012	167	41	43	38
Maturity 2013	73	67	67	63
Maturity 2014 or thereafter	130	—	115	—
Total borrowings incl. interest, SEK m	1 007	986	706	858

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

The consolidated income statement includes SEK 3 million (-5) in exchange rate differences in operating profit and SEK 0 million (-6) in net financial items.

With respect to transaction exposure, at year-end 2009 Indutrade had net exposure of SEK -90 million in foreign currency (-115). See the breakdown of currencies in the following table.

Transaction exposure in foreign currency

GROUP	2009		2008	
	local currency	SEK	local currency	SEK
Net exposure				
in millions				
EUR	-5,7	-59	-9,5	-103
GBP	-2,6	-30	-2,1	-24
USD	-1,2	-9	-2,4	-18
CHF	-1,0	-7	2,2	13
DKK	10,8	15	5,7	8
Other currencies		0		9
Total net exposure		-90		-115

At year-end the Group had outstanding forward contracts worth SEK 41 million (135) to reduce the currency risk associated with future flows, of which SEK 1 million (35) pertains to EUR, and SEK 44 million (99) pertains to USD. The contracts in EUR expire within six months. Market valuation of outstanding forward contracts as per 31 December 2009 has resulted in an unrealised loss/gain of SEK 0 million (-2.7).

In addition, the Parent Company has hedged outstanding receivables from subsidiaries. Forward contracts pertain to DKK 31 million (37), NOK 20 million (11), GBP 17 million (16) and EUR 135 million (191). 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. Net investments in foreign subsidiaries at year-end are shown in the following table. Indutrade also had net investments in other currencies both in 2009 and 2008, but the amounts were insignificant.

Net investments in foreign subsidiaries

GROUP	2009		2008	
	local currency	SEK	local currency	SEK
Net exposure				
in millions				
EUR	73,2	758	69,6	761
LKR	2 233	141	1 888	129
DKK	52,4	73	67,0	98
NOK	48,2	60	44,5	49
GBP	7,4	85	7,4	83

Indutrade estimates that the Company's translation exposure entails that a 1% change in the value of the Swedish krona vs. other currencies would result in a yearly positive/negative effect corresponding to approximately SEK 40 million (36) on net sales and approximately SEK 2.8 million (3.8) 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 conducts 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 impaired trade accounts receivable and customer losses, see Note 19.

NOTE 3 SEGMENT REPORTING

Starting in 2009, Indutrade applies a new IFRS standard that covers reporting of the Group's operating segments, see also Note 1.

The Group is organised into four business areas: Engineering & Equipment, Flow Technology, Industrial Components and Special Products, which constitute the Group's operating segments; these are identical to the primary segments according to a previous IFRS. The Group's business areas conduct business primarily in the Nordic countries and northern Europe.

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

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

The Industrial Components business area offers a wide range of technically advanced components and systems for production and maintenance. Its products, which consist mainly of consumables for recurring needs, include – among others – fasteners, mechanical components, filters, pumps, lubricants, corrosion prevention products, adhesives, transmissions, 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, among others, valves, filters, hydraulic couplings, electrical components, glass, technical ceramics, measurement technology products, special plastics, industrial springs and piston rings.

According to IFRS, the part of operations that does not constitute its own operating segment is to be designated as a segment called "Other". Indutrade AB lacks a major revenue source, which is why the Parent Company does not constitute its own operating segment. In the table below, the Other segment is not reported separately, but is instead reported together with eliminations.

The operating segments are followed up through Net sales, which include both external and internal sales. However, the scope of internal sales between the subsidiaries is very limited. At most, internal sales account for 1% of an individual business area's net sales.

Since IFRS requires reporting of more earnings metrics than the ones that are followed up by the chief operating decision maker, additional earnings metrics are included in the table below. However, the central earnings metric for Indutrade is EBITA.

The business areas are followed up using the same accounting principles as the Group. The principles for calculation have not been affected compared with earlier periods or due to application of IFRS 8. The primary segments according to the reporting for 2008 are the same as Indutrade's operating segments.

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

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

The principle for breaking down external revenue and non-current assets per geographic area in the tables below is that such reporting is based on the location of the subsidiary's registered office. Since the Group's companies receive most of their revenue from agency operations, sales are conducted in the same country in which the companies have their registered offices.

The products that Indutrade sells can be broken down into roughly 20 product groups. The largest – valves – accounted for 29% of net sales in 2009, or SEK 1,836 million (1,464). Hydraulics and industrial equipment accounted for 17%, or SEK 1,039 million (1,121), and measurement technology products accounted for SEK 992 million (559). Other product groups accounted for 6% or less of net sales.

Note 3, continued

Indutrade's operating segments

2009	EE	FT	IC	SP	TOTAL	P.C./ELIM.	TOTAL GROUP
Net sales	1,569	1,689	1,163	1,877	6,298	-27	6,271
Operating profit	68	172	62	258	560	-35	525
Income tax	-22	-19	-1	-41	-83	-37	-120
Profit for the year	51	40	18	131	240	101	341
Amortisation of intangible assets	-15	-14	-10	-30	-69	0	-69
Depreciation of property, plant and equipment	-9	-16	-16	-47	-88	-1	-89
Sales growth, %	-17.4	-1.3	-17.0	3.6	—	—	-7.5
EBITA	83	186	72	288	629	-35	594
EBITA margin, %	5.3	11.0	6.2	15.3	—	—	9.5
Operating capital	502	587	445	1,310	2,844	-260	2,584
Return on operating capital, %	15.3	34.0	16.6	21.5	—	—	22.2
Investments in non-current assets	12	20	19	53	104	1	105
Total assets	720	1,022	745	1,760	4,247	-248	3,999
Total liabilities	378	553	449	755	2,135	220	2,355

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
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	0	-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 in non-current assets	33	21	22	68	144	2	146
Total assets	955	1,020	811	1,906	4,692	-281	4,411
Total liabilities	537	567	522	881	2,507	307	2,814

Revenue from external customers per geographic area

GROUP	2009	2008
Sweden	2,218	2,544
Finland	1,607	1,919
Benelux	871	768
Denmark and Norway	744	705
Other world	831	842
	6,271	6,778

Non-current assets per geographic area

GROUP	2009	2008
Sweden	823	896
Finland	227	249
Benelux	189	220
Other world	393	362
	1,632	1,727

NOTE 4 OTHER OPERATING INCOME/EXPENSES

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Other operating income				
Exchange rate gains	23	18	—	—
Other	1	7	—	—
	24	25	—	—
Other operating expenses				
Exchange rate losses	-27	-23	-1	-2
	-27	-23	-1	-2
Other operating income/expenses	-3	2	-1	-2

NOTE 5 AVERAGE NUMBER OF EMPLOYEES

	2009		2008	
	No. employees	Of whom, women	No. employees	Of whom, women
Parent Company	8	4	8	4
Subsidiaries in Sweden	865	160	913	191
Total Sweden	873	164	921	195
Subsidiaries outside Sweden				
Denmark	149	23	151	24
Finland	587	100	617	101
Netherlands	177	44	169	38
Norway	60	10	57	8
Sri Lanka ¹⁾	870	392	464	193
UK	118	15	106	14
Germany	117	37	104	33
Other	171	38	139	30
Total outside Sweden	2 249	659	1 807	441
Group total	3 122	823	2 728	636

¹⁾ Included for 6 months in 2008.

The Parent Company's board is composed of one woman and six men, compared with one woman and seven men a year earlier. 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

	2009			2008		
	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	11	7	3	14	8	3
Subsidiaries in Sweden	366	175	49	372	177	43
Total Sweden	377	182	52	386	185	46
Subsidiaries outside Sweden						
Denmark	103	11	8	96	8	6
Finland	287	61	48	282	65	49
Netherlands	87	26	14	77	26	16
Norway	38	8	1	31	4	1
Sri Lanka ¹⁾	19	—	—	9	—	—
UK	42	6	2	35	8	2
Germany	58	10	0	53	9	0
Other	41	9	0	33	7	0
Total outside Sweden	675	131	73	616	127	74
Group total	1 052	313	125	1 002	312	120

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 19 million (17).

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

	2009			2008		
	Company management	Of which, bonuses and similar	Other employees	Company management	Of which, bonuses and similar	Other employees
Parent Company	5	0	5	7	2	7
Subsidiaries in Sweden	46	5	321	44	7	328
Total Sweden	51	5	326	51	9	335
Subsidiaries outside Sweden						
Denmark	8	0	95	6	1	90
Finland	31	1	257	24	3	258
Netherlands	6	2	81	4	0	73
Norway	6	0	32	5	0	26
Sri Lanka ¹⁾	2	0	18	1	0	8
UK	4	1	39	2	—	33
Germany	6	1	52	4	1	49
Other	3	0	35	4	1	29
Total outside Sweden	66	5	609	50	6	566
Group total	117	10	935	101	15	901

¹⁾ Included for 6 months in 2008.

Total absence due to illness in the Parent Company in 2009 was 32 hours of a total of 12,874 hours, i.e., 0.25% (3.46%) of the total number of work hours. Long-term absence due to illness accounted for 0 hours (456). By long-term absence is meant uninterrupted absence due to illness lasting more than 60 days.

Executive compensation

Information provided at the 2009 Annual General Meeting pertaining to the 2009 financial year

The Chairman and members of the Board of Directors are paid fees 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 Audit Committee chair. Compensation for the CEO and other senior executives consists of a base salary, variable compensation, other benefits and pension. By other senior executives is meant five persons: the Chief Financial Officer (CFO), three business area presidents and the Group Controller. Senior executives employed by the subsidiaries receive their compensation from the respective subsidiaries. For the CEO of the Parent Company, the variable salary component has a cap corresponding to seven months' salary, i.e., 58% of his base salary. For other senior executives, the variable compensation has a cap corresponding to between 3 and 7 months' salaries, or 25%–58% of base salary. The variable compensation is related to the earnings performance of the Group or of the respective business units. The retirement age for the CEO is 65. In addition to statutory pension benefits, Indutrade is to pay pension premiums corresponding to 35% of his base salary, but not more than the amount that is tax deductible for the Company. The CEO is entitled to choose his pension 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 29% 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 169,900 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 2009 earnings.

The Board's proposed principles for compensation and other terms of employment for Company management to be presented to the 2010 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. Variable compensation for members of Company management can amount to a maximum of approximately SEK 5 million, based on 2010 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 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 decisions 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.

COMPENSATION AND OTHER BENEFITS, 2009

	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, Audit Committee chair	225	—	—	—	225
Owe Andersson, Director	200	—	—	—	200
Ulf Lundahl, Director	200	—	—	—	200
Gerald Engström, Director	200	—	—	—	200
Johnny Alvarsson, President and CEO	3,660	188	103	1,329	5,280
Other senior executives (5 persons)	7,741	1,170	475	2,289	11,675
Total	12,826	1,358	578	3,618	18,380

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, Audit Committee chair	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 (5 persons)	7,330	2,977	461	2,573	13,341
Total	12,346	5,210	567	3,769	21,892

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	
	2009	2008	2009	2008
Cost of goods sold	99	84	—	—
Development costs	4	1	—	—
Selling costs	40	41	—	—
Administrative expenses	15	12	0	0
	158	138	0	0

NOTE 8 OPERATING LEASES

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Leasing payments expensed during the year:	132	92	7	7
Future contracted leasing payments				
Maturity year 1	112	103	4	4
Maturity year 2	67	67	4	4
Maturity year 3	46	40	2	4
Maturity year 4	22	25	—	2
Maturity year 5	16	12	—	0
Maturity year 6-	41	33	—	—
Total future leasing payments	304	280	10	14

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

NOTE 9 FINANCIAL INCOME

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Interest	7	10	18	30
Other	1	2	2	2
	8	12	20	32
Of which, pertaining to Group companies:				
Interest	—	—	18	29

NOTE 10 FINANCIAL EXPENSES

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Interest expenses, bank loans	-48	-57	-35	-48
Interest expenses, pension liability	-7	-5	—	—
Interest expenses, finance leases	-2	-3	0	0
Interest expenses, earn-out payments	-13	-9	-11	-6
Total interest expenses	-70	-74	-46	-54
Exchange rate differences	0	-6	0	0
Other	-2	0	-2	0
Total financial expenses	-72	-80	-48	-54
Of which, pertaining to Group companies in the Indutrade Group Interest				
Interest			0	0

NOTE 11 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Dividends from subsidiaries	198	161		
Group contributions	190	292		
Write-down of investments in subsidiaries	-10	—		
	378	453		

NOTE 12 TAXES

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Tax expense				
Current tax	-140	-193	-43	-63
Deferred tax	20	11	3	1
	-120	-182	-40	-62

The Group's tax expense amounted to 26.0% (26.3%) of consolidated pre-tax profit. The difference between the reported tax expense and anticipated tax expense is explained below.

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Profit before tax	461	692	329	377
Weighted average tax based on national tax rates (Group 25.6% and 27.0%, respectively, and Parent Company 26.3% and 28.0%, respectively)	-118	-187	-87	-106
Tax effect of:				
Non-deductible interest expense on earn-out payments discounted to present value	-3	-2	-2	-3
Other non-deductible other expenses/non-taxable income	-4	4	49	47
Utilisation of tax-loss carryforward where tax was not previously reported	3	—	—	—
Adjustment of previous years' current tax	1	—	—	—
Change in tax rate	1	3	—	0
	-120	-182	-40	-62
	26,0%	26,3%	12,2%	16,4%

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

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Deferred tax liability	-95	-114	—	—
Intangible assets	-14	-13	—	—
Land and buildings	-12	-10	—	—
Fixtures and equipment	4	5	0	—
Current assets	-2	-5	—	—
Untaxed reserves	11	16	—	—
Pension obligations	5	3	3	1
Accrued income and prepaid expenses	3	3	—	—
Tax-loss carryforward	-100	-115	3	1
Of which, deferred tax asset	28	31	3	1
Of which, deferred tax liability	-128	-146	—	—

In applying IFRS, Indutrade has exercised its 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 7 million (10).

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Deferred tax liability, 1 January	-115	-83	1	0
Deferred tax asset attributable to actuarial gains/losses	-3	0	—	—
Deferred tax liability attributable to acquisitions	-4	-39	—	—
Deferred tax liability in income statement	20	8	2	1
Deferred tax liability attributable to revaluation of company acquisitions	0	3	—	—
Deferred tax liability attributable to revaluation of company acquisitions.	—	0	—	—
Exchange rate differences	2	-4	—	—
Deferred tax liability, 31 December	-100	-115	—	—
Deferred tax asset, 31 December	—	—	3	1

NOTE 13 AUDITORS' FEES

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Auditing fees				
Öhrlings PricewaterhouseCoopers	9	8	1	1
KPMG Bohlins	1	1	—	—
Other auditing firms	1	0	—	—
Total auditing fees	11	9	1	1
Fees for other assignments				
Öhrlings PricewaterhouseCoopers	3	2	—	1
KPMG Bohlins	1	1	1	—
Other auditing firms	0	0	—	—
Total fees for other assignments	4	3	1	1
Total	15	12	2	2

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, trade-marks, customer lists, licences, etc.	Other intangible assets	Total intangible assets
As per 1 January 2008				
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	1368
Accumulated amortisation and impairment charges	-2	-185	-8	-195
Book value	574	593	6	1,173

1 January–31 December 2009

Opening book value	574	593	6	1,173
Exchange rate differences	-9	-7	0	-16
Investments during the year	—	11	4	15
Company acquisitions	19	19	0	38
Sales and disposals	—	0	—	0
Revaluation of company acquisitions	-70	-2	—	-72
Amortisation (Note 7)	—	-67	-2	-69
Closing book value	514	547	8	1,069

As per 31 December 2009

Cost	516	797	18	1,331
Accumulated amortisation and impairment charges	-2	-250	-10	-262
Book value	514	547	8	1,069

In connection with the acquisition of Flintec Group AB, the Flintec brand was identified as an intangible asset with an indefinite useful life. The brand is valued at SEK 113 million, and no amortisation has been made of this item. The brand is included above in the 2008 figure for Company acquisitions during the year.

As a result of a revaluation of future earn-out payments, an adjustment has been made of the items Goodwill and Agencies, trademarks, customer relationships, licences, etc., in the value of SEK 72 million, of which SEK 59 million is attributable to the acquisition of Flintec. See also Note 24.

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

	2009	2008
Engineering & Equipment	117	123
Flow Technology		110
Industrial Components	38	39
Special Products	249	302
Indutrade Group	514	574

PARENT COMPANY

	2009	2008
Opening cost	1	—
Investments during the year	1	1
Closing accumulated cost	2	1
Opening amortisation	—	—
Amortisation for the year	0	—
Closing accumulated amortisation	0	—
Planned residual value	2	1

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Land and build-ings	Machinery	Fixtures and equipment	Construction in progress	Total property, plant and equipment
As per 1 January 2008					
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	—
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 January–31 December 2009

Opening book value	254	135	150	15	554
Exchange rate differences	-5	-4	-3	0	-12
Investments during the year ¹⁾	6	22	52	10	90
Company acquisitions	27	2	3	3	35
Transferred from construction in progress	5	7	—	-12	—
Sales and disposals	—	0	-15	—	-15
Depreciation (Note 7)	-14	-29	-46	—	-89
Closing book value	273	133	141	16	563

As per 31 December 2009

Cost	421	347	483	16	1,267
Accumulated depreciation and impairment charges	-148	-214	-342	—	-704
Book value	273	133	141	16	563

¹⁾ Of net investments in property, plant and equipment, SEK 75 million (111) had an effect on cash flow, while SEK 0 million (0) are investments financed through finance leases.

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

	2009	2008
Cost – capitalised finance leases	71	70
Accumulated depreciation	-23	-20
Book value	48	50

The tax assessment value of Swedish property was SEK 119 million (120), of which SEK 95 million (95) pertains to buildings and SEK 24 million (25) land. The corresponding book value of Swedish property was SEK 104 million (111).

PARENT COMPANY

	2009	2008
Opening cost	6	6
Investments during the year	–	0
Sales and disposals	–	–
Closing accumulated cost	6	6
Opening depreciation	-4	-4
Depreciation for the year	0	0
Sales and disposals	–	–
Closing accumulated depreciation	-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, Denmark	Glostrup	100%	167,443	45
Indutrade Benelux B.V., Netherlands	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	12
Eie Maskin AB, 556029-6336	Stockholm	100%	30,000	24
Robota AB, 556042-4912	Täby	100%	1,000	13
Gedevelop AB, 556291-8945	Helsingborg	100%	9,868	27
Spinova AB, 556188-7430	Torsås	100%	20,000	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	112
Carrab Industri AB, 556092-1214	Mönsterås	100%	10,000	19
Aluflex System AB, 556367-4067	Helsingborg	100%	20,000	41
Precision Products Ltd, UK	Chesterfield	100%	157,500	53
EssMed AB, 556545-2215	Härryda	100%	1,000	45
Flintec Group AB, 556736-7098	Västerås	100%	100,000	327
Kabetex Kullager & Transmission AB, 556254-1523	Mark	100%	2,500	11
Total				1 329

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

	Domicile	Share of capital, %	Share of votes, %	Number	Book value
A S Fors MW	Tallinn, Estonia	11	11	14,324	3
Honkakoli Oy	Finland	–	–	18	1
Kytäjän Golf Oy	Finland	–	–	6	1
Other		–	–	–	2
Available-for-sale financial assets					7

Shares and participations

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Opening cost	8	7	1,926	1,388
External acquisitions	–	0	–	491
Shareholder contribution	–	–	4	48
Sales	–	0	–	–
Adjustment of estimated earn-out payments	–	–	-59	-1
Company acquisitions	–	1	–	–
Exchange rate differences	-1	0	1	–
Closing accumulated cost	7	8	1,872	1,926
Opening revaluations	–	–	8	8
Closing accumulated revaluations	–	–	8	8
Opening impairment charges	–	–	-541	-541
Impairment charges during the year	–	–	-10	–
Closing accumulated impairment charges	–	–	-551	-541
Book value	7	8	1,329	1,393
Effect on cash flow				
Purchase price, external acquisitions			–	-491
Purchase price not paid			–	247
Purchase price paid from previous years			-48	–
Earn-out payments made			-87	-4
			-135	-248

NOTE 17 NON-CURRENT RECEIVABLES

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Opening balance	13	7	120	104
Additional receivables	0	1	–	–
Repaid deposits/Amortisation	0	-1	-120	–
Company acquisitions	0	6	–	–
Exchange rate differences	0	0	–	16
	13	13	–	120

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:	2009	2008
Raw materials and consumables	175	190
Products in process	78	103
Finished products and goods for resale	811	914
Total	1,064	1,207

At year-end 2009, total accumulated impairment amounted to SEK 85 million (93).

NOTE 19 TRADE ACCOUNTS RECEIVABLE

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

GROUP		
Trade accounts receivable	2009	2008
Trade accounts receivable not due	655	860
Trade accounts receivable past-due 0-3 months	202	223
Trade accounts receivable past-due more than 3 months	61	34
Total	918	1,117

GROUP		
Provision for impaired trade accounts receivable	2009	2008
Provision for trade accounts receivable, less than 3 months past-due	-2	-3
Provision for trade accounts receivable, 3-6 months past-due	-3	-4
Provision for trade accounts receivable, more than 6 months past-due	-12	-8
Total	-17	-15

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

GROUP		
Opening provision	2009	2008
Receivables written off as customer losses	-15	-9
Reversed, unutilised provisions	3	2
Provision for the year for impaired trade accounts receivable	3	2
Company acquisitions	-8	-7
Exchange rate differences	-	-2
Exchange rate differences	0	-1
Closing reserve	-17	-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	
	2009	2008	2009	2008
Prepaid rents	10	14	-	1
Prepaid leases	1	1	-	-
Prepaid service and maintenance charges	10	5	-	0
Prepaid insurance premiums	7	4	1	1
Prepaid marketing costs	0	1	-	-
Accrued income	1	1	-	-
Prepaid pension premiums	0	1	-	-
Derivative instruments	-	-	1	-
Other items	20	18	-	-
Total	49	45	2	2

NOTE 21 CHANGE IN EQUITY

PARENT COMPANY				
	Share capital ¹⁾	Reserv-fond	Fritt eget kapital	Summa eget kapital
Equity at 1 January 2008	40	5	698	743
Dividend payout	-	-	-210	-210
Net profit for the year	-	-	315	315
Equity at 31 December 2008	40	5	803	848
Dividend payout	-	-	-256	-256
Net profit for the year	-	-	289	289
Equity at 31 December 2009	40	5	836	881

¹⁾ On 31 December 2008 and 2009, the share capital consisted of 40,000,000 shares with a share quota value of SEK 1.

At the Annual General Meeting on 24 May 2010, a dividend for the 2009 financial year of SEK 4.30 per share, totalling SEK 172 million, will be proposed. The proposed dividend has not been reported as a liability in these financial statements.

NOTE 22 BORROWINGS

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Long-term borrowings				
Future leasing obligations for finance leases	26	30	-	-
SEK-denominated loans with terms longer than 1 year	319	219	305	205
EUR-denominated loans with terms longer than 1 year	296	298	115	290
Loans in other currencies with terms longer than 1 year	31	21	-	-
	672	568	420	495
Short-term borrowings				
Utilised bank overdraft facilities	99	162	60	110
Future leasing obligations for finance leases	22	20	-	-
SEK-denominated loans with terms shorter than 1 year	155	60	155	60
EUR-denominated loans with terms shorter than 1 year	92	238	73	224
Loans in other currencies with terms shorter than 1 year	7	10	-	-
	375	490	288	394
Total borrowings	1,047	1,058	708	889

Car leases are reported as finance leases in accordance with IFRS, entailing an increase in both assets and liabilities of SEK 48 million. Of the Group's long-term leasing obligations, SEK 15 million fall due for payment in 2011 and SEK 11 million in 2012.

Externally granted bank overdraft facilities amounted to SEK 510 million (624) for the Group and SEK 257 million (457) for the Parent Company.

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Maturity dates for long-term loans in EUR:				
Amounts in EUR million				
Maturity 2010	-	7.0	-	7.0
Maturity 2011	6.5	20.0	-	19.5
Maturity 2012	10.3	-	-	-
Maturity 2013	-	-	-	-
Maturity 2014	11.8	-	11.0	-
Total long-term borrowings in EUR million	28.6	27.0	11.0	26.5
Corresponding amounts in SEK million	296	298	115	290

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

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Maturity dates for long-term loans in SEK:				
Amounts in SEK million				
Maturity 2010	—	74	—	60
Maturity 2011	224	50	210	50
Maturity 2012	35	35	35	35
Maturity 2013	60	60	60	60
Total long-term borrowings in SEK million	319	219	305	205

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

LOANS IN OTHER CURRENCIES	GROUP	
Maturity dates for long-term loans	2009	2008
Amounts in SEK million		
Maturity 2010	—	11
Maturity 2011	6	6
Maturity 2012	5	1
Maturity 2013	5	3
Maturity 2014 and thereafter	15	—
Total long-term borrowings in SEK million	31	21

By other currencies is meant USD, GBP, KRW 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	96
Defined benefit plans, Netherlands	14
Total defined benefit plans	110
Other pension obligations	12
Total	122

The Group's plan assets, totalling SEK 199 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 2009 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 14 million. Alecta's collective funding ratio was 124% as per December 2009.

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.

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

GROUP	2009		2008		2007		2006		2005	
	Sweden	Netherlands	Sweden	Netherlands	Sweden	Netherlands	Sweden	Netherlands	Sweden	Netherlands
Assumptions in calculating pension obligations										
Discount rate, %	3.80	5.65	3.00	6.40	4.30	5.50	3.90	4.50	3.90	4.25
Anticipated return on plan assets, %	—	5.65	—	6.40	—	5.50	—	4.50	—	5.00
Future salary increases, %	3.50	2.50	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	2.00	2.00	1.80	1.80	1.80	2.00
Future pension increases, %	2.00	2.00	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	2.00	Age dependent	0	Age dependent	0	Age dependent

Note 23 Cont.

	2009	2008	2007	2006	2005
Amounts reported in balance sheet					
Present value of funded obligations	213	173	162	177	189
Fair value of plan assets	-199	-164	-133	-138	-137
	14	9	29	39	52
Present value of unfunded obligations	96	113	85	76	76
	96	113	85	76	76
Net liability in the balance sheet, defined benefit plans	110	122	114	115	128
Experience-based adjustments of defined benefit obligations	3	-4	-2	-3	-4
Experience-based adjustments of plan assets	33	6	-18	0	0
Present value of pension obligations at start of year	286	247	253	265	214
Pension costs	8	6	6	7	11
Interest expenses	14	12	11	11	11
Pension payments	-10	-9	-8	-7	-7
Change in pension terms	—	—	—	-4	—
Company acquisitions	—	—	—	—	3
Actuarial gains/losses	21	5	-24	-12	29
Exchange rate differences	-10	25	9	-7	4
Present value of pension obligations at year-end	309	286	247	253	265
Plan assets at start of year	164	133	138	137	119
Return on plan assets	7	7	6	6	6
Employee contributions	2	1	1	1	1
Company contributions	11	6	6	6	9
Pension payments	-8	-7	-6	-5	-5
Company acquisitions	—	—	—	—	3
Actuarial gains/losses	33	4	-18	-2	0
Exchange rate differences	-10	20	6	-5	4
Plan assets at year-end	199	164	133	138	137
Net liability at start of year	122	114	115	128	95
Net cost reported in the income statement	13	10	10	7	15
Pension payments	-2	-2	-2	-2	-2
Company contributions	-11	-6	-6	-6	-9
Actuarial gains/losses	-12	1	-6	-10	29
Exchange rate differences in foreign plans	0	5	3	-2	0
Net liability at year-end	110	122	114	115	128

GROUP	2009			2008			2007			2006			2005		
Amounts reported in income statement	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	Defined benefit plans	Defined contribution plans	Total
Past service cost	6	112	118	5	110	115	5	88	93	6	70	76	10	71	81
Change in pension terms	—	—	—	—	—	—	—	—	—	-4	—	-4	—	—	—
Interest on obligation	14	—	14	12	—	12	11	—	11	11	—	11	11	—	11
Anticipated return on plan assets	-7	—	-7	-7	—	-7	-6	—	-6	-6	—	-6	-6	—	-6
Net cost in income statement	13	112	125	10	110	120	10	88	98	7	70	77	15	71	86
Of which, included in selling costs	7	91	98	5	90	95	5	72	77	2	56	58	6	57	63
Of which, included in administrative expenses	0	21	21	0	20	20	0	16	16	0	14	14	4	14	18
Of which, included in financial items	6	—	6	5	—	5	5	—	5	5	—	5	5	—	5

Anticipated company contributions to defined benefit pension plans in 2010 amount to SEK 11 million (9).

NOTE 24 OTHER PROVISIONS

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Guarantee commitments	2	2	—	—
Earn-out payments	92	225	83	199
Total long-term provisions	94	227	83	199
Earn-out payments payable within 1 year	87	132	68	87
Total provisions	181	359	151	286

	Guaran-	Earn-out	Guaran-	Earn-out
	tee com-	payments	tee com-	payments
	mitments		mitments	
Opening balance, 1 January 2009	2	357	—	286
Earn-out payments for new acquisitions	—	11	—	—
Earn-out payments made	—	-130	—	-87
Earn-out payments reversed	—	-72	—	-59
Effect of present value adjustment	—	13	—	11
Exchange rate difference	—	0	—	0
Closing balance, 31 December 2009	2	179	—	151

Provisions for earn-out payments in 2009 pertained to the acquisitions of Ingenjörfirman Rossing & Jansson AB, Key Valves Technologies Ltd and the Automation Products business. If they result in payment, this will take place in 2010–2013.

Earn-out payments for company acquisitions are based on future profits of the acquired companies. A revaluation has been conducted in connection with the 2009 book-closing, which is based on 2009 profits and where it is suitable for future, anticipated profits. Of the revaluation, totalling SEK -72 million, SEK 59 million pertains to the Flintec acquisition. The value of intangible assets has been written down by the same amount.

NOTE 25 ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Accrued personnel-related expenses	182	213	4	6
Derivative expenses	1	2	1	5
Other	72	87	1	1
Total	255	302	6	12

NOTE 26 ACQUISITIONS/SALES OF SUBSIDIARIES

ACQUISITIONS 2009

During the year, all of the shares were acquired in four companies: Rossing & Jansson AB [Sweden], Flintec Brasil Ltda [Brazil], Key Valves Technologies Ltd [Korea], and Dominator Pump AB [Sweden]. In addition, two businesses were acquired: the Automation Products business from B Begner AB, and the Optics Products business from Sefo Consulting.

Flow Technology

Rossing & Jansson, with annual sales of approximately SEK 20 million, is a supplier of complete system solutions, standalone products and services in the areas of automation and control technology for energy production, industry and shipping. The company is included in the Group as from 1 September 2009.

Industrial Components

Dominator, with annual sales of approximately SEK 12 million, distributes pneumatic membrane pumps in the Nordic countries and is a market leader in Sweden. Customers are in the food, pharmaceutical, engineering and chemical industries. The company is included in the Group as from 1 December 2009.

The Automation Products business, which covers components and sub-systems for automation of industrial manufacturing processes, with annual sales of approximately SEK 20 million, is included in the Group as from 1 October 2009. The Optics Products business, with annual sales of approximately SEK 6 million,

is included in the Group as from October 2009. The business covers instruments, products and service for optometrists, ophthalmologists and eye clinics.

Special Products

Flintec Brasil Ltda, a former distributor of Flintec's products in Brazil, was acquired in September. Annual sales amount to approximately SEK 4 million.

Key Valves Technologies Ltd, in South Korea, is a leading player in research, development and manufacturing of high pressure valves. The company's products are used for control of pressure and flows in severe duty applications in power generation and in the petrochemical industry. Annual sales amount to approximately SEK 150 million. The company is included in the Group as from 1 November 2009.

Effects of acquisitions made in 2009 and 2008

MKR	NET SALES	EBITA	
			Jan–Dec
Business area	Effect of acquisitions		
Engineering & Equipment	KG Enterprise Oy	0	0
Flow Technology	Ingenjörfirman Rossing & Jansson AB	6	1
Industrial Components	EssMed AB, Kabetex Kullager & Transmission AB, Brinch AS och Dominator Pump AB	35	0
Special Products	Douwes International BV, Precision Products Ltd., Flintec Group AB, Inkal Industrikalibreringar AB, Flintec Brasil Ltda och Key Valves Technologies Ltd.	134	10
Effect on Group		175	11
Acquisitions completed 2008		162	9
Acquisitions completed 2009		13	2
Effect on Group		175	11

If the acquired units had been consolidated as from 1 January 2009, net sales for the full year would have amounted to SEK 6,409 million, and EBITA would have been SEK 610 million.

Acquired assets in Ingenjörfirman Rossing & Jansson AB, Flintec Brasil Ltda, Key Valves Technologies Ltd and Dominator Pump AB, and in the Automation Products and Optics Products businesses.

Preliminary purchase price allocation

SEK million

Purchase price including earn-out payment	Book value	Fair value adjustment	Fair value
Acquired assets			
Goodwill	—	19	19
Agencies, trademarks, customer lists, licences, etc.	—	19	19
Property, plant and equipment	35	—	35
Financial assets	—	—	—
Inventories	36	—	36
Other current assets	22	—	22
Cash and cash equivalents	11	—	11
Deferred tax liability	-2	-2	-4
Borrowings and pension obligations	-24	—	-24
Other operating liabilities	-36	—	-36
	42	36	78

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

Effect on cash flow

Purchase price including earn-out payment	78
Purchase price not paid out	-11
Cash and cash equivalents in acquired companies	-11
Earn-out payments pertaining to previous years' acquisitions	132
Total effect on cash flow	188

Note 26 Cont.

ACQUISITIONS MADE IN 2008

During the year, all of the shares were acquired in Ammertech BV and Douwes International BV (both in the Netherlands); Precision Products Ltd (UK), KG Enterprise Oy (Finland), EssMed AB, Flintec Group AB, Kabetex Kullager & Transmission AB, Inkal Industrikalibreringar AB (all in 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

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

SEK million			
Purchase price including earn-out payment			
	Book value	Fair value adjustment	Fair value
Acquired assets			
Goodwill	—	129	129
Agencies, trademarks, customer lists, licences, etc.	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 obligations	-94	—	-94
Other operating liabilities	-22	—	-22
	98	288	386

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.

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 Industrikalibreringar AB and Brinch AS.

SEK million			
Purchase price including earn-out payment			
	Book value	Fair value adjustment	Fair value
Acquired assets			
Goodwill	—	45	45
Agencies, trademarks, customer lists, 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 obligations	-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 lists and agencies has been valued at one year's contribution margin and has been recorded in the balance sheet as agencies, trademarks, customer lists, licences, etc., and is amortised over a period of 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 AFTER THE END OF THE FINANCIAL YEAR

Five businesses have been acquired to date in 2010. Techno Skruv i Värnamo, with annual sales of approximately SEK 70 million, has a strong market position in customer-specific fasteners and mechanical products. AxMediTec Sp.Z.o.o., in Białystok, Poland, with annual sales of approximately SEK 70 million, specialises in sales of medical technology equipment used for healthcare applications in operating rooms, intensive care wards, emergency wards, and cardio and neonatal units. Techno Skruv and AxMediTec are included in the Industrial Components business area as from 1 January 2010. Corona Control AB, which is included in the Flow Technology business area as from 1 January 2010, has annual sales of approximately SEK 50 million. The company is a total supplier of solutions for industrial valves.

Lekang Group, comprising the companies Lekang Maskin AS (Norway), Filterteknik i Sverige AB (Sweden) and Filterteknik A/S (Denmark), is included in the Special Products business area as from 1 February 2010. Lekang Group, with annual sales of approximately SEK 200 million, specialises in products and services primarily in liquid filtration system solutions for all types of industrial companies in Scandinavia. In addition, a small construction plastics business was acquired by the Special Products business area.

Acquired assets in Techno Skruv i Värnamo AB, AxMeditec AB, Corona Control AB and Lekang Group.**Preliminary purchase price allocation**

SEK million

Purchase price including earn-out payment	264		
Acquired assets	Book value	Fair value adjustment	Fair value
Goodwill	–	83	83
Agencies, trademarks, customer lists, licences, etc.	–	141	141
Property, plant and equipment	57	–	57
Financial assets	–	–	–
Inventories	71	–	71
Other current assets	54	–	54
Cash and cash equivalents	30	–	30
Deferred tax liability	–5	–37	–42
Borrowings and pension obligations	–72	–	–72
Other operating liabilities	–58	–	–58
	77	187	264

Agencies, trademarks, customer lists, licences, etc. will be amortised over a period of 10 years. The acquisitions have affected cash flow in 2010 by SEK 222 million.

NOTE 27 PLEDGED ASSETS

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
For own liabilities				
Real estate mortgages	36	61	–	–
Chattel mortgages	22	27	–	–
Assets subject to liens	48	50	–	–
Shares in subsidiaries	127	189	127	189
Endowment insurance policies	2	2	–	–
Other	0	0	–	–
Total pledged assets	236	329	127	189

Car leases are reported as finance leases in accordance with IFRS, entailing an increase in assets, liabilities and pledged assets of SEK 48 million (50).

NOTE 28 CONTINGENT LIABILITIES

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Contingent liabilities for subsidiaries' PRI liabilities	–	–	71	70
Guarantees pledged on behalf of subsidiaries	–	–	224	27
Contingent liabilities for own PRI liabilities	1	1	–	–
Other contingent liabilities	–	0	–	–
Total	1	1	295	97

NOTE 29 CASH FLOW FROM OPERATIONS

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Net profit for the year	341	510	289	315
Adjustments for:				
Income tax	120	182	40	62
Amortisation of intangible assets	69	60	0	—
Depreciation of property, plant and equipment	89	78	0	1
Gain/loss on sale of property, plant and equipment	0	0	—	—
Net change in other provisions	-2	7	-13	14
Financial income	-8	-12	-20	-32
Financial expenses	72	80	48	54
Dividend income, etc.	—	—	-378	-453
Total adjustments	340	395	-323	-354
Changes in working capital:				
Inventories	144	-79	—	—
Trade accounts receivable and other receivables	196	-48	135	4
Trade accounts payable and other liabilities	-220	-2	-8	-7
Total changes in working capital	120	-129	127	-3
Cash flow from operations	801	776	93	-42

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

	2009	2008	2009	2008
Cash and bank balances	229	223	41	18
Short-term investments	—	—	—	—
Total	229	223	41	18

NOTE 30 INCOME STATEMENT CLASSIFIED BY TYPE OF COST

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Changes in inventories of finished products	-318	-328	—	—
Raw materials and consumables	-3 015	-3 290	—	—
Costs for employee benefits	-1 301	-1 314	-18	-21
Depreciation/amortisation/impairment charges	-142	-138	-1	0
Other costs	-967	-950	-15	-18
Total costs	-5 743	-6 020	-34	-39

NOTE 31 RELATED PARTY TRANSACTIONS

Intra-Group purchases and sales have been negligible. Investments with and borrowings from Group companies are made 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 2009 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 2009. The company's annual accounts and consolidated accounts are included on pages 36–64 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, 15 March 2010

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 since 1 July 2006. Indutrade did not make any departures from the Code during the 2009 financial year.

Delegation of responsibilities

Responsibility for management and control of the Group is delegated among the shareholders (via general meetings), the Board of Directors, 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 instruments.

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 2009 Indutrade had 5,369 shareholders. The ten largest shareholders controlled 76.3% of the share capital and votes, of which Industrivärden's share was 36.9%. Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 84.5% of the share capital and votes at year-end. Foreign investors owned 7.5% 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 "itself or through subsidiaries, pursue trade in connection with the import and export of machines, raw materials and finished and semi-manufactured products as well as industrial necessities, including production, preferably within the plastics, mechanical and chemical industries, and activities compatible therewith." 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. Notice 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. Notices 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 2010 Annual General Meeting is provided on page 72.

The notice of the Annual General Meeting scheduled for 24 May 2010 is scheduled for publication in the Official Swedish Gazette, Dagens Nyheter, and on Indutrade's website on 21 April 2010. 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), recommendation for auditors and auditors' fees, and proposed guidelines on compensation of the Company's senior executives.

2009 Annual General Meeting

At the Annual General Meeting on 4 May 2009, 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 2008. The auditors presented relevant parts of their audit report and audit report for the Group for 2008.

The 2009 AGM made the following resolutions:

- to set the dividend at SEK 6.40 per share;
- to re-elect as directors Bengt Kjell, Gerald Engström, Eva Färnstrand, Ulf Lundahl, Michael Bertorp, Owe Andersson and Johnny Alvarsson;
- to re-elect Bengt Kjell as Chairman of the Board;
- in accordance with the Nomination Committee's recommendation, that the Nomination Committee shall consist of representatives of four of the largest shareholders in terms of votes as well as the Chairman of the Board until the composition of the next year's nomination committee has been publicly announced;
- that the Nomination Committee's composition shall be based on ownership information as per 31 August 2009 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. 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; and

- 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 seven 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.

Prior to the 2009 Annual General Meeting, Mats Jansson had declined re-election. The other directors elected by the 2008 Annual General Meeting were re-elected at the 2009 Annual General Meeting.

The Chairman of the Board, Bengt Kjell, is a former Executive Vice President of Industrivärden and currently CEO of AB Handel och Industri. Eva Färnstrand is a former Site Manager at Södra Cell Mönsterås. Gerald Engström is President and CEO of Systemair. Michael Bertorp is a former Executive Vice President of Svenska Cellulosa Aktiebolaget. Owe Andersson is a former CEO of Mekonomen. Ulf Lundahl is an Executive Vice President of L E Lundbergföretagen. 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, Michael Bertorp, Gerald Engström, Owe Andersson and Bengt Kjell 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 an investment policy.

The Board is responsible for the Company's organisation and for the administration of its affairs. This entails ensuring that the organisation is suited for its purpose and designed in such a way so as to ensure satisfactory control of its accounts, treasury management and financial conditions in general. In addition, the Board is responsible for ensuring that the Company has satisfactory internal control and risk management and continuously evaluates the effectiveness of the Company's internal control sys-

tems. 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 2009 the Board had a total of ten meetings including the statutory meeting and one meeting held by conference call.

The Board conducted its work in 2009 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.

All directors were in attendance at all board meetings.

The Chairman's role

The Chairman organises and leads the work of the Board to ensure that this is carried out in compliance with the Swedish Companies Act, other laws and directives, applicable rules for listed companies (including the Code), and the Board's own internal governance documents. The Chairman monitors business activities by maintaining regular contact with the CEO and ensuring that the other directors are provided with relevant 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 of the Board, 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 senior executives". This proposal is discussed by the Board and submitted to the AGM for approval.

In accordance with an AGM resolution, the committee conducts drafting 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 five 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 performed 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 three meetings in 2009, at which all members were present.

On two occasions in 2009 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 4 May 2009 resolved that the Nomination Committee shall consist of representatives of four of the largest shareholders in terms of votes as well as the Chairman of the Board, who shall also 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 2010 Annual General Meeting was to be based on ownership information as per 31 August 2009 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 2010 Annual General Meeting was published on 12 October 2009.

Ahead of the 2010 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, auditors' 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 2010 AGM, the Nomination Committee proposes re-election of board members Bengt Kjell, Ulf Lundahl, Eva Färnstrand, Michael Bertorp and Johnny Alvarsson. Directors Gerald Engström and Owe Andersson have declined re-election. The committee has proposed new election of Mats Olsson (born 1948); he is Chairman of the Board of KnowIT and a director of Fenix Outdoor AB. The committee has proposed re-election of Bengt

Kjell as Chairman of the Board. The Nomination Committee's proposal entails that the Board will be reduced by one member, and during the coming mandate period it will consist of six members. A more detailed presentation of the members of the Board is provided on page 70 of the Annual Report. In addition, the Nomination Committee proposes election of PricewaterhouseCoopers AB to serve as auditor for a term extending until the end of the 2014 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 executive management team. The CEO's decision-making authority regarding investments and financing matters is governed by rules set by the Board.

President and CEO

Indutrade's President and CEO, Johnny Alvarsson, has been employed by Indutrade since 2004. He was CEO of Elektronikgruppen from 2001 to 2004, CEO of Zeteco AB from 1988 to 2000, and held various management positions at Ericsson from 1975 to 1987. Johnny Alvarsson owns 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 2009 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. Ahead of the 2010 Annual General Meeting, the Nomination Committee has proposed election of PricewaterhouseCoopers AB as auditors for a term extending until the end of the 2014 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 2009, PricewaterhouseCoopers had a total of 94 audit assignments for companies listed on Nasdaq OMX Stockholm, of which one was conducted in co-operation with another accounting firm, and 14 audit assignments for companies listed on the NGM Equity list. Auditors' fees are described in Note 13 on page 55 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, among other things, economic and financial reporting, a finance policy and an investment policy. 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 continuously 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 investment policy 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 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 pre-

pared 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 2009 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 subsequent years' self evaluation and work on further strengthening internal control.

Information and communication

The Company's key governance 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 an oversight role regarding the Company's financial reporting, risk management, and governance and control. In addition, the Audit Committee maintains regular contact with the Company's auditors to ensure that the Company's internal and external 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 stand-alone 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



Bengt Kjell
 Born: 1954
 Chairman of the Board since: 2005
 Director since: 2002
 CEO of AB Handel och Industri
 Education: MBA, Stockholm School of Economics
 Other directorships: Executive Vice President and Head of Investment Operations, Industrivärden; Authorised Public Accountant; Head of Corporate Finance, Securum; Senior Partner, Navet
 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, Husqvarna, Cardo, Brandkontoret, Lorentzen och Wettre, and SHB Regional Bank Stockholm
 Professional experience: President, Östgöta Enskilda Bank; CEO, Danske Securities
 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 JOFRAB and the Naval Academy of Sweden
 Director of 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: Chairman of Profilgruppen
 Director of Sveaskog and IVA
 Professional experience: Site Manager, Södra Cell Mönsterås; President, Tidningstryckarna Aftonbladet Svenska Dagbladet; Newsprint Business Area Manager, SCA Graphic Sundsvall
 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
 Antal optioner: 100,000

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

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
 President of Colly Company
 Employed since: 1983
 Education: Upper secondary school, engineering programme;
 B.Sc. Market Economics, IFL
 Professional experience: President, Colly Company; President,
 Colly Filtreringsteknik; 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
 President of Industrade Flödesteknik.
 Employed since: 1995
 Education: Upper secondary school, engineering programme;
 B.Sc. Market Economics, IFL
 Professional experience: President, Industrade Flow Technology
 Group; President, Alnab; Sales Manager, Alnab
 Number of shares: 12,000
 Number of options: 40,000



Olle Olofsson
 Born: 1948
 Chief Financial Officer
 Employed since: 2006
 Education: Upper secondary school, Business programme
 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 Hjalmarsson
 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

ANNUAL GENERAL MEETING

Time and place

The Annual General Meeting will be held at 3 p.m. on Monday, 24 May 2010, at Summit, Razorfish room, Grev Turegatan 30, Stockholm.

Who is entitled to participate?

To be entitled to participate in the Annual General Meeting, shareholders must be listed in the shareholder register maintained by Euroclear Sweden AB on Tuesday, 18 May 2010 and have notified the Company of their intention to participate no later than 4 p.m. (CET) on Tuesday, 18 May 2010.

How to become registered in the shareholder register

Shareholders who have registered their shares in their own name with Euroclear Sweden are automatically entered in the shareholder register. Shareholders whose shares are registered in the names of a trustee must have their shares re-registered temporarily in their own names well in advance of 18 May 2010 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 AB, Box 6044, SE-164 06 Kista, Sweden, 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. (CET) on Tuesday, 18 May 2010.

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 March 2010	29 April 2010
Interim report 1 Jan–30 June 2010	4 August 2010
Interim report 1 Jan–30 September 2010	2 November 2010

Text and production: Indutrade in co-operation with Solberg
Design: Solberg
Photo: Indutrade, Christoffer Edling and Mats Bengtsson
Printed by: Billes tryckeri



Indutrade AB
Box 6044
SE-164 06 Kista
Phone +46 (0)8 703 03 00
Fax +46 (0)8 752 79 39
e-mail: info@indutrade.se
www.indutrade.se

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