



Annual Report

2017

 **Indutrade**

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The audited parts of this annual report cover pages 26–34 and 44–81.

This is an unofficial translation of the original Swedish text. In the event of any discrepancy between the English translation and the Swedish original, the Swedish version shall govern.



Decentralisation is a natural extension of the Group's niche focus.

To build up the expertise needed to create customer value, and thus profitability, it is necessary to concentrate operations in a number of niches in which the companies have or can create a leading position.

Read more in CEO's message on page

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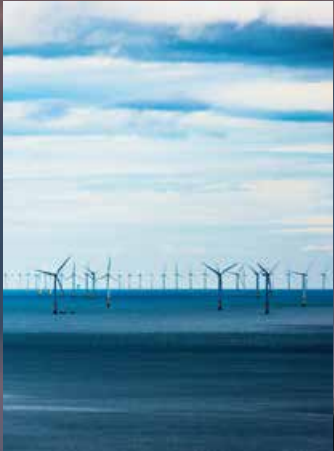


Focus on sustainable business

By being active, long-term owners we work together with our subsidiaries to build successful and sustainable companies that make a positive contribution to society. We are convinced that focus on sustainability is a precondition for long-term value creation.

Read more about our sustainability work on page

14



People and culture the most important in our companies

Indutrade was established in 1978 and has since then built up a group of more than 200 companies. We acquire profitable, well managed companies that we support and develop so that they can be even better.

Read more about our business model in the operations section on page

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Why invest in Indutrade?

Our business model has given our shareholders a good return. During the last ten-year period Indutrade's shares have delivered a total return, including reinvested dividends, of 625%.

See our investment story on page

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Important events

- Order intake rose 16% to SEK 15,051 million (13,004).
- Net sales rose 15% to SEK 14,847 million (12,955).
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) rose 9% to SEK 1,613 million (1,484). Operating profit was charged with restructuring costs of SEK 132 million in the Sander Meson Group.
- EBITA excluding restructuring costs was SEK 1,745 million, corresponding to an adjusted EBITA margin of 11.8%.
- Net profit for the year rose 10% to SEK 1,030 million (936), corresponding to earnings per share of SEK 8.54 (7.80) before dilution.
- 12 acquisitions were carried out with combined annual sales of SEK 1,270 million.
- The Board of Directors proposes a dividend of SEK 3.75 per share (3.20) for 2017.

Key data

SEK million	2017	2016	Change, %
Net sales	14,847	12,955	15
Operating profit	1,380	1,272	8
EBITA	1,613	1,484	9
EBITA excl. restructuring costs	1,745	1,484	18
EBITA-margin, %	10.9	11.5	
Adjusted EBITA margin, %	11.8	11.5	
Profit before tax	1,310	1,194	10
Net profit for the year	1,030	936	10
Earnings per share before dilution, SEK	8.54	7.80	9
Return on operating capital, %	19	20	
Cash flow from operating activities	1,554	1,207	29
Net debt/equity ratio, %	74	82	
Average number of employees	6,156	5,495	

Sales growth (2016: 9%)

15%

Adjusted EBITA margin (2016: 11.5%)

11.8%

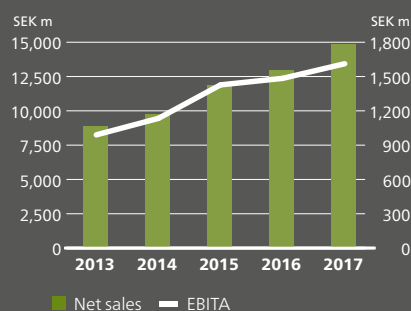
Proposed dividend (2016: SEK 3.20)

3.75 SEK

Number of acquisitions (2016: 11)

12

Net sales and earnings



Changed organisation

Effective 1 January 2018 Indutrade is organised in eight business areas, instead of six as previously. In connection with this the Group Management has been expanded.

The purpose of the change is to strengthen Indutrade's platform for continued profitable growth, to maintain a high pace of acquisitions and to better utilise the international skills within the Group.

This is Indutrade

Indutrade in brief

Since our stock market introduction in 2005 we have grown by an average of 12% per year and our sales now amount to nearly SEK 15 billion. Indutrade comprises more than 200 companies in 31 countries on four continents. Our companies are characterised by high-tech know-how and an ability to build enduring, close relationships with customers and suppliers. Indutrade's operations are in a wide range of industries, including engineering, energy, water/wastewater, environment, transport, healthcare, food and infrastructure.

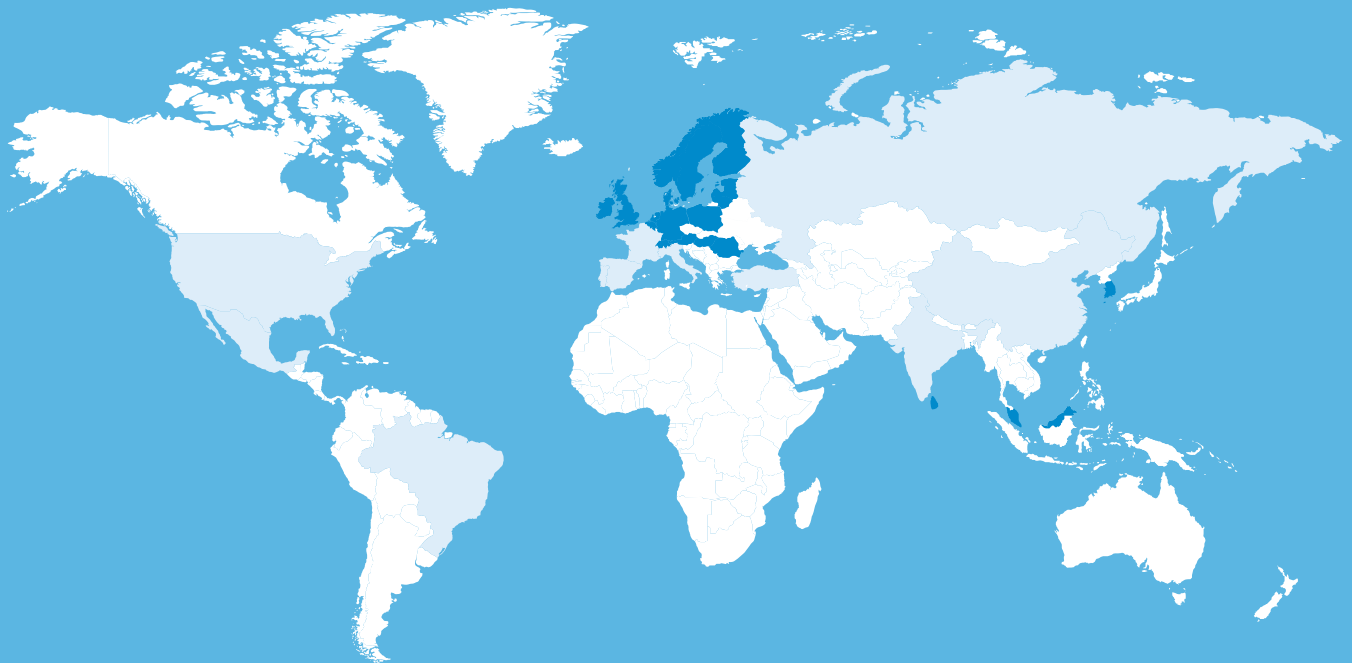
Our business philosophy is based on entrepreneurship, decentralisation and profitable growth.

Our acquisition strategy is to acquire successful, well managed companies with clearly defined markets and distinct offerings.

Business concept

Indutrade markets and sells components, systems and services with a high-tech content in selected niches to a number of different industries. By having good knowledge about customers' systems and processes, combined with a high level of technical expertise, Indutrade aspires to be the most value-creating partner for customers and suppliers alike.

Indutrade's presence worldwide



31
countries

Austria	Germany	The Netherlands	Spain
Belgium	Hungary	Norway	Sri Lanka
Brazil	India	Poland	South Korea
China	Ireland	Portugal	Sweden
Denmark	Italy	Romania	Turkey
Estonia	Latvia	Russia	UK
Finland	Lithuania	Switzerland	USA
France	Malaysia	Singapore	

■ Countries where Indutrade's presence is significant
■ Countries where Indutrade's presence is limited

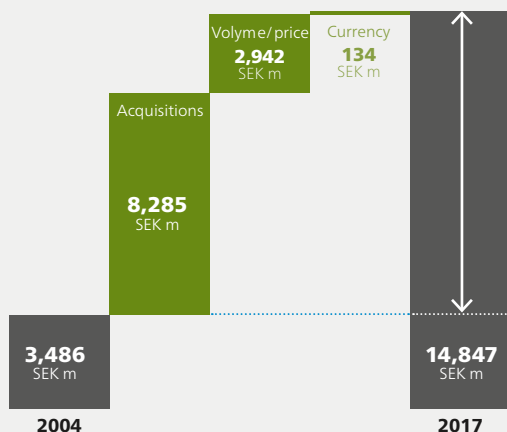
Develop

Being part of the Indutrade Group means that a company can keep its original identity while gaining access to the combined experience and knowledge of its colleagues in the Group. Indutrade's companies stimulate each other and benefit from knowledge-sharing. Through networking seminars and internal benchmarking, the companies adopt best practice that can be spread throughout the Group. All companies in the Indutrade Group have clearly decentralised responsibility and authority. Indutrade supports them with industrial know-how, financing, business development and management by objective.

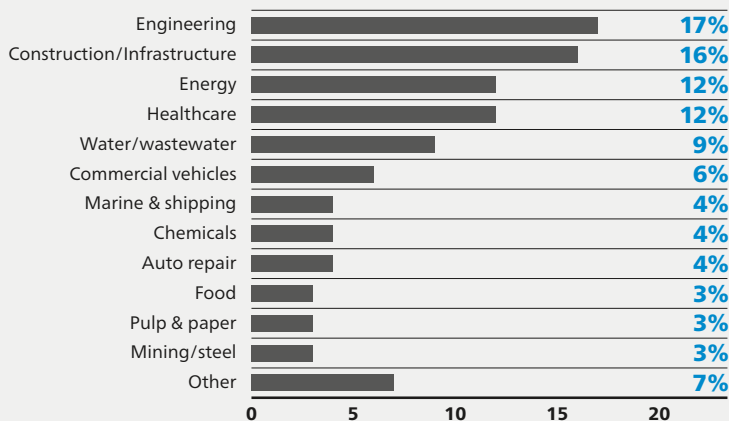
Acquire

We set high standards for the companies we acquire. They are successful and well-managed, with clearly defined markets and distinct customer offerings. They are run by entrepreneurs with a passion for their business concept, who want to further develop the business, and who share our values concerning sustainable business. We acquire companies in which the owner wants to continue leading and growing the business, without being the owner. The rationale for selling can vary. Perhaps the company is facing an expansion or investment phase. Or maybe the owner wants to see his life's work live on. Indutrade has no exit strategy, and by selling to Indutrade, the company's future is secured.

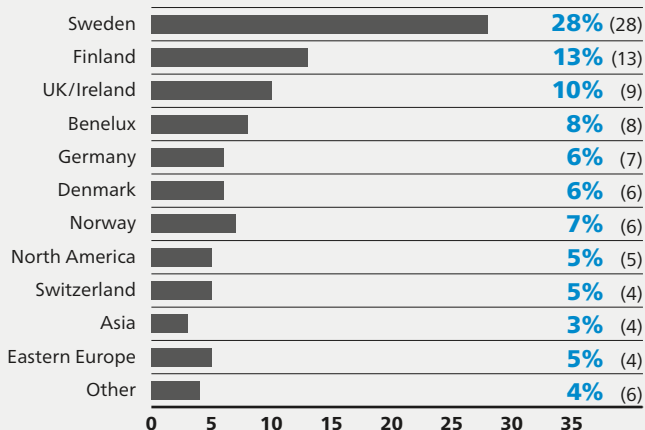
Sales growth, SEK million



Net sales per customer segment

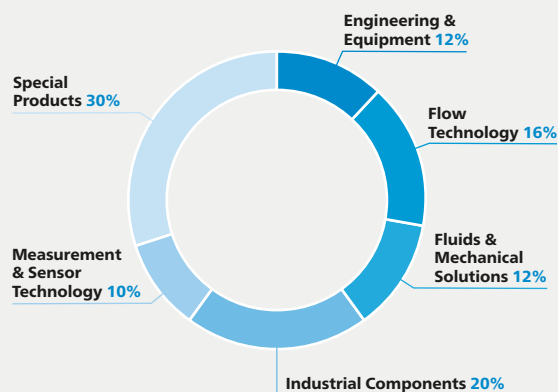


Net sales per market¹⁾



¹⁾ Based on customer's residence.

Net sales per business area



CEO's message

During my first year with the Indutrade Group I spent a lot of time travelling to visit many of our subsidiaries, customers, business partners and Group colleagues around the world. I am very impressed by the Group and our distinctly customer- and result-oriented companies that are led by engaged managing directors in a decentralised and entrepreneur-driven culture. These visits reinforced my impression that the Group's companies are well-invested with competitive products and immense knowledge about their customers' needs and various applications.

Continued favourable performance in 2017

2017 was a successful year for Indutrade, with profitable growth. Sales reached nearly SEK 15 billion, with growth of 15% during the year and an improved, adjusted EBITA margin of 11.8%. Indutrade's share price rose 22% during the year, while the Stockholm Stock Exchange rose by 6% and the OMX Industrials PI index by 16%. Including reinvested dividends, the total return for Indutrade's shares was 24%, compared with a 9% gain for the SIX Return Index.

The business climate was generally favourable in 2017. Demand in Europe developed well, especially in the Nordic countries, Benelux and Germany. However, there is some uncertainty in the UK due to Brexit, but to date we have not seen any major impact on our companies' business. The measurement technology area continues to develop favourably, but we are facing a challenge posed by high capacity utilisation among our own companies as well as among customers and suppliers.

For most of our companies, order intake, invoicing and profitability developed in a positive direction, and four of our six business areas showed improved margins compared with a year ago. The EBITA margin for the Fluids & Mechanical Solutions business area was lower during the year compared with a year earlier, mainly owing to

one-off effects in a few companies. The earnings decline for the Special Products business area is mainly attributable to a significantly lower profit for one of the larger companies in the power generation/energy segment. However, it is positive to note that the same company had good order intake during the final quarter of the year.

At the end of the year we decided to implement a number of actions in order to restore profitability for the Sander Meson Group, which is active in the marine segment. These measures include consolidation of operations, staff reductions and other activities aimed at strengthening long-term profitability and resulted in restructuring costs of SEK 132 million, which impacted earnings for the fourth quarter.

Based on a stable business climate with healthy underlying demand, combined with focused development work in our subsidiaries, we have good prospects for continued profitable growth in 2018.

Decentralisation and focus on continuous improvement

Indutrade's decentralised business model remains firm, and I am convinced that through continued evolution Indutrade has all the conditions to continue creating customer and shareholder value. Decentralisation is a natural extension of the

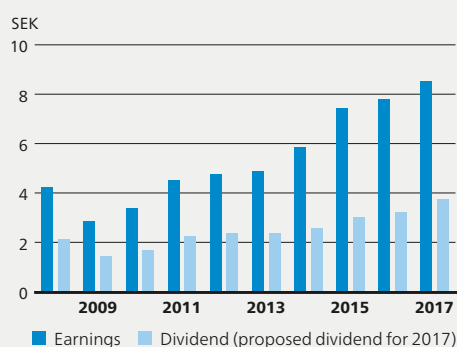
Group's niche focus. To build up the expertise needed to create customer value, and thus profitability, it is necessary to concentrate operations in a number of niches in which the companies have or can create a leading position. We delegate responsibility for the companies to their respective managing directors and believe that as much of the daily decision-making should be made as close to customers as possible. This gives our companies great flexibility. Operations can always be adapted to the prevailing situation and local market. A sharp customer focus along with delivery reliability and quality are decisive. Our way of organising the business allows us to retain the flexibility, engagement and responsibility of a small enterprise at the same time that we have the stability and financial strength of a large company.

Our ambition is to always be better, however. As Indutrade's new CEO I am very enthusiastic about this endeavour and look forward to the years ahead with confidence. We are long-term owners that acquire companies in order to develop them and preserve their unique cultures. Allowing entrepreneurs to continue running their businesses in their own ways and spurring, inspiring and challenging them to develop even more are areas in which we, as long-term owners, can participate and influence. Our people are the key to the Group's future development.

Focus on sustainability

We are working continuously on improving our social, environmental and economic impacts. It is of utmost importance that Indutrade's businesses are conducted on the basis of business economic requirements and goals as well as high standards of integrity and ethics. During the past year we continued to develop our sustainability work, among other things through implementation and follow-up of our Code of Conduct, which serves as an internal framework for how we and our employees are to act as responsible owners, companies and employers. To

Earnings per share before dilution



The Board of Directors proposes a dividend of SEK 3.75 per share (3.20), corresponding to SEK 453 million (384). The proposed dividend is in line with Indutrade's dividend policy to distribute 30% to 60% of net profit.

clarify our ambitions going forward and facilitate follow-up of our work, we have formulated goals and KPIs for our most important sustainability areas. We are convinced that focus on sustainability is a prerequisite for long-term value creation.

Continued high pace of acquisition

During 2017 Indutrade acquired 12 companies with combined annual sales of SEK 1,270 million. Seven of the acquired companies have own brands, which is entirely in line with our strategy to increase the share of companies with proprietary products. Together these acquisitions will have a positive effect on our earnings and financial position during the coming year. We see that Indutrade's business model continues to attract business owners who are considering selling their companies, which is leading to good opportunities for future acquisitions.

Strong platform for competitive value creation

As of 1 January 2018 we have a new Group structure and Group Management Team in place. I am convinced that these changes will strengthen our conditions for continued profitable growth, our ability to develop our portfolio companies, and enable us to maintain a high pace of acquisition. We have built a flatter structure and increased the number of business areas from six to eight, and have thereby created better conditions to develop our companies and take responsibility for the companies we acquire. The new business areas directors are all internally recruited, and with their international experience and knowledge we are better positioned for our international expansion.

We have continued to deliver in accordance with our strategy to invest in successful, well managed, market-leading niche companies with potential to generate profitable growth. I want to thank all of the employees in the Group for their dedication and professional work during the year. It is my hope and belief that Indutrade, also in 2018, will continue to give our shareholders a competitive return.

Stockholm, March 2018

Bo Annvik

President and CEO Indutrade

“
Our people are the key
to the Group's future
development.”

Goals and strategies

Overall goals

The Indutrade Group strives for continuous growth in selected geographic markets, product areas and niches while maintaining limited business risk. Growth is pursued organically as well as through acquisitions.

The Group's overall goal is to generate sustainable profitable growth.

Financial targets

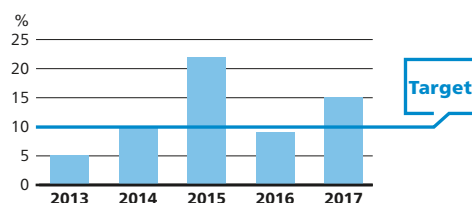
Target achievement

Historical achievement

Sales growth

Average sales growth shall amount to a minimum of 10% per year over a business cycle. Growth is to be achieved organically as well as through acquisitions.

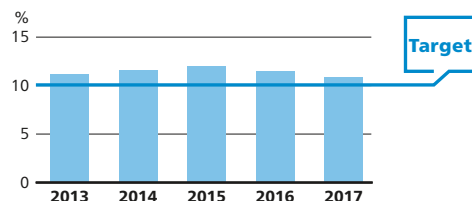
During the last five-year period average annual sales growth was 12%. Net sales rose 15% in 2017. For comparable units, the increase was 5%, while acquired growth was 9% and the currency effect was 1%.



EBITA margin

The EBITA margin shall amount to a minimum of 10% per year over a business cycle.

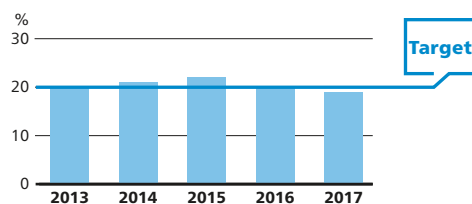
The EBITA margin has averaged 11.4% over the last five years. The EBITA margin in 2017 was 10.9%.



Return on operating capital

Return on operating capital shall be a minimum of 20% per year over a business cycle.

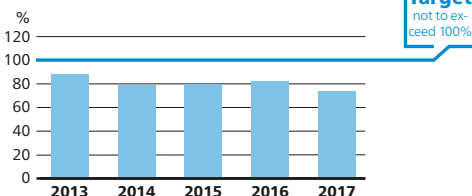
During the last five years the average return on operating capital was 20%. In 2017 the return was 19%.



Net debt/equity ratio

The net debt/equity ratio should normally not exceed 100%.

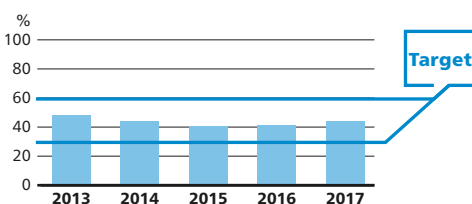
During the last five years the net debt/equity ratio at the end of the respective year ranged from 74% to 88%. The net debt/equity ratio at year-end 2017 was 74%.



Dividend payout ratio

The dividend payout ratio shall range from 30% to 60% of net profit.

During the last five years the dividend payout ratio 43% including the proposed dividend. For 2017 a dividend of SEK 3.75 has been proposed, corresponding to 44%.



Strategies

To achieve its overall goals, Indutrade pursues the following strategies:

Growth with limited risk

Growth will be achieved organically and through acquisitions – preferably in three dimensions:

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

Business development and growth are strategic tools for reducing the Group's risk.

Acquisitions

Indutrade acquires well managed, successful, typically owner-led industrial companies whose management teams are eager to continue running and growing the business. The companies manufacture or sell products in distinct markets. We can also make smaller, add-on acquisitions through our existing companies to strengthen market positions. A central feature in our acquisition process is to ensure a shared values foundation and shared ethical principles. These ethical principles are summarised in Indutrade's Code of Conduct, which all subsidiaries are expected to follow.

Indutrade normally does not sell companies. Nor do we change the companies' names or merge companies, which means that the seller knows that the company will continue as a long-term player in the market.

Strong market positions

Indutrade focuses on sales of products in niches in which it can attain a leading position.

Strong market positions are often a prerequisite for good profitability. They also make it easier to attract the best suppliers, which further consolidates 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.

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

Companies with proprietary products and brands

Indutrade has many companies with proprietary products and brands. The products should have a high-tech content, while the companies should have a strong market position and good growth potential.

Companies with proprietary products and brands provide balance to the Group's technology sales companies. Since 2004 the share of companies with proprietary products has grown by 31 percentage points, and in 2017 they accounted for 40% of consolidated net sales.

High share of repetitive sales and focus on selected customer segments

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 large start-up investment.

This contributes to business stability and predictability of revenue flows.

Sales organisation with high level of technical expertise

Indutrade's product and service offering, which is aimed at both end users and OEM customers (customers that integrate Indutrade's products in their own products), should have a high-tech content and incorporate a high level of service and qualified technical consulting. Indutrade's sales representatives must have a high level of technical expertise in their respective niches and a depth of knowledge about the customers' production processes.

This makes Indutrade an attractive business partner that creates value-added for customers and suppliers alike.

Decentralised organisation with strong local ties

Indutrade's governance model is characterised by decentralisation, as the best business decisions are made close to customers by people who have the best 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.



Driving forces and business environment

Global macro trends such as climate change, demographic changes, globalisation, digitalisation and rapid technological development present our customers with a steady progression of new challenges.



Conducting active business intelligence in which the salient trends are identified, monitored and analysed is crucial for Indutrade in its ability to make well-grounded decisions and conduct long-term sustainable business. While global trends pose challenges, they also represent major business opportunities. Indutrade is an international group that is active in markets in more than 30 countries. Markets outside the Nordic countries have had strong development and have increased in importance. Many of Indutrade's products are used in the end-products of globally exporting customers.

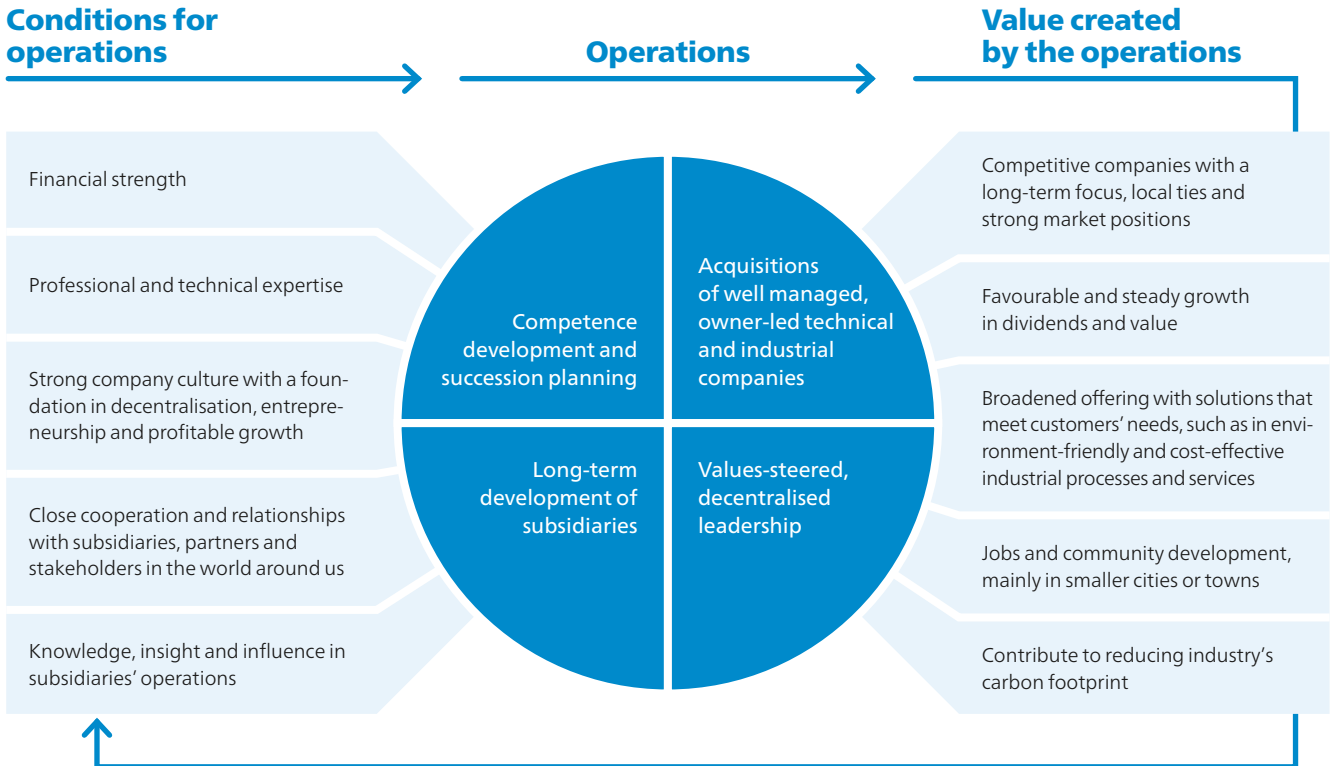
Population growth and a growing middle class are leading to rising demand for capital – as well as consumer goods, at the same time that the need for healthcare

is rising as people are living longer. Migration in large parts of the world is creating a need for infrastructure investment. Greater uncertainty in the world is giving rise to higher demand for security solutions. Limited natural resources are leading to greater demands for more efficient use of resources, recycling of material, and conservation of energy in industry. Climate change is leading to demands for greater use of renewable energy sources and a sustainable transport sector, with improved fuel economy and lower carbon emissions. This growing environmental awareness, coupled with demands for long-term sustainable development, is resulting in greater demand among consumers for locally produced goods. Awareness about climate change and the environment is

also influencing where industrial production is localised around the world.

Indutrade offers components, systems and services that improve our customers' ability to manage the challenges presented by a changing world. Our growth strategy is focused on sectors with high demands for efficiency and thus a high degree of automation. Priority is given to products that help industries measure, regulate, control, automate and improve the efficiency of their processes, and products that support industries in meeting environmental standards and their energy needs. With Indutrade's help, customers can conduct their business in a more energy-efficient and environment-friendly manner.

Indutrade creates value through long-term ownership and decentralised leadership steered by clear values.



The foundation of our business model is to be an active, long-term owner with distinctive values. Our business is built on developing and acquiring well managed and profitable technology and industrial companies with decentralisation in focus. A decentralised organisation is central to Indutrade's business model. The high level of self determination after a company is acquired is a key factor for being able to retain key persons in acquired companies. These individuals are typically entrepreneurs who are important for development of the business, for relationships with customers and suppliers, and also for the company culture and way of working. The individual subsidiaries are given a great amount of freedom, which creates conditions for a strong entrepreneurial spirit. Since the subsidiaries are run independently, each company can preserve its unique culture.

We conduct thorough due diligence of the companies we seek to acquire. Apart from meeting our requirements for finan-

cial performance, it is important that the acquired companies have competent management, are distinguished by a genuine entrepreneurial spirit, and have a depth of technological expertise. Preferably they have a leading position in their respective niches. Perhaps the most important factors in an acquisition process are culture and values. Initially we therefore dedicate a lot of time meeting with company management and key persons to establish a mutual acquaintance and understanding of each other. It is important that the companies we acquire understand our way of working. For an acquisition to be successful it requires that both parties have a shared values foundation.

By acquiring companies with established customer relationships, good profitability and a solid market presence, we mitigate our business risk. This is enhanced when our companies also share our culture and business ethics.

We support our companies to develop and meet new needs at the same time that

they maintain a long-term focus in their own operations and values. As a technology and industrial group with considerable financial strength and many years of experience and knowledge in the industries our subsidiaries work in, we can contribute technical and industrial know-how, business development opportunities, financing, and management by objective – all in an effort to make our companies more competitive. Our company culture guides us from the acquisition phase to how we run, build and develop businesses in a responsible manner.

It is through our subsidiaries' businesses that we create value. As an owner Indutrade helps build companies that work long-term in their respective businesses to leverage innovation, market presence, customer offering and sustainability while contributing new technical solutions for environmental improvements and cost efficiency. In this way our subsidiaries also help reduce the environmental impact of industry as a whole.

Business philosophy and acquisition process

Our business philosophy builds upon entrepreneurship, decentralisation and profitable growth. We buy profitable, well managed companies which, after being acquired, are allowed to continue doing business as usual, retaining their management, culture and name.

Giving the subsidiaries a great amount of freedom contributes to customer adaptation and flexibility, which creates favourable conditions to continue fostering entrepreneurship in the organisation. Our governance model is highly decentralised, which puts demands on acquired companies to have a well-working operation and management.

The benefit of being part of Indutrade

Indutrade supports its subsidiaries with industrial and technical know-how, business development, financing and management by objective. We are a stable owner that takes responsibility for our subsidiaries' long-term success. The Group's financial strength facilitates the subsidiaries' expansion and promotes stability.

At internal networking seminars we provide opportunities for knowledge-sharing and informal exchange of ideas and experiences among the companies. Every quarter an internal benchmarking process is conducted in the form of a ranking list, which is designed to concretise the companies' goals and give the company CEOs knowledge about other companies' development in the Group.

Acquisition process

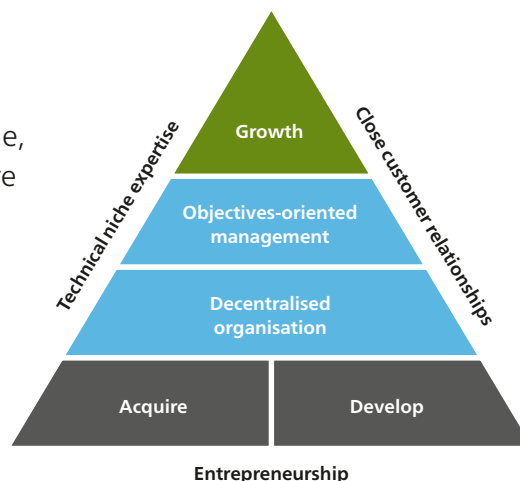
Identification

Indutrade strives to establish a dialogue with the owners of potentially interesting companies at an early stage. In doing so, Indutrade is often regarded as a natural discussion partner for the owners prior to a possible sale. Indutrade is continuously engaged in talks with interesting companies to acquire.

Evaluation

Potential acquisitions are evaluated on the basis of such parameters as market position, the market segment's attractiveness, customers, competitors, the principal supplier's strategic and technical focus, repetitive features in the product offering, financial position, history, and key persons' continued involvement in the company. Ensuring that the business is conducted in a responsible manner is crucial for creating long-term sustainable growth, development and profitability, and is therefore a central factor in the acquisition process. The same applies with respect to ensuring a shared values foundation with respect to sustainable business.

Thorough due diligence minimises the operational and financial risk associated with an acquisition. The acquisition process is allowed to take the time it needs – giving the parties an opportunity to get to know each other increases the prospects for a successful acquisition. A key to success is that the acquisition is planned thoroughly.



Negotiation

The main purpose of the negotiation phase is to ensure, among other things:

- that the acquisition can be carried out at a price that makes the deal a value-creating endeavour;
- the continued involvement of key persons after the acquisition. As the key persons are often part-owners of the company being acquired, normally an acquisition structure entailing contingent earn-out payments is used, which entails that additional consideration is paid out if the company reaches a certain level of profitability after the acquisition. Key persons are thereby given an incentive to continue working in the company and contribute to its continued development and growth;
- that the acquisition candidate's main suppliers give their consent to the acquisition, thereby ensuring that key suppliers can be kept.

Governance process

Implementation

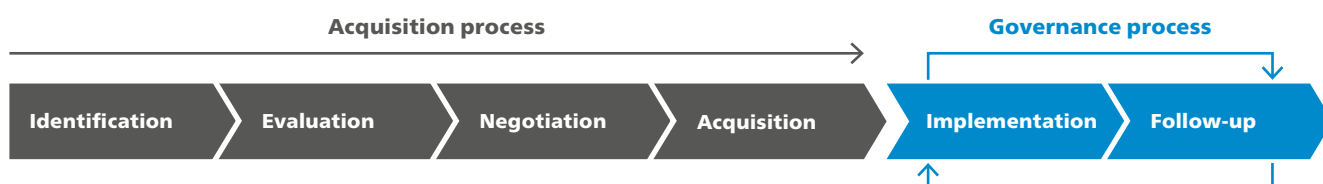
In connection with an acquisition, a structured review is conducted of the acquired company. The main areas of focus are the acquired company's:

- Customers and suppliers – are there opportunities to broaden the customer base and product range?
- Organisation – can efficiency improvements be made, with greater focus on customers and sales?
- Costs, margins and inventory turnover – are there opportunities to improve profitability and returns?
- Sustainable business – is the business conducted responsibly? Is growth sustainable and long-term?

New financial targets – adapted to the company's conditions – are set.

Follow-up

Indutrade's Group Management and the pertinent Business Area director engage the acquired company's management in a continuous dialogue. The ongoing governance is goal-oriented, with focus on growth, margins and working capital management.



Four reasons to invest in Indutrade

1

Sustainable growth

- Average annual sales growth of 12% since stock market listing in 2005
- 625% total return, including reinvested dividends, during last ten-year period
- Long experience of successful acquisitions
- Opportunities to broaden product offering, enhance value creation and expand geographically

2

Stable profitability and strong cash flow

- Historically stable profitability
- Average EBITA margin of 11.4% during last five years
- Average return on operating capital of 20% during last five years
- Strong operating cash flow generated over the years
- High average dividend, 43% of net profit during last five years
- Equity ratio 41% at year-end 2017

3

Attractive market position and risk profile

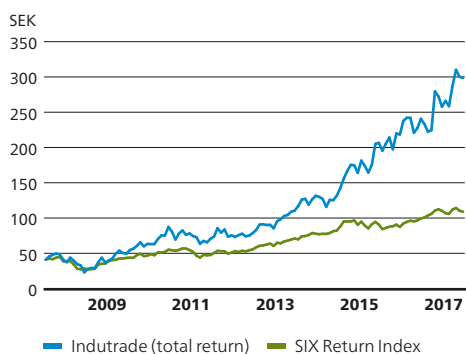
- Leading position in selected, niche sectors
- Focus on high quality and technically advanced products for customers with recurring need
- Diversified and stable customer base
- Stable long-term relationships with leading suppliers
- Not dependent on any single supplier

4

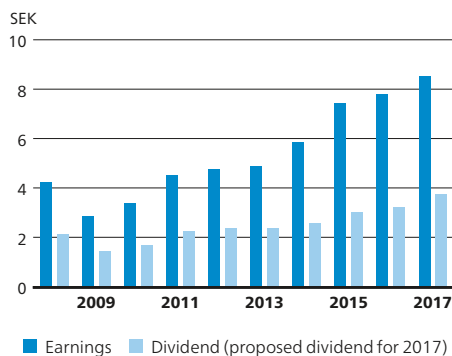
Strong culture and extensive expertise

- Decentralised organisation
- Entrepreneurial spirit
- Strict income and cost control
- Sales force with extensive technical knowledge

Total return for Indutrade shares 2008–2017



Earnings and dividend per share



Analyst firms that monitor Indutrade

- ABG Sundal Collier
- Carnegie Investment Bank
- Danske Bank Markets
- Handelsbanken
- Kepler Cheuvreux
- Nordea
- SEB

Share data

Indutrade's shares are listed on Nasdaq Stockholm and included on the Large Cap list. Indutrade's market capitalisation on 31 December 2017 was SEK 27,011 million (21,960).

Indutrade's share price increased by 22% in 2017, from SEK 183.00 to SEK 223.60. During the same period of time the Stockholm Stock Exchange gained 6%, while the OMX Industrials PI sector index rose 16%. Including reinvested dividends, the total return for Indutrade shares was 24%, compared with 9% for the SIX Return Index.

The highest price paid in 2017 was SEK 233.10, on 27 October, and the lowest price paid was SEK 167.10, on 6 March. During the last ten-year period Indutrade's shares have delivered a total return of 625% including reinvested dividends. The SIX Return Index showed a total return of 137% for the same period.

Trading volume

Total trading volume in Indutrade shares on all marketplaces during the year was 83.9 million (72.1) shares for a combined value of SEK 16.3 billion (13.4). This corresponds to a turnover rate of 69% (60%). Trading volume on the Stockholm Stock Exchange was 47.6 million (48.9) shares, corresponding to a turnover rate of 39% (41%). Average daily trading volume was 334,173 shares (284,925), with 1,940 transactions (895).

Since the adoption of the EU's Markets in Financial Instruments Directive (MiFID) in 2007, the structure for share trading in Europe has changed. Trading has become more fragmented and is now conducted to an increasing extent on other trading platforms outside the regulated marketplaces. One consequence of this is that a growing share of trading in shares of Swedish companies is being conducted outside the Stockholm Stock Exchange.

During 2017 Indutrade's shares were traded in several different marketplaces, and the Stockholm Stock Exchange accounted for 57% (68%) of total trading volume.

Share capital

Indutrade's share capital amounted to SEK 242 million on 31 December 2017 (240), divided among 120,798,600 shares (120,000,000) with a share quota value of SEK 2 (2). All shares have equal voting power.

Ownership structure

Indutrade had 9,816 shareholders on 31 December 2017 (10,518). At year-end the ten largest owners controlled 63% of the capital and votes (61%). Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 65% of the capital and votes at year-end (69%). Foreign ownership of the Company was 29% (24%), with the largest holdings held by shareholders in the USA, the UK, Finland and Germany.

Incentive programmes

In April 2014 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTI 2014) comprising a combined maximum of 460,000 warrants in two series for senior executives and other key persons in the Indutrade Group. Shares can be subscribed during specially stipulated subscription periods through Friday, 18 May 2018. For further information on LTI 2014, see pages 33 and 61.



In April 2017 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTI 2017) comprising a combined maximum of 704,000 warrants in two series for senior executives and other key persons in the Indutrade Group. Shares can be subscribed during specially stipulated subscription periods through Friday, 20 May 2022. For the full year there was a marginal dilutive effect from LTI 2014 of 0.13% (0.21%). For more information about LTI 2017, see pages 33 and 61.

Dividend and dividend policy

The Board's goal is to provide the shareholders an attractive dividend yield and high dividend growth. The goal is that over time, the dividend shall range from 30% to 60% of net profit. During the last five-year period, of Indutrade's aggregate profit after tax, totalling SEK 4,150 million, dividends of SEK 1,789 million were paid to the shareholders (including the proposed dividend for the year), which corresponds to a dividend payout ratio of 43%.

Key data per share

	2017	2016
Share price per 31 December, SEK	223.60	183.00
Market cap at 31 December, SEK m	27,011	21,960
Dividend, SEK	3.75 ¹⁾	3.20
Earnings before dilution, SEK	8.54	7.80
Earnings after dilution, SEK	8.53	7.78
No. of shares outstanding, thousands	120,799	120,000
Average number of shares before dilution, thousands	120,457	120,000
Average number of shares after dilution, thousands	120,617	120,251
No. of shareholders per 31 December	9,816	10,518
Highest price paid during the financial year, SEK	233.10	191.00
Lowest price paid during the financial year, SEK	167.10	136.23
Dividend yield, ²⁾ %	1.7	1.7
Shareholders' equity, SEK	42.64	36.58
Cash flow from operating activities, SEK	12.90	10.06

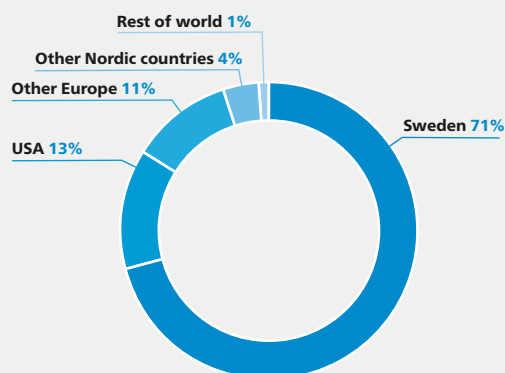
¹⁾ Proposed by the Board of Directors.

²⁾ Dividend divided by share price on 31 December.

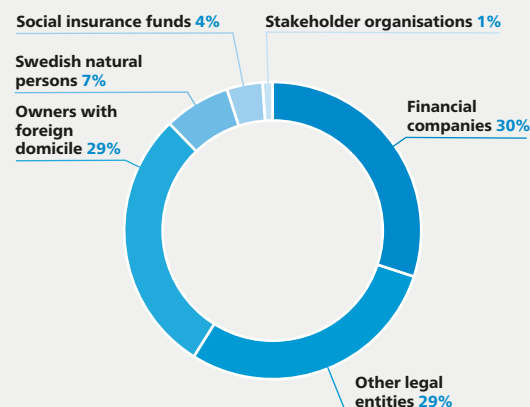
10 largest shareholders at 31 December 2017

	Number of shares	Share of capital and votes, %
L E Lundbergföretagen	31,575,000	26.1
Didner & Gerge funds	11,616,690	9.6
AMF – insurance and funds	7,779,864	6.4
Handelsbanken funds	5,178,800	4.3
First AP Fund	4,552,400	3.8
Skandia Mutual Life Insurance Company	3,440,020	2.9
JPM Chase NA	3,308,482	2.7
Alecta Pensionsförsäkring	3,145,059	2.6
Odin Norden	3,116,440	2.6
SEB Investment Management	2,799,920	2.3
Others	44,285,925	36.7

Ownership by country, %



Owners by category, %



Focus on sustainable business

By being an active, long-term owner we work together with our subsidiaries to build successful and sustainable companies that have a positive impact on the communities they work in. We are convinced that focus on sustainability is a prerequisite for long-term value creation.

Our view of sustainable business

Our most important duty is to work together with our subsidiaries to continuously improve our social, environmental and economic impacts. Companies that operate in a sustainable way are the ones that will be able to offer superior products and services, recruit the best people and thereby outperform their competitors over time. We strive to always be better in our role as a responsible owner, and our sustainability work is constantly evolving. To ensure that we are working with and reporting on the areas that are most important for our operations and our

stakeholders, we are currently reviewing the sustainability focus areas that we should prioritise.

Based on the three areas that were identified in the materiality analysis in 2016 – long-term ownership, competence and business ethics – in 2017 we drew up a set of goals and KPIs (Key Performance Indicators). The most important activities that we carried out in 2017 involved formalising succession planning in our companies and sustainability issues as part of our acquisition process. In an effort to map out how our subsidiaries view their own

sustainability work, in 2017 we conducted a survey among our subsidiary managing directors. The survey included questions about the companies' views of Indutrade as an owner and has given us constructive answers to questions surrounding decentralisation, succession planning and training activities, among other things. Indutrade's Code of Conduct serves as a key pillar in our sustainability work. It has been adopted by the Board of Directors and is available on our website, www.indutrade.se, as well as on our intranet for our employees.

Long-term ownership

Company culture
Sustainable acquisition process
Decentralisation

Competence and qualifications

Competence development
Succession planning
Sustainable products and solutions

Business ethics

Implementation of the Code of Conduct
Sustainability in the supply chain

Our view of long-term ownership

We believe in long-term ownership and decentralised leadership that are based on a clear set of values. This is how we view our company culture, which provides guidance from the acquisition phase to how we run, build and develop operations in a responsible way. Building strong relationships with our subsidiaries and their local partners is fundamental to our way of creating value.

Company culture

Indutrade's company culture is the foundation for who we are and everything we do. The starting point is values-based leadership with focus on decentralisation.

Our Code of Conduct is an important tool for describing shared principles and fostering a shared values foundation. At the same time, a major feature of our culture is embodied in informal actions and our conduct towards each other. During the acquisition process we put strong emphasis on getting to know the company and its management, employees and owners – to gain an understanding of whether they share our values and views of sustainable business. For us, it goes without saying that the employer/employee interaction should be characterised by mutual respect, openness and influence. The subsidiaries are given great freedom, which creates conditions for a strong entrepreneurial spirit. Since the subsidiaries are run independently, each company can preserve its unique culture.

In the survey of managing directors that we conducted in 2017, we asked the managing directors of our subsidiaries about how they view us as a long-term owner based on our core values such as decentralisation and business acumen.

In 2018 we will work further with the values foundation that is described in our Code of Conduct

Sustainable acquisition process

It is imperative that the companies we acquire share our core principles and values foundation. The companies must also demonstrate market and financial stability.

The process ahead of a new acquisition can be conducted over several years' time, as we meet with management and employees on numerous occasions in order to determine if a candidate is "an Indutrade company". This includes participating at meetings and conferences in order to interact with the company in vari-

ous contexts. We also solicit views from other, external parties who know the company well. We strive as early as possible in the acquisition process to engage the company in discussions and reasoning about our decentralised governance model and core values.

During 2017 we initiated work of formalising sustainability issues as part of our due diligence process. Acquisition candidates are evaluated according to a large number of parameters, such as market position, customers, competitors, the main supplier's strategic and technical focus, environmental impacts, ISO certifications, financial position, history and key persons' continued involvement. Gaining assurances that the business is conducted in a responsible manner is decisive for creating long-term sustainable growth, development and profitability and is therefore central to the acquisition process. The same applies with respect to ensuring a shared values foundation about sustainable business.

During the acquisition process, many companies that do not meet our strict criteria are ruled out. For example, there are companies in certain parts of the world that we do not invest in as a matter of principle, as we believe that such markets entail an excessively high risk for us. During 2018 work will continue on documenting and more clearly delineating our sustainability focus in the acquisition process, with the goal of sharing and communicating the results with all of the members of

Indutrade's Group Management Team as well as with other Indutrade employees who are involved in acquisition processes.

Decentralisation

Decentralisation – that the companies are given scope to develop and work according to their own conditions – is a central part of our business philosophy and company culture. Giving the subsidiaries great latitude leads to customer adaptation and flexibility, and the best business decisions are made close to customers by people who best know the customers' needs and processes. We regard building strong relationships with our subsidiaries, and to some extent also with their local partners, as fundamental to our way of working. A great many of our subsidiaries work in smaller cities or towns, and our employees thereby become important local ambassadors who, through their work, contribute to our companies being perceived as reliable and responsible, such as by ensuring that the local environment is not harmed by the company's operations. Our companies promote local growth and development by creating jobs and promoting entrepreneurship and local investment.

As part of the managing director survey that was conducted in 2017 we have followed up our companies' views on their decentralised responsibility. The majority of the companies felt that they have fully decentralised responsibility for their businesses. In 2018 we will work to further increase this share.

GEFA

The German subsidiary GEFA was established in 1964 and acquired by Indutrade in 2001 as part of the Gothenburg-based company Gustaf Fagerberg AB. Today 90% of sales consist of various types of valves and peripheral products.

"Indutrade's decentralised business model gives us freedom to develop the business based on our own prospects," says Gerd Ruhland, Managing Director. At the same time, he sees major benefits in the extensive network that he has access to in Indutrade."

"I know most of the other MDs in the Group," he says. "They work in similar industrial environments as we do, which gives me access to valuable knowledge and experience."

A concrete example of this is the inspiration that GEFA gained from HP Valves, another of the Group's manufacturing companies, to implement a continuous improvement programme (CIP). The programme has now been in use for two years and has contributed to many positive changes.



GEFA

Net sales: **EUR 28.2 m**

Number of employees: **117**

Acquired by Indutrade: **2001**

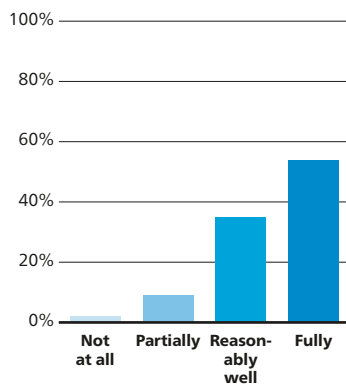
gefa.com

Sustainability

Long-term ownership

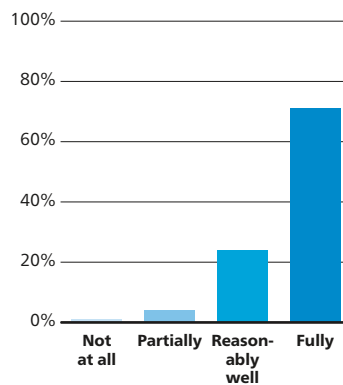
Issue	Goals	KPIs
Sustainable acquisition process	Acquired companies will share Indutrade's core values that are laid out in the Code of Conduct	Sustainability aspects integrated into the due diligence process Share of companies acquired during the year in which the Code of Conduct's principles and guidelines were used as support in the decision-making process
Decentralisation	MDs of all companies who complete the MD survey feel that Indutrade gives them a clear decentralised responsibility	Companies' response to the statement "Indutrade gives my company a clear decentralised responsibility" in the MD survey

Develop and grow the business in own way



Share of subsidiary MDs who feel that Indutrade supports and inspires them to develop their respective companies in their own way.

Decentralised responsibility



Share of subsidiary MDs who feel that Indutrade gives them a clear decentralised responsibility.

Competence and qualifications

Our view of competence and qualifications

As an owner our goal is that our subsidiaries will show a long-term focus in their respective businesses regarding innovation, market presence, customer offering and sustainability. We firmly believe that the right conditions for strong and well managed companies are created when we support our companies to develop in order to meet new needs at the same time that they maintain a long-term focus in their own respective companies and their values.

Competence development

One of the most important preconditions for maintaining a long-term approach in our own and our subsidiaries' operations is to ensure we have the right competence

within the Group. In our subsidiaries this is largely a matter of making full use of the competence that already exists internally. We do this both through continuing education for key persons and by sharing knowledge and experiences within the Group.

Our companies often work as problem-solvers for customers, which requires that the employees have a high level of business and technical expertise. Offering development opportunities for our employees is a way for us to be an attractive place to work and thereby retain key competence within the Group.

2017 was an important year for us with respect to competence development. We

initiated a number of Group-wide initiatives, such as a greater focus on succession planning. Through Indutrade Academy we provide training in areas such as leadership and sales. These training programmes aim to strengthen our managers and employees to tackle business challenges and meet customers' expectations.

Succession planning

Many of our companies were family-owned from the start and/or have a long history of local ties and strong company culture. We believe that our subsidiaries achieve their full potential when they can continue to develop based on their own conditions and values. We believe there is

immense value in allowing individuals to grow and develop internally within the company.

We view diversity as fundamental to maintaining competitiveness, achieving dynamism within the organisation, and for continuing to be an attractive employer. Diversity is therefore an issue that we take into consideration in connection with the appointment of management positions in our subsidiaries. Employees are recruited and promoted exclusively based on their work qualifications and without consideration of their gender, transgender identity or expression, ethnic origin, religion or other faith, functional disability, sexual preference, age or other categories protected by law.

In 2017 we conducted a Group-wide initiative to formalise succession planning in our subsidiaries. This is an important step in ensuring access to people who are prepared and competent to take responsibility as a company MD. We urge our subsidiaries to plan and prepare their respective organisations in terms of succession. As a first step the subsidiaries have all mapped out and evaluated their own internal resources and conditions for future talent supply and succession. In a second step, the majority of our subsidiaries drew up a succession plan based on this mapping. The remaining companies will complete this work in 2018. Once this is complete we will continue our work on building up the systematic process that a formalised succession planning process requires. This entails, among other things,

that at the Group level Indutrade offers various performance-building programmes such as leadership training for mid-level managers and other key competencies identified by the companies.

In the survey of managing directors conducted in 2017, more than 90% of the subsidiaries' managing directors answered that they now systematically work with succession planning, while many indicated that they are in early stages of this work. In addition, in 2017 we began work on studying opportunities to promote diversity in the appointment of new subsidiary MDs. This, too, is work that we will continue with in 2018.

Sustainable products and solutions

Many of our subsidiaries offer smart and environmentally effective industrial solutions. Global macro trends such as climate change, demographic changes and increased globalisation are presenting a steady stream of new challenges to our companies and their customers. Through active board work we support the managing directors of our subsidiaries in their work with sustainability and on meeting growing demands and expectations for responsible and sustainable solutions. The components, systems and services that our companies market, sell and produce often require technical and industrial know-how in order to be beneficial for the customer. By having good knowledge about customers' systems and processes, combined with a high level of technical expertise, we aim to improve the efficiency of our customers'

operations and offer solutions that reduce environmental impacts and enhance efficiency. For example, being ISO-certified is often a prerequisite for customers and suppliers to even begin working with our companies. More than 80% of our companies believe that they are currently working in their operations on continuously reducing their environmental impact and actively helping their customers reduce theirs.

Most of our subsidiaries conduct systematic environmental work with the aim of achieving continuous improvement. Priority areas include efficient use of energy and natural resources, established systems for re-using and recycling material and energy, and prevention of pollution. As of 2017, 50% of all subsidiaries were certified according to various management systems such as ISO 14001, ISO 9001, ISO 13485, and the energy certifications DIN EN 16247, AS9100 and NADCAP. Nine of Indutrade's Swedish subsidiaries conduct operations that require permits or reporting in accordance with the Swedish Environmental Code. Three foreign subsidiaries conduct operations subject to an equivalent permit or reporting obligation.

Combilent

Danish subsidiary Combilent develops, manufactures and markets equipment for Professional Mobile Radio (PMR) communication systems. The company's products, including filters, amplifiers and combiners, are used to filter and amplify signals to and from radio stations. Focus is on mission critical systems, with key user groups consisting of police, fire brigades, ambulance operators, the transport sector and the military.

The products are also environment-friendly. This is in part because they are all small – often only a fourth as big as their alternatives, which means less use of metals such as copper and silver. Plus, they are energy-efficient since they generate less heat and thereby reduce the need for air conditioning in radio stations.

"One example of this is a system that we delivered to the Dutch government, which paid itself off in six months owing entirely to lower energy costs," says the company's CEO Claus Dall-Hansen, who together with Jesper Trier is a co-founder of Combilent.

Combilent's technologically leading position is based on a strong R&D focus.

"We work often as an extension of our customers' R&D departments," says Claus. "Essentially everything we do is entirely customised to suit our respective customers' radio systems."



Combilent

Net sales: **EUR 15 m**

Number of employees: **24**

Acquired by Indutrade: **2015**

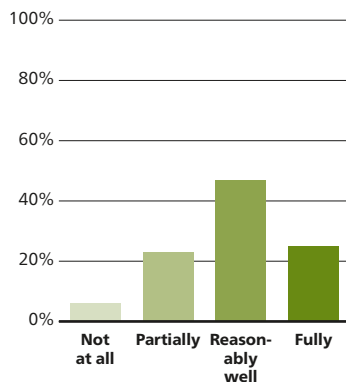
combilent.com

Sustainability

Competence and qualifications

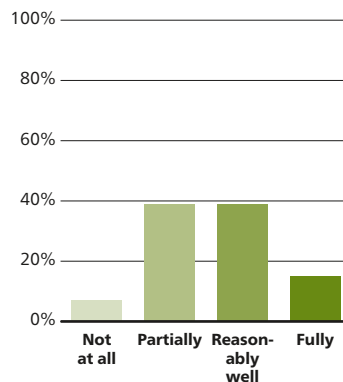
Issue	Goals	KPIs
Competence development	To develop, train and motivate our employees, such as by offering training through Indutrade Academy	Completed training in Indutrade Academy or similar training initiatives
	MDs of all companies who complete the MD survey feel that Indutrade offers good opportunities for competence development	Share of company MDs who feel that Indutrade offers good opportunities for competence development, both for themselves and their employees
Succession planning	All companies have drawn up a succession plan	Share of companies that have drawn up a succession plan
	MDs of all companies who complete the MD survey feel that their companies are working systematically with succession planning	Share of companies that are working with succession planning
Sustainable products and solutions	MDs of all companies who complete the MD survey feel that Indutrade supports them in their work on reducing their environmental footprints, both direct and indirect	To be determined in 2018

Competence development



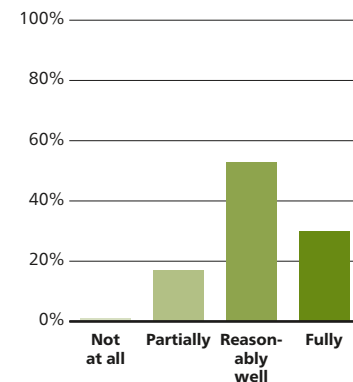
Share of subsidiary MDs who feel that Indutrade offers good opportunities for competence development, both for themselves and their employees.

Succession planning



Share of subsidiary MDs who believe that they are working systematically with succession planning.

Reduced environmental impact



Share of subsidiary MDs who feel that their companies strive to continuously reduce their environmental impact and help their customers reduce their environmental impact.

Business ethics

Our view of business ethics

Indutrade and each of our subsidiaries have many different business relationships with suppliers, customers, acquisition candidates and shareholders. To be able to grow and develop we must maintain a high level of trust among our most important stakeholders and people in our operating environment, and be a partner to depend on.

Our Code of Conduct – everyone’s responsibility and right

Our Code of Conduct provides guidance for who we aspire to be and how we want to be perceived, and applies for all employees in the Indutrade Group, in all countries. The Code of Conduct has its starting point in the basic values expressed in the Global Compact’s principles for corporate sustain-

ability, the OECD Guidelines for Multi-national Enterprises, and other internationally recognised norms. The Code of Conduct lays out guidelines for our daily conduct in a number of important areas, including care for the environment, health and safety, business ethics including anti-corruption, employee relations, human rights and community impacts.

Indutrade’s environmental impact is mainly indirect, and our focus is on the environmental work in the subsidiaries. The Code of Conduct includes principles that address efficient use of energy and natural resources, recycling and prevention of pollution.

To ensure a safe and sound workplace for all employees in the Indutrade Group,

health and safety is one of the areas that we address specifically in the Code of Conduct. Most of the subsidiaries have operations involving lighter workshop and assembly work, which entails a relatively low risk for injury. Nevertheless, the Code of Conduct emphasises that our companies shall work proactively to prevent obvious physical risks, and monitor safety work and the employees’ work situation. Subsidiaries’ investments in improved production environments are something that we prioritise, support and encourage. It creates the best conditions for a safe workplace with fewer risks and repetitive movements at the same time that it boosts productivity and creates conditions for the subsidiaries’ growth.

Follow-up and evaluation

The managing directors of the respective subsidiaries are responsible for ensuring that the Code of Conduct is integrated in their own operations and organisations. It is also the respective subsidiaries' managing directors who determine if there are additional actors in the company's value chain who are to be subject to the Code of Conduct, such as suppliers or subcontractors.

Follow-up of the Code of Conduct is conducted yearly as part of the internal control process. Employees who see any deviations from the Code of Conduct or who suspect any improprieties can report such via a whistleblower function, anonymously if they so prefer.

In 2017 we continued our implementation and follow-up of the Code of Conduct among the subsidiaries. This follow-up has shown that the majority of companies have conducted training in, informed or discussed the content of the Code of Conduct with their employees. In addition, roughly half of the subsidiaries have included other actors, such as suppliers and subcontractors, for adherence to the Code of Conduct. During 2018 we will continue our work on ensuring that all subsidiaries will implement and work with increasing knowledge about the Code of Conduct.

Sustainability in the supply chain

A large share of Indutrade's revenue is derived from sales of global and market-leading products from suppliers. Naturally, the fact that a large share of production is conducted outside the framework of our operations

Gustaf Fagerberg



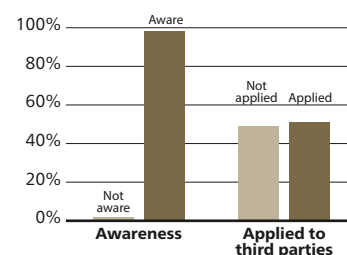
At Gustaf Fagerberg AB, which supplies valves and instruments to the Swedish process industry, Managing Director Peter Fredriksson and his management team have chosen to work further with the part of the Code of Conduct that addresses a safe and sound workplace. Based on the Code of Conduct the company has adopted its own Work Environment Policy and takes a strategic approach to reducing sickness-related absences and countering stress and psychosocial ill-health. All employees have completed training in personal leadership based on trust and openness. Through monthly follow-ups, both the work atmosphere and performance have improved – something that has also become apparent in a reduction in sickness-related absences.

“Indutrade’s Code of Conduct goes hand-in-hand with the company’s own values,” says Peter Fredriksson. “It is according to these values that we at Fagerberg live and grow – both as a company and as individuals.”

Gustaf Fagerberg
 Net sales: **SEK 311 m**
 Number of employees: **60**
 Acquired by Indutrade: **2001**
fagerberg.se

entails certain sustainability risks. In 2016 a mapping was conducted of the subsidiaries' suppliers and potential risks. By supporting the subsidiaries in this mapping and strengthening their awareness and control over their supply chains, we can help them more quickly identify risks and focus their efforts on areas where the risks are the greatest. We intend to further analyse the results both of this mapping and our MD survey in 2018 in order to come up with an action plan for how we as an owner can best continue to provide support to the companies on supplier issues.

The Code of Conduct



Share of subsidiary MDs who are aware of the Code and share of subsidiaries that have applied the Code to third parties, respectively.

Business ethics

Issue	Goals	KPIs
Implementation of the Code of Conduct	All companies have integrated Indutrade's Code of Conduct in their operations	Share of companies that are aware of and have implemented Indutrade's Code of Conduct
Sustainability in supply chain	All companies with elevated risks in the supply chain have discussed the Code of Conduct with relevant suppliers	Share of companies that have discussed Indutrade's Code of Conduct and applied it to other actors, such as suppliers and subcontractors

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Indutrade AB (publ), corporate identity number 556017-9367

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 on pages 14–19 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International

Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, 23 March 2018

PricewaterhouseCoopers AB

Michael Bengtsson

Authorised Public Accountant



Growth through acquisitions

We have a long record of experience from company acquisitions. Over the last ten years we have acquired more than 100 companies. Acquisitions have accounted for a large share of the Group's sales growth. Growth in the future is also expected to be achieved in part through continued company acquisitions.





Strong culture characterises the Group

We conduct a thorough assessment of potential acquisitions. In addition to meeting requirements for financial performance, the acquired companies must also have a highly skilled management team, be characterised by a genuine entrepreneurial spirit and possess deep technical expertise.

Established companies reduce risk

Our business risk is limited by acquiring companies with established customer relationships, good profitability and an established market presence. This is enhanced by the fact that our companies share our culture and business ethics.



Several-year overview and definitions

Condensed income statements

SEK million	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net sales	14,847	12,955	11,881	9,746	8,831	8,384	7,994	6,745	6,271	6,778
Cost of goods sold	-9,881	-8,607	-7,847	-6,464	-5,833	-5,545	-5,268	-4,480	-4,207	-4,520
Development costs	-178	-156	-133	-107	-110	-95	-74	-48	-44	-32
Selling costs	-2,463	-2,179	-2,044	-1,708	-1,601	-1,527	-1,430	-1,224	-1,169	-1,169
Administrative expenses	-893	-791	-635	-535	-449	-426	-398	-376	-323	-299
Other operating income/expenses	-52	50	13	49	18	6	-2	-3	-3	2
Operating profit	1,380	1,272	1,235	981	856	797	822	614	525	760
Financial income and expenses	-70	-78	-98	-86	-100	-83	-93	-61	-64	-68
Profit after financial items	1,310	1,194	1,137	895	756	714	729	553	461	692
Tax	-280	-258	-243	-192	-169	-145	-189	-148	-120	-182
Net profit for the year	1,030	936	894	703	587	569	540	405	341	510
EBITA	1,613	1,484	1,427	1,134	990	905	917	703	594	820
EBITA margin, %	10.9	11.5	12.0	11.6	11.2	10.8	11.5	10.4	9.5	12.1

Condensed balance sheets

SEK million	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Assets										
Goodwill	2,845	2,388	1,942	1,572	1,308	1,188	822	712	514	574
Other intangible assets	2,102	1,879	1,636	1,445	1,286	1,215	888	761	555	599
Property, plant and equipment	1,618	1,451	1,117	971	849	741	706	657	563	554
Financial assets	139	117	101	87	61	59	45	50	48	52
Inventories	2,517	2,249	1,931	1,617	1,546	1,472	1,328	1,183	1,064	1,207
Accounts receivable – trade	2,469	2,292	1,995	1,702	1,435	1,411	1,263	1,047	901	1,102
Other receivables	412	345	300	336	208	204	149	164	125	100
Cash and cash equivalents	464	332	339	357	261	243	264	219	229	223
Total assets	12,566	11,053	9,361	8,087	6,954	6,533	5,465	4,793	3,999	4,411
Liabilities and equity										
Equity	5,168	4,399	3,707	3,162	2,626	2,290	2,064	1,744	1,644	1,597
Non-current interest-bearing liabilities, incl. pension liabilities	1,569	2,274	1,260	1,216	2,201	1,158	837	939	886	930
Other non-current liabilities and provisions	600	563	480	412	353	333	255	231	132	148
Current interest-bearing liabilities	2,724	1,686	2,028	1,635	381	1,424	1,083	841	462	622
Accounts payable – trade	1,081	968	848	763	602	586	556	493	424	584
Other current liabilities	1,424	1,163	1,038	899	791	742	670	545	451	530
Total liabilities and equity	12,566	11,053	9,361	8,087	6,954	6,533	5,465	4,793	3,999	4,411

Condensed cash flow statements

SEK million	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Cash flow from operating activities before changes in working capital	1,514	1,318	1,315	970	790	720	764	616	438	619
Changes in working capital	40	-111	-239	-66	69	-201	-55	40	120	-129
Cash flow from operating activities	1,554	1,207	1,076	904	859	519	709	656	558	490
Net investment in non-current assets	-236	-320	-221	-124	-206	-127	-139	-111	-90	-130
Company acquisitions and divestments	-1,007	-1,164	-878	-585	-444	-572	-467	-684	-188	-276
Change in other financial assets	1	8	-1	3	1	-5	13	0	0	0
Cash flow from investing activities	-1,242	-1,476	-1,100	-706	-649	-704	-593	-795	-278	-406
Net borrowing	116	620	303	165	88	442	134	321	-12	131
Dividend payout	-384	-360	-310	-282	-282	-270	-204	-172	-256	-210
Payment for issued warrants	8	-	-	-	-	-	-	-	-	-
New issue	95	-	-	-	-	-	-	-	-	-
Cash flow from financing activities	-165	260	-7	-117	-194	172	-70	149	-268	-79
Cash flow for the year	147	-9	-31	81	16	-13	46	10	12	5
Cash and cash equivalents at start of year	332	339	357	261	243	264	219	229	223	203
Exchange rate differences	-15	2	13	15	2	-8	-1	-20	-6	15
Cash and cash equivalents at end of year	464	332	339	357	261	243	264	219	229	223

Financial metrics

SEK million	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Non-current interest-bearing liabilities	1,569	2,274	1,260	1,216	2,201	1,158	837	939	886	930
Current interest-bearing liabilities	2,724	1,686	2,028	1,635	381	1,424	1,083	841	462	622
Cash and cash equivalents	-464	-332	-339	-357	-261	-243	-264	-219	-229	-223
Interest-bearing net debt	3,829	3,628	2,949	2,494	2,321	2,339	1,656	1,561	1,119	1,329
Net debt/equity ratio, %	74	82	80	79	88	102	80	90	68	83
Interest coverage ratio, times	21.1	16.5	14.6	12.2	8.9	9.0	8.9	9.4	7.6	10.4
Equity ratio, %	41	40	40	39	38	35	38	36	41	36
Net debt/EBITDA, times	2.1	2.2	1.8	1.9	2.1	2.3	1.6	2.0	1.6	1.5
Return measures										
Average operating capital, SEK million	8,444	7,491	6,537	5,324	4,894	4,078	3,680	3,605	3,211	2,484
Return on operating capital, %	19	20	22	21	20	22	25	19	18	33
Average equity, SEK million	4,746	3,976	3,440	2,818	2,377	2,113	1,849	1,672	1,602	1,337
Return on equity, %	22	24	26	25	25	27	29	24	21	38
Number of employees										
Average number of employees	6,156	5,495	4,978	4,418	4,151	3,939	3,778	3,420	3,122	2,728
Number of employees at year-end	6,545	5,705	5,107	4,578	4,218	4,086	3,807	3,444	3,040	3,269

Financial overview

Key data per share

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Share price at 31 December, SEK	223.60	183.00	160.17	104.00	89.50	65.67	61.00	77.33	45.00	22.08
Market cap at 31 December, SEK million	27,011	21,960	19,220	12,480	10,740	7,880	7,320	9,280	5,400	2,650
Dividend, SEK	3.75 ¹⁾	3.20	3.00	2.58	2.35	2.35	2.25	1.70	1.43	2.13
Earnings before dilution, SEK	8.54	7.80	7.44	5.87	4.89	4.74	4.50	3.39	2.84	4.25
Earnings after dilution, SEK	8.53	7.78	7.44	5.87	4.89	4.74	4.50	3.39	2.84	4.25
Number of shares outstanding, 000s	120,799	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Average number of shares before dilution, 000s	120,457	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Average number of shares after dilution, 000s	120,617	120,251	120,094	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Number of shareholders at 31 December	9,816	10,518	7,965	5,970	6,038	5,721	5,025	5,388	5,369	4,577
Highest price paid during the financial year, SEK	233.10	191.00	162.77	106.50	90.83	76.50	79.67	78.00	51.00	49.67
Lowest price paid during the financial year, SEK	167.10	136.23	103.50	80.33	66.00	58.33	51.17	44.83	23.17	21.25
Dividend yield ²⁾ , %	1.7	1.7	1.9	2.5	2.6	3.6	3.7	2.2	3.2	9.7
Shareholders' equity, SEK	42.64	36.58	30.86	26.33	21.86	19.07	17.18	14.52	13.70	13.31
Cash flow from operating activities, SEK	12.90	10.06	8.97	7.53	7.16	4.33	5.91	5.47	4.65	4.08

¹⁾ Proposed for 2017 by the Board of Directors.

²⁾ Dividend divided by the share price on 31 December.

Definitions

In this annual report Indutrade presents certain key ratios (Alternative Performance Measures – APMs) that complement the financial measures defined in IFRS. Indutrade believes that these key ratios provide valuable information to readers, as they contribute to assessment of the Group's performance, trends, ability to repay debt and invest in new business opportunities, and they reflect the Group's acquisition-intensive business model.

Since not all companies calculate their financial key ratios in the same way, they are not always comparable. They should therefore not be regarded as a substitute for the key ratios defined in IFRS. Following are definitions of Indutrade's key ratios, of which most are APMs.

Earnings per share after dilution

Net profit for the period attributable to owners of the parent divided by the average number of shares outstanding after dilution.

Earnings per share before dilution

Net profit for the period attributable to owners of the parent divided by the average number of shares outstanding. Definition according to IFRS.

EBITA

Operating profit before amortisation of intangible non-current assets arising in connection with company acquisitions (Earnings Before Interest, Tax and Amortisation). EBITA is the principal measure of the Group's earnings.

EBITA margin

EBITA divided by net sales.

EBITDA

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

Equity per share

Shareholders' equity attributable to the owners of the parent divided by the number of shares outstanding.

Equity ratio

Shareholders' equity divided by total assets.

Gross margin

Gross profit divided by net sales.

Interest-bearing net debt

Interest-bearing liabilities including pension liability and estimated earn-outs from acquisitions, less cash and cash equivalents.

Interest cover ratio

Operating profit plus interest income divided by interest expenses.

Net capital expenditures

Purchases less sales of intangible non-current assets and of property, plant and equipment, excluding those included in acquisitions and divestments of subsidiaries and businesses.

Net debt/equity ratio

Interest-bearing net debt divided by shareholders' equity.

Net debt/EBITDA

Interest-bearing net debt at the end of the period divided by EBITDA on a moving 12-month basis.

Operating capital

Shareholders' equity plus interest-bearing net debt.

Return on equity

Net profit for the period on a moving 12-month basis divided by average shareholders' equity per month.

Return on operating capital

EBITA calculated on a moving 12-month basis divided by average operating capital per month.

Net sales

SEK million	2017					2016				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	1,729	461	415	452	401	1,537	415	389	397	336
Flow Technology	2,393	613	615	617	548	2,231	580	531	591	529
Fluids & Mechanical Solutions	1,859	474	441	487	457	1,558	445	385	404	324
Industrial Components	2,924	831	719	706	668	2,501	690	596	649	566
Measurement & Sensor Technology	1,456	387	340	385	344	1,171	338	295	297	241
Special Products	4,537	1,178	1,116	1,115	1,128	3,997	1,040	990	991	976
Parent Company & Group items	-51	-12	-13	-13	-13	-40	-9	-10	-12	-9
	14,847	3,932	3,633	3,749	3,533	12,955	3,499	3,176	3,317	2,963

EBITA

SEK million	2017					2016				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	179	43	53	51	32	124	29	42	38	15
Flow Technology	205	52	60	57	36	168	38	35	55	40
Fluids & Mechanical Solutions	233	52	57	64	60	199	54	48	56	41
Industrial Components	324	96	81	79	68	265	76	67	72	50
Measurement & Sensor Technology	254	65	58	74	57	177	51	51	45	30
Special Products	618	133	158	153	174	597	144	142	159	152
Parent Company & Group items	-200	-142	-17	-20	-21	-46	-1	-8	-20	-17
	1,613	299	450	458	406	1,484	391	377	405	311

EBITA margin

SEK million	2017					2016				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	10.4	9.3	12.8	11.3	8.0	8.1	7.0	10.8	9.6	4.5
Flow Technology	8.6	8.5	9.8	9.2	6.6	7.5	6.6	6.6	9.3	7.6
Fluids & Mechanical Solutions	12.5	11.0	12.9	13.1	13.1	12.8	12.1	12.5	13.9	12.7
Industrial Components	11.1	11.6	11.3	11.2	10.2	10.6	11.0	11.2	11.1	8.8
Measurement & Sensor Technology	17.4	16.8	17.1	19.2	16.6	15.1	15.1	17.3	15.2	12.4
Special Products	13.6	11.3	14.2	13.7	15.4	14.9	13.8	14.3	16.0	15.6
	10.9	7.6	12.4	12.2	11.5	11.5	11.2	11.9	12.2	10.5

Directors' report

The Board of Directors and President of Indutrade AB (publ), reg. no. 556017-9367, herewith submit the annual report for the 2017 financial year.

Operations

Indutrade markets and sells components, systems and services with a high-tech content to industrial companies in selected niches. Through solid knowledge about customers' systems and processes combined with a high level of technical expertise, Indutrade aspires to be the most value-creating partner for customers and suppliers alike.

The Group was organised in six business areas during the year: Engineering & Equipment, Flow Technology, Fluids & Mechanical Solutions, Industrial Components, Measurement & Sensor Technology, and Special Products. Operations in 2017 were conducted through some 200 subsidiaries in 31 countries on four continents. Indutrade's shares are listed on Nasdaq Stockholm.

Performance during the year

The market situation was stable during the year. Demand in Europe developed well, particularly in all of the Nordic countries, Benelux and Germany. The UK and Switzerland had slightly weaker development. Order intake for valves for power generation improved toward the end of the year. The business situation remains challenging for companies in the marine segment.

Order intake, net sales and earnings

Order intake for the financial year totalled SEK 15,051 million (13,004), an increase of 16%. The increase for comparable units was 6%, acquisitions contributed 9% and currency movements had a positive effect on order intake of 1%. For all of the business areas, order intake increased during the year for comparable units.

Net sales increased by 15% during the year to SEK 14,847 million (12,955). The increase for comparable units was 5%, acquisi-

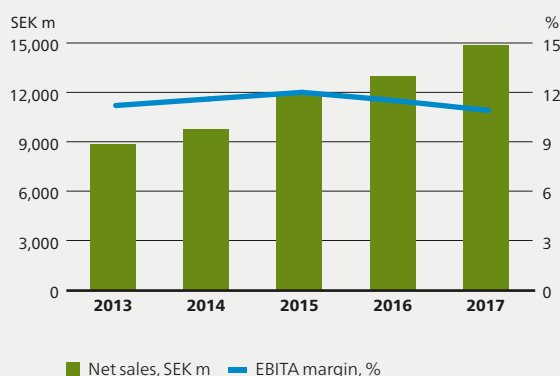
tions contributed 9%, and currency movements had a positive effect on net sales, of 1%.

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) was SEK 1,613 million (1,484) for the year, an increase of 9%. The increase for comparable units was 8%, acquisitions contributed 10%, restructuring had a negative effect of 9%, and currency movements had a marginal effect. The EBITA margin narrowed to 10.9% (11.5%). The gross margin for the Group as a whole decreased slightly, to 33.4% (33.6%).

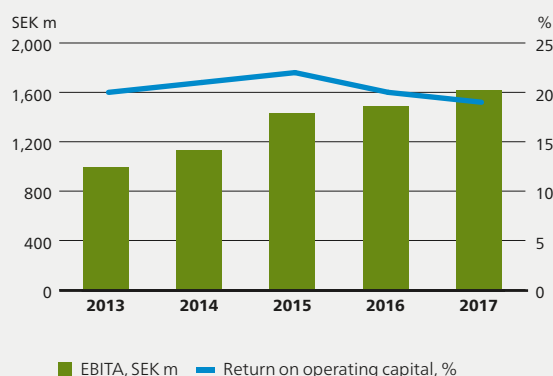
Most of the companies in the Group performed favourably during the year, with higher invoicing and margins. This, together with the contributions from completed acquisitions, countered very weak earnings for the companies in the marine segment as a result of low volumes and restructuring costs. The restructuring costs, totalling SEK 132 million, pertain to the Sander Meson Group and were charged against consolidated operating profit, where SEK 72 million pertains to impairment of intangible assets and SEK 60 pertains to other restructuring costs. Deliveries of valves for power generation were also lower than in 2016. EBITA excluding restructuring costs was SEK 1,745 million, corresponding to an adjusted EBITA margin of 11.8%. For the full year, five of the Group's six business areas exceeded the Group's target of an EBITA margin higher than 10%.

Net financial items amounted to SEK -70 million (-78). Tax on profit for the year was SEK -280 million (-258), corresponding to a tax charge of 21% (22%). Profit for the year rose 10% to SEK 1,030 million (936). Earnings per share before dilution grew 9% to SEK 8.54 (7.80).

Net sales and EBITA margin



EBITA and return on operating capital



Profitability, financial position and cash flow

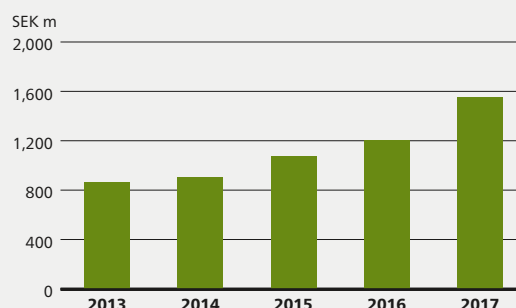
The return on operating capital was 19% (20%), and the return on equity was 22% (24%).

Shareholders' equity amounted to SEK 5,168 million (4,399), and the equity ratio was 41% (40%). Cash and cash equivalents amounted to SEK 464 million (332). In addition to this, the Group had unutilised credit promises of SEK 2,752 million (2,854). Interest-bearing net debt amounted to SEK 3,829 million (3,628) at year-end. The net debt/equity ratio was 74% at year-end (82%).

Cash flow from operating activities was SEK 1,554 million (1,207) for the full year. Cash flow after net capital expenditures in intangible non-current assets and property, plant and equipment (excluding company acquisitions) was SEK 1,318 million (887).

The Group's net capital expenditures, excluding company acquisitions, totalled SEK 236 million (320). Depreciation of property, plant and equipment amounted to SEK 206 million (178). Investments in company acquisitions totalled SEK 957 million (996). In addition, contingent earn-out payments for previous years' acquisitions totalled SEK 50 million (168).

Cash flow from operating activities

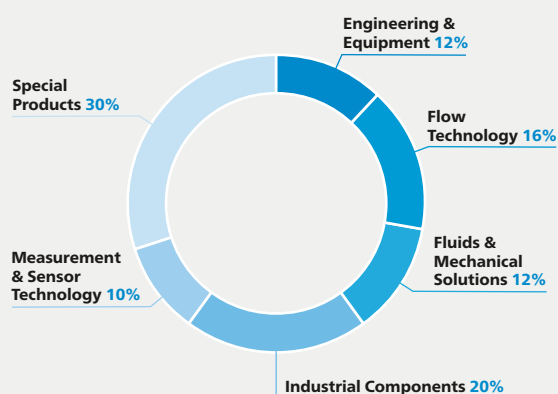


Business Areas

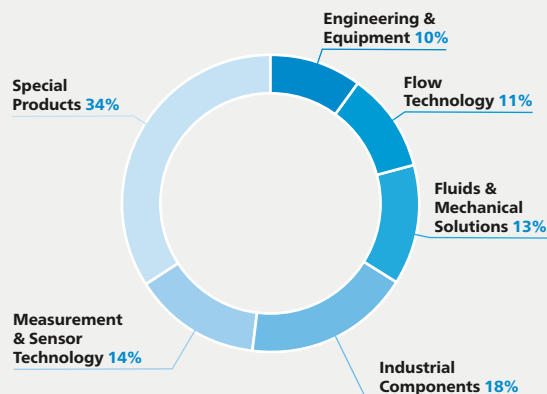
Key data per business area

	Engineering & Equipment		Flow Technology		Fluids & Mechanical Solutions		Industrial Components		Measurement & Sensor Technology		Special Products	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Net sales, SEK m	1,729	1,537	2,393	2,231	1,859	1,558	2,924	2,501	1,456	1,171	4,537	3,997
EBITA, SEK m	179	124	205	168	233	199	324	265	254	177	618	597
EBITA margin, %	10.4	8.1	8.6	7.5	12.5	12.8	11.1	10.6	17.4	15.1	13.6	14.9
Return on operating capital, %	33	24	20	17	18	19	21	20	17	13	19	22
Average number of employees	539	526	700	680	696	620	749	695	1,491	1,315	1,970	1,649

Net sales per business area, %



EBITA per business area, %



Engineering & Equipment

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

Share of order intake

12%



Share of sales

12%

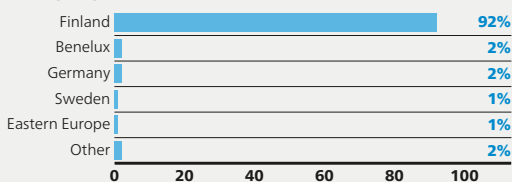


Net sales rose 12% during the year to SEK 1,729 million (1,537). The increase for comparable units was 10%, while currency movements had a positive effect on net sales of 2%.

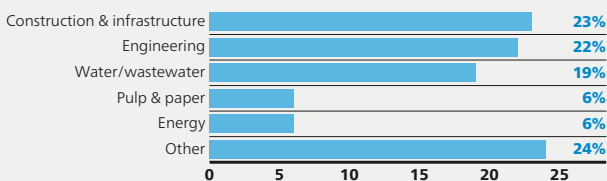
Most of the business area's sales are in Finland. The business situation for the business area was positive, with favourable demand in most customer segments. Most businesses also showed positive earnings performance.

EBITA increased by 44% to SEK 179 million (124), corresponding to an EBITA margin of 10.4% (8.1%).

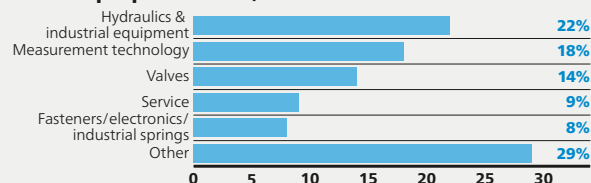
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Flow Technology

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

Share of order intake

16%



Share of sales

16%



Net sales rose 7% during the year to SEK 2,393 million (2,231). The increase for comparable units was 4%, acquisitions made a positive contribution of 3%, and currency movements had a marginal effect.

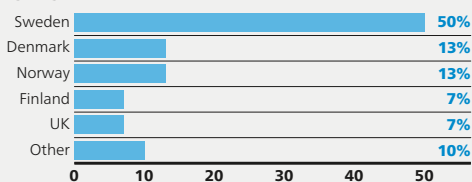
Demand was stable during the year for most of the business area's units.

The market conditions for the Sander Meson Group, which is active in the marine segment, have been challenging for some time. During the fourth quarter the decision was made to carry out a number of measures to restore profitability. These resulted in restructuring costs of SEK 132 million, which were charged against operating profit. The costs were recognised in their entirety at the Group level.

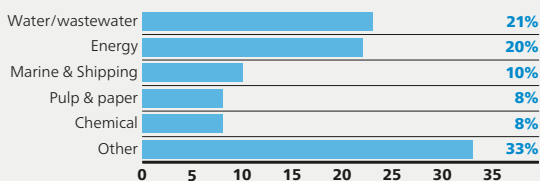
EBITA increased by 22% to SEK 205 million (168), and the EBITA margin was 8.6% (7.5%).

The company Pro-Flex AS (Norway) was acquired during the year.

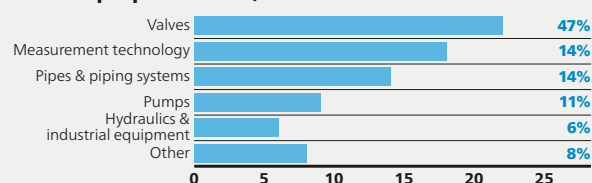
Net sales per geographic market, %



Net sales per customer segment, %

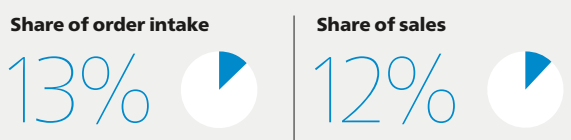


Net sales per product area, %



Fluids & Mechanical Solutions

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

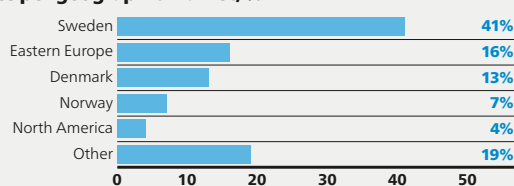


Net sales rose 19% during the year to SEK 1,859 million (1,558). The increase for comparable units was 6%, while acquisitions contributed 13% and currency movements had a marginal effect.

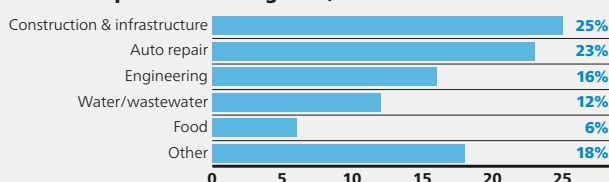
The business situation was stable during the year, and most of the business area's companies reported favourable development of earnings and margins.

EBITA increased by 17% to SEK 233 million (199), and the EBITA margin was 12.5% (12.8%).

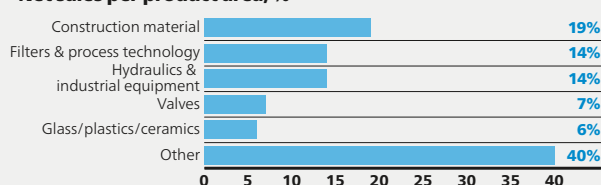
Net sales per geographic market, %



Net sales per customer segment, %

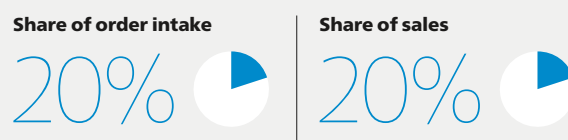


Net sales per product area, %



Industrial Components

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



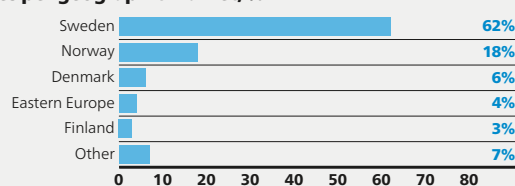
Net sales rose 17% during the year to SEK 2,924 million (2,501). The increase for comparable units was 7%, and acquisitions contributed 10%. Currency movements had a marginal effect on net sales.

Demand was favourable during the year, with strong growth in both order intake and invoicing. Most of the business area's companies also had higher earnings and margins.

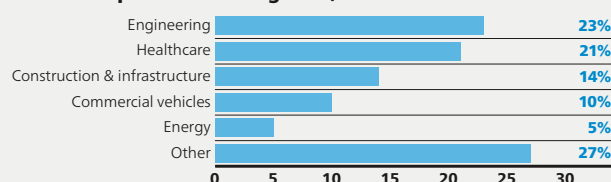
EBITA increased by 22% to SEK 324 million (265), corresponding to an EBITA margin of 11.1% (10.6%).

The companies MaxxVision GmbH (Germany), Wennerström Ljuskontroll AB (Sweden) and Elma Instruments A/S (Denmark) were acquired during the year.

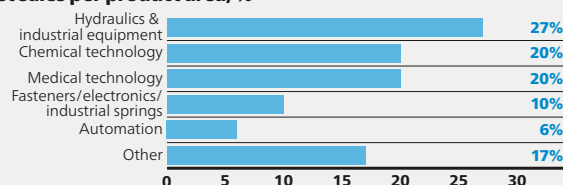
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Measurement & Sensor Technology

Measurement & Sensor Technology offers design solutions, measurement instruments, measurement systems and sensors for various industries. All of the business area's companies have proprietary products based on advanced technological solutions and own development, design and manufacturing.

Share of order intake

9%



Share of sales

10%



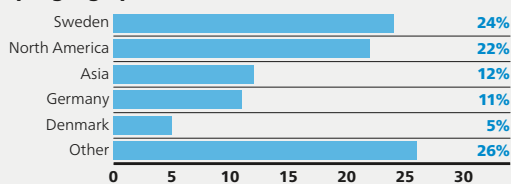
Net sales rose 24% during the year to SEK 1,456 million (1,171). The increase for comparable units was 15%, acquisitions contributed 9%, and currency movements had a marginal effect.

The business area includes companies with own manufacturing and proprietary products along with a relatively high share of project-related business, and as a result order intake and invoicing vary between months and quarters. Demand was stable during the year in most segments and geographic markets. The sales growth combined with good margins contributed to high earnings.

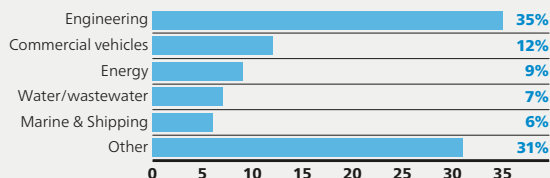
EBITA increased by 44% to SEK 254 million (177), corresponding to an EBITA margin of 17.4% (15.1%).

The company RS Technics BV (Netherlands) was acquired during the year.

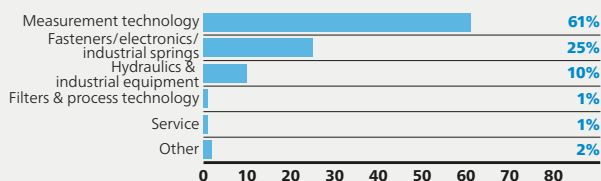
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Special Products

Special Products offers specially manufactured niche products, design solutions, aftermarket service and assembly, and special processing. The business area includes companies with a considerable amount of own manufacturing and proprietary products.

Share of order intake

30%



Share of sales

30%



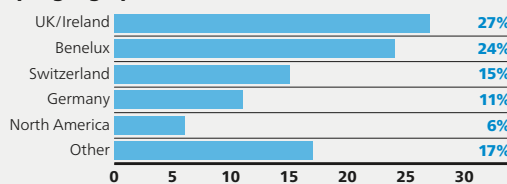
Net sales rose 14% during the year to SEK 4,537 million (3,997). The increase for comparable units was 1%, acquired growth was 13% and currency movements had a marginal effect.

The business situation was stable during the year for most of the business area's companies. However, considerably lower invoicing and higher costs for one of the larger companies in the power generation/energy segment had a negative impact on earnings. It is positive to note, however, that the same company had a strong improvement in order intake for valves for power generation at the end of the year. The business situation for the Swiss companies remained challenging and contributed to the weaker level of earnings.

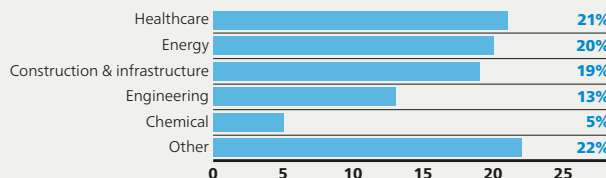
EBITA increased by 4% to SEK 618 million (597), and the EBITA margin was 13.6% (14.9%).

The companies Sunflower Medical Ltd, Ellard Ltd and Young Black Ltd (all in the UK), Türenfabrik Safenwil AG (Switzerland), Tubeworkx B.V. and Tradinco B.V. (both in the Netherlands), and Inovatools Group (Germany) were acquired during the year.

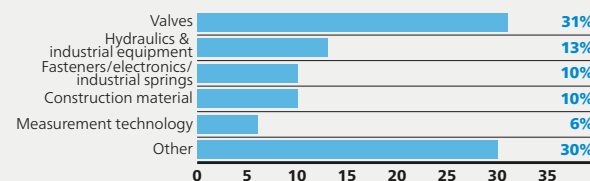
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Acquisitions

Acquisitions are a natural part of Indutrade's business and a key component of our growth strategy. We are maintaining a high pace of acquisitions and normally acquire ten or more companies per year.

The companies we acquire are well managed and successful, with well defined markets. They also have technical niche expertise. They have well-working and motivated management teams that are characterised by entrepreneurship and which are eager to continue their involvement also after the acquisition. We have a decentralised governance model with a high level of self-determination in the companies.

Indutrade does not have an exit strategy and acts as a long-term owner.

The geographic spread is great, and at year-end 2017 we owned companies in 31 countries. For historical reasons the largest share of our business is in Sweden and Finland. Outside of these two markets, the primary strategy is to strengthen our position in markets in which we are already established.

In 2017 we acquired 12 companies with combined annual sales of SEK 1.3 billion.

Acquisitions in 2017

Month acquired	Company acquired	Business area	Sales, SEK m ¹⁾	No. employees ¹⁾
January	RS Technics BV	Measurement & Sensor Technology	20	12
January	Sunflower Medical Ltd	Special Products	50	45
February	Ellard Ltd	Special Products	100	39
March	Türenfabrik Safenwil AG	Special Products	70	23
April	Pro-Flex AS	Flow Technology	100	28
April	MaxxVision GmbH	Industrial Components	80	10
July	Wennerström Ljuskontroll AB	Industrial Components	110	23
July	Elma Instruments A/S	Industrial Components	180	40
July	Young Black Ltd	Special Products	110	29
July	Tubeworkx B.V.	Special Products	50	20
November	Inovatoools Group	Special Products	330	193
December	Tradinco B.V.	Special Products	70	30
Total			1,270	492

¹⁾ Estimated annual sales and number of employees at the time of acquisition.

January

RS Technics develops and manufactures customer-specific sensors for measuring temperature, pressure and humidity. The company also conducts own development and manufacturing of electronic systems for measurement and control.



Sunflower Medical is a leading UK manufacturer of healthcare equipment. Their product portfolio ranges from medicine dispense cabinets to specialty equipment for examination rooms.



March

Türenfabrik Safenwil manufactures various kinds of doors, such as interior and exterior doors, fire protection doors and security doors.



July

WLK is a technology sales company specialising in lighting components and light control. The offering includes lighting controls, LED light sources and drivers, and components for lighting luminaires.



Elma Instruments is a technology sales company that offers testing and measurement instruments from leading manufacturers to customers in the Scandinavian market.



November

Inovatoools is a manufacturer of metal cutting tools. Its offering is centred around solid carbide end mills and tools. Customers are in the mechanical engineering industry, aeronautical engineering industry, automobile industry and tool manufacturing industry.



February

Ellard is a specialist manufacturer of drives, motors and controls for industrial, commercial and residential doors and shutters, complemented with a wide range of accessories.



April

ProFlex is a technology sales company that supplies hoses and couplings to Norwegian industry.



MaxxVision is a technology sales company that offers image handling technology for industries and visual communication, such as cameras, lenses and lighting for applications such as quality control in manufacturing.



July

Young Black is a technology sales company selling a wide range of fastening products, pneumatic tools, compressors, hoses and couplings to British industry and construction companies.



Tubeworkx manufactures niche tube components for Dutch industry. The company redesigns straight pipes to advanced components by bending, welding and cold forming.



December

Tradinco Instruments designs, manufactures and distributes test and calibration equipment for industrial applications and laboratories. The company is specialised in measuring pressure, temperature and electricity. The global customers are in a variety of industries, such as electronics, chemistry, power generation and medical technology.



Risks and risk management

Indutrade is exposed to numerous risks that could impact the Group to a greater or lesser extent. Risks are defined mainly as factors that affect Indutrade's ability to achieve set goals.

Many of the risks described here could affect the Company both positively and negatively. This means that in the event of a favourable risk development or if the Company is successful in mitigating the risk through its risk management activities, its goal achievement may be better than anticipated. In such way, risks

also entail opportunities for Indutrade. Examples of this are the business climate, customer behaviours and variations in market prices.

At year-end 2017 Indutrade conducted business through more than 200 companies in 31 countries on four continents. This diversification of risk along with a large number of customers in a wide range of industries and a large number of suppliers in various technology areas limits the business risks.

Risk	Risk management
Changes in the economy	
Indutrade's business is dependent on customers' purchases and investments, and is affected by changes in the economy.	The effect of economic fluctuations in specific sectors and geographic markets is mitigated by the Group's involvement in many different sectors and geographic markets. In addition, the diversification of sales among OEM components, consumables, maintenance products, investment goods and service has a balancing effect.
Outsourcing of operations	
Outsourcing of industrial production to low-cost countries takes place in markets in which Indutrade is active.	Outsourcing has had a limited impact on Indutrade, since the Group has chosen to focus on customers with a recurring need in industries with a high degree of automation and/or large initial investments, which tend to not outsource.
Competition from low-cost countries	
An increase in products from low-cost countries can be seen in Indutrade's markets.	To counter the effects of this competition, Indutrade offers products and services with a high-tech content, a high level of service and qualified technical advice. In addition, Indutrade strives to establish close partnerships with customers by becoming involved early in the planning and development stages, where Indutrade employees can contribute their expertise about various processes.
Operational risk	
The Group's operations are conducted with two main focuses: companies with industrial technology sales, and companies that manufacture their own products. For the companies involved in trading, there is the risk of an agency relationship being terminated. This could occur, for example, in connection with a structural change at the supplier level.	Termination of an agency relationship is a natural occurrence in an agency company's operations, and the organisation has experience in dealing with this. Indutrade has some 100 trading companies with a few main agencies per company, complemented by a number of smaller agencies. Because of the large number of agencies, no individual agency accounts for a predominant economic risk from the Group's perspective. The risk associated with major customers deciding to bypass the agency level and trade directly with producers is limited, since customers place great value on the technical expertise, availability and delivery reliability provided by an inventory-holding local technology sales company such as Indutrade. Indutrade's companies are also active in aftermarket sales, such as in servicing.
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 operation.	Indutrade mitigates this risk by choosing suppliers who view a partnership with Indutrade as the most profitable 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 elevated in connection with company acquisitions.	Indutrade's acquisition strategy entails ensuring that the target company's key employees are motivated to continue running the company after the acquisition. To attract and retain key personnel, Indutrade conducts continuous competence development and special management development programmes.
Funding risk	
By funding risk is meant the risk that funding of the Group's capital requirement will be impeded or become more costly.	To mitigate funding risk, the Group strives to maintain a balanced maturity structure, a good liquidity reserve, and diversified borrowing. The creates a preparedness to take necessary, alternative measures to raise capital should this be necessary. Indutrade takes a centralised approach to the Group's funding. Essentially all external funding is conducted by the Parent Company, which then funds the Group's subsidiaries in local currency.

Risk	Risk management
Interest rate risk	
By interest rate risk is meant the risk that unfavourable changes in interest rates will have an excessive impact on the Group's net financial expense and earnings.	Indutrade strives to achieve an even spread of interest maturities to avoid a situation where large loan volumes will be subject to interest rate resets at the same point in time.
Currency risk	
By currency risk is meant the risk of unfavourable movements in exchange rates affecting consolidated profit and equity measured in SEK: <ul style="list-style-type: none"> • 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, for example, when subsidiaries import products for sale in the domestic market. Exchange rate effects are eliminated as far as possible through currency clauses in customer contracts and by buying and selling in the same currency. In certain cases, forward contracts are used. The Group has a translation risk when translating the accounts of foreign subsidiaries to the Group currency, SEK. This type of currency risk is not hedged at present.

Environmental matters

Nine of Indutrade's Swedish subsidiaries conduct operations that require permits or reporting in accordance with the Swedish Environmental Code. Three foreign subsidiaries conduct operations subject to an equivalent permit or reporting obligation. None of the Group's companies are involved in any environment-related disputes.

Implementation of the Code of Conduct

Indutrade has a Code of Conduct that addresses environmental concerns, health and safety, business ethics, employee relations, human rights and community impacts. The Code of Conduct applies for all employees, and the Group's subsidiaries have been instructed to implement the Code of Conduct in a manner that is suitable for their respective operations. Employees can choose to anonymously report deviations from the Code of Conduct or suspicions of improprieties via an established whistleblower function.

Employees

At year-end the Group had 6,545 employees (5,705), and the average number of employees during the year was 6,156 (5,495). A total of 492 employees were added through acquisitions.

Incentive programmes

LTI 2014

In April 2014 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTI 2014) comprising a combined maximum of 460,000 warrants in two series for senior executives and other key persons in the Indutrade Group. Shares can be subscribed during specially stipulated subscription periods through Friday, 18 May 2018.

LTI 2017

In April 2017 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTI 2017) comprising a combined maximum of 704,000 warrants in two series for senior executives and other key persons in the Indutrade Group. Shares can be subscribed during specially stipulated subscription periods through Friday, 20 May 2022.

Outstanding incentive programmes

Outstanding programmes	Number of subscribed warrants	Corresponding no. shares	% of total shares	Price per warrant	Original subscription price, SEK	Recalculated subscription price, SEK	Number of exercised warrants	Number of newly subscribed shares	Subscription period
2017/2022, Serie I	526,000	526,000	0.4%	15.0	244.9	–	–	–	27 April 2020–20 May 2022
2017/2022, Serie II	60,000	60,000	0.0%	13.4	276.8	–	–	–	27 April 2020–20 May 2022
2014/2018, Serie I	257,500	772,500	0.6%	15.2	356.3	118.8	240,300	720,900	11 May 2017–18 May 2018
2014/2018, Serie II	27,500	82,500	0.1%	11.6	350.0	116.7	25,900	77,700	11 May 2017–18 May 2018

Dilutive effects

	2017	2016
Average number of shares before dilution, 000s	120,457	120,000
Number of shares that give rise to dilutive effect as a result of incentive programmes, 000s	160	251
Average number of shares after dilution, 000s	120,617	120,251
Dilutive effect, %	0.13	0.21
Number of shares at year-end, 000s	120,799	120,000

Guidelines for compensation of senior executives

The guidelines for compensation of senior executives that applied in 2017 are outlined in Note 7. The Company's auditors have performed a review to ensure adherence to the guidelines set by the Annual General Meeting. Ahead of the 2018 Annual General Meeting, it is the Board's intention to propose essentially unchanged guidelines for compensation of senior executives, in accordance with the following recommendation:

- Indutrade shall apply the compensation levels and terms of employment necessary to be able to recruit and retain management with a high level of expertise and the capacity to achieve set objectives. The forms of compensation shall motivate members of the Group Management to perform their utmost in order to safeguard the interests of the shareholders.
- The forms of compensation shall therefore be in line with the going rate in the market and shall be straightforward, long-term and quantifiable. Compensation of members of the Group Management shall normally consist of a fixed and a variable portion. The fixed salary component for members of the Group Management shall be in line with the going rate in the market and shall be commensurate with the individual's expertise, responsibilities and performance. The variable portion shall reward the achievement of clear goals regarding the company's and business area's earnings as well as the Group's growth in simple, transparent structures. Variable compensation for members of the Group Management shall normally not exceed seven months' salary and may amount to a maximum of SEK 20 million in the aggregate.
- Incentive programmes in the Company shall mainly be share price-related and include persons in senior positions in the Company who have a significant influence over the Company's earnings and growth, and shall be based on the achievement of set targets. An incentive programme shall ensure long-term commitment to the Company's development and shall be implemented on market terms. The Company shall be able to pay cash compensation coupled to senior executives' purchases of shares or share-based instruments. Such cash compensation shall normally not exceed 15% of the executive's fixed salary.
- Non-monetary benefits for members of the Group Management shall facilitate the individuals in the execution of their duties and correspond to what can be considered to be reasonable in respect of practice in the market in which the respective executive is active.
- Pension terms for members of the Group Management shall be in line with the going rate in the market in respect of what applies for peer executives in the market in which the executive works and should be based on a defined contribution pension solution or a general pension plan (in Sweden, the ITP plan).
- Severance pay for one member of the Group Management shall not exceed a total of 24 months' salary in the event the Company serves notice, and 6 months in the event the member of the Group Management gives notice.
- By Group Management is meant in this context the President and CEO, the Chief Financial Officer, the business area directors, the Head of Group Finance, the Head of Acquisitions and Business Development, and the adviser to the CEO.
- The Board's Remuneration Committee deals with and drafts recommendations for decisions on the terms of employment for the CEO, and the Board evaluates the CEO's performance once a year. The Remuneration Committee also prepares and conducts

drafting work concerning guidelines for remuneration of members of the Group Management, for decision by the Board. The CEO consults with the Remuneration Committee on terms of employment for other members of the Group Management.

- The Board shall have the right to depart from these guidelines for compensation of members of the Group Management if there are special reasons in a particular case.

Research and development

Development of proprietary products is conducted primarily by manufacturing companies, which are mainly in the Measurement & Sensor Technology and Special Products business areas.

Parent Company

The primary functions of Indutrade AB are to take responsibility for business development, acquisitions, funding, governance, analysis and communication. The Parent Company's net sales, which consist entirely of internal invoicing of services, amounted to SEK 5 million (4) during the year. The Parent Company's financial assets consist mainly of shares in subsidiaries. During the year, the Parent Company acquired shares in 12 new companies. The Parent Company did not make any major investments in intangible non-current assets or in property, plant and equipment. The number of employees on 31 December was 13 (11).

Events after the balance sheet date

During the period January–March 2017, one company acquisition was carried out. For further information, see the section Acquisitions in Note 30.

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

Future outlook

As of 1 January 2018 Indutrade is organised in eight business areas, instead of six as previously. As a result of this, the Group Management Team has been expanded. The new business area directors have all been internally recruited, and their international experience and knowledge will make Indutrade better equipped for international expansion. The aim of the change is to strengthen Indutrade's platform for continued profitable growth, enable a continued high pace of acquisitions and strengthen the ability to develop our companies.

Proposed distribution of earnings

	SEK million
Dividend of SEK 3.75 per share	453
To be carried forward	3,690
Total	4,143

The Board of Directors has proposed a dividend of SEK 3.75 per share, for a total dividend of SEK 453 million. The Board's proposed distribution of earnings is shown in its entirety in Note 34.

Sustainability report

Indutrade's sustainability report is presented on pages 14–19 and on page 9, which includes a description of the business model.

Corporate governance report

Indutrade applies the Swedish Corporate Governance Code (the Code) since 1 July 2006. The Code is a component of self-regulation in Swedish industry and is based on the “comply or explain” principle. This means that companies that adhere to the Code may depart from individual rules, provided that they give an explanation for each departure. Indutrade has no departures to report for the 2017 financial year. The Corporate Governance Report has been reviewed by the Company’s auditors.

Delegation of responsibilities

Responsibility for management and control of the Group is delegated among the shareholders (via general meetings), the Board, its designated committees and the President in accordance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies, the Company’s Articles of Association and the Board’s internal governance documents.

Share capital and shareholders

The share capital amounts to SEK 242 million, divided among 120,798,600 shares with a share quota value of SEK 2. All shares have equal voting power. Indutrade, which was previously a wholly owned subsidiary of AB Industrivärden, was introduced on the Stockholm Stock Exchange on 5 October 2005. At year-end 2017 Indutrade had 9,816 shareholders (10,518). The ten largest shareholders controlled 63% of the share capital at year-end. Swedish legal entities, including institutions such as insurance companies and mutual funds, held 65% of the share capital and votes at year-end. Foreign ownership accounted for 29% of the share capital and votes.

One shareholder, L E Lundbergföretagen AB, with 26.1% of the share capital and votes, controlled 10% or more of the share capital and votes at year-end.

Indutrade’s shares are listed on Nasdaq Stockholm and have been included on the Large Cap list since January 2015.

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

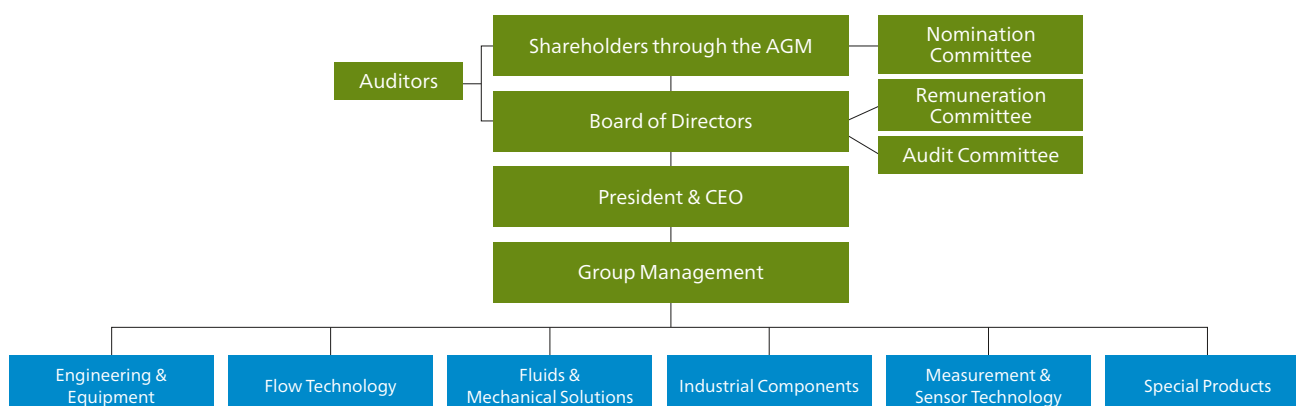
Articles of Association

Indutrade is a public company whose business is to “on its own or through subsidiaries, pursue trade in connection with the import and export of machines, raw materials and finished and semi-manufactured products as well as industrial necessities, including production, preferably within the plastics, mechanical and chemical industries, and activities compatible therewith.” The Board shall consist of a minimum of three and a maximum of eight directors, who are elected each year at the Annual General Meeting. Notices of general meetings of shareholders shall be made through advertisement in the Official Swedish Gazette (Post- och Inrikes Tidningar) and on the Company’s website within the time frame prescribed by the Swedish Companies Act. An advertisement shall be posted in the Swedish daily newspaper Dagens Nyheter announcing that notice of the Annual General Meeting has been issued. In votes at general meetings of shareholders, there is no limitation to the number of votes for represented shares.

General meetings of shareholders

General meetings of shareholders 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 are elected (where applicable), 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



External rules and regulations

Examples of external rules and regulations that affect governance of Indutrade

- The Swedish Companies Act
- Accounting laws, including the Bookkeeping Act, the Annual Accounts Act and IFRS
- Nasdaq Stockholm’s Rulebook for Issuers
- The Swedish Corporate Governance Code

Internal rules

Examples of internal rules that affect governance of Indutrade

- The Articles of Association
- The Board’s work plan
- The CEO’s instructions
- The Code of Conduct
- Policies

Corporate governance

are entitled to attend the meeting and vote for the total number of shares they have. Shareholders may be represented by proxy. More information about the 2018 AGM is provided on page 85 of this Annual Report and on the Company's website.

The notice of the AGM scheduled for 26 April 2018 is expected to be published on 22 March 2018 in the Official Swedish Gazette and on Indutrade's website. The notice will include a proposed agenda including proposals for the dividend, election of directors, directors' fees (broken down by the Chairman and other directors), election of the auditor, the auditor's fee, and proposed guidelines on compensation of the Company's senior executives.

Annual General Meeting 2017

At the AGM on 26 April 2017, shareholders representing 69.6% of the shares and votes were in attendance. Fredrik Lundberg was appointed to serve as AGM chairman. The annual report and audit report were presented to the AGM. Chairman of the Board Fredrik Lundberg provided information on the work of the Board and reported on the guidelines for compensation of the Group Management and on the work of the Audit and Remuneration Committees. In addition, CEO Johnny Alvarsson gave an address reviewing Indutrade's operations in 2016 and the start of 2017.

The auditors reported on their audit of the Group and presented relevant parts of their audit report for 2016.

The 2017 AGM made the following resolutions:

- to adopt the financial statements for 2016
- to set the dividend at SEK 3.20 per share
- to discharge the members of the Board of Directors and the President from liability for the past financial year
- to re-elect directors Fredrik Lundberg, Bengt Kjell, Ulf Lundahl, Krister Mellvé, Lars Pettersson and Katarina Martinson, and to elect Bo Annvik and Susanna Campbell as new directors
- to re-elect Fredrik Lundberg as Chairman of the Board
- that Indutrade shall apply compensation levels for senior executives which mainly shall consist normally of a fixed and variable portion, shall be in line with the going rate in the market, and shall be commensurate with the executives' level of expertise, responsibility and performance
- to introduce a long-term incentive programme consisting of a directed issue and transfer of warrants

At the AGM on 6 May 2013, the decision was made in favour of a standing instruction for Indutrade's nomination committee, which shall apply until further notice. According to this instruction, the Nomination Committee ahead of a forthcoming AGM shall consist

of representatives of four of the largest shareholders in terms of votes, plus the Chairman of the Board.

Members of the Board of Directors

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

The Chairman of the Board, Fredrik Lundberg, is President and CEO of L E Lundbergföretagen. The Vice Chairman, Bengt Kjell, is a former Executive Vice President of Industrivärden and former CEO of AB Handel och Industri. Ulf Lundahl is a former Executive Vice President of L E Lundbergföretagen. Krister Mellvé has held leading positions in the Robert Bosch Group. Lars Pettersson is a former President and CEO of Sandvik. Katarina Martinson works with asset management for the Lundberg family. Susanna Campbell is a former CEO of Ratos and is currently serving as a director on Telia Company AB's board among others. Bo Annvik is President and CEO of Indutrade.

A presentation of the current assignments of the members of the Board can be found on pages 40–41 of this Annual Report. The Company's CFO served as company secretary through September 2017; thereafter, Mattias Karlsson, from the law firm Mannheimer och Swartling, was company secretary. Other executives participate at board meetings in a reporting role.

All of the directors, except for Bo Annvik, are independent in relation to Indutrade. Bo Annvik, Bengt Kjell, Krister Mellvé, Ulf Lundahl and Susanna Campbell are independent in relation to Indutrade's major shareholders. The Board thereby meets the requirement that at least two of the directors who are independent in relation to the Company shall also be independent in relation to the major shareholders. Only one director, Bo Annvik, has an operational role in the Company.

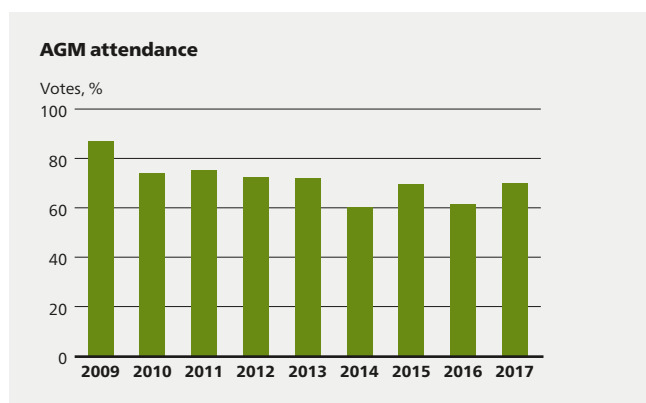
The work of the Board of Directors

Each year the Board adopts a written work plan that governs the Board's work and its internal delegation of duties including the committees, decision-making procedures within the Board, meeting procedure and duties of the Chairman. The Board has also issued instructions for the CEO and instructions on financial reporting to the Board.

In addition, the Board has adopted numerous policies, including a finance policy and an investment policy.

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

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



Attendance at board meetings and committee meetings in 2017

■ Member ● Committee chair	Audit Committee	Remuneration Committee	Year elected	Attendance at board meetings	Attendance at Audit Committee meetings	Attendance at Remuneration Committee meetings	Independent in relation to the Company	Independent in relation to major shareholders ¹⁾
Bo Annvik ²⁾			2017	6/9			No	Yes
Johnny Alvarsson ²⁾			2004	3/9			No	Yes
Bengt Kjell (Vice Chairman of the Board)	■	■	2002	9/9	3/3	1/1	Yes	Yes
Annica Bresky ³⁾	■		2016	2/9	1/3		Yes	Yes
Ulf Lundahl	●		2006	9/9	3/3		Yes	Yes
Fredrik Lundberg (Chairman of the Board)	■	●	2013	9/9	3/3	1/1	Yes	No
Krister Mellvé	■		2012	9/9	3/3		Yes	Yes
Lars Pettersson	■	■	2013	9/9	3/3	1/1	Yes	No
Katarina Martinson	■		2015	9/9	3/3		Yes	No
Susanna Campbell ⁴⁾	■		2017	6/9	2/3		Yes	Yes

¹⁾ Pertains to situation in 2017.

²⁾ Bo Annvik succeeded Johnny Alvarsson at the 2017 AGM.

³⁾ Annica Bresky left the Board at the 2017 AGM.

⁴⁾ New board member as from the 2017 AGM and succeeded Annica Bresky in the Audit Committee.

In 2017 the Board held a total of nine meetings including the statutory meeting. The Board conducted its work in 2017 in accordance with the Board's work plan. Matters requiring special attention by the Board during the year pertained to strategy, finance, acquisitions and sustainability.

As a significant part of the Board's work during the year, a number of subsidiary managing directors and business area directors gave in-depth presentations of their businesses.

All decisions made by the Board during the year were unanimous.

The Chairman's role

The Chairman organises and leads the work of the Board to ensure that it is carried out in compliance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies (including the Code), and the Board's internal governance documents. The Chairman monitors business activities through regular contact with the CEO and ensures that the other directors are provided with adequate information and decision-making documentation.

To ensure and improve the quality of the Board's work, every year an evaluation is performed of the board members and of the Board's work, under the direction of the Chairman of the Board. In 2017 this evaluation was conducted by means of a questionnaire that was completed by all of the board members. The results of the evaluation were reported in writing to the board members, who thereafter discussed it together at the board meeting in October. The Chairman of the Board also reported on the results of the evaluation at a meeting of the Nomination Committee.

The Chairman represents the Company on ownership matters.

Remuneration Committee

The Board's remuneration committee draws up a recommendation for decision regarding the terms of employment for the CEO. The Remuneration Committee also addresses and conducts drafting work for issues related to compensation of the members of the Group Management, which culminates with the submission of a recommendation for decision by the AGM.

The CEO consults with the Remuneration Committee on the terms of employment for the other members of the Group Management.

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 auditor to ensure that the Company's internal and external reporting satisfies the requirements made on market-listed companies and to discuss the scope and focus of auditing work. The Audit Committee evaluates completed audit activities and informs the Company's nomination committee about the results of its evaluation and assists the Nomination Committee on drawing up recommendations for auditors and fees for their auditing work.

On three occasions in 2017 the committee conducted reviews with and received reports from the Company's external auditors.

Directors' fees

Fees are payable to the Chairman of the Board and directors in accordance with an AGM resolution. The Chairman receives a fee of SEK 540,000, the Vice Chairman receives a fee of SEK 406,000, and the other directors receive a fee of SEK 271,000 each. However, no fee is payable to directors who are employed by a company within the Indutrade Group. The Audit Committee chair is paid an additional fee of SEK 60,000, and the members of the Remuneration Committee each receive an additional fee of SEK 27,000. The total yearly fees thus amount to SEK 2,442,000.

Nomination Committee

At the AGM on 6 May 2013 a decision was made in favour of a standing instruction for Indutrade's nomination committee, which applies until further notice. According to this instruction, the Nomination Committee ahead of a forthcoming AGM shall consist of representatives of four of the largest shareholders in terms of votes, plus the Chairman of the Board, who shall also convene the first meeting of the Nomination Committee. The member repre-

Corporate governance

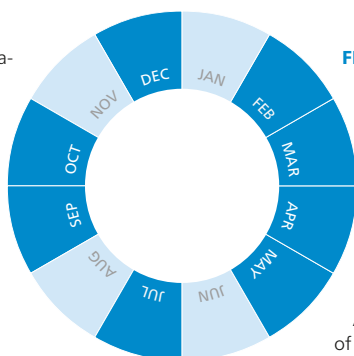
Board meetings 2017

DECEMBER Budget, evaluation of the Board's work, evaluation of CEO and Group Management, organisational development, leadership succession, MTN programme.

OCTOBER Offering LTI 2017 Series II, quarterly report January–September, report from Audit Committee, report from the auditors, report on the completion of internal audit, evaluation of the Board's work.

SEPTEMBER Visit to companies in Helsinki, Finland. Group strategy, follow-up of acquisitions, capital structure.

JULY Quarterly report January–June.



FEBRUARY Year-end report, annual report, AGM agenda, report from the auditors and the Remuneration Committee.

MARCH Decision on annual report, AGM notice.

APRIL Quarterly report January–March.

AGM. Statutory meeting. Decision on company signatories, adoption of instructions and policies, appointment of Remuneration Committee and Audit Committee, meeting schedule.

MAY Market situation, business intelligence, report from Audit Committee and Remuneration Committee, evaluation of reporting to the Board. Offering LTI 2017 Series I.

senting the largest shareholder shall be appointed as committee chair. The composition of the Nomination Committee ahead of the AGM is to be based on ownership data as per 31 August each year and is to be publicly announced not later than six months prior to the AGM. The composition of the Nomination Committee ahead of the 2018 AGM was announced on 25 September 2017, based on ownership information as per 31 August 2017.

Nomination Committee composition

Representative	Shareholder	Share of votes as per 31 Aug 2017
Claes Boustedt	L E Lundbergföretagen, Committee Chair	26.2%
Henrik Didner	Didner & Gerge funds	9.8%
Dick Bergqvist	AMF insurance and funds	7.8%
Jonathan Schönback	Handelsbanken funds	4.7%
Fredrik Lundberg	Chairman of the Board	

The Nomination Committee held three meetings, documented by minutes, at which the evaluation of the Board's work during the past year was presented and the Board's composition was discussed, among other items of business. The Nomination Committee is tasked with drawing up recommendations to be presented to the AGM for resolutions regarding a person to serve as AGM chairman, the Chairman of the Board and other directors, directors' fees, the auditor's fee and election of the auditor, and the principles for the appointment of a new Nomination Committee.

The Nomination Committee has used Rule 4.1 of the Code as its diversity policy, entailing that the Board shall have a composition appropriate to the Company's operations, phase of development and other relevant circumstances, the AGM-elected directors shall exhibit diversity and breadth of qualifications, experience and backgrounds, and the Company shall strive for gender balance on the Board. The 2017 AGM resolved in favour of the Nomination Committee's recommendations.

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

The Nomination Committee proposes that Katarina Martinson be elected as Chairman of the Board at the 2018 Annual General Meeting. The Committee also proposes the re-election of directors Susanna Campbell, Bengt Kjell, Ulf Lundahl, Krister Mellvé, Lars Pettersson and Bo Annvik. Anders Jernhall is proposed as a new director.

The current Chairman, Fredrik Lundberg, has declined re-election. The timing for handing over the chairmanship has been deemed to be appropriate. Katarina Martinson has extensive knowledge of the Company, which will ensure continuity of the Board's work.

Fredrik Lundberg has expressed a wish to step down from one of his assignments, as an adaptation to the EBA and ESMA Guidelines for assessing the suitability of members of the management body, which take effect on 30 June 2018. The Guidelines set out the maximum number of directorships that a board member of a major banking company may undertake. Fredrik Lundberg is Vice Chairman of Handelsbanken.

Katarina Martinson was born in 1981, holds a B.Sc. Econ. and has been a director on Indutrade's board since 2015. Katarina Martinson is a director of the listed companies L E Lundbergföretagen AB and Husqvarna Group. She is also a principal investor and director of Fidelio Capital.

Anders Jernhall was born in 1970 and holds a B.Sc. Econ. He is Executive Vice President and CFO of Holmen AB.

The Nomination Committee's proposal entails that the number of directors during the coming mandate period will be unchanged at eight.

A more detailed presentation of the members of the Board is provided on pages 40–41 of this Annual Report.

Operating activities

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

CEO

Bo Annvik (born 1965), M.Sc. Econ., is CEO of Indutrade AB, since April 2017. He served as President and CEO of Haldex from 2012 to 2017 and served in executive positions for Volvo Cars during the years 1994–2002, for SKF during the years 2002–2007, and for Outokumpu during the years 2007–2011.

Bo Annvik owns 0 shares and 140,000 warrants.

External auditor

At the 2017 Annual General Meeting, the chartered accounting firm PricewaterhouseCoopers AB ("PwC") was elected as auditor for a term extending through the 2018 Annual General Meeting following a tendering process for audit services conducted in accordance with Regulation (EU) No. 537/2014 on statutory audit of public-interest entities, Article 16.1–16.5.

The auditors maintain regular contact with the Audit Committee and the Group Management.

The chief auditor since 2013 is Michael Bengtsson, Authorised Public Accountant. The auditor's fee is reported in Note 10 of this Annual Report.

Indutrade's nine-month interim report for the 2017 financial year was reviewed by the Company's auditors.

Internal control over financial reporting

As prescribed by the Swedish Companies Act, the Board is responsible for internal control. This report has been prepared in accordance with the Annual Accounts Act and describes how the internal control over financial reporting is organised.

Control environment

Effective board work is the foundation 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 risks in the Company's operations.

In addition, the Board has adopted a number of fundamental guidelines and policies designed to create the conditions for a good control environment. These include, among other things, Indutrade's Code of Conduct, a policy for economic and financial reporting, a finance policy and an investment policy. These policies are followed up and revised as needed. The Group Management continuously draws up instructions for the Group's financial reporting which, together with the policies adopted by the Board, are included in the Group's financial manual.

The Group has a joint reporting system that serves as the base for the Group's monthly reporting, consolidation work and monitoring of earnings performance.

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 large number of standalone companies of varying size that are independent from each other in various sectors and geographic markets, entails a considerable diversification of risk. The risk assessment also covered the Group's income statement and balance sheet items to identify areas in which the aggregate risk for error and the effects of these would be greatest. The areas identified consisted primarily of revenue recognition, trade receivables and inventories.

In addition, continuous risk assessment is conducted in connection with strategic planning, budgeting, forecasts and acquisition activities, aimed at – among other things – identifying events in the market or operations that could give rise to changes in e.g., revenue streams and valuations of assets or liabilities.

Control activities

The Indutrade Group was organised in six business areas in 2017. In addition to a business area director, the respective business area management teams include a controller. The controller plays a central role in analysing and monitoring the business area's finan-

cial reporting and in ensuring compliance by the companies in the business area with Group policies. The Parent Company has additional functions for continuous analysis and monitoring of financial reporting by the Group, the business areas and subsidiaries. The Parent Company's finance department also initiates work on the annual self assessment routine regarding internal control over financial reporting.

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

All companies owned by Indutrade at the start of 2017 were required to respond to the evaluation questionnaire. The responses were compiled and evaluated per group of companies and for the Group as a whole. As a complement to this work, the auditors validated parts of the respective companies' completed questionnaires. In addition to this, the controllers of the business areas and Parent Company monitor internal control through visits to a number of companies each year. Both the evaluation performed by the Company and the result of the auditors' validation were reported and discussed with the Audit Committee. Feedback is provided to the companies in the Group where a need for improved routines has been identified. The evaluation of internal control over the Group's financial reporting will serve as documentation for the subsequent years' self assessment and work on further strengthening internal control.

Information and communication

The Company's governing documents, consisting of policies, guidelines and manuals – to the extent that these pertain to financial reporting – are updated on a regular basis and communicated to the companies within the Group. Systems and routines have been established to provide management with reports on the results of operations and financial position in relation to set targets, among other things.

Monitoring

The Board conducts a monthly evaluation of business development, earnings, position and cash flow using a report pack containing comments on outcomes and certain key ratios.

The Audit Committee has an oversight role regarding the Company's financial reporting, risk management, and governance and control. In addition, the Audit Committee maintains regular contact with the Company's auditors to ensure that the Company's internal and external reporting satisfies requirements made on market-listed companies and to monitor any observations that emerge from the audit.

Internal audit

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

Board of Directors and auditors



Fredrik Lundberg

Chairman
since 2013

President and CEO of L E Lundbergföretagen
Born 1951

Education B.Sc., MBA, Dr. h.c. Economics and Dr. h.c. Technology

Professional experience President and CEO of L E Lundbergföretagen

Other directorships Chairman of Holmen, Hufvudstaden and Industrivärden. Vice Chairman of Svenska Handelsbanken. Director of Skanska and L E Lundbergföretagen

Number of shares 31,575,000
(via L E Lundbergföretagen)



Bengt Kjell

Vice Chairman
since 2013
Director
since 2002

Own investment business

Born 1954

Education MBA, Stockholm School of Economics

Professional experience Acting President and CEO of Industrivärden, President and CEO of Handel och Industri, Executive Vice President and Head of Investment Operations at Industrivärden, Head of Corporate Finance at Securum, Senior Partner and founder of Navet, Authorised Public Accountant

Other directorships Chairman of Hemfosa Fastigheter and SSAB. Director of Industrivärden, ICA Gruppen and Pandox, among others

Number of shares 60,000



Susanna Campbell

Director
since 2017

Born 1973

Education M.Sc. Economics

Professional experience CEO of Ratos. Various positions with McKinsey and Company, and Alfred Berg Fondkommission

Other directorships Chairman of Röhmisch Sportswear, Ljung & Sjöberg, and of the Investment Committee of Norrskan. Director of Telia Company and Nalka Invest

Number of shares 2,000



Ulf Lundahl

Director
since 2016

Born 1952

Education LL.B. and B. Sc. Economics

Professional experience Executive Vice President and Deputy CEO of L E Lundbergföretagen, President of Östgöta Enskilda Bank, Head of Swedish operations of Danske Bank, CEO of Danske Securities

Other directorships Chairman of Fidelio Capital, Ramirent, Attendo and SHB Regionbank Stockholm. Director of Holmen and Eltel

Number of shares 12,000



Katarina Martinson

Director since 2015

Works with asset management for Lundberg family

Born 1981

Education M. Sc. Economics, Stockholm School of Economics

Professional experience Analyst at Handelsbanken Capital Markets, Vice President of Strategas Research Partners LLC, New York, Analysis of investment strategies investment research, International Strategy & Investment Group, New York

Other directorships Director of L E Lundbergföretagen, Fastighets AB L E Lundberg, Fidelio Capital, Husqvarna, Byggnads AB Karlsson & Wingsjö, Lundbergs Kapitalförvaltning and AniCura

Number of shares 31,575,000 (via L E Lundbergföretagen)



Krister Mellvé

Director since 2012

Born 1949

Education B. Sc. Economics

Professional experience Leading positions in the Robert Bosch Group

Other directorships Director of Modular Management

Number of shares 45,000



Lars Petterson

Director since 2013

Born 1954

Education M. Sc. Engineering, Uppsala University, PhD h.c., Uppsala University

Professional experience President and CEO of Sandvik AB, Sandvik Materials Technology, Sandvik Tooling and Sandvik Coromant

Other directorships Chairman of KP Komponenter A/S. Director of Husqvarna, Industrivärden, L E Lundbergföretagen and Festo AG

Number of shares 2,100



Bo Anvik

Director since 2017

President and CEO

Born 1965

Education M. Sc. Economics

Professional experience President and CEO of Haldex, executive positions with Volvo Cars, SKF and Outokumpu

Other directorships Director of Handel och Industri AB

Number of shares 0

Number of warrants 140,000

Auditor

PricewaterhouseCoopers AB

Michael Bengtsson

Authorised Public Accountant

Born 1959

Chief Auditor of Indutrade since 2013.

Other auditing assignments for listed companies: Bure, Sweco, Nobina, Invisio Communication and Eniro.
Other auditing assignments for major unlisted companies: Perstorp and Carnegie.

Group Management



**Bo
Annvik**

President and CEO
Born 1965
Employed since 2017

Education M. Sc. Economics
Professional experience President and CEO of Haldex, executive positions with Volvo Cars, SKF and Outokumpu
Number of shares 0
Number of warrants 140,000



**Göte
Mattsson**

Senior Vice President
Fluids & Mechanical Solutions
Born 1955
Employed since 1999

Education B. Sc. Economics, Management studies
Professional experience President and Partner Industri Belos, President J Sörling, Group Controller Transventor, Vice President Parator
Number of shares 16,200
Number of warrants 24,000



**Peter
Eriksson**

Adviser to the CEO
Born 1953
Employed since 1995

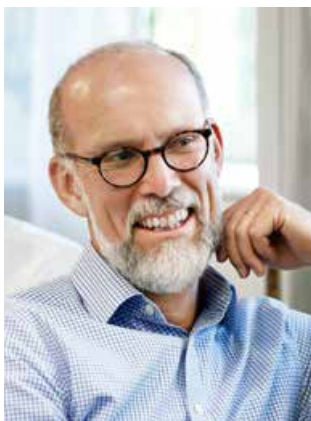
Education Technical college engineer, B. Sc. Market Economics, IFL
Professional experience President and partner of Alnab, Sales Manager, Alnab
Number of shares 44,150
Number of warrants 10,000



**Susann
Nyberg**

Head of Group Finance
Born 1963
Employed since 2012

Education M. Sc. Business Administration and Economics
Professional experience Group Controller Addtech, Management Consultant KPMG, Financial Manager position at Telia, Financial Manager and Controller positions at SKF
Number of shares 5,938
Number of warrants 12,000



**Jonas
Halvord**

Head of Acquisitions and Business Development
Born 1961
Employed since 2018

Education M. Sc. Economics, Gothenburg School of Business, Economics and Law, Senior High School Engineering
Professional experience Director Mergers & Acquisitions SKF Group, CEO Provexa AB, CEO Svenska Skumsläcknings AB
Number of shares 0
Number of warrants 12,000



**Joakim
Skantze**

Senior Vice President
Industrial Components
Born 1967
Employed since 2016

Education M. Sc. Electronics, economics and management studies
Professional experience Venture Manager Traction, President Gnosjö Plast, Business Area Manager and Partner Schneider Grafiska, Senior Consultant Accenture
Number of shares 0
Number of warrants 12,000



**Juha
Kujala**

Senior Vice President
Engineering & Equipment
Born 1967
Employed since 2006

Education MBA, Technical college engineer
Professional experience President of Kontram Oy and Maansähkö Oy, Sales Manager Kontram Oy, Export Manager Kalmar Industries Oy
Number of shares 5,760
Number of warrants 17,000



**Patrik
Stolpe**

Senior Vice President
Measurement & Sensor Technology
Born 1965
Employed since 2015

Education B. Sc. Electronics, Industrial Marketing
Professional experience Global Segment Manager Xylem, President and CEO Lorentzen & Wettre
Number of shares 5,521
Number of warrants 12,000



Morgan O'Brien

Senior Vice President Flow Technology
 Born 1961
 Employed since 1992
Education Dip. Applied Science/ Instrument Physics
Professional experience Managing Director ESI Technologies Ltd
Number of shares 174
Number of warrants 12,000



Markus Rüedin

Senior Vice President DACH
 Born 1965
 Employed since 2011
Education M.A. HSG Economics
Professional experience Divisions Controller Clariant, member of management Clariant
Number of shares 0
Number of warrants 3,000



Peter Rowlands

Senior Vice President UK
 Born 1968
 Employed since 2009
Education M. Eng. in Materials Science and Technology, MBA
Professional experience Managing Director Precision Products Ltd, Managing Director TelesisEagle Ltd, Group Operations Manager Edward Pryor & Son Ltd
Number of shares 0
Number of warrants 1,000



Robert Timmer

Senior Vice President Benelux
 Born 1969
 Employed since 1994
Education B. Sc. Mechanical Engineering, studies in business and management
Professional experience Sales Manager Hitma B.V., Managing Director Aluglas B.V., Managing Director Hitma Group B.V.
Number of shares 0
Number of warrants 6,000

Changes in Group Management

2017–2018

Effective 1 January 2018 Indutrade has a new organisation comprising eight business areas and an expanded Group Management Team. The new members of the Group Management Team are Robert Timmer, Markus Rüedin, Morgan O'Brien and Peter Rowlands.

Patrik Johnson has been hired as Indutrade's new CFO. He succeeds Jan Öhman, who left his position as CFO in February 2018. Patrik Johnson (B. Sc. Business Administration) has served as CFO for Seco Tools and Sandvik Machining Solutions, among other positions. He will take office by 1 April 2018. Susann Nyberg is acting CFO until Patrik Johnson assumes his position.

Consolidated income statement

SEK million	Note	2017	2016
Net sales	3	14,847	12,955
Cost of goods sold		-9,881	-8,607
Gross profit		4,966	4,348
Development costs		-178	-156
Selling costs		-2,463	-2,179
Administrative expenses		-893	-791
Other operating income	5	107	154
Other operating expenses	5	-159	-104
Operating profit	4, 7, 8, 9, 10	1,380	1,272
Financial income	11	51	59
Financial expenses	12	-121	-137
Profit after financial items		1,310	1,194
Tax	14	-280	-258
Net profit for the year		1,030	936
Profit attributable to:			
Equity holders of the parent		1,029	936
Non-controlling interests		1	0
Earnings per share attributable to equity holders of the parent, SEK		8.54	7.80
Earnings per share after dilution, attributable to equity holders of the parent, SEK		8.53	7.78
Average number of shares before dilution, 000s		120,457	120,000
Average number of shares after dilution, 000s		120,617	120,251
Proposed dividend per share, SEK		3.75	3.20

Consolidated statement of comprehensive income

SEK million	Note	2017	2016
Net profit for the year		1,030	936
Other comprehensive income			
<i>Items that subsequently can be reversed into income statement</i>			
Fair value adjustment of hedge instruments	2	17	25
Tax attributable to fair value adjustment		-4	-5
Exchange rate differences		2	103
<i>Items that cannot be reversed into income statement</i>			
Actuarial gains/losses	23	1	-15
Tax attributable to actuarial gains/losses		0	3
Other comprehensive income, net after tax		16	111
Total comprehensive income for the year		1,046	1,047
Comprehensive income attributable to			
Equity holders of the parent		1,045	1,047
Non-controlling interests		1	0

Consolidated balance sheet

SEK million	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Goodwill		2,845	2,388
Agencies, customer relationships, etc.		1,683	1,446
Trademarks		251	279
Software, licences, etc.		60	53
Other intangible assets		108	101
Total intangible assets	15	4,947	4,267
<i>Property, plant and equipment</i>			
Land and buildings		884	803
Machinery		403	357
Equipment		320	285
Construction in progress and advances for property, plant and equipment		11	6
Total property, plant and equipment	16	1,618	1,451
<i>Financial assets</i>			
Financial assets available for sale	17	15	15
Non-current receivables	18	22	19
Deferred tax assets	14	102	83
Total financial assets		139	117
Total non-current assets		6,704	5,835
Current assets			
Inventories	19	2,517	2,249
Accounts receivable – trade	20	2,469	2,292
Current tax assets		32	18
Other current receivables		252	189
Prepaid expenses and accrued income	21	128	138
Cash and cash equivalents	28	464	332
Total current assets		5,862	5,218
TOTAL ASSETS		12,566	11,053

SEK million	Note	31 Dec 2017	31 Dec 2016
EQUITY AND LIABILITIES			
Equity			
Share capital		242	240
Reserves		158	143
Profit brought forward incl. net profit for the year		4,751	4,006
Total equity attributable to owners of the parent		5,151	4,389
Non-controlling interests		17	10
Total equity		5,168	4,399
Non-current liabilities			
Non-current interest-bearing liabilities	22	1,285	1,993
Other non-current liabilities		2	4
Pension obligations	23	284	281
Deferred tax liabilities	14	586	549
Other provisions	24	12	10
Total non-current liabilities		2,169	2,837
Current liabilities			
Current interest-bearing liabilities	22	2,724	1,686
Accounts payable – trade		1,081	968
Current tax liabilities		192	127
Other current liabilities		557	465
Accrued expenses and deferred income	25	675	571
Total current liabilities		5,229	3,817
TOTAL EQUITY AND LIABILITIES		12,566	11,053

Information on pledged assets and contingent liabilities is provided in Notes 26 and 27.

Consolidated statement of changes in equity

SEK million	Attributable to owners of the parent				Non-controlling interests	Total equity
	Share capital	Reserves	Profit brought forward	Total		
OPENING BALANCE, 1 JANUARY 2016	40	20	3,643	3,703	4	3,707
Comprehensive income						
Net profit for the year	–	–	936	936	0	936
Other comprehensive income						
Fair value adjustment of hedge instruments	–	25	–	25	–	25
Tax attributable to fair value adjustment	–	–5	–	–5	–	–5
Actuarial gains/losses	–	–	–15	–15	–	–15
Tax attributable to actuarial gains/losses	–	–	3	3	–	3
Exchange rate differences	–	103	–	103	0	103
Total comprehensive income	–	123	924	1,047	0	1,047
Transactions with shareholders						
Acquisitions of companies with non-controlling interests	–	–	–	–	6	6
Acquisitions of non-controlling interests	–	–	–1	–1	0	–1
Bonus issue	200	–	–200	–	–	–
Dividend paid for 2015	–	–	–360 ¹⁾	–360	0	–360
Total transactions with shareholders	200	–	–561	–361	6	–355
OPENING BALANCE, 1 JANUARY 2017	240	143	4,006	4,389	10	4,399
Comprehensive income						
Net profit for the year	–	–	1,029	1,029	1	1,030
Other comprehensive income						
Fair value adjustment of hedge instruments	–	17	–	17	–	17
Tax attributable to fair value adjustment	–	–4	–	–4	–	–4
Actuarial gains/losses	–	–	1	1	–	1
Tax attributable to actuarial gains/losses	–	–	0	0	–	0
Exchange rate differences	–	2	–	2	0	2
Total comprehensive income	–	15	1,030	1,045	1	1,046
Transactions with shareholders						
Acquisitions of companies with non-controlling interests	–	–	–	–	6	6
Acquisitions of non-controlling interests	–	–	–2	–2	–	–2
Dividend paid for 2016	–	–	–384 ²⁾	–384	0	–384
New issue	2	–	93	95	–	95
Payments for issued warrants	–	–	8	8	–	8
Total transactions with shareholders	2	–	–285	–283	6	–277
CLOSING BALANCE, 31 DECEMBER 2017	242	158	4,751	5,151	17	5,168

¹⁾ The dividend per share for 2015 was SEK 3.00.

²⁾ The dividend per share for 2016 was SEK 3.20. The proposed dividend per share for 2017 is SEK 3.75.

Consolidated statement of cash flows

SEK million	Note	2017	2016
Operating activities			
Operating profit		1,380	1,272
<i>Adjustment for</i>			
Depreciation, amortisation and impairment losses	8, 15, 16	536	411
Adjustment of contingent consideration	30	-30	-32
Net profit from sale of operations, property, plant and equipment, and shares		4	0
Other non-cash items		37	28
Paid tax		-351	-299
<i>Change in working capital</i>			
Inventories		-38	-45
Accounts receivable – trade		21	-71
Accounts payable – trade		28	10
Other operating assets and liabilities, net		29	-5
Interest received		10	8
Interest paid		-56	-65
Other financial items		-16	-5
Cash flow from operating activities		1,554	1,207
Investing activities			
Acquisitions of subsidiaries and operations	30	-1,007	-1,164
Sales of subsidiaries and operations	30	-	0
Acquisitions of property, plant and equipment	16	-216	-306
Sales of property, plant and equipment	16	15	14
Acquisitions of intangible non-current assets	15	-35	-28
Decrease/increase in financial assets		1	8
Cash flow from investing activities		-1,242	-1,476
Financing activities			
Borrowings	29	5,027	4,724
Repayment of debt	29	-4,911	-4,104
Dividends paid		-384	-360
New issue		95	-
Payments for issued warrants		8	-
Cash flow from financing activities		-165	260
Cash flow for the year		147	-9
Cash and cash equivalents at start of year		332	339
Exchange rate differences in cash and cash equivalents		-15	2
Cash and cash equivalents at end of year	29	464	332

Income statement Parent Company

SEK million	Note	2017	2016
Net sales		5	4
Gross profit		5	4
Administrative expenses	4	-79	-64
Operating loss	7, 8, 9, 10	-74	-60
Financial income	11	79	97
Financial expenses	12	-92	-107
Profit from participations in Group companies	13	753	664
Profit after financial items		666	594
Group contributions received		694	605
Group contributions rendered		-64	-66
Change in tax allocation reserve		-36	-55
Excess depreciation of equipment		0	0
Profit before tax		1,260	1,078
Tax	14	-114	-92
Net profit for the year		1,146	986

Statement of comprehensive income Parent Company

SEK million	Note	2017	2016
Net profit for the year		1,146	986
Other comprehensive income			
<i>Items that subsequently can be reversed to the income statement</i>			
Fair value adjustment of hedge instruments	2	10	12
Tax attributable to fair value adjustment		-2	-3
Other comprehensive income, net of tax		8	9
Total comprehensive income for the year		1,154	995

Balance sheet Parent Company

SEK million	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
<i>Intangible non-current assets</i>			
Software and licences	15	0	0
<i>Property, plant and equipment</i>			
Equipment	16	1	1
<i>Financial assets</i>			
Participations in Group companies	17	5,392	4,564
Non-current receivables	18	12	14
Deferred tax assets	14	4	6
Total financial assets		5,408	4,584
Total non-current assets		5,409	4,585
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		4,468	3,838
Other receivables		23	50
Prepaid expenses and accrued income	21	5	6
Total current receivables		4,496	3,894
Cash and cash equivalents	28	0	0
Total current assets		4,496	3,894
TOTAL ASSETS		9,905	8,479

SEK million	Note	31 Dec 2017	31 Dec 2016
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	32	242	240
Statutory reserve		5	5
		247	245
<i>Unrestricted equity</i>			
Share premium reserve		105	4
Reserve for fair value		-3	-11
Profit brought forward		2,895	2,293
Net profit for the year		1,146	986
		4,143	3,272
Total equity		4,390	3,517
Untaxed reserves			
Tax allocation reserve		589	553
Excess depreciation of equipment		0	0
Total untaxed reserves		589	553
Non-current liabilities			
Non-current interest-bearing liabilities	22	1,065	1,807
Other non-current liabilities		-	2
Pension obligations	23	15	15
Deferred tax liabilities	14	5	11
Total non-current liabilities		1,085	1,835
Current liabilities			
Current interest-bearing liabilities	22	2,535	1,538
Accounts payable – trade		5	1
Liabilities to Group companies		1,175	961
Other current liabilities		25	20
Current tax liabilities		80	37
Accrued expenses and deferred income	25	21	17
Total current liabilities		3,841	2,574
TOTAL EQUITY AND LIABILITIES		9,905	8,479

Information on pledged assets and contingent liabilities is provided in Notes 26 and 27.

Parent Company statement of changes in equity

SEK million	Share capital	Reserves	Share premium reserve	Reserve for fair value	Retained profit	Total
OPENING BALANCE, 1 JANUARY 2016	40	5	4	-20	2,853	2,882
Comprehensive income						
Net profit for the year	-	-	-	-	986	986
Other comprehensive income						
Fair value adjustment of hedge instrument	-	-	-	12	-	12
Tax attributable to fair value adjustment	-	-	-	-3	-	-3
Total comprehensive income	-	-	-	9	986	995
Transactions with shareholders						
Dividend paid for 2015	-	-	-	-	-360 ¹⁾	-360
Bonus issue	200	-	-	-	-200	-
Total transactions with shareholders	200	-	-	-	-560	-360
OPENING BALANCE, 1 JANUARY 2017	240	5	4	-11	3,279	3,517
Comprehensive income						
Net profit for the year	-	-	-	-	1,146	1,146
Other comprehensive income						
Fair value adjustment of hedge instrument	-	-	-	10	-	10
Tax attributable to fair value adjustment	-	-	-	-2	-	-2
Total comprehensive income	-	-	-	8	1,146	1,154
Transactions with shareholders						
Dividend paid for 2016	-	-	-	-	-384 ²⁾	-384
New issue	2	-	93	-	-	95
Payments for issued warrants	-	-	8	-	-	8
Total transactions with shareholders	2	-	-	-	-384	-281
CLOSING BALANCE, 31 DECEMBER 2017	242	5	105	-3	4,041	4,390

¹⁾ The dividend per share for 2015 was SEK 3.00.

²⁾ The dividend per share for 2016 was SEK 3.20. The proposed dividend per share for 2017 is SEK 3.75.

Cash flow statement Parent Company

SEK million	Note	2017	2016
Operating activities			
Operating loss		-74	-60
<i>Adjustment for</i>			
Depreciation, amortisation and impairment losses	8, 15, 16	0	0
Other non-cash items		1	0
Tax paid		-76	-72
<i>Change in working capital</i>			
Accounts receivable – trade		0	0
Accounts payable – trade		4	1
Other operating assets and liabilities, net		-399	-563
Interest received		47	53
Interest paid		-44	-53
Group contributions received and dividend income		1,292	1,247
Other financial items		-13	-8
Cash flow from operating activities		738	545
Investing activities			
Acquisitions of subsidiaries	17	-689	-960
Acquisitions of intangible non-current assets	15	-	-
Decrease/increase in financial assets		1	-1
Cash flow from investing activities		-688	-961
Financing activities			
Borrowings		5,015	4,718
Repayment of debt		-4,784	-3,971
Dividend paid		-384	-360
New issue		95	-
Payments for issued warrants		8	-
Cash flow from financing activities		-50	387
Cash flow for the year		0	-29
Cash and cash equivalents at start of year		0	29
Cash and cash equivalents at end of year	28	0	0

Notes

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

The symbols **IS** and **BS** indicate amounts in the notes that can be found in the income statement or balance sheet, respectively.

01 Accounting and valuation principles

General information

The Indutrade Group markets and sells components, systems and services with a high-tech content to industrial companies in selected niches. Business is conducted via approximately 200 subsidiaries in 31 countries. Indutrade's shares have been listed on Nasdaq Stockholm since 2005. The Group was organised in six business areas through 31 December 2017.

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

This annual report was approved by the Board of Directors for publication on 23 March 2018. The consolidated and parent company income statements and balance sheets will be presented for adoption by the Annual General Meeting on 26 April 2018.

Overarching accounting principles and new standards are reported below. Other important accounting principles are reported in connection with the respective notes.

Basis of preparation

The consolidated accounts of the Indutrade Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union as well as with RFR 1 and the Swedish Annual Accounts Act. Assets and liabilities have been accounted for at historical cost, except for with respect to revaluations of financial assets and liabilities (including derivative instruments) and available-for-sale financial assets, which are measured at fair value.

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

Standards, amendments and interpretations that apply as from 1 January 2017

There are no new IFRSs or IFRIC pronouncements endorsed by the EU that are applicable for Indutrade or that had a significant impact on the Group's result of operations and position in 2017. No newly issued IFRSs or interpretations have been applied prospectively.

Standards, amendments and interpretations that apply as from 1 January 2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers, the new IFRS for revenue recognition, has been endorsed by the EU and took effect on 1 January 2018. IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts.

The effects of application of this standard have been ascertained in a project that was begun in 2016. No material deviations have been

discovered compared with the previous standards, and no adjustments of opening balances for 2018 have been made.

Most of Indutrade's revenues consist of sales of products that are recognised as revenue at a set point in time. The sale is recognised as revenue when control of the products has been transferred, which typically takes place when the products are delivered to the customer. Delivery takes place when the products have been transported to a specific location, the risk for obsolete or misplaced products has been transferred to the customer, and the customer has either accepted the products in accordance with the contract, the time allowed for objections to the contract has expired, or the Group has objective evidence that all criteria for acceptance have been met.

Certain contracts includes services, such as for installation of a product. If installation can be performed by another vendor, the service is reported as a distinct performance obligation. In such case, the transaction price is allocated to the respective separate performance obligations by reference to their stand-alone selling prices. In cases where a stand-alone selling price is not directly observable, the price is estimated based on the expected expenses associated with the product or service plus a profit margin.

In a few cases, revenue is generated from service/maintenance agreements. This revenue is recognised on a linear basis over the term of the contract.

Volume discounts offered to customers are common and reduce the level of revenue. Historical data is used to estimate the expected value of the discounts, and the revenue is recognised only to the extent that it is very probable that a significant reversal will not arise.

Warranties are offered and consist mostly of "assurance-type warranties", i.e., the warranty does not represent a separate performance obligation and thus does not affect revenue recognition, but is instead reported as an expense and provision respectively. The right for customers to return products exists only to a very limited scope within the Group.

A few companies work with larger projects and meet the requirements to recognise revenue over time. Estimations of revenue, expenses and the percentage of completion are revised when circumstances change. Increases or decreases in estimated revenue or expenses that are attributable to changed estimations are recognised in the income statement in the period in which the circumstances that gave rise to the revision became known.

For fixed-price contracts the customer pays the agreed-upon price on contracted payment dates. If the products or services that have been delivered exceed the payment, a contractual asset is reported. If the payments exceed the delivered services, a contractual liability is reported.

The Group does not expect to have any contracts where the time between transfer of the products or services to the customer and payment from the customer exceed one year. As a result, the Group does not adjust the transaction price for the effects of a significant financing component.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments, which has been endorsed by the EU and took effect on 1 January 2018, replaces most of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification, valuation and recognition of financial assets and liabilities, and introduces new rules for hedge accounting.

The standard introduces a new model for impairment of financial assets that is based on expected losses, instead of in connection with a loss event having occurred, as previously under the former IAS 39. The new standard also creates the opportunity for more hedging strategies to qualify for hedge accounting. With respect to recognition of impairment, for Indutrade's part it is mainly trade receivables that are affected. Over the years, Indutrade's bad debt losses have

Note 1 continued

been very limited, and the effects of IFRS 9 are immaterial. No adjustment has been made of the opening balances for 2018.

Standards, amendments and interpretations that apply as from 1 January 2019

The new leasing standard, IFRS 16, which has been endorsed by the EU, replaces the current IAS 17. The standard entails changes primarily for lessees in that the breakdown of leases into operating and finance leases has been removed. With a few exceptions, assets and liabilities attributable to all leases are to be recognised on the balance sheet. In the income statement, interest and depreciation are to be reported instead of leasing costs. A project is currently under way to analyse the effects. The disclosures provided in Note 9, Operating leases, provide an indication of the scope of the contracts that exist at present. Indutrade will implement the new standard starting on 1 January 2019.

Basis of consolidation

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

The purchase method is used for reporting of the Group's business acquisitions. The purchase price for the acquisition of a subsidiary consists of the fair value of the acquired assets and liabilities. The purchase price also includes the fair value of all assets and liabilities that are the result of an agreement on contingent consideration. Transaction costs in connection with acquisitions are recognised directly in profit for the year as other operating expenses. In cases where contingent consideration is remeasured at fair value, this is recognised in operating profit. Identifiable, acquired assets and liabilities taken over in a business acquisition are initially measured at fair value as per the acquisition date.

For each acquisition, the Group determines if non-controlling interests in the acquired company are to be stated at the holding's proportional share of the fair value of identifiable net assets, excluding goodwill (partial goodwill), or at fair value, which entails that goodwill is also reported for non-controlling interests (full goodwill). Subsequent acquisitions up to 100% are reported as equity transactions.

Goodwill is initially carried at the amount in which the total purchase price and non-controlling interests exceed the fair value of identifiable, acquired assets and liabilities taken over.

Intra-Group transactions and balance sheet items as well as unrealised gains and losses on transactions between Group companies are eliminated.

The Group treats transactions with non-controlling interests as transactions with the Group's shareholders. Transactions with non-controlling interests are reported in equity.

Classification

Non-current assets and non-current liabilities consist essentially of amounts that are expected to be recovered or paid after later than 12 months from the balance sheet date. Current assets and current liabilities consist essentially of amounts that are expected to be recovered or paid within 12 months from the balance sheet date.

Translation of foreign currency

Items that are included in the financial statements for the Group's various units have been valued in the currency that is used in the economic environment in which the respective company mainly operates (the functional currency). In the consolidated accounts, Swedish kronor (SEK) is used, which is the Parent Company's functional and

reporting currency. The earnings and financial position of all Group companies that have a different functional currency than their reporting currency are translated to the Group's reporting currency in accordance with the following:

- assets and liabilities on each of the subsidiaries' balance sheets are translated at the exchange rate in effect on the balance sheet date,
- income and expenses in each of the income statements are translated at the average exchange rate for the year, and
- all exchange rate differences that arise are reported in other comprehensive income.

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

Transactions and balance sheet items in foreign currency

Transactions in foreign currencies are translated to the functional currency at the exchange rate in effect on the transaction date. Exchange rate gains and losses that arise upon payment in such transactions and when translating monetary assets and liabilities in foreign currencies at the exchange rate on the balance sheet date are recognised in profit or loss. An exception to this rule is applied for transactions that constitute hedges that meet the conditions for hedge accounting of cash flows or of net investments, for which gains/losses are recognised in other comprehensive income.

Exchange rate differences that arise upon translation or recognition of operating assets/liabilities are reported as other income/expenses, while exchange rate differences that arise upon payment of financial assets/liabilities are reported as financial income/expenses.

Important estimations and assumptions for accounting purposes

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

Parent Company

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

Participations in Group companies are reported in the Parent Company using the cost method. In the Parent Company, a change in the liability for contingent consideration affects the value of participations in subsidiaries. Contingent consideration is reported in the Parent Company when it is certain or probable that the obligation will arise.

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).

Group contributions are reported gross as appropriations in accordance with the alternative rule in RFR 2.

Risks and risk management

Accounting principle

Financial instruments

The Group mainly has the following financial instruments: trade receivables, cash and cash equivalents, trade payables, borrowings, contingent consideration and derivative instruments.

Trade payables

Since Indutrade's trade payables normally have a remaining term of less than six months, the carrying amount is considered to reflect fair value.

Derivative instruments

Derivative instruments are stated at fair value on the balance sheet as per the contract date, both initially and for subsequent revaluations. The method for reporting the gain or loss that arises in connection with revaluation depends on whether the derivative instrument has been identified as a hedge instrument and, if such is the case, the nature of the item that has been hedged. The Group identifies certain derivatives as a hedge of a particular risk that is coupled to a reported asset or liability, or a very probable, prognosticated transaction (cash flow hedge). See further under Cash flow hedging below.

The Group's other derivatives consist of forward contracts. Realised and unrealised gains and losses arising from changes in fair value are included in the income statement during the period in which they arise. Gains and losses arising from forward cover of payments in foreign currencies are posted as other operating income/expense, and the earnings effect of forward contracts used to hedge loans is reported among financial income and expenses.

Cash flow hedging

The effective portion of changes in the fair value of a derivative instrument that is identified as a cash flow hedge and that meets the conditions for hedge accounting is reported in other comprehensive income. Changes in the value of the derivative are recognised in the income statement on the same line and at the same point in time as the hedged item.

Indutrade uses interest rate swaps to some extent to hedge borrowings at variable interest rates. The gain or loss that is attributable to the effective portion is recognised in other comprehensive income, while the ineffective portion is recognised immediately in the income statement in the item "Interest expense". Accumulated amounts in equity are restated in the income statement in the periods in which the hedged item affects earnings (e.g., when the prognosticated, hedged interest payment is made). The gain or loss that is attributable to the effective portion of interest rate swaps is reported as interest expense in the income statement.

When a prognosticated transaction is no longer expected to take place, the accumulated gain or loss that was previously reported in the hedging reserve through other comprehensive income is immediately transferred to the income statement.

Available-for-sale financial assets

This category includes financial assets that are not derivatives and that have been designated to this category at the time of acquisition or have not been classified in any other category.

These are included in non-current assets unless the Group 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 difference between the carrying amount and fair value is considered to be immaterial.

Market risks

At year-end 2017 the Indutrade Group conducted business in 31 countries. This geographic spread along with a large number of customers and products provides relatively limited risk exposure and sensitivity to economic fluctuations. The Group's operations are conducted with two main focuses: trading companies with industrial technology sales, and companies that manufacture their own products.

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

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

Financial risks

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

- Funding risk
- Interest rate risk
- Currency risk
- Customer and counterparty risk

Finance policy

Indutrade's board of directors sets 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 are to be handled within the Group as well as any restrictions that should be considered with respect to counterparties.

Funding risk

By funding risk is meant the risk that funding of the Group's capital requirement will be impeded or become more costly. To mitigate funding risk the Group strives to maintain a balanced maturity structure, a good liquidity reserve, and diversified borrowing. This creates a preparedness to take necessary alternative actions to raise capital should this be necessary.

Indutrade takes a central approach to the Group's funding. In principle, all external funding is conducted by the Parent Company, which then funds the Group's subsidiaries, both in and outside Sweden, in local currency. Cash pools are established in Sweden, Finland, Norway, Denmark, Germany, the Netherlands and the UK.

Indutrade has had a commercial paper programme in place since 2014. The framework of the programme is SEK 2,000 million.

Note 2 continued

At year-end 2017 the Parent Company had external interest-bearing liabilities of SEK 3,600 million (3,345). The corresponding amount for the Group was SEK 4,009 million (3,679). The Group's interest-bearing net debt was SEK 3,829 million at year-end (3,628).

At year-end 2017 the Group had SEK 464 million (332) in cash and cash equivalents and SEK 2,752 million (2,854) in unutilised overdraft facilities. Of the Group's interest-bearing loans, 30% of the total principal falls due for payment after 31 December 2018. For a more detailed maturity analysis, see the description of the Group's borrowings in Note 22.

The Group strives to maintain a reasonable balance between equity, debt financing and liquidity, to enable the Group to secure funding 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, normally should not exceed 100%. At year-end the debt/equity ratio was 74% (82%).

Interest rate risk

By interest rate risk is meant the risk that unfavourable changes in interest rates will have an excessive impact on the Group's net financial items and earnings. At year-end 2017, as in the preceding year, most of the Group's loans carried variable rates of interest.

The Parent Company has entered into two contracts to hedge SEK 400 million of its borrowing at variable interest against fixed interest for five years. Both contracts expire in 2018. The difference between the fixed and variable interest is expensed in the income statement. During the year, valuation of interest rate swaps resulted in a gain for the Group of SEK 10 million (13) before tax, which is recognised in other comprehensive income. The Parent Company had a corresponding gain of SEK 10 million (12).

Based on the loan structure at year-end, a 1% rise in the interest rate on an annualised basis would result in a higher interest expense of approximately SEK 37 million (35), without taking into account the loans' fixed interest periods. Taking into account the existing interest rate swaps, the effect would be approximately SEK -33 million (-31). Profit after tax would be affected by SEK -26 million (-24).

The table below shows the remaining contractual terms of loans until maturity, including interest on loans, leasing commitments and contingent consideration. Trade payables normally have a term of less than six months.

For information on the utilisation of bank overdraft facilities and granted credit limits, see Note 22.

Maturity dates for loans, leasing commitments and contingent earn-out payments, incl. interest:

	Group		Parent Company	
	2017	2016	2017	2016
Maturity 2017		1,716		1,558
Maturity 2018	2,746	929	2,549	820
Maturity 2019	717	545	575	507
Maturity 2020	57	20	5	5
Maturity 2021	516	508	501	501
Maturity 2022 or later	19	15	-	-
Total borrowings incl. interest, SEK million	4,055	3,733	3,630	3,391

Currency risk

By currency risk is meant the risk of unfavourable changes in exchange rates affecting consolidated earnings and equity measured in SEK:

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

The Indutrade Group's transaction exposure arises when subsidiaries import products for sale in the domestic market and/or sell products in foreign currency. 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 certain cases, forward contracts are used. Indutrade therefore considers its transaction exposure to be limited.

The consolidated income statement includes SEK 1 million (12), net, in exchange rate differences in operating profit and SEK -1 million (2), net, in financial items.

With respect to transaction exposure, at 31 December 2017 Indutrade had net exposure of SEK 45 million in foreign currency (150). See the breakdown of currencies in the following table.

Net exposure at year-end

Group SEK million	2017		2016	
	Local currency	SEK	Local currency	SEK
USD	6.2	52	9.6	87
EUR	3.8	38	4.7	45
DKK	4.2	6	4.3	6
CHF	-0.7	-6	-0.7	-6
Other currencies		-18		-3
GBP	-2.4	-27	1.9	21
Total		45		150

At year-end the Group had outstanding forward contracts to reduce the currency risk associated with future flows. All of the contracts expire within 12 months. Market valuation of outstanding forward contracts as per 31 December 2017 resulted in an unrealised gain of SEK 6 million (10) before tax, which is recognised in other comprehensive income.

Forward contracts

Group SEK million	2017	2016
	USD	198
SGD	22	6
SEK	17	27
EUR	6	80
AUD	1	3
GBP	-	26
Total	244	263

Financial statements

Note 2 continued

In addition, the Parent Company has hedged outstanding receivables from and liabilities to subsidiaries, contingent earn-out payments and anticipated dividends, as shown in the table below. Receivables from subsidiaries increased during the year.

Forward contracts

Parent Company SEK million	2017	2016
EUR	1,341	1,131
GBP	1,030	822
CHF	148	160
DKK	103	77
PLN	22	22
NOK	17	38
SGD	15	3
RUB	2	7
Total	2,678	2,260

All contracts expire within 15 months.

The Group is exposed to a translation risk associated with translation of the accounts of foreign subsidiaries to the Group currency, SEK. This type of currency risk is not hedged. Net investments in foreign subsidiaries at year-end are shown in the table below. Indutrade also had net investments in other currencies in both 2017 and 2016, but the amounts were insignificant.

Net investments in foreign subsidiaries

Group Net exposure in millions	2017		2016	
	Local currency	SEK	Local currency	SEK
EUR	203	2,003	153	1,462
GBP	81	904	69	776
DKK	525	695	459	591
NOK	480	480	378	399
CHF	26	222	20	180
Total		4,304		3,408

Indutrade estimates that the Company's translation exposure entails that a 1% change in the value of SEK vs. other currencies would result in a yearly positive/negative effect (in the event of a weakening/strengthening of SEK) corresponding to approximately SEK 104 million (90) on net sales and approximately SEK 9 million (7) on net profit. The effect on equity of a 1% change would be SEK 44 million (35).

Customer and counterparty risks

In the treasury management activities, credit risks arise in connection with investments of cash and cash equivalents, and counterparty risks arise in connection with the use of forward contracts. These risks are limited by working with counterparties that have been approved in accordance with the guidelines stipulated in the finance policy.

The risk of the Group's customers failing to meet their obligations, i.e., of payment not being received from customers, constitutes a customer credit risk. Assessment of Indutrade's credit risk in commercial transactions is handled by the respective subsidiaries. Indutrade's exposure to individual customers is small, and the risk spread is considered to be favourable. No single customer accounts for more than 3% (3%) of consolidated sales. The Indutrade Group does business in many countries, which entails a spread of credit risk exposure over

several geographic areas. 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 20.

Calculation of fair value

The table below shows financial instruments at fair value, based on the classification of the fair value hierarchy. The various levels are defined as follows:

1. Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
2. Other observable data for assets and liabilities than quoted prices included in level 1, either directly (i.e., through price quotations) or indirectly (i.e., stemming from price quotations) (level 2)
3. Data for the asset or liability that is not based on observable market data (i.e., non-observable market data) (level 3)

The Group's assets and liabilities at fair value as per 31 December 2017

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	–	–	14	14
Derivative instruments held for hedging purposes	–	5	–	5
Liabilities				
Derivative instruments held for hedging purposes	–	5	–	5
Contingent earn-out payments	–	–	185	185

The Group's assets and liabilities at fair value as per 31 December 2016

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	–	–	15	15
Derivative instruments held for hedging purposes	–	0	–	0
Liabilities				
Derivative instruments held for hedging purposes	–	18	–	18
Contingent earn-out payments	–	–	129	129

Derivative instruments consist of currency forward contracts and interest rate swaps. No transfers were made between level 2 and level 3 during the year. Assets in level 3 consist essentially of holdings of shares and participations in unlisted companies. Fair value is considered to be equal to cost. For further information, see Note 17. Contingent earn-out payments have been discounted to present value using an interest rate that is judged to be in line with the market rate at the time of acquisition. Adjustments for changes in market interest rates are not made on a regular basis, as this effect is considered to be immaterial. Essentially all long- and short-term loans carry variable interest rates, which is why fair value is equal to the carrying amount. For further information about contingent earn-out payments and loans, see Note 22. For the Group's other financial assets and liabilities, such as trade receivables, cash and cash equivalents, and trade payables, fair value is estimated to be equal to the carrying amount.

Note 2 continued

Contingent earn-out payments

	2017	2016
Opening book value	129	259
Acquisitions during the year	128	72
Earn-out payments	-47	-174
Reversed via income statement	-30	-32
Interest expense	3	3
Exchange rate differences	2	1
Closing book value	185	129

03

Segment reporting

Accounting principle

Segment reporting is based on internal reporting to the chief operating decision maker. For Indutrade, this means the Group CEO and the key ratios that are presented for the business areas.

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

Through 31 December 2017 the Group was organised in the six business areas Engineering & Equipment, Flow Technology, Fluids & Mechanical Solutions, Industrial Components, Measurement & Sensor Technology, and Special Products, which constitute the Group's operating segments.

The Group's business areas conduct business primarily in the Nordic countries and in central and northern Europe.

The Engineering & Equipment business area's business involves sales of components as well as customisation, combinations and installations of products from various suppliers. Business is conducted mainly in Finland.

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

The Fluids & Mechanical Solutions business area offers hydraulic and mechanical components to industries in the Nordic and Baltic countries. Important product areas are filters, hydraulics, tools & transmission, industrial springs, valves, water and wastewater fittings, steel profiles, compressors, product labelling and construction plastics.

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

The Measurement & Sensor Technology business area offers design solutions, measurement instruments, measurement systems and sensors for various industries. All of the business area's companies have proprietary products based on advanced technological solutions and own development, design and manufacturing.

The Special Products business area offers specially manufactured niche products, design solutions, aftermarket service and assembly, and special processing. The business area includes companies with a considerable amount of own manufacturing and proprietary products.

According to IFRS, the part of operations that does not constitute its own operating segment is to be called "Other". At Indutrade, only the Parent Company is included in the segment called "Other". Indutrade AB lacks a major revenue source, which is why the Parent Company does not constitute its own operating segment.

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

The earnings measure that is monitored in Indutrade is EBITA. The table below also shows Profit before tax.

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

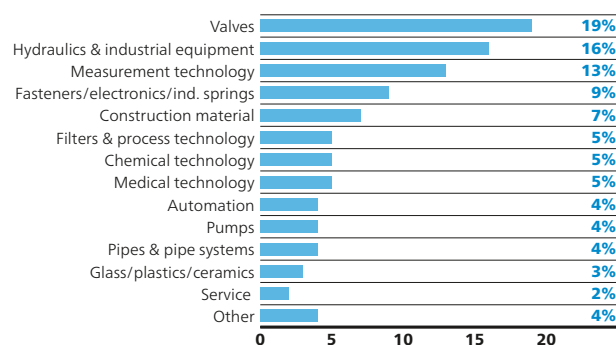
The Indutrade Group does not receive revenue from any single customer that amounts to 10% of total, which is why no data is reported on this.

Investments in non-current assets include purchases of intangible assets (Note 15), and property, plant and equipment (Note 16).

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.

Effective 1 January 2018 the Group is organised in eight business areas. The aim of this change is to strengthen Indutrade's platform for continued profitable growth, to enable a continued high pace of acquisition activity, and to better utilise the international expertise that currently exists in the Group. Pro forma according to the new structure is presented in this Note. Following this change, Indutrade's eight business areas will be: Flow Technology, Fluids & Mechanical Solutions, Industrial Components, Measurement & Sensor Technology, Benelux, DACH, Finland (previously Engineering & Equipment), and UK.

Sales per product area, %



Financial statements

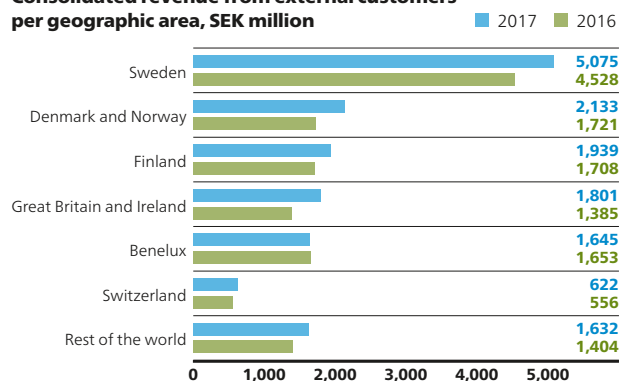
Note 3 continued

2017	EE	FT	FM	IC	MST	SP	PC	Elim. ¹⁾	Total
Net sales	1,729	2,393	1,859	2,924	1,456	4,537	5	-56	14,847
Operating profit	170	185	202	272	211	540	-74	-126	1,380
Net financial items	-4	-9	-3	-6	-6	-30	740	-752	-70
Profit before tax	166	176	199	266	205	510	1,260	-1,472	1,310
EBITA	179	205	233	324	254	618	-74	-126	1,613
EBITA margin, %	10,4	8,6	12,5	11,1	17,4	13,6	-	-	10,9
Amortisation of intangible assets	-17	-23	-35	-54	-49	-80	0	-	-258
Depreciation of property, plant and equipment	-13	-24	-28	-31	-31	-79	0	-	-206
Sales growth, %	12	7	19	17	24	14	-	-	15
Operating capital at year-end	587	1,070	1,241	1,665	1,483	3,699	4,196	-4,944	8,997
Return on operating capital, %	33	20	18	21	17	19	-	-	19
Investments in non-current assets	23	32	63	60	38	98	1	-	315
Total assets	903	1,668	1,800	2,564	1,910	4,898	9,905	-11,082	12,566
Total liabilities	729	1,421	727	1,378	663	3,084	4,926	-5,530	7,398
2016	EE	FT	FM	IC	MST	SP	PC	Elim.¹⁾	Total
Net sales	1,537	2,231	1,558	2,501	1,171	3,997	4	-44	12,955
Operating profit	112	147	168	222	139	532	-60	12	1,272
Net financial items	-5	-14	-3	-6	0	-35	654	-669	-78
Profit before tax	108	133	165	215	139	498	1,078	-1,142	1,194
EBITA	124	168	199	265	177	597	-60	14	1,484
EBITA margin, %	8,1	7,5	12,8	10,6	15,1	14,9	-	-	11,5
Amortisation of intangible assets	-19	-24	-34	-45	-44	-67	0	-	-233
Depreciation of property, plant and equipment	-12	-23	-25	-27	-30	-61	0	-	-178
Sales growth, %	5	0	25	11	25	6	-	-	9
Operating capital at year-end	557	927	1,213	1,362	1,479	2,989	3,723	-4,223	8,027
Return on operating capital, %	24	17	19	20	13	22	-	-	20
Investments in non-current assets	27	32	24	51	26	223	1	-	384
Total assets	805	1,484	1,744	2,122	1,903	3,935	8,479	-9,419	11,053
Total liabilities	666	1,339	625	1,191	638	2,524	4,409	-4,738	6,654

¹⁾ Pertains mainly to elimination of the Parent Company's dividends from subsidiaries, impairment of subsidiary shares, shares in subsidiaries, and loans to and from subsidiaries.

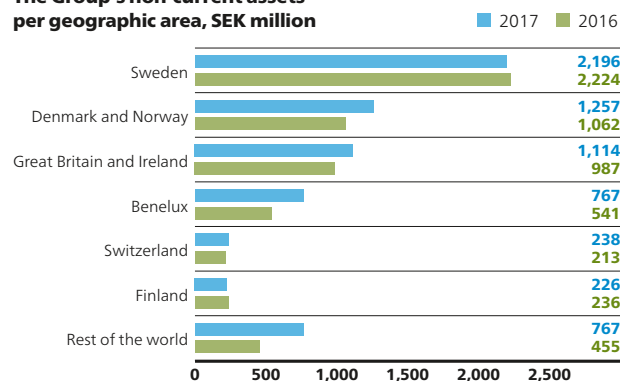
EE – Engineering & Equipment FT – Flow Technology FM – Fluids & Mechanical Solutions
 IC – Industrial Components MST – Measurement & Sensor Technology SP – Special Products
 PC – Parent Company

Consolidated revenue from external customers per geographic area, SEK million



Based on where the Group's legal companies have their registered offices. The information on page 2 is based on where the customers are located.

The Group's non-current assets per geographic area, SEK million



Based on where the Group's legal companies have their registered offices, excluding financial assets.

Note 3 continued

Pro forma new structure as from 1 January 2018

2017	Benelux	DACH	Finland	FT	FM	IC	MST	UK	PC	Elim.¹⁾	Total
Net sales	1,695	945	1,729	3,135	1,859	2,924	1,675	932	5	-52	14,847
Operating profit	216	65	170	311	202	272	243	101	-74	-126	1,380
Net financial items	-11	-2	-4	-13	-3	-6	-7	-12	740	-752	-70
Profit before tax	205	63	166	298	199	266	236	89	1,260	-1,472	1,310
EBITA	237	79	179	343	233	324	291	127	-74	-126	1,613
EBITA margin, %	14,0	8,4	10,4	10,9	12,5	11,1	17,4	13,6	-	-	10,9
Amortisation of intangible assets	-23	-15	-17	-34	-35	-54	-55	-25	0	-	-258
Depreciation of property, plant and equipment	-30	-16	-13	-32	-28	-31	-33	-23	0	-	-206
Sales growth, %	-2	16	12	7	19	17	32	44	-	-	15
Operating capital at year-end	1,314	829	587	1,547	1,241	1,665	1,631	930	4,196	-4,943	8,997
Return on operating capital, %	20	14	33	23	18	21	18	15	-	-	19
Investments in non-current assets	22	18	23	46	63	60	42	40	1	-	315
Total assets	1,645	1,140	903	2,378	1,800	2,564	2,176	1,144	9,905	-11,089	12,566
Total liabilities	1,008	524	729	1,902	727	1,378	743	1,002	4,926	-5,541	7,398
2016	Benelux	DACH	Finland	FT	FM	IC	MST	UK	PC	Elim.¹⁾	Total
Net sales	1,733	815	1,537	2,931	1,558	2,501	1,268	647	4	-39	12,955
Operating profit	268	63	112	271	168	222	147	68	-60	13	1,272
Net financial items	-16	-5	-5	-17	-3	-6	0	-11	654	-669	-78
Profit before tax	252	58	108	254	165	215	147	57	1,078	-1,140	1,194
EBITA	288	74	124	303	199	265	188	88	-60	15	1,484
EBITA margin, %	16,6	9,1	8,1	10,3	12,8	10,6	14,8	13,6	-	-	11,5
Amortisation of intangible assets	-21	-12	-19	-35	-34	-45	-47	-20	0	-	-233
Depreciation of property, plant and equipment	-21	-10	-12	-31	-25	-27	-31	-21	0	-	-178
Sales growth, %	2	1	5	4	25	11	35	2	-	-	9
Operating capital at year-end	1,162	489	557	1,429	1,213	1,362	1,631	680	3,723	-4,219	8,027
Return on operating capital, %	28	17	24	21	19	20	13	13	-	-	20
Investments in non-current assets	184	7	27	40	24	51	28	22	1	-	384
Total assets	1,504	633	805	2,198	1,744	2,122	2,138	845	8,479	-9,415	11,053
Total liabilities	951	319	666	1,695	625	1,191	715	818	4,409	-4,735	6,654

¹⁾ Pertains mainly to elimination of the Parent Company's dividends from subsidiaries, impairment of subsidiary shares, shares in subsidiaries, and loans to and from subsidiaries.

FT – Flow Technology

FM – Fluids & Mechanical Solutions

IC – Industrial Components

MST – Measurement & Sensor Technology

PC – Parent Company

04 Income statements classified by type of cost

	Group		Parent Company	
	2017	2016	2017	2016
Goods for resale, raw materials and consumables	-7,913	-6,929	-	-
Costs for employee benefits	-3,436	-2,980	-49	-41
Depreciation/amortisation	-464	-411	0	0
Transport costs	-319	-269	0	0
Marketing costs	-112	-100	-1	-1
Property-related costs	-574	-502	-9	-7
Other costs	-597	-542	-20	-15
IS Total	-13,415	-11,733	-79	-64

05 Other operating income/expenses

	Group		Parent Company	
	2017	2016	2017	2016
Other operating income				
Exchange rate gains	73	108	-	-
Revaluation of liabilities pertaining to contingent consideration	30	31	-	-
Gain on sale of subsidiaries/operations	-	0	-	-
Other	4	15	-	-
IS Total	107	154	-	-
Other operating expenses				
Exchange rate losses	-72	-96	-	-
Transaction costs for acquisitions	-15	-8	-	-
Impairment losses intangible assets	-72	-	-	-
IS Total	-159	-104	-	-
Other operating income/expenses, net	-52	50	-	-

06 Average number of employees

	2017		2016	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	13	6	11	5
Subsidiaries in Sweden	1,482	312	1,449	308
Total Sweden	1,495	318	1,460	313
Subsidiaries outside Sweden	4,661	1,102	4,035	1,008
Total	6,156	1,420	5,495	1,321

The Parent Company's board is composed of two women and six men (same as in preceding year). The subsidiaries' boards and management include five women (six). The Group Management consisted of one woman and eight men through 31 December 2017 (same as in preceding year).

07 Wages, salaries and other remuneration, and social security costs

Accounting principle

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 when it has a formal or constructive obligation to make such payments in exchange for services performed by employees and the amount of such obligations can be calculated in a reliable manner. Reporting is done in the period the cost pertains to.

Wages, salaries and other remuneration, and social security costs

	2017			2016		
	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	35	16	5	30	12	3
Subsidiaries in Sweden	803	363	88	761	331	76
Total Sweden	838	379	93	791	343	79
Subsidiaries outside Sweden	1,866	323	165	1,588	277	145
Total	2,704	702	258	2,379	620	224

Of the Parent Company's pension costs, SEK 2 million (-) pertains to the Board of Directors and the CEO. The corresponding amount for the Group is SEK 40 million (35).

Note 7 continued

Wages, salaries and other remuneration broken down by country and between the companies' management and other employees

	2017			2016		
	Companies' management ¹⁾	Of which, bonuses and similar	Other employees	Companies' management ¹⁾	Of which, bonuses and similar	Other employees
Parent Company	18	4	17	15	2	15
Subsidiaries in Sweden	103	14	700	94	10	667
Total Sweden	121	18	717	109	12	682
Subsidiaries outside Sweden	184	24	1,682	152	21	1,436
Total	305	42	2,399	261	33	2,118

¹⁾ Pertains to Board of Directors and Presidents.

Wages, salaries and remuneration of senior executives Information provided at the 2017 Annual General Meeting pertaining to the 2017 financial year

The Chairman and members of the Board of Directors are paid a fee in accordance with a resolution by the Annual General Meeting. A fee of SEK 540,000 is payable to the Chairman, and a fee of SEK 406,000 is payable to the Vice Chairman. A fee of SEK 271,000 is payable to each of the other non-executive directors, and a fee of SEK 60,000 is payable to the Audit Committee chair. A fee of SEK 27,000 is paid to members of the Remuneration Committee.

Compensation for the President and other senior executives consists of a base salary, variable compensation, other benefits and pension. By other senior executives is meant eight persons: the Chief Financial Officer (CFO), five business area directors, the Head of Group Finance and the Head of Business Development. Senior executives employed by the subsidiaries receive their compensation from the respective subsidiaries.

For the President of the Parent Company, the variable compensation is capped at six months' salary, i.e., 50% of base salary. For other senior executives, the variable compensation is capped at five to seven months' salaries, or 42% to 58% of base salary. Variable compensation is related to the earnings performance of the Group or of the respective business areas.

The retirement age for the President is normally 65. In addition to statutory retirement benefits, Indutrade is to pay pension premiums – excluding premiums for disability insurance and waiver of premium protection – corresponding to 35% of his base salary. The President is entitled to choose his pension solution, within the cost framework described above and subject to the approval of the Chairman. Other senior executives are entitled to retirement benefits corresponding to an average of 30% of their respective base salaries. The retirement age is 65. Earned retirement benefits are not conditional upon future employment by Indutrade.

Terms of notice

In the event of the Company serves notice, the President is entitled to a 24-month notice period with retained employment benefits. For notice given by the President, a six-month notice period applies. For other senior executives, a notice period of six to 24 months applies for notice served by the respective companies, depending on the employee's current age. Salary paid out during the notice period is not deducted from other income.

Incentive programmes

LTI 2014

In April 2014 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTI 2014) comprising a combined maximum of 460,000 warrants in two series for senior executives and other key persons in the Indutrade Group. Shares can be subscribed during specially stipulated subscription periods through Friday, 18 May 2018.

The President acquired 15,000 warrants, and other members of Group Management together acquired 73,500 warrants. A cash subsidy corresponding to a total of 120% of the price that the participants paid for the warrants was paid out on two occasions and in equal portions under the condition that the participants do not sell any warrants and continued to be employed by the Group on the payment dates. Half of the subsidy was paid out in 2016 and half in 2017. The subsidy was paid for the number of warrants the individual was granted and not for any oversubscription. The subsidy was expensed over the vesting period. The total cost was SEK 5 million, of which SEK 0 million in 2017.

LTI 2017

In April 2017 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTI 2017) comprising a combined maximum of 704,000 warrants in two series for senior executives and other key persons in the Indutrade Group. Shares can be subscribed during specially stipulated subscription periods through Friday, 20 May 2022.

The President acquired 40,000 warrants, and other members of Group Management together acquired 120,000 warrants. In addition to this programme, the President acquired 100,000 warrants via L E Lundbergföretagen. A cash subsidy corresponding to a total of 120% of the price that the participants paid for the warrants will be paid out on two occasions and in equal portions under the condition that the participants do not sell any warrants and continue to be employed by the Group on the payment dates. Half of the subsidy will be paid out in 2019 and half in 2020. The subsidy will be paid for the number of warrants the individual is granted and not for any oversubscription. The subsidy will be expensed over the vesting period. The total cost is SEK 10 million, of which SEK 2 million in 2017.

For further details on the incentive programmes, see the Directors' Report.

Guidelines for compensation and other terms of employment for senior executives adopted by the 2017 Annual General Meeting

By executive management is meant in this context the President and CEO, the Chief Financial Officer, the business area directors, the Head of Group Finance and the Head of Business Development.

Indutrade shall apply the compensation levels and terms of employment necessary to be able to recruit and retain management with high competence and the capacity to achieve set objectives. The forms of compensation shall motivate members of the Group Management to perform their utmost in order to safeguard the interests of the shareholders.

The forms of compensation shall therefore be in line with the going rate in the market and shall be straightforward, long-term and quantifiable. Compensation of members of Group Management shall normally consist of a fixed and a variable portion. Fixed salary for members of the Group Management shall be in line with the going rate in the market and shall be commensurate with the individual's

Financial statements

Note 7 continued

expertise, responsibilities and performance. The variable portion shall reward achievement of clearly set goals regarding the Company's and the respective business areas' earnings performance as well as the Group's growth in simple, transparent structures. The variable compensation component for members of the executive management shall normally not exceed seven months' salary and can amount to a maximum of SEK 14 million.

Incentive programmes in the Company shall mainly be share price-related and cover persons in senior positions in the Company who have a significant influence over the Company's earnings and growth, and shall be based on the achievement of set targets. An incentive programme shall contribute to the long-term commitment to the Company's development and shall be implemented on market terms. The Company shall be able to pay cash compensation coupled to senior executives' purchases of shares and share-related instruments. Such cash compensation shall normally not exceed 15% of the executive's fixed salary.

Non-monetary benefits for members of the Group Management shall facilitate the individuals in the execution of their duties and correspond to what can be considered to be reasonable in respect of practice in the market in which the respective executive is active.

Pension terms for members of the Group Management shall be in line with the going rate in the market in respect of what applies for peer executives in the market in which the executive works and should be based on a defined contribution pension solution or a general pension plan (in Sweden, the ITP plan).

Severance pay for members of Group Management shall not exceed a total of 24 months' salary in the event the Company serves notice, and 6 months in the event the member of the executive management gives notice.

The Board's Remuneration Committee prepares and conducts drafting work for decisions on the terms of employment for the President, and the Board evaluates the President's performance once a year. The Remuneration Committee also prepares and conducts drafting work concerning guidelines for remuneration of members of the Group Management, for decision by the Board. The President consults with the Remuneration Committee regarding the terms of employment for other members of the Group Management.

The Board shall have the right to depart from the aforementioned guidelines for compensation of the executive management if there are special reasons in a particular case.

Compensation and other benefits, 2017

SEK 000s	Base salary/ directors' fees	Variable compensation ¹⁾	Other benefits	Pension cost	Total
Fredrik Lundberg, Chairman of the Board, member of the Remuneration Committee	567				567
Bengt Kjell, Vice Chairman of the Board, member of the Remuneration Committee	433				433
Annica Bresky, Director until the 2017 AGM	90				90
Susanna Campbell, Director as from the 2017 AGM	181				181
Katarina Martinson, Director	271				271
Ulf Lundahl, Director, Audit Committee chair	331				331
Krister Mellvé, Director	271				271
Lars Pettersson, Director, member of the Remuneration Committee	298				298
Johnny Alvarsson, President and CEO until the 2017 AGM	3,487	1,335	40	–	4,862
Bo Annvik, President and CEO as from the 2017 AGM	5,301	2,766	420	1,855	10,342
Other senior executives (8 persons)	17,859	9,242	955	6,128	34,184
Total	29,089	13,343	1,415	7,983	51,830

¹⁾ Including compensation (the year's subsidy cost) for the senior executives who participate in the incentive programmes described above. For CEO Johnny Alvarsson the cost amounted to SEK 25 thousand, and for CEO Bo Annvik the cost amounted to SEK 115 thousand. For other senior executives the cost amounted to SEK 575 thousand.

Compensation and other benefits, 2016

SEK 000s	Base salary/ directors' fees	Variable compensation ¹⁾	Other benefits	Pension cost	Total
Fredrik Lundberg, Chairman of the Board, member of the Remuneration Committee	556	–	–	–	556
Bengt Kjell, Vice Chairman of the Board, member of the Remuneration Committee	424	–	–	–	424
Annica Bresky, Director	266	–	–	–	266
Katarina Martinson, Director	266	–	–	–	266
Ulf Lundahl, Director, Audit Committee chair	318	–	–	–	318
Krister Mellvé, Director	266	–	–	–	266
Lars Pettersson, Director, member of the Remuneration Committee	292	–	–	–	292
Johnny Alvarsson, President and CEO	10,897	2,126	114	– ²⁾	13,137
Other senior executives (8 persons)	16,828	4,057	844	5,697	27,426
Total	30,113	6,183	958	5,697	42,951

¹⁾ Including compensation (the year's subsidy cost) for the senior executives who participate in the above-mentioned incentive programme, which amounted to SEK 74 thousand for the President and SEK 413 thousand for senior executives.

²⁾ After reaching an agreement with the Remuneration Committee, the President has opted to take out an amount corresponding to pension premiums as salary.

08

Depreciation and amortisation

Depreciation of property, plant and equipment and amortisation of intangible non-current assets are included in the following functions in the following amounts:

	Group		Parent Company	
	2017	2016	2017	2016
Cost of goods sold	338	301	–	–
Development costs	10	8	–	–
Selling costs	72	66	–	–
Administrative expenses	44	36	0	0
Total	464	411	0	0

09

Operating leases

	Group		Parent Company	
	2017	2016	2017	2016
Lease payments expensed during the year	249	223	2	2
<i>Future contracted lease payments</i>				
Maturity year 1	244	212	2	2
Maturity year 2	187	172	2	2
Maturity year 3	143	127	2	2
Maturity year 4	86	87	2	2
Maturity year 5	73	51	2	2
Maturity year 6–	102	100	8	10
Total future lease payments	835	749	18	20

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

10

Auditors' fees

	Group		Parent Company	
	2017	2016	2017	2016
PricewaterhouseCoopers				
Audit assignment	14	13		1
Auditing activities in addition to audit assignment	0	1		–
Tax consulting	1	1		–
Other services	1	1		0
Total fees, PricewaterhouseCooper	16	16		1
Other auditing firms				
Auditing fees	4	5	–	–

Other auditing firms refers to several auditing firms where none account for a significant amount in 2017 or the preceding year.

Audit assignment pertains to fees for the statutory audit, i.e., such work that was necessary to issue the audit report as well as audit consulting in connection with the audit assignment.

Fees paid to PWC Sweden for their auditing assignment amounted to SEK 6 million during the year. Fees for auditing services in addition to the audit assignment amounted to SEK 0 million, and fees for tax consulting and other services totalled SEK 0 million.

11

Financial income

Accounting principle

Financial income consists of interest income on invested funds, dividends, and gains on hedge instruments recognised in profit for the year.

Interest income is reported in accordance with the effective interest method and includes accrued interest as per the balance sheet date. Dividend income is recognised when the right to payment has been determined.

	Group		Parent Company	
	2017	2016	2017	2016
Interest	10	8	47	53
Exchange rate differences	41	51	32	44
Other	–	–	–	–
IS Total financial income	51	59	79	97
<i>Of which, pertaining to Group companies:</i>				
Interest	–	–	45	52

12

Financial expenses

Accounting principle

Financial expenses consist of interest expenses on loans and pension liabilities, effects of the dissolution of discounted contingent consideration, losses on hedge instruments recognised in profit for the year, and bank charges. Interest expenses are reported in accordance with the effective interest method.

	Group		Parent Company	
	2017	2016	2017	2016
Interest expenses, bank loans	–56	–67	–47	–57
Interest expenses, pension obligations	–4	–4	–	–
Interest expenses, finance leases	–2	–2	0	0
Interest expenses, contingent consideration	–3	–3	0	–1
Total interest expenses	–65	–76	–47	–58
Exchange rate differences	–42	–49	–33	–38
Other	–14	–12	–12	–11
IS Total financial expenses	–121	–137	–92	–107
<i>Of which, pertaining to Group companies:</i>				
Interest	–	–	–2	–3

13 Profit from participations in Group companies

Parent Company	2017	2016
Dividends from subsidiaries	753	664
IS Total	753	664

14 Taxes

Accounting principle

Income tax consists of current tax and deferred tax. Income taxes are reported in the income statement, except in cases where the tax is attributable to items that are reported in other comprehensive income.

Current tax is tax that is to be paid or received in the current year using the tax rates that apply at the balance sheet date; this also includes adjustments of current tax attributable to earlier periods. Tax is calculated according to the current tax rate in the respective countries.

Deferred taxes attributable to temporary differences between the book value and the taxable value of assets and liabilities are reported in full in the consolidated accounts, while the Parent Company still reports the difference pertaining to machinery and equipment as an untaxed reserve. However, deferred tax liability is not reported if it arises as a result of initial recognition of goodwill. Valuation of deferred tax is based on how the underlying asset or liability is expected to be realised or settled. Deferred tax is calculated using the tax rates that apply on at the balance sheet date or announced as per the balance sheet date and which are expected to apply when the deferred tax asset in question is realised or the tax liability is settled.

Deferred tax assets attributable to deductible, temporary differences and unutilised tax-loss carryforwards are reported to the extent that it is probable that they will be utilised in the foreseeable future.

	Group		Parent Company	
	2017	2016	2017	2016
<i>Tax expense</i>				
Current tax	-377	-299	-118	-84
Deferred tax	100	41	6	-8
Other tax	-3	0	-2	-
Total	-280	-258	-114	-92

The Group's tax expense amounted to 21.4% (21.6%) of consolidated profit before tax. The difference between the reported tax expense and anticipated tax expense (weighted average tax based on national tax rates) is explained below.

	Group		Parent Company	
	2017	2016	2017	2016
Profit before tax	1,310	1,194	1,260	1,078
Weighted average tax based on national tax rates (Group 21.3% and 21.7%, respectively, and Parent Company 22.0% and 22.0%, respectively)	-279	-259	-277	-237
Tax effect of:				
Non-deductible interest expenses on discounted contingent consideration	-1	-1	0	0
Non-deductible transaction costs for acquisitions	-4	-2	-	-
Tax-exempt contingent consideration recognised as income	8	7	-	-
Other non-deductible expenses/ tax-exempt income	-4	-9	165	145
Utilisation of loss-carryforward where tax was not previously reported	1	0	-	-
Adjustment pertaining to previous years' current tax	0	2	-	-
Change in tax rate	2	4	-	-
Other items	-3	0	-2	-
IS Total	-280	-258	-114	-92
	21.4%	21.6%	9.0%	8.5%

Note 14 continued

Group, 1 Jan. – 31 Dec. 2016	Intangible non-current assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
Deferred tax, net						
Opening book value	-304	-42	-118	36	33	-395
Deferred tax as per income statement	44	-6	-4	3	0	37
Change in tax rate affecting income statement	4	0	-	-	0	4
Deferred tax recognised in other comprehensive income	-	-	-	3	-5	-2
Deferred tax attributable to acquisitions	-88	-14	-5	-	0	-107
Exchange rate differences	-5	0	-	1	1	-3
Closing book value	-349	-62	-127	43	29	-466
As per 31 Dec. 2016						
BS Deferred tax asset	0	1	-	43	39	83
BS Deferred tax liability	-349	-63	-127	0	-10	-549
Deferred tax, net	-349	-62	-127	43	29	-466
Group, 1 Jan. – 31 Dec. 2017	Intangible non-current assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
Deferred tax, net						
Opening book value	-349	-62	-127	43	29	-466
Deferred tax as per income statement	66	-1	-3	2	34	98
Change in tax rate affecting income statement	2	0	-	0	0	2
Deferred tax recognised in other comprehensive income	-	-	-	0	-4	-4
Deferred tax attributable to acquisitions	-114	-1	-1	-	1	-115
Exchange rate differences	1	0	-	-1	1	1
Closing book value	-394	-64	-131	44	61	-484
As per 31 Dec. 2017						
BS Deferred tax asset	2	1	-	44	55	102
BS Deferred tax liability	-396	-65	-131	0	6	-586
Deferred tax, net	-394	-64	-131	44	61	-484

The loss-carryforward, in which deferred tax has been capitalised, amounts to SEK 153 million (98), corresponding to a tax asset of SEK 46 million (29). The tax that has been capitalised on loss-carryforwards pertains mainly to German companies. The deficit is not limited in time. Uncapitalised loss-carryforwards amount to SEK 36 million (32), corresponding to a tax asset of SEK 9 million (9). The amount is made up of many items, which are not significant each on their own, and pertains to several countries.

Substantial dividends may be recognised without withholding tax.

Of the deferred tax liabilities, SEK 50 million is estimated to be dissolved in 2018. The calculation is based on estimated depreciation of acquisition calculations in the coming years.

Parent Company, 1 Jan. – 31 Dec. 2016	Pension obligations	Other items	Total tax
Deferred tax, net			
Opening book value	3	3	6
Deferred tax as per income statement	0	-8	-8
Deferred tax recognised in other comprehensive income	-	-3	-3
Closing book value	3	-8	-5
As per 31 Dec. 2016			
BS Deferred tax asset	3	3	6
BS Deferred tax liability	-	-11	-11
Deferred tax, net	3	-8	-5
Parent Company, 1 Jan. – 31 Dec. 2017	Pension obligations	Other items	Total tax
Deferred tax, net			
Opening book value	3	-8	-5
Deferred tax as per income statement	0	6	6
Deferred tax recognised in other comprehensive income	-	-2	-2
Closing book value	3	-4	-1
As per 31 Dec. 2017			
BS Deferred tax asset	3	1	4
BS Deferred tax liability	-	-5	-5
Deferred tax, net	3	-4	-1

Intangible assets

Accounting principle

Goodwill

Goodwill consists of the amount by which the total purchase price and non-controlling interests exceed the fair value of identifiable, acquired assets and liabilities taken over. Goodwill is tested at least annually for impairment and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold. Goodwill is normally allocated at the segment level for impairment testing. For impairment testing during the year, see "Impairment testing of non-financial assets" below.

Agencies, trademarks, customer relationships, etc.

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

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

Amortisation is calculated on a straight-line basis to allocate the cost of these assets over their estimated useful lives. The following amortisation schedules are used:

Agencies, customer relations, etc.	5–20 years
Trademarks	–
Software, licences, etc.	5–10 years
Other intangible assets	5–20 years

Development costs

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

Impairment testing of non-financial assets

Goodwill and trademarks are judged to have an indefinite useful life and are not amortised, but are instead tested at least annually for impairment. For assets, which are amortised, impairment is judged on the basis of a decline in value whenever events or changes in conditions indicate that the carrying amount may not be recoverable. Impairment is recognised in 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. In calculations of value in use, future cash flows are discounted using a discount factor that takes into account risk-free interest and the risk associated with the specific asset. 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 normally done at the segment level, which corresponds to Indutrade's business areas. 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 made.

Group, 1 Jan. – 31 Dec. 2016	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
Opening book value	1,942	1,254	259	52	71	3,578
Exchange rate differences	26	12	4	2	2	46
Investments during the year	–	–	–	14	14	28
Company acquisitions	424	389	16	0	23	852
Sales and disposals	–	–	–	0	0	0
Adjustment of preliminary purchase price allocation	–4	–	–	–	–	–4
Amortisation	–	–209	0	–15	–9	–233
BS Closing book value	2,388	1,446	279	53	101	4,267
As per 31 Dec. 2016						
Cost	2,513	2,636	279	156	151	5,735
Accumulated amortisation and impairment charges	–125	–1,190	0	–103	–50	–1,468
BS Book value	2,388	1,446	279	53	101	4,267

Note 15 continued

Group, 1 Jan. – 31 Dec. 2017	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
Opening book value	2,388	1,446	279	53	101	4,267
Exchange rate differences	-4	7	-2	1	-2	0
Investments during the year	-	-	0	20	15	35
Company acquisitions	461	472	33	4	4	974
Reclassification	-	-	-	2	0	2
Sales and disposals	-	-	-	-1	-	-1
Adjustment of preliminary purchase price allocation	-	-	-	-	-	-
Amortisation	-	-229	0	-19	-10	-258
Impairment losses	-	-13	-59	-	-	-72
BS Closing book value	2,845	1,683	251	60	108	4,947
As per 31 Dec. 2017						
Cost	2,970	3,145	310	194	171	6,790
Accumulated amortisation and impairment charges	-125	-1,462	-59	-134	-63	-1,843
BS Book value	2,845	1,683	251	60	108	4,947

Impairment testing of goodwill

Goodwill is not amortised continuously; instead, the value is tested yearly for impairment in accordance with IAS 36. Testing was conducted most recently in December 2017.

Goodwill is apportioned over cash-generating units, which for Indutrade are equated with operating segments. The operating segments correspond to Indutrade's business areas. The companies are organised in business areas to utilise the Group's aggregate position and strength in various customer and product segments. If it is logical from a business sense, coordination of certain support functions, such as warehousing, may be done within the business areas. Impairment testing is therefore done at the smallest, joint unit, which is the business area.

The recoverable value has been calculated according to value in use and is based on the current estimation of cash flows for the next five years. Assumptions have been made on the gross margin, level of overheads, need for working capital and investment need. The parameters have been set to correspond to budgeted earnings for the 2018 financial year. During the rest of the five-year period, an annual growth rate of 2% (2%) has been assumed. Where greater changes are expected, the assumptions have been adapted to better correspond to these expectations. For cash flows beyond the five-year period, the rate of growth has been assumed to correspond to the growth rate during the fifth year, ordinarily 2%. The cash flows have been discounted with a weighted cost of capital that corresponds to approximately 10% (9%) before tax. The weighted cost of capital has been adapted to the prevailing level of interest rates.

The operating segments do business in many countries, with the exception of Engineering & Equipment, which does most of its business in Finland. Operational risk in cash flows is considered to be similar among the segments, and thus the same discount rate (WACC) has been used for all segments. With respect to financial risk, the segments are active in related sectors, and the segments' financing structures are therefore considered to be similar.

The calculation shows that value in use exceeds the carrying amount at the segmental level. A sensitivity analysis shows that the remaining goodwill value would continue to be upheld if the discount rate were to be raised by 1 percentage point or long-term growth were to be decreased by 1 percentage point.

Other impairment testing

Every year impairment testing is conducted for trademarks at the segmental level in accordance with the same principles and at the same point in time as for goodwill.

The market conditions for the Sander Meson Group, which is active in the marine segment, have been challenging for quite some time. As a result of impairment testing of trademarks in the Flow Technology business area, the decision was made to recognise impairment losses of SEK 59 million. In addition to impairment of trademarks, intangible non-current assets were tested for impairment, and the decision was made to recognise impairment losses of SEK 13 million for agencies, customer relationships, etc. in the same business area.

Group breakdown of goodwill at segmental level

	2017	2016
Engineering & Equipment	138	134
Flow Technology	221	179
Fluids & Mechanical Solutions	438	436
Industrial Components	602	461
Measurement & Sensor Technology	450	436
Special Products	996	742
Total	2,845	2,388

Group breakdown of goodwill at segmental level according to new structure as from 1 January 2018

	2017	2016
Benelux	262	190
DACH	235	120
Finland	138	134
Flow Technology	382	339
Fluids & Mechanical Solutions	438	436
Industrial Components	602	461
Measurement & Sensor Technology	506	492
UK	282	216
Total	2,845	2,388

Financial statements

Note 15 continued

Group breakdown of trademarks at segmental level

	2017	2016
Engineering & Equipment	0	0
Flow Technology	–	59
Fluids & Mechanical Solutions	17	17
Industrial Components	7	5
Measurement & Sensor Technology	146	146
Special Products	81	52
Total	251	279

Group breakdown of trademarks at segmental level according to new structure as from 1 January 2018

	2017	2016
Benelux	–	–
DACH	71	42
Finland	0	0
Flow Technology	10	69
Fluids & Mechanical Solutions	17	17
Industrial Components	7	5
Measurement & Sensor Technology	146	146
UK	0	0
Total	251	279

Parent Company	2017	2016
Opening cost	2	2
Investments during the year	0	–
Closing accumulated cost	2	2
Opening amortisation	–2	–2
Amortisation for the year	0	0
Closing accumulated amortisation	–2	–2
BS Planned residual value	0	0

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Property, plant and equipment

Accounting principle

Property, plant and equipment are stated at cost less accumulated depreciation according to plan. Cost includes charges that are directly attributable to acquisition of the asset. Additional charges are added to the asset's carrying amount or are reported as a separate asset, depending on which is suitable, only when it is probable that the future economic benefit associated with the asset will accrue to the Group and the asset's cost can be measured in a reliable manner. All other forms of repairs and maintenance are reported as costs in the income statement in the period in which they were incurred.

Property, plant and equipment are depreciated over the asset's estimated useful life. The following depreciation schedules are used:

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

No depreciation is calculated for land.

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

Impairment testing of non-financial assets

Land is judged to have indefinite useful life and is not depreciated, but is instead tested at least annually for impairment. Impairment is judged on the basis of a decline in value whenever events or changes in conditions indicate that the carrying amount may not be recoverable. Impairment is recognised in 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. In calculations of value in use, future cash flows are discounted using a discount factor that takes into account risk-free interest and the risk associated with the specific asset. 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 normally entails that such determination is normally done at the segment level, which corresponds to Indutrade's business areas. 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 made.

Note 16 continued

Group, 1 Jan. – 31 Dec. 2016	Land and buildings	Machinery	Equipment	Construction in progress	Total property, plant and equipment
Opening book value	559	280	258	20	1,117
Exchange rate differences	12	0	5	1	18
Investments during the year ¹⁾	8	69	117	162	356
Company acquisitions	122	26	18	2	168
Transferred from construction in progress	127	51	1	-179	0
Sales and disposals ¹⁾	–	-2	-28	–	-30
Reclassification	–	-1	1	–	0
Depreciation	-25	-66	-87	–	-178
BS Closing book value	803	357	285	6	1,451
As per 31 Dec. 2016					
Cost	1,158	1,162	929	6	3,255
Accumulated depreciation and impairment charges	-355	-805	-644	–	-1,804
BS Book value	803	357	285	6	1,451
Group, 1 Jan. – 31 Dec. 2017					
Opening book value	803	357	285	6	1,451
Exchange rate differences	12	-3	1	-1	9
Investments during the year ¹⁾	28	89	142	21	280
Company acquisitions	70	30	24	–	124
Transferred from construction in progress	0	14	1	-15	0
Sales and disposals ¹⁾	0	-2	-36	0	-38
Reclassification	0	-2	0	–	-2
Depreciation	-29	-80	-97	–	-206
BS Closing book value	884	403	320	11	1,618
As per 31 Dec. 2017					
Cost	1,270	1,393	1,043	11	3,717
Accumulated depreciation and impairment charges	-386	-990	-723	–	-2,099
BS Book value	884	403	320	11	1,618

¹⁾ Of net investments in property, plant and equipment, SEK 201 million (292) had an effect on cash flow, while SEK 62 million (46) pertain to investments financed via finance leases.

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

	2017	2016
Cost – capitalised finance leases	201	158
Accumulated depreciation	-78	-56
Book value	123	102

Leased assets consist primarily of cars.

Parent Company	2017	2016
Opening cost	4	4
Investments during the year	1	1
Sales and disposals	-1	-1
Closing accumulated cost	4	4
Opening depreciation	-3	-3
Depreciation for the year	0	0
Sales and disposals	0	0
Closing accumulated depreciation	-3	-3
BS Planned residual value	1	1

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Shares and participations

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

	Domicile	Share of capital %	Share of votes %	No. shares	Book value
Kiinteistö Oy Honkakoli	Finland	–	–	18	1
Kytäjän Golf Oy	Finland	–	–	6	1
Ega Matic	Denmark	27	27	125	1
Veng Norge	Norway	30	30	330	8
Other		–	–	–	4

Available-for-sale financial assets 15

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

Shares and participations

	Group		Parent Company	
	2017	2016	2017	2016
Opening cost	15	5	5,200	4,748
External acquisitions	–	–	726	781
Shareholder contribution	–	–	116	92
Internal restructuring	–	–	–	–394
Adjustment of estimated contingent consideration	–	–	–14	–27
Increase through company acquisitions	0	10	–	–
Exchange rate differences	0	0	–	–
Closing accumulated cost	15	15	6,028	5,200
Opening revaluations	–	–	8	8
Closing accumulated revaluations	–	–	8	8
Opening impairment charges	–	–	–644	–644
Impairment charges during the year	–	–	–	–
Closing accumulated impairment charges	–	–	–644	–644
BS Book value	15	15	5,392	4,564
Effect on cash flow				
Purchase price, external acquisitions			–726	–781
Purchase price not paid			68	8
Reversal of contingent consideration			10	–
Purchase price paid for previous years' acquisitions			–13	–103
Shareholder contribution paid out			–28	–84
Total			–689	–960

A complete, statutory specification has been appended to the annual report sent in to the Swedish Companies Registration Office. This specification is available upon request from Indutrade AB.

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Non-current receivables

	Group		Parent Company	
	2017	2016	2017	2016
Opening balance	19	19	14	12
Additional receivables	4	2	1	2
Repaid deposits/amortisation	–5	–10	–3	–
Company acquisitions	3	8	–	–
Change in value of pensions	1	0	1	0
Reported net against pension obligations	–	–	–1	–
Exchange rate differences	0	0	–	–
BS Total	22	19	12	14

The Group's non-current receivables pertain mainly to endowment insurance policies. 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 mainly to an endowment insurance policy.

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Inventories

Accounting principle

Inventories

Inventories are stated at the lower of their cost and net realisable value. Cost is calculated using the first-in first-out (FIFO) method. The cost of finished goods and work in progress consists of raw materials, direct wages, other direct costs and related indirect manufacturing costs (based on normal manufacturing capacity).

Net realisable value is the estimated selling price in the normal course of business, less relevant variable selling costs.

Inventories are broken down into the following items:

Group	2017	2016
Raw materials and consumables	403	373
Products in process	263	305
Finished products and goods for resale	1,851	1,571
BS Total	2,517	2,249

The cost of goods sold for the Group includes impairment of inventory, totalling SEK 28 million (24). No significant reversals of previous impairment charges were made in 2017 or 2016.

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Trade receivables

Accounting principle**Trade receivables**

Trade receivables are stated initially at fair value and thereafter in the amount that is expected to be received after individual assessment. A provision for decreases in the value of trade receivables 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 by use of a value impairment account, and the loss is recognised 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 approximately 200 operating companies, the item trade receivables consists of many smaller amounts. The subsidiaries have close contact with their customers, and thus valuation of trade receivables rarely poses 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 receivables normally have a remaining term of less than six months, the carrying amount is considered to reflect the fair value.

Age breakdown of trade receivables and provisions for impaired trade receivables

Group	2017	2016
Trade receivables		
Trade receivables not due	1,842	1,704
Trade receivables 0–3 months past due	524	473
Trade receivables 3–6 months past due	54	43
Trade receivables more than 6 months past due	113	124
Provision for impaired trade receivables	–64	–52
BS Total	2,469	2,292
Provision for impaired trade receivables		
Provision for trade receivables, 0–3 months past due	–4	–4
Provision for trade receivables, 3–6 months past due	–4	–2
Provision for trade receivables, older than 6 months	–56	–46
Total	–64	–52
Change in provision for impaired trade receivables during the year		
Opening provision	–52	–45
Receivables written off as customer losses	12	7
Reversed, unutilised provisions	7	6
Provision for the year for impaired trade receivables	–27	–16
Company acquisitions	–3	–2
Exchange rate differences	–1	–2
Closing provision	–64	–52

For a description of risks associated with the Company's trade receivables, see Note 2.

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Prepaid expenses and accrued income

	Group		Parent Company	
	2017	2016	2017	2016
Prepaid rents	21	19	–	–
Prepaid insurance premiums	12	11	0	0
Other prepaid expenses	81	93	5	6
Accrued income	14	15	–	–
BS Total	128	138	5	6

Non-current and current interest-bearing liabilities

Accounting principle

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.

Contingent consideration

Indutrade normally uses an acquisition structure consisting of a base level of consideration and contingent consideration (earn-out payment). Contingent consideration is normally based on the projected earnings of the acquired company in the years immediately ahead. As per the date of the transaction, the contingent consideration is measured at fair value by estimating the present value of the likely outcome. The interest expense is thereafter allocated over the period up until the date of payment. Contingent consideration is remeasured at every reporting date. Excess or deficit amounts are booked as an expense or revenue in the income statement under other operating income/expense. Contingent consideration is reported as current if it is payable within 12 months from the balance sheet date.

Leases

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

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

Leases in which the Group in all essential respects accepts the financial risks and benefits associated with ownership are classified as finance leases. Otherwise, the lease is classified as an operating lease.

At the start of the lease period, finance leases are carried on the balance sheet at the lower of the leased asset's fair value and the present value of the minimum lease payments. Every lease payment is allocated between amortisation of the liability and financial expenses to achieve a fixed rate of interest for the reported liability. Corresponding payment obligations, after deducting financial expenses, are reported on the balance sheet under non-current and current liabilities. Non-current assets held under finance leases are depreciated during the shorter of the asset's useful life or lease period.

Assets leased under operating leases are not carried as assets on the consolidated balance sheet, and operating leases do not give rise to any liability. Lease payments are expensed on a linear basis over the lease period as operating expenses. See also Note 9.

	Group		Parent Company	
	2017	2016	2017	2016
Non-current				
Future leasing obligations for finance leases	70	56	1	1
SEK-denominated loans with terms longer than 1 year	1,009	1,808	1,000	1,800
EUR-denominated loans with terms longer than 1 year	81	3	–	–
Loans in other currencies with terms longer than 1 year	37	45	–	–
Contingent earn-out payments in SEK with payment due later than 1 year	15	1	15	–
Contingent earn-out payments in EUR with payment due later than 1 year	34	36	23	–
Contingent earn-out payments in other currencies with payment due later than 1 year	39	44	26	6
BS Total	1,285	1,993	1,065	1,807
Current				
Utilised bank overdraft facilities	155	48	127	25
Future leasing obligations for finance leases	45	43	1	1
SEK-denominated loans with terms shorter than 1 year	2,401 ¹⁾	1,500 ¹⁾	2,400 ¹⁾	1,499 ¹⁾
EUR-denominated loans with terms shorter than 1 year	0	0	–	–
Loans in other currencies with terms shorter than 1 year	26	47	–	–
Contingent earn-out payments in SEK with payment due less than 1 year	1	13	–	13
Contingent earn-out payments in EUR with payment due less than 1 year	45	17	5	–
Contingent earn-out payments in other currencies with payment due less than 1 year	51	18	2	–
BS Total	2,724	1,686	2,535	1,538

¹⁾ Of which, commercial paper SEK 1,600 million (1,499).

Maturity dates for finance leases, non-current portion	Group	
	2017	2016
Maturity 2018	–	33
Maturity 2019	36	21
Maturity 2020	29	2
Maturity 2021 or later	5	0
Total	70	56

Externally granted bank overdraft facilities amount to SEK 736 million (789) for the Group and SEK 680 million (680) for the Parent Company.

Note 22 continued

2017	Group							Parent Company
	SEK	EUR	GBP	DKK	NOK	KRW	TRY	SEK
Maturity dates for long-term loans, SEK million								
Maturity 2019	501	70	0	1	1	9	1	500
Maturity 2020	1	5	–	1	0	9	1	–
Maturity 2021	501	3	–	1	–	5	0	500
Maturity 2022 or later	6	3	–	8	–	–	–	–
Total	1,009	81	0	11	1	23	2	1,000
Variable (V)/Fixed (F) interest	V ¹⁾	V	V & F	V & F	V & F	V & F	V & F	V ¹⁾

2016	Group						Parent Company
	SEK	EUR	GBP	DKK	KRW	USD	SEK
Maturity dates for long-term loans, SEK million							
Maturity 2018	801	0	0	1	10	0	800
Maturity 2019	501	0	0	1	9	–	500
Maturity 2020	1	0	0	1	9	–	–
Maturity 2021 or later	505	3	–	9	5	–	500
Total	1,808	3	0	12	33	0	1,800
Variable (V)/Fixed (F) interest	V ¹⁾	V	V & F	V & F	V & F	V & F	V ¹⁾

¹⁾ The Parent Company has entered into contracts to hedge part of the borrowings with variable interest to fixed interest. See Note 2.

2017	Group						Parent Company		
	SEK	EUR	GBP	KRW	DKK	MYR	SEK	EUR	DKK
Payment due for long-term contingent earn-out payments, SEK million									
Payable in 2019	15	29	11	2	26	0	15	23	26
Payable in 2020	–	5	–	–	–	–	–	–	–
Total	15	34	11	2	26	0	15	23	26
Present value discounting rate, %	2	2–4	2	2	2	0	2	2	2

2016	Group						Parent Company
	SEK	EUR	GBP	NOK	KRW	MYR	NOK
Payment due for long-term contingent earn-out payments, SEK million							
Payable in 2018	1	28	36	6	2	0	6
Payable in 2019	–	3	–	–	–	0	–
Payable in 2020	–	5	–	–	–	–	–
Total	1	36	36	6	2	0	6
Present value discounting rate, %	2	2–4	2	2	2	0	2

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Pension obligations

Accounting principle

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 benefits. The Group's defined benefit plans are both funded and unfunded. For funded plans, the assets have been detached (plan assets). A defined contribution pension plan is a pension plan to which the Group makes set contributions to a separate legal entity.

The liability carried on the balance sheet pertaining to defined benefit pension plans consists of the present value of the defined benefit obligations on the balance sheet date, less

the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is calculated by discounting the anticipated future cash flows using the rate of interest for high quality corporate bonds (AA-rated), corresponding to the duration of the liability, in countries in which such a market exists (the Netherlands, the UK and Switzerland).

For calculations of defined benefit pension obligations in Sweden, the discount rate has been set in reference to the interest rate for mortgage bonds with a duration that corresponds to

Financial statements

Note 23 continued

the average duration of the obligations. Indutrade has determined that a deep market for high quality corporate bonds exists in Sweden. Indutrade is of the opinion that Swedish mortgage bonds issued by Swedish corporations in the financial sector are covered by the concept of corporate bonds. Based on the outstanding volume, turnover and number of issues in the mortgage bond market, it has been determined that a deep market exists for these bonds. Consequently, mortgage bonds have been used as a basis for the interest rate.

Actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions are recognised directly in other comprehensive income after taking into account payroll tax and deferred tax.

Pension costs relating to service in current and past periods are recognised directly in profit or loss.

For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension plans on a statutory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Earnings are charged in pace with employees' earnings of the benefits.

Some of the Group's defined benefit pension obligations have been financed through payment of premiums to the insurance company Alecta. Since relevant information about these cannot be obtained from Alecta, these obligations are reported as a defined contribution plan.

Valuation of pension obligations

In calculations of the liability on the balance sheet pertaining to defined benefit pension plans, various assumptions have been made, as shown in the table.

The Parent Company's pension obligation consists of an endowment insurance policy.

Defined benefit plans

In accordance with IAS 19 Employee Benefits, actuaries commissioned by Indutrade have computed the Group's pension liability and the provisions to be made on a regular basis for pensions for the Group's employees.

The pension plans include retirement pensions, disability pensions and family pensions. Calculations are done individually and are based on the employee's salary, previously earned pension benefits and the anticipated remaining service period. Apart from the PRI plan in Sweden, the Group has defined benefit plans primarily in the Netherlands, Switzerland and the UK. Switzerland has a risk-sharing system for defined benefit plans in which the risk is split between the company and the employees. The plan in the UK was closed for new contributions in 2014.

Breakdown of net liability in SEK million

	2017	2016
PRI plan	126	117
Defined benefit plans, Netherlands, Switzerland and the UK	129	137
Total defined benefit plans	255	254
Other pension obligations	29	27
BS Total	284	281

The Group's plan assets, totalling SEK 774 million (748), consist for Switzerland and the Netherlands of investments with insurance companies, mainly in government bonds, corporate bonds and interest rate derivatives. Plan assets in the UK consist of equities and equity funds, government and corporate bonds, and liquid assets. The pension liability is irrevocable.

Defined contribution plans

The pension plans include retirement pensions, disability pensions and family pensions. Premiums are paid on a regular basis during the year to independent legal entities. The size of the pension premiums is based on the individual employee's salary, and the cost of the premium is recognised on a continuing basis through profit or loss.

According to a pronouncement from the Swedish Financial Reporting Board, retirement pension and family pension obligations secured through insurance with Alecta for salaried employees in Sweden are classified as multi-employer defined benefit plans. For 2017 Indutrade does 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 24 million (20). Premiums for 2018 are expected to be in line with 2017. Alecta's collective funding ratio was 154% (149%) in December 2017.

Assumptions used in actuarial computations

Group, 2017	Sweden	Netherlands	Switzerland	UK
Assumptions in calculating pension obligations				
Discount rate, %	2.55	1.90	0.85	2.70
Future salary increases, %	3.70	1.80	1.00	–
Anticipated inflation, %	1.70	1.80	0.50	3.40
Future pension increases, %	1.70	1.80	0.00	2.40
Employee turnover, %	2.00	1)	1)	–

1) Age-related.

Assumptions used in actuarial computations

Group, 2016	Sweden	Netherlands	Switzerland	UK
Assumptions in calculating pension obligations				
Discount rate, %	2.55	1.90	0.80	2.90
Future salary increases, %	3.00	1.80	1.00	–
Anticipated inflation, %	1.50	1.80	0.50	3.50
Future pension increases, %	1.50	1.80	0.00	2.50
Employee turnover, %	2.00	1)	1)	–

1) Age-related.

Duration

Duration, years	2017	2016
Sweden	19	18
Netherlands	20	20
Switzerland	16	17
UK	14	16

Note 23 continued

Sensitivity analysis for changes in significant assumptions

Impact on defined benefit obligation, SEK million	Sweden	Netherlands	Switzerland	UK
Discount rate, increase by 1.00%	-18	-77	-51	-9
Discount rate, decrease by 1.00%	23	103	69	9
Salary increase of 1.00%	14	10	8	-

Amounts reported on the balance sheet

	2017	2016
Present value of funded obligations	903	885
Fair value of plan assets	-774	-748
	129	137
Present value of unfunded obligations	126	117
	126	117
Net liability, defined benefit plans, on balance sheet	255	254

Revaluation in other comprehensive income

	2017	2016
Experience-based adjustments of defined benefit obligations	8	-3
Return on plan assets, excl. interest income	-10	-25
Demographic adjustments of defined benefit obligations	6	-5
Financial adjustments of defined benefit obligations	-5	48
Total	-1	15

Actuarial gains and losses, including payroll taxes in Sweden, are recognised in other comprehensive income. At the end of the financial year, accumulated actuarial losses recognised in comprehensive income amounted to SEK 122 million (127).

	2017	2016
Present value of pension obligations at start of year	1,002	910
Pension costs	32	24
Interest expenses	15	17
Employee contributions	8	9
Pension payments	-27	-30
Actuarial gains (-)/losses (+)	9	40
Exchange rate differences	-10	32
Present value of pension obligations at year-end	1,029	1,002
Plan assets at start of year	748	680
Interest income	11	13
Employee contributions	11	10
Company contributions	24	20
Pension payments	-24	-26
Return on plan assets, excl. interest income	10	25
Exchange rate differences	-6	26
Plan assets at year-end	774	748
Net liability at start of year	254	230
Net cost reported in the income statement	36	28
Pension payments	-6	-5
Company contributions	-24	-20
Actuarial gains (-)/losses (+)	-1	15
Exchange rate differences in foreign plans	-4	6
Net liability at year-end	255	254

Amounts reported in income statement	2017			2016		
	Defined benefit plans	Defined contribution plans	Total	Defined benefit plans	Defined contribution plans	Total
Current service cost	32	222	254	24	196	220
Interest on obligation	15	-	15	17	-	17
Return on plan assets	-11	-	-11	-13	-	-13
Net cost in income statement	36	222	258	28	196	224
Of which, included in selling costs	32	163	195	24	144	168
Of which, included in administrative expenses	0	59	59	0	52	52
Of which, included in financial items	4	-	4	4	-	4

Anticipated company contributions to defined benefit pension plans in 2018 amount to SEK 21 million.

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Other provisions

Accounting principle

A provision is reported on the balance sheet when the Group has a formal or constructive obligation as a result of an event that has occurred and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been calculated in a reliable manner.

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

	Group		Parent Company	
	2017	2016	2017	2016
Guarantee commitments	12	10	-	-
Total long-term provisions	12	10	-	-

	Guarantee commitments	
	2017	2016
Opening balance, 1 January 2017	10	
Guarantee commitments in acquired companies	0	
Change in guarantee commitments for the year	2	
BS Closing balance, 31 December 2017	12	

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Accrued expenses and deferred income

	Group		Parent Company	
	2017	2016	2017	2016
Accrued vacation pay	210	189	5	4
Other payroll costs	205	169	8	5
Accrued social security costs	86	72	4	3
Customer bonuses and discounts	31	26	-	-
Accrued financial expenses	3	3	2	3
Other	140	112	2	2
BS Total	675	571	21	17

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Pledged assets

	Group		Parent Company	
	2017	2016	2017	2016
For own liabilities:				
Real estate mortgages	149	158	-	-
Chattel mortgages	44	18	-	-
Assets subject to liens ¹⁾	124	102	-	-
BS Total	317	278	0	0

¹⁾ Car leases are reported as finance leases in accordance with IFRS, entailing an increase in assets, liabilities and pledged assets.

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Contingent liabilities

Accounting principle

A contingent liability is recognised when a possible obligation arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events, or when an obligation currently exists that is not reported as a liability or provision because it is not probable that an outflow or resources will be required to settle the obligation.

	Group		Parent Company	
	2017	2016	2017	2016
Contingent liabilities for subsidiaries' PRI liabilities	-	-	77	78
Guarantees pledged for the benefit of subsidiaries	-	-	43	52
Contingent liabilities for own PRI liabilities	2	2	-	-
Other contingent liabilities	3	2	-	-
BS Total	5	4	120	130

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Cash and cash equivalents

Accounting principle

Cash and cash equivalents include short-term investments with maturities of less than three months, and cash and bank balances. Drawn bank overdraft facilities are stated on the balance sheet under the item "Current interest-bearing liabilities".

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

	Group		Parent Company	
	2017	2016	2017	2016
Cash and bank balances	461	324	0	0
Short-term investments	3	8	-	-
BS Total	464	332	0	0

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Cash flow

	1 Jan. 2017	Items affecting cash flow	Acquisitions	Interest	Non-cash changes					31 Dec. 2017
					Transfer from short-to long-term	Translation difference	Adjustment in income statement	New loans raised	Fair value	
Current interest-bearing liabilities	1,595	160	18	0	811	-2	-	-	-	2,582
Non-current interest-bearing liabilities	1,856	-38	119	0	-811	1	-	-	-	1,127
Finance lease liabilities	99	-6	20	2	0	0	-	-	-	115
Total, excl. earn-outs	3,550	116	157	2	0	-1	-	-	-	3,824
Earn-outs ¹⁾	129	-47	-	3	-	2	-30	128	0	185
Total interest-bearing liabilities	3,679	69	157	5	0	1	-30	128	0	4,009
¹⁾ Items affecting cash flow are reported in investing activities.										
Financial assets used for hedging purposes ²⁾	1	-	-	-	-	-	-	7	-1	7
Short-term investments	8	-5	-	-	-	-	-	-	-	3
Cash and bank balances	324	152	-	-	-	-15	-	-	-	461
Total cash and bank balances	332	147	-	-	-	-15	-	-	-	464

²⁾ For liabilities reported in financing activities.

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Acquisitions and divestments of subsidiaries

Acquisitions 2017

All of the shares were acquired in RS Technics BV (Netherlands), Sunflower Medical Ltd (UK), Ellard Ltd (UK), Türenfabrik Safenwil AG (Switzerland), Pro-Flex AS (Norway), MaxxVision GmbH (Germany), Wennerström Ljuskontroll AB (Sweden), Elma Instruments A/S (Denmark), Young Black Ltd (UK), Tubeworkx B.V. (Netherlands), Inovatools Group (Germany), and Tradinco Instrumenten-Apparaten B.V. (Netherlands).

Flow Technology

On 10 April Pro-Flex AS (Norway) was acquired, with annual sales of SEK 100 million. The company supplies hoses and couplings to Norwegian industry.

Industrial Components

On 18 April MaxxVision GmbH (Germany) was acquired, with annual sales of SEK 80 million. The company offers image handling technology for industries and visual communication.

On 5 July Wennerström Ljuskontroll AB (Sweden) was acquired, with annual sales of SEK 110 million. The company is a technology sales company specialising in lighting components and light control.

On 6 July Elma Instruments A/S (Denmark) was acquired, with annual sales of SEK 180 million. The company offers testing and measurement instruments for thermal imaging, monitoring and ventilation, among other things.

Measurement & Sensor Technology

On 10 January RS Technics BV (Netherlands) was acquired, with annual sales of SEK 20 million. The company develops and manufactures customer-specific sensors for measuring temperature, pressure and humidity.

Special Products

On 19 January Sunflower Medical Ltd (UK) was acquired, with annual sales of SEK 50 million. The company is a leading UK manufacturer of healthcare equipment. Its product portfolio ranges from medicine dispense cabinets to specialty equipment for examination rooms.

On 13 February Ellard Ltd (UK) was acquired, with annual sales of SEK 100 million. The company manufactures and markets drives, motors and controls for industrial and commercial doors, complemented with a wide range of accessories.

On 13 March Türenfabrik Safenwil AG (Switzerland) was acquired, with annual sales of SEK 70 million. The company manufactures various kinds of doors, such as interior and exterior doors, fire protection doors and security doors. Customers are primarily construction contractors in the Swiss market.

On 14 July Young Black Ltd (UK) was acquired, with annual sales of SEK 110 million. The company sells a wide range of fastening products, pneumatic tools, compressors, hoses and couplings to British industry and construction companies.

On 17 July Tubeworkx B.V. (Netherlands) was acquired, with annual sales of SEK 50 million. The company processes straight tubing into advanced components through bending, welding and cold forming.

On 27 November Inovatools Group (Germany) was acquired, with annual sales of SEK 330 million. The company manufactures metal-cutting tools centred around solid carbide end mills and tools.

On 22 December Tradinco Instrumenten-Apparaten B.V. (Netherlands) was acquired, with annual sales of SEK 70 million. The company designs, manufactures and distributes test and calibration equipment as well as sensors for industrial customers.

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Note 30 continued

Effects of acquisitions carried out in 2016 and 2017

SEK million	Net sales	EBITA
Business area		
Engineering & Equipment	–	–
Flow Technology	59	6
Fluids & Mechanical Solutions	197	25
Industrial Components	238	21
Measurement & Sensor Technology	102	29
Special Products	536	71
Effect on Group	1,132	152
Acquisitions completed in 2016	499	81
Acquisitions completed in 2017	633	71
Effect on Group	1,132	152

If all of the acquired units had been consolidated as from 1 January 2017, net sales for the year would have amounted to SEK 15,410 million, and EBITA would have totalled SEK 1,668 million.

Acquired assets in 2017

Preliminary purchase price allocation

SEK million	
Purchase price, incl. contingent earn-out payments totalling SEK 128 million	1,198

Acquired assets	Book value	Fair value adjustment	Fair value
Goodwill	–	461	461
Agencies, trademarks, customer relationships, licences, etc.	58	455	513
Property, plant and equipment	120	4	124
Financial assets	3	–	3
Inventories	221	–	221
Other current assets ¹⁾	269	–	269
Cash and cash equivalents	113	–	113
Deferred tax liability	–3	–112	–115
Provisions incl. pension obligations	–5	–	–5
Other operating liabilities	–380	–	–380
Non-controlling interests	–6	–	–6
	390	808	1,198

¹⁾ Mainly trade receivables.

Since disclosures about the individual acquisitions are insignificant, they are provided here in aggregate form. The cost of customer lists and agencies has been valued at one-half to one year's gross margin and is reported on the balance sheet as agencies, trademarks, customer relationships, licences, etc. They will be amortised over a period of 10 to 20 years, with the exception of trademarks, which are assumed to have indefinite useful life. Trademarks are included in the amount of SEK 33 million. Goodwill is justified by the good profitability and personnel included in the acquired companies.

Indutrade normally uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. Initially, the contingent earn-out payment is valued at the present value of the likely outcome, which for the acquisitions made during the year amounts to SEK 128 million. The contingent earn-out payments fall

due for payment within three years and can amount to a maximum of SEK 132 million. If the conditions are not met, the outcome can be in the range of SEK 0–132 million.

Transaction costs for the acquisitions carried out during the year totalled SEK 15 million (8) and are included in Other operating expenses in the income statement. Contingent earn-out payments have been restated in the amount of SEK 30 million (32). Income recognised as a result of this restatement is reported under Other operating income in the amount of SEK 30 million (31) and under Net financial items in the amount of SEK 0 million (1).

The purchase price allocation calculation for Scanmaskin Group, which was acquired in November 2016, has now been finalised. No significant adjustments have been made to the calculation. For other acquisitions, the purchase price allocation calculations are preliminary. Indutrade regards the calculations as preliminary during the time that uncertainty exists with respect to, for example, the outcome of guarantees in the acquisition agreements concerning inventories and trade receivables.

Effect on cash flow

SEK million	
Purchase price, incl. contingent earn-out payments	1,198
Purchase price not paid out	–128
Cash and cash equivalents in acquired companies	–113
Payments pertaining to previous years' acquisitions	50
Total effect on cash flow	1,007

Acquisitions after the end of the reporting period

On 21 February the company Zijtveld Grijpers B.V. (Netherlands) was acquired, with annual sales of SEK 130 million. The company designs, manufactures and markets hydraulic grabs for construction machinery. The customers, mostly European, are both distributors and OEM customers (customers who integrate Zijtveld Grijper's products in their own products).

Acquisitions 2016

All of the shares were acquired in PECO Select Fasteners BV (Netherlands), Industri Verktøy AS (Norway), Senmatic A/S (Denmark), Beldam Crossley Ltd (UK), Fluid Controls Ltd (UK), Klokkeholm Karosseridele A/S (Denmark), KA Olsson & Gems AB (Sweden), Vacuum Engineering Services Ltd (UK), Crysberg A/S (Denmark), Alphr Technology Ltd (UK), and Scanmaskin Group (Sweden).

Fluids & Mechanical Solutions

On 3 May Klokkeholm Karosseridele A/S (Denmark) was acquired, with annual sales of SEK 310 million. The company offers a wide range of spare parts to the automotive repair industry.

On 8 November Scanmaskin Group (Sweden) was acquired, with annual sales of SEK 120 million. The company manufactures floor grinding, surface finishing and polishing equipment.

Industrial Components

On 16 March Industri Verktøy AS (Norway) was acquired, with annual sales of SEK 40 million. The company supplies equipment for building in stone and concrete.

On 1 July KA Olsson & Gems AB (Sweden) was acquired, with annual sales of SEK 90 million. The company is a niche technology sales company with business in three segments: Tape & Glue, Films & Digital, and Display & Décor.

Note 30 continued

Measurement & Sensor Technology

On 18 March Senmatic A/S (Denmark) was acquired, with annual sales of SEK 150 million. The company manufactures a wide range of standard and customised sensors for measurement of temperature and relative humidity.

On 12 August Crysberg A/S (Denmark) was acquired, with annual sales of SEK 90 million. The company develops and manufactures electronic control solutions primarily for irrigation systems used in such areas as parks, sports facilities and golf courses.

Special Products

On 8 January PECO Select Fasteners BV (Netherlands) was acquired, with annual sales of SEK 30 million. The company supplies special and customised fasteners to manufacturers of steel constructions within wind power, cranes, vessels and buildings.

On 1 April Beldam Crossley Ltd (UK) was acquired, with annual sales of SEK 80 million. The company manufactures packings, advanced plastic components and bearings.

On 6 April Fluid Controls Ltd (UK) was acquired, with annual sales of SEK 40 million. The company provides control and instrumentation solutions comprising valves, fittings and pressure regulators.

On 5 July Vacuum Engineering Services Ltd (UK) was acquired, with annual sales of SEK 100 million. The company manufactures leak detection equipment.

On 21 September Alphr Technology Ltd (UK) was acquired, with annual sales of SEK 80 million. The company designs and manufactures customised equipment for manual and automated production lines.

Effects of acquisitions carried out in 2015 and 2016

SEK million	Net sales	EBITA
Engineering & Equipment	–	–
Flow Technology	–	–
Fluids & Mechanical Solutions	280	33
Industrial Components	164	16
Measurement & Sensor Technology	185	24
Special Products	314	51
Effect on Group	943	124
Acquisitions completed in 2015	262	31
Acquisitions completed in 2016	681	93
Effect on Group	943	124

If all of the acquired units had been consolidated as from 1 January 2016, net sales would have amounted to SEK 13,440 million, and EBITA would have totalled SEK 1,554 million.

Acquired assets in 2016**Preliminary purchase price allocation**

SEK million			
Purchase price, incl. contingent earn-out payments totalling SEK 72 million			
			1,142
Acquired assets	Book value	Fair value adjustment	Fair value
Goodwill	–	420	420
Agencies, trademarks, customer relationships, licences, etc.	24	405	429
Property, plant and equipment	168	–	168
Financial assets	17	–	17
Inventories	238	–	238
Other current assets ¹⁾	194	–	194
Cash and cash equivalents	82	–	82
Deferred tax liability	–21	–86	–107
Provisions incl. pension obligations	–1	–	–1
Other operating liabilities	–292	–	–292
Non-controlling interests	–6	–	–6
	403	739	1,142

¹⁾ Mainly trade receivables.

Since disclosures about the individual acquisitions are insignificant, they are provided here in aggregate form. The cost of customer relations and agencies has been valued at one-half to one year's gross profit and is reported on the balance sheet as agencies, trademarks, customer relations, licences, etc. Agencies, customer relations, licences, etc. will be amortised over a period of 10 to 20 years, while trademarks are assumed to have indefinite useful life. Trademarks are included in the amount of SEK 16 million.

Indutrade normally uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. Initially, the contingent earn-out payments are valued at the present value of the likely outcome, which for the acquisitions made during the year amount to SEK 72 million. The contingent earn-out payments fall due for payment within four years and can amount to a maximum of SEK 74 million. If the conditions are not met, the outcome can be in the range of SEK 0–74 million.

Transaction costs for the acquisitions carried out during the year totalled SEK 8 million (6) and are included in Other operating expenses in the income statement. Contingent earn-out payments have been restated in the amount of SEK 32 million (7). The resulting income is reported in Other operating income in the amount of SEK 31 million (7) and in net financial items in the amount of SEK 1 million (0).

The purchase price allocation calculation for EPE-Goldman BV, which was acquired in October 2015, has now been finalised. No significant adjustments have been made in the calculation. For other acquisitions, the purchase price allocation calculations are preliminary. Indutrade regards the calculations as preliminary during the time that uncertainty exists with respect to, for example, the outcome of guarantees in the acquisition agreements concerning inventories and trade receivables.

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Note 30 continued

Effect on cash flow

SEK million	
Purchase price, incl. contingent earn-out payments	1,142
Purchase price not paid out	-64
Cash and cash equivalents in acquired companies	-82
Payments pertaining to previous years' acquisitions	168
Total effect on cash flow	1,164

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Related party transactions

Intra-Group purchases and sales were only limited in extent. Investments with and borrowings from Group companies have been made on an arm's length basis.

The Indutrade Group's related parties consist mainly of senior executives. Disclosures of transactions with these related parties are provided in Note 7, Wages, salaries and other remuneration, and social security costs.

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Events after the balance sheet date

During the period January–March 2018 one company acquisition was carried out. For further information, see Note 30.

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

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Disclosures about Parent Company

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

Indutrade AB
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Tel: +46 (0)8 703 03 00
Website: www.indutrade.com

The share capital of Indutrade AB as per 31 December 2017 consisted of 120,798,600 shares with a share quota value of SEK 2, for a total of SEK 242 million.

At the Annual General Meeting on 26 April 2018, a dividend of SEK 3.75 per share will be proposed for the 2017 financial year, for a total of SEK 453 million. The proposed dividend has not been reported as a liability in these financial statements.

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Proposed distribution of earnings

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

Share premium reserve	105
Reserve for fair value	-3
Retained earnings	2,895
Net profit for the year	1,146
Total	4,143

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

Dividend of SEK 3.75 per share	453
To be carried forward	3,690
Total	4,143

The dividend proposed by the Board of Directors corresponds to 10% of the Parent Company's equity and 9% of the Group's equity. Indutrade's dividend policy is that the dividend shall, over time, amount to between 30% and 60% of net profit.

Against the backdrop of the anticipated trend in the economy, 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 ability to meet the Company's future obligations.

If the dividend had been paid out at year-end, the Group's equity ratio would have been 38%. After payment of the proposed dividend, it is judged that Indutrade will continue to have a favourable financial position.

The Board's assurance

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

Company's operations, position and result of operations and describes material risks and uncertainties facing the Parent Company and companies included in the Group.

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

Stockholm, 23 March 2018

Fredrik Lundberg
Chairman of the Board

Bengt Kjell
Vice Chairman of the Board

Susanna Campbell
Director

Katarina Martinson
Director

Ulf Lundahl
Director

Krister Mellvé
Director

Lars Pettersson
Director

Bo Annvik
President and CEO,
Director

Our audit report was submitted on 23 March 2018

PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Indutrade AB (publ), corporate identity number 556017-9367.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Indutrade AB (publ) for the year 2017, with the exception of the Corporate Governance Report on pages 35–43 of the printed version of this document. The annual accounts and consolidated accounts of the company are included on pages 26–81 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not cover the Corporate Governance Report on pages 35–43. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Our audit approach

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered areas where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Indutrade markets and sells components, systems and services with high-tech content in selected niches to the industry. The Group

consists of more than 200 companies in 31 countries and has a clearly defined acquisition strategy. Since the stock market introduction in 2005, the Group has grown, mainly through acquisitions, by 12 percent in average per year. The single largest company in the Group is HP Valves in the Netherlands. With the exception of this company the Group consists of individually small entities with respect to the Group as a total. The most significant balance sheet items are inventories and accounts receivables.

In order to ensure that we in our audit of the consolidated accounts have a common focus on important areas, and to ensure that we obtain a sufficient coverage of the Group's net sales, the Group audit team have assigned each subsidiary one out of five audit scopes. These scopes vary from no audit (non-significant subsidiary or no statutory audit obligation) to so called full audit which means interim audit procedures during fall with a focus on internal controls, review procedures as of September 30 and year-end audit procedures. Through this scope of our work we as Group auditors obtain enough coverage from subsidiaries in Group reporting scope when we issue this Auditor's report. In addition, local statutory audit procedures are performed for all legal entities within the Group subject to such requirements according to local law.

The strongly decentralized governance model adopted by Indutrade, means local management in the individual subsidiaries have important responsibilities in terms of establishing and maintaining proper internal controls. Within the Indutrade Group there is an annual process for self-assessment whereby the companies respond to an internal controls questionnaire. Answers are summarized and evaluated by the parent company's finance department and business area controllers. In addition, we perform as part of our audit a validation of selected questions in the self-assessment.

On Group level we audit areas such as impairment of goodwill, actuarial reports for significant pension plans and acquisition balances.

Our audit is carried out continuously during the year. In 2017, with respect to the interim reports for the third quarter and year-end, we reported our main observations to Group management and the Board of Directors. For the third quarter, we issued a public review report.

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p>Valuation of inventories</p> <p>Inventories in the Group amount to SEK 2.5 billion as of December 31, 2017, which constitutes a significant item in the consolidated balance sheet where existence and valuation are important factors to consider. The obsolescence provisions are to some extent affected by management's judgments.</p> <p><i>Refer to the Annual Report Note 19 – Inventories</i></p>	<p>In our audit we have mapped and assessed the companies' inventory processes including routines for valuation and assessment of obsolescence in order to gain an understanding of risks and controls. We have also participated in stocktaking and performed audit procedures of pricing of articles in stock.</p> <p>We have tested the obsolescence models in the subsidiaries against Indutrade's general accounting principles considering the company's operations, system support, inventory turnover and other relevant factors.</p> <p>Based on our work, we had no material observations for the overall audit on Indutrade's valuation of inventory.</p>
<p>Valuation of accounts receivable</p> <p>Accounts receivable amount to SEK 2.5 billion as of December 31, 2017 which constitutes a significant balance sheet item, where existence and valuation are important factors. Also in this case, there are elements of management's judgments in terms of impaired accounts receivable and assessment of credit risk. Based on this valuation of accounts receivable is considered a key audit matter in our audit.</p> <p><i>Refer to the Annual Report Note 2 – Risks and risk management and note 20 – Trade accounts receivables</i></p>	<p>The sales process, covering controls related to credit assessment, follow-up and monitoring of receivables past due and valuation of impaired accounts receivable, is an important process to focus on in our audit. In connection with the year-end audit we have had a specific focus in our audit on provisions for impaired trade accounts receivable, where we need to assess the chosen model for provisioning and management's judgment with respect to significant credit risks or customers with payment difficulties. We have also performed tests over subsequent payments in order to confirm existence of accounts receivable.</p> <p>Based on our work, we had no material observations for the overall audit on Indutrade's valuation of accounts receivable.</p>
<p>Other Information than the annual accounts and consolidated accounts</p> <p>This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–25 and page 85. Board of Directors and the Managing Director are responsible for this other information.</p> <p>Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.</p> <p>In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.</p> <p>If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.</p> <p>Responsibilities of the Board of Directors and the Managing Director</p> <p>The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.</p>	<p>In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.</p> <p>The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.</p> <p>Auditor's responsibility</p> <p>Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.</p> <p>A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.</p>

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Indutrade AB (publ) for the year 2017 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit

evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance report

The Board of Directors is responsible for that the Corporate Governance Report on pages 35–43 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance report has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Indutrade AB (publ) by the general meeting of the shareholders on April 26, 2017 and has been the company's auditor since before 1994.

Stockholm March 23, 2018

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

Annual General Meeting and reporting dates

Annual General Meeting

Time and place

The Annual General Meeting (AGM) will be held at 4 p.m. on Thursday, 26 April 2018, at IVA Konferenscenter, Grev Turegatan 16, Stockholm.

Who is entitled to participate?

To be entitled to participate in the AGM, shareholders must be listed in the shareholder register maintained by Euroclear Sweden AB on Friday, 20 April 2018, and have notified the Company of their intention to participate by Friday, 20 April 2018 at the latest.

How to become registered in the shareholder register?

Shareholders who have registered their shares in their own name with Euroclear are automatically entered in the shareholder register. Shareholders whose shares are registered in the names of a trustee must have their shares re-registered temporarily in their own names well in advance of 20 April 2018 to be eligible to participate in the AGM.

Notification of attendance

Notification of intention to attend the AGM can be made:

- on the Company's website: www.indutrade.se
- by e-mail to: arsstamma@indutrade.se
- by post to: Indutrade AB, Box 6044, 164 06 Kista
- by phone +46 (0)8 703 03 00.

Upon notification, shareholders must indicate their:

- name
- personal identity number or corporate identity number
- address and phone number

Notification must be received by the Company no later than Friday, 20 April 2018.

Proxies

Shareholders may exercise their right to participate in the AGM 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 of the AGM at the above address. Proxies for legal entities must also submit a certified copy of a certificate of incorporation or corresponding authorisation document.

Dividend

The dividend will be paid to shareholders who on the record date, 30 April 2018, are registered in the shareholder register. Provided that the AGM resolves in accordance with the Board's proposal, payment of the dividend is expected to be made via Euroclear Sweden on 4 May 2018.

Reporting dates

Interim reports

1 January – 31 March 2018	26 April 2018
1 January – 30 June 2018	25 July 2018
1 January – 30 September 2018	8 November 2018

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