

ANNUAL REPORT 2020

 **Indutrade**

Contents

Indutrade in brief	2
CEO's message	4
● Indutrade's business model	6
● Goals and strategies	8
● Active ownership	12
● Acquisitions in 2020	14
● Driving forces and business environment	16
● Sustainable business	17
● Operations	22
Four reasons to invest in Indutrade	27
Share data	28
● Risks and risk management	30
● Other information	32
● Corporate Governance Report	34
● Board of Directors and auditors	38
● Group Management	40
Remuneration report	42
● Proposed distribution of earnings and the Board's assurance	43
Financial statements	44
● Consolidated financial statements	45
● Parent Company financial statements	50
Notes	54
Auditor's report	86
Multi-year overview and definitions	90
Quarterly overview	94
Annual General Meeting and reporting dates	95

● SUSTAINABILITY INFORMATION

The statutory sustainability report in accordance with the Swedish Annual Accounts Act is included in the Annual Report on the following pages: social conditions and personnel issues, see pages 6-7,9 and 16-21. Environment, see pages 9, 17, 19-21 and 32. Human rights and counter-acting corruption, see pages 13, 17 and 31. Goals and strategies and Active ownership, see pages 8-13. Managing significant risks in the area of sustainability is a part of the Group's overall risks and how they are managed is described in the Directors' report on pages 30-31.

● DIRECTORS' REPORT

The Board of Directors and CEO of Indutrade AB (publ), CIN: 556017-9367, hereby submit the Annual Report for the 2020 financial year for the Parent Company and the Group, which consists of a Directors' Report on pages 14-15, 22-26, 29-41, 43, 46-47 and 49-50, along with the financial statements and notes on pages 45-85. The consolidated income statement and balance sheet, along with the Parent Company's income statement and balance sheet will be presented for adoption at the AGM. The Corporate Governance Report, which was reviewed by the auditors, is on pages 34-41. See the Auditor's Report on pages 86-90.

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.

BUSINESS CONCEPT

To provide sustainable profitable growth by developing and acquiring successful companies managed by passionate entrepreneurs in a decentralised way.

**TRUSTED BY
ENTREPRENEURS**

Indutrade's brand promise is rooted in our conviction that passionate entrepreneurs are an important part of our continued growth and that we have been winning the confidence of this target group since inception in 1978.

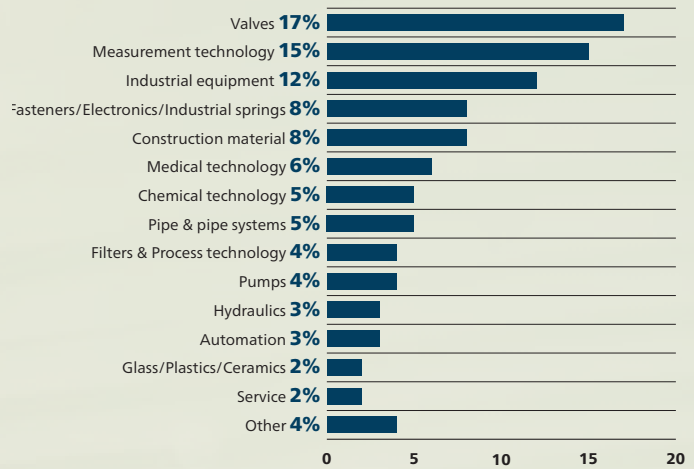
Now, more than 40 years later and having made more than 200 acquisitions, we have established a unique position with vast knowledge of both acquisitions and company development.

What

We develop and acquire companies that are characterised by high-tech know-how and an ability to build enduring, close relationships with customers and suppliers.

We offer sustainable solutions that enhance our own, and our customers', competitiveness. Our companies manufacture, develop and sell components, systems and services with a high-tech content.

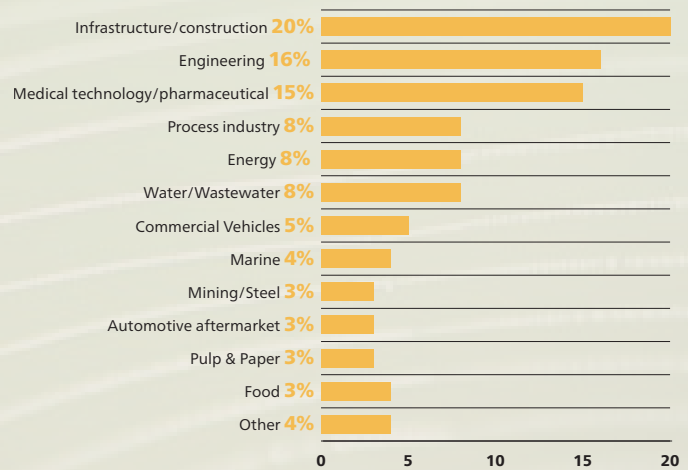
Net sales per product area



For whom

Customers can be found in a wide range of industries, e.g. infrastructure & buildings, medical technology and pharmaceuticals, engineering, energy, water & wastewater and food.

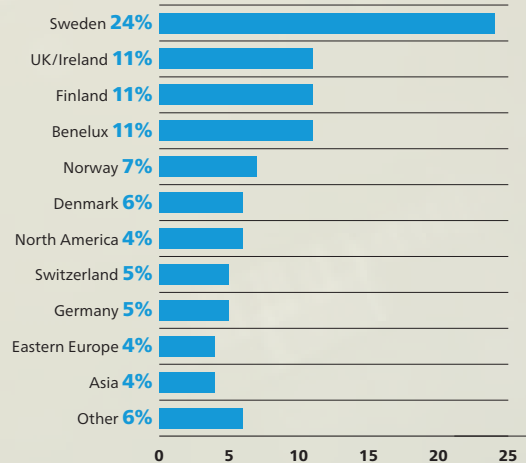
Net sales per customer segment



Where

Indutrade comprises more than 200 companies offering services in more than 30 countries on six continents.

Net sales per market¹⁾



¹⁾ Based on customers' residence.

The year past



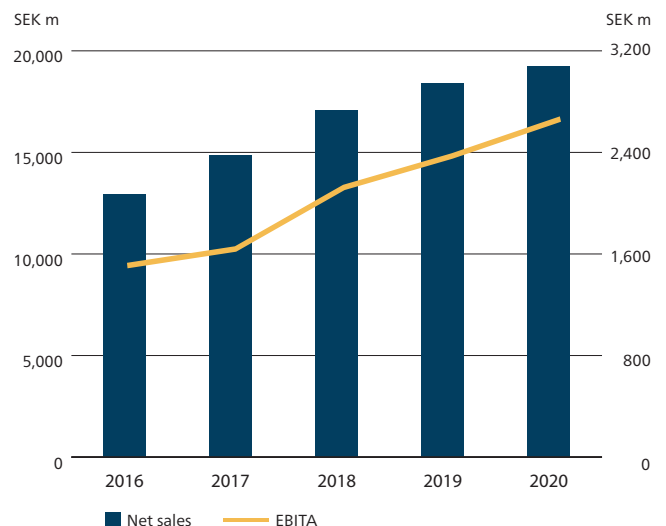
IMPORTANT EVENTS IN 2020

- Order intake rose 5% to SEK 19,595 (18,653) million.
- Net sales rose 4% to SEK 19,217 (18,411) million.
- EBITA increased by 12% and amounted to SEK 2,615 million (2,330), corresponding to an EBITA margin of 13.6% (12.7%).
- Profit after tax for the year rose 13% to SEK 1,669 million (1,483), and earnings per share amounted to SEK 4.60 (4.09).
- Cash flow from operating activities amounted to SEK 2,780 million (1,922).
- In total, 10 acquisitions were carried out with combined annual sales of SEK 825 million.
- Indutrade strengthened the sustainability efforts and identified long-term objectives within the three focus areas people, environment and profitable growth.
- The Board of Directors proposes a dividend of SEK 1.80 (–) per share for 2020.

KEY DATA

SEK million	2020	2019
Net sales	19,217	18,411
Operating profit	2,266	2,016
EBITA	2,615	2,330
EBITA margin, %	13.6	12.7
Profit before taxes	2,140	1,892
Net profit for the year	1,669	1,483
Earnings per share before dilution, SEK	4.60	4.09
Dividend per share, SEK (proposed 2020)	1.80	–
Return on capital employed, %	19	19
Cash flow from operating activities	2,780	1,922
Net debt/equity ratio, %	56	85
Average number of employees	7,349	7,167

NET SALES AND EARNINGS



CEO's message 2020

Despite the COVID-19 pandemic, we look back at 2020 with a sense of pride, as yet another successful year for Indutrade. In challenging times like these, our decentralised business model with entrepreneurial MDs who act quickly and adapt their businesses to the prevailing challenges and opportunities, is a strength that creates stability. I would like to sincerely thank each and every employee for your deep commitment and professionalism in a highly unusual year characterised by both uncertainty and change.

Great progress in 2020

2020 was a year of uncertainty, not only because of the COVID-19 pandemic but also Brexit and the US election affected the business climate. There was much variation in the market situation faced by the Group's companies, since they work in many different sectors, segments and geographic markets. Sales amounted to just over SEK 19.2 billion, with growth during the year of 4 percent and a record-high EBITA margin of 13.6 percent. Indutrade's share price increased by 57 percent during the year, while the Stockholm Stock Exchange gained 13 percent and the OMX Industrials PI sector index rose 13 percent.

Our highest priority during this turbulent period has been the health and safety of our employees, customers and suppliers. We maintained a very close dialogue with our subsidiaries to support them in the best way possible and I am impressed by their perseverance and resilience in dealing with this challenging situation. Companies with declining order intake have worked with different types of cost reduction programmes and to avoid major permanent staff reductions, some have received the redundancy support that has been available in certain countries.

For companies with customers in the medical technology and pharmaceutical sectors, growth during the year was strong, driven in part by higher demand associated with COVID-19. There was also favourable development for infrastructure, water & wastewater, wind power and the process industry. Lower demand in the engineering industry, particularly the automotive industry, had a negative impact on many of our companies but the situation improved somewhat towards the end of the year.

As a consequence of nationwide shut-downs and closures of production facilities at several major customers during the year, many of our companies were negatively affected by markedly reduced demand. The business situation for the construction sector in the UK was challenging, so too for some of the companies in the Measurement & Sensor Technology business area, with weaker demand from, among others, customers in the automotive industry and marine sector.

Stable financial position

The Group's financial position strengthened during the year, attributable to such things as having extended a short-term loan of SEK 800 million by more than three years and expanding long-term credit commitments by an additional SEK 750 million. Favourable development of working capital contributed to an improved cash flow.

Diversification that creates stability

Our diversified structure, with more than 200 companies in various sectors and geographic markets, provides us with a very good spread of risk, which creates the prerequisites for stability, despite the challenging market conditions. This type of breadth lowers dependency on any single segment or market. It also makes it easier to persevere in difficult times. Although the general business climate can be challenging in many respects, there are always individual segments and markets with growth. Major global trends, such as climate change, digitalisation, sustainable development and the need for more efficient production offer major opportunities in a variety of industries. In many cases, the products and solutions that we offer help customers run their operations in a more environmentally-friendly, efficient and safe way, thereby strengthening their competitiveness.

Our highest priority during this turbulent period has been the health and safety of our employees, customers and suppliers.

Decentralisation with local decision-making

We delegate responsibility for each individual subsidiary to its MD and believe that the majority of decision-making should be done by those closest to the customer. It means that our companies have a great deal of flexibility and ability to always adapt their businesses to the current situation and local market. This is something that has helped us deal with the challenges and uncertainty caused by the pandemic. Our way of organising the

business allows us to retain the flexibility, commitment and responsibility characteristic of a small company, yet with the stability and financial strength characteristic of a large Group.

Strategic initiative

Our overall goal is to create sustainable, profitable growth and we continued working with our strategic initiatives during the year. They include leadership and competence development, facilitating and promoting knowledge-sharing between companies in the Group and offering subsidiaries a toolbox of practical, concrete tools in several strategic areas, such as capital ties and sustainability, that can ultimately contribute to improved profit and growth.

Strengthens sustainability action

The pandemic has speeded up the pace of sustainable development and digitalisation, which are two areas that we feel both strengthen competitiveness and lead to new business opportunities. The UN Global Compact serves as the point of departure for Indutrade's sustainability work and it is based on our shared commitment that the companies within the Group continuously develop and improve in ways that are economically, environmentally and socially responsible. By establishing long-term objectives and measurable key ratios for our three focus areas – people, the environment and profitable growth – we increased the ambition for our sustainability work in 2020. We are convinced that systematic sustainability work, where sustainability aspects are integrated in the business strategy, is a prerequisite for long-term value creation.

Value-creating acquisitions

During the past year, we welcomed ten new companies to the Indutrade Group. The acquired companies are located in Germany, the Netherlands, Finland, Norway, Sweden, the UK and the Czech Republic. They operate in a number of different industries and specific niches within their respective segments. During the initial months of 2021, we made an additional five acquisitions. The annual sales for these 15 acquisitions amount to just over SEK 1.3 billion.

Since Germany is a strategic priority area for us, we are happy to welcome the German companies, Stein Automation, X-RAY WorX and Tecno Plast to the Indutrade family. Marked by quality, innovation and technical expertise, we regard their offerings and leading market positions as highly interesting.

We have a well-founded opportunistic acquisition strategy that is continuously developed and adapted to changes in the world around us. Besides requiring that the companies we acquire are well-managed and technically oriented, it is also important that they are focused on customers in industries that we believe have long-term growth potential. During 2020, due to the unstable market situation, we chose to extend the acquisition processes to ensure that the right conditions for profitable growth exists within the potential acquisition companies. There is a good inflow of interesting companies and we assess our future acquisition opportunities as good.

Good opportunities for continued growth

2020 was a turbulent year, yet, we are happy to report that it was another successful year for Indutrade. We have a company culture characterised by entrepreneurship, where dedicated leaders are able to grow simultaneously to continuously developing and improving the companies. Together, we are a strong, stable Group that delivers results.

Our goal of creating sustainable, profitable growth, both organically and through acquisitions, remains and I am convinced that with our dedicated employees, diversified structure and strong balance sheet, we have all the prerequisites for continued competitive value-creation.

Stockholm, March 2021



Bo Annvik
President and CEO



VISION

An entrepreneurial world where people make a difference

Indutrade has a long-term commitment to ensuring that people and companies can grow. We contribute to our own development and that of society at large by giving more people and companies the chance to become part of a business world fuelled by entrepreneurial spirit.

10

company acquisitions during the year

Indutrade's business model

VISION

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RESOURCES AND INPUT

Financial resources

- SEK 18.0 billion in total assets
- Strong, stable cash flow
- Profitable growth

Intangible resources

- Technical niche expertise in more than 200 subsidiaries
- Business expertise
- Continuous advancement of technology

Cultural capital

- Strong entrepreneurial spirit
- Decentralised control

Relationship capital

- Close, long-term relationships in local markets
- Close collaboration with selected suppliers
- Internal knowledge sharing

Human capital

- More than 7,300 employees, many with specialist expertise

Environmental resources

- Energy consumption 92 GwH, of which 24% from renewable energy
- 19,924 tCO₂e emissions (scope 1 & 2)

OPERATIONS



VALUES



People make the difference

For us, people are most important of all – our employees are the key to the Group's future success. We strive to derive the greatest value and benefits from our talented employees by sharing and spreading best practice between companies.



Entrepreneurship

We have a strong entrepreneurial spirit and are passionate about the business. We are also determinedly committed to continuously driving, developing and improving the business.



Decentralisation

We are a decentralised organisation with a strong local presence. We believe that the best decisions are made locally, by those who are closest to the customer.

**TRUSTED BY
ENTREPRENEURS**

VALUE CREATED

Customers

- Sustainable solutions
- More efficient use of resources
- Attractive offerings
- Long-term relationships

Suppliers and business partners

- Ethical business methods
- Long-term business relationships

Employees

- Competence development
- Knowledge exchange
- Career development
- Stable employer

Society

- Offering that contributes to sustainable development
- Job creation
- Presence in the local society
- Investments in product development that lower environmental impact

Shareholders

- Profitable growth
- Dividend

Indutrade's brand promise is rooted in our conviction that passionate entrepreneurs are an important part of our continued growth. We have been winning the confidence of this target group since inception in 1978. Now, more than 40 years later and having made more than 200 acquisitions, we have established a unique position with vast knowledge of both acquisitions and company development.

Indutrade is in the business of developing and acquiring well-managed, profitable technology and industrial companies with a focus on decentralisation. Our tested, decentralised business model offers passionate entrepreneurs independency and customer-focused decision opportunities.

Our business risk is limited by acquiring successful companies with established customer relationships and good profitability. Therefore, we carefully assess each potential company acquisition and have clear expectations on sustainable and profitable growth. We thereafter support our companies during their continued growth journeys.

In addition to meeting requirements for financial performance, the acquired companies must also have a highly motivated management team, be characterised by a genuine entrepreneurial spirit and possess deep technical expertise. Nevertheless, the most important factor in a successful acquisition is the consistent culture and values – i.e. ensuring that everyone shares the same values and ethical principles.



Distribution of economic value

- Suppliers and business partners 65%
- Employees (including social security contributions) 23%
- Shareholders and other financiers 4%
- Society (corporate tax) 3%
- Remaining in the company 5%



Long-term perspective

We focus on profitability and our definition of success is achieving sustainable profitability and growth that benefits individuals, companies and society at large.

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 to be achieved organically as well as through acquisitions.

THE GROUP'S OVERALL GOAL IS TO GENERATE SUSTAINABLE PROFITABLE GROWTH.

FINANCIAL TARGETS

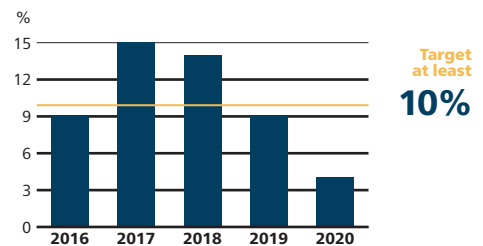
Sales growth

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.

TARGET ACHIEVEMENT

During the last five-year period, average annual sales growth was 10%. Net sales rose 4% in 2020. The increase for comparable units was unchanged, the acquired growth amounted to 6% and divestments amounted to -1%. Currency movements amounted to -1%.

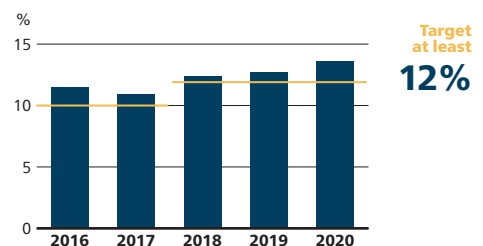
HISTORICAL ACHIEVEMENT



EBITA-margin

The EBITA margin shall amount to a minimum of 12% per year over a business cycle.

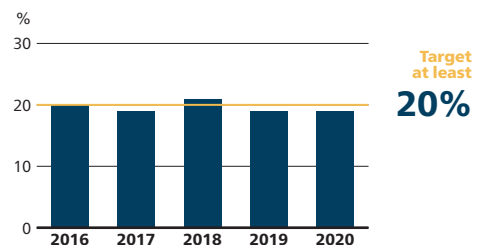
The EBITA margin has averaged 12.3% over the last five years. The EBITA margin in 2020 was 13.6%.



Return on capital employed

The return on capital employed shall be a minimum of 20% per year on average over a business cycle.

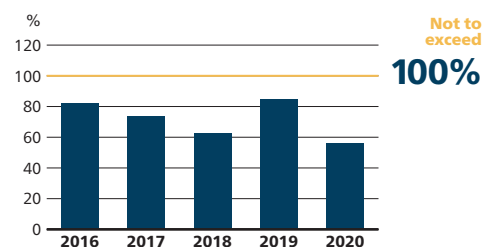
During the last five years the average return on operating capital was 20%. In 2020 the return was 19%.



Net debt/equity ratio

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

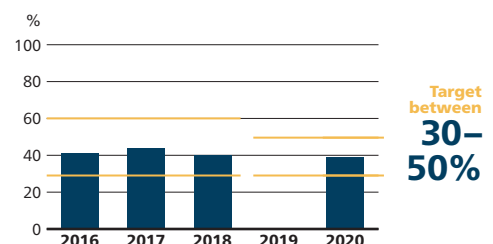
During the last five years, the net debt/equity ratio at the end of each year ranged from 56% to 85%. The net debt/equity ratio at year-end 2020 was 56%.



Dividend payout ratio

The dividend payout ratio shall range from 30% to 50% of net profit.

During the last five years, the dividend payout ratio has been an average of 41%, including the proposed dividend 2020 and excluding 2019 when no dividend was paid. For 2020, a dividend of SEK 1.80 has been proposed, corresponding to 39%.



The sustainability strategy is based on Indutrade's three focus areas: people, environment and profitable growth – with 2030 objectives set within each of these areas. To achieve the objectives, measurable enablers will be used that annually are evaluated and followed up on.

SUSTAINABILITY OBJECTIVES

People

Engaged and talented people are key in building long-term sustainable businesses. By focusing on continuous leadership and competence development, building inclusive and productive teams and workplaces where people enjoy working and by ensuring safe and healthy working conditions, we enable long-term growth for our business.

Environment

Stabilising and reducing carbon dioxide emissions is an important factor in contributing to environmental sustainability. The transition to a low-carbon society involves improving energy efficiency, reducing emissions and increasing the share of renewable energy. In 2020, Indutrade started measuring the carbon footprint at Group level, thereby establishing a base line. The objective is to reduce direct emissions and compensating the carbon emissions that we cannot avoid, by investing in projects that counterbalance these emissions.

Profitable growth

We sustain our companies' strong market and product positions by efficient use of resources and continuous product and process innovation. We carefully select stable and profitable businesses to acquire, limiting the business risk by focusing on long-term growth drivers and a positive contribution to society. Growth is to be achieved organically as well as through acquisitions and Indutrade strives to create sustainable value over time for all of our stakeholders.

ENABLERS

- Engaged people
- Leadership and competence development
- Employee satisfaction
- Diversity and inclusion
- Employee well-being
- Employee safety

- Improved energy efficiency
- Share of renewable energy
- Reduce emissions
- Efficient business travel

- Customer satisfaction
- Resource efficiency
- Solutions improving customer operations and reducing environmental impacts
- New product offerings should use less energy and/or decrease carbon footprint
- Assessed impact of acquired companies

2030 OBJECTIVES

100%

engaged people

**CO₂
neutral**

scope 1 and 2 (GHG)

100%

of Indutrade's companies contributing to sustainable development

Strategies

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

STRATEGY	EFFECT	PROGRESS 2020
<p>Growth with limited risk</p> <p>Growth will be achieved organically and through acquisitions:</p> <ul style="list-style-type: none"> ■ In existing and new technology areas ■ Through a broadened customer offering based on relevant knowledge, such as extended support, training and other aftermarket services ■ Via innovation and development of both products and offerings ■ Geographical growth in selected markets. 	<p>→ Business development and growth are strategic tools for reducing the Group's risk.</p>	<p>→ Many companies managed to achieve organic growth thanks to strong offerings and good market positions, despite the COVID-19 pandemic.</p> <p>Geographic spread of the year's acquisitions has been good, occurring primarily in both existing and new areas of technology. Because of the pandemic, Indutrade chose to extend the acquisition processes in 2020 to ensure that the right conditions for profitable growth existed with the potential acquisition companies.</p>
<p>Acquisitions</p> <p>Indutrade acquires well-managed, successful and 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 of the acquisition process is to ensure that there is a shared foundation of values and ethical principles. All subsidiaries are expected to follow our Code of Conduct.</p>	<p>→ Indutrade acquires companies with the aim of developing them over the long term. We do not change the companies' names and neither do we merge companies. This assures the seller that the company will be able to, even over the long term, continue as a player in the market.</p>	<p>→ All companies acquired during the year shared certain characteristics, namely, a genuine entrepreneurial spirit, in-depth technical expertise and a skilled leadership team. To strengthen our market position in attractive segments, a number of successful add-on acquisitions were made in 2020.</p>
<p>Strong market positions</p> <p>Indutrade focuses on sales of products in niches in which it can attain a leading position.</p>	<p>→ Strong market positions are often a prerequisite for good profitability and being able to attract the best suppliers, all of which further solidifies Indutrade's position.</p>	<p>→ Several of Indutrade's subsidiaries have leading positions within their niches. During 2020, these positions were maintained and in several cases even strengthened thanks to the local presence, which has proven to be an asset during the pandemic, when transports of goods have been more difficult.</p>

<p>Long-term partnerships with leading suppliers</p> <p>Indutrade gives priority to suppliers who, through own product development, provide market-leading and high-quality products with a high-tech content. A partnership with an Indutrade company should be the most profitable way for suppliers to sell their products.</p>	<p>→ A range of market-leading products from the best suppliers, coupled with Indutrade's technical and market know-how, makes Indutrade an attractive business partner for existing and potential customers.</p>	<p>→ Long-term relationships with existing suppliers of high-quality products were also prioritised in 2020. Simultaneously, we established collaboration with several new suppliers during the year.</p>
<p>STRATEGY</p>	<p>EFFECT</p>	<p>PROGRESS 2020</p>
<p>Companies with proprietary products and brands</p> <p>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.</p>	<p>→ 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 2020 they accounted for 40% of consolidated net sales.</p>	<p>→ In line with the long-term goal of increasing the percentage of companies with own products, a large portion of the companies acquired in 2020 have their own brands and production. One example is the German company X-RAY WorX GmbH, a leading niche manufacturer of X-ray tubes for industrial applications in non-destructive testing.</p>
<p>High share of repetitive sales and focus on selected customer segments</p> <p>The Group's companies give priority to customers with a recurring need that are active in industries where the prospects are favourable for maintaining competitive production in their home markets. Many of these industries are characterised by a high degree of automation, high distribution costs and/or large start-up investments.</p>	<p>→ This contributes to business stability and predictability of revenue flows.</p>	<p>→ During the year, we continued acquiring companies with repetitive sales and one example is the Dutch company Holland Fasteners, which is a supplier of customised, high-quality items such as bolts, screws, nuts and rivets.</p>
<p>Sales organisation with high level of technical expertise</p> <p>Indutrade's product and service offering, which is aimed at both end users and OEM customers (i.e. 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.</p>	<p>→ This makes Indutrade an attractive business partner that creates added-value for customers and suppliers alike.</p>	<p>→ The companies have strengthened their offerings by establishing deeper customer relations and continuous competence development within their particular area of technology. Network meetings to exchange experience and knowledge were held on digital platforms during the year due to the COVID-19 pandemic.</p>
<p>Decentralised organisation with strong local ties</p> <p>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.</p>	<p>→ We raise customer value via subsidiaries that have the autonomy to run their own operations with a high level of flexibility and entrepreneurial employees who work close to the customer.</p>	<p>→ Our decentralised business model with entrepreneurial MDs who make independent and quick business decisions that are adapted to the current challenges and opportunities in each market has proven to be a strength.</p>

Active ownership

Indutrade is a long-term and stable owner that is involved in and takes responsibility for its subsidiaries' development. Decentralised leadership based on clear values promotes entrepreneurial spirit in the companies, which are able to maintain its original identity and keep their own name, culture and management team. Leaders with strong business acumen are developed and given the opportunity to continuously drive their companies forward.

INDUTRADE AS OWNER

We exercise active ownership by participating on the Boards of Directors of our subsidiaries with the aim of developing them to generate long-term value and make a positive contribution to society. As an active owner, we contribute by, for example, developing our leaders and providing both the knowledge and capital that enables companies to invest in such things as product development and improved customer offerings. It is of utmost importance that our companies continuously strive to improve their social, environmental and economic impact. We are convinced that responsible, sustainable ownership creates long-term value and greater competitiveness.

Value-based leadership

Indutrade's values guide us in how we act both externally and internally. Over the years, these values have emerged and become synonymous with our employees, based on our belief that it is people who make the difference. Value-based leadership, where individuals have a great deal of freedom and decision autonomy is our point of departure and it applies to the acquisition phase as well as how we later run, build and develop the businesses in a responsible way. This way of thinking provides the foundation for our vision: an entrepreneurial world where people make a difference.

Our Code of Conduct is an important tool to describe our common principles and promoting our shared values. Our decentralised governance model puts demands on acquired companies to have well-functioning operations and management. During the acquisition process we therefore put strong emphasis on getting to know the company and its management, employees and owners in order to gain an understanding of whether they share our values and views of sustainable business.

Decentralised organisation

Our highly decentralised organisation enables companies to make own decisions, thereby giving them freedom and flexibility. The best business decisions are made when there is close contact with customers based on their specific needs and processes. Many of our subsidiaries work in smaller cities or towns, where our employees become important 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 negatively impacted by the company operations. Our companies contribute to local growth and development through their local investments and by creating jobs.

WHAT WE OFFER

Business as usual

Our decentralised organisation enables companies to make their own decisions, thereby giving them freedom and flexibility. The best business decisions are made when there is close contact with customers based on their specific needs and processes.

Professional Board of Directors

We appoint an active, engaged Board of Directors that supports the executive management team and serves as a sounding board. Through our combined competence, experience and structure, conditions are created for continued development of the companies.

Expertise

Indutrade supports its subsidiaries by providing industrial and technical expertise, business development, financing and management by objectives. We also offer support in many areas, including competence development, digitalisation and sustainability.

Financial strength

The Group's financial strength creates stability and facilitates expansion of the subsidiaries. As a stable owner, we take responsibility for the longevity of our subsidiaries.

Network

We share experiences, knowledge and best practice through network meetings, trainings and Indutrade Portal (our internal communications platform). The challenges and solutions relevant to one company are often also relevant to another. Knowledge sharing and informal networking thus encourages exchange of ideas and experiences between companies.

Competence development

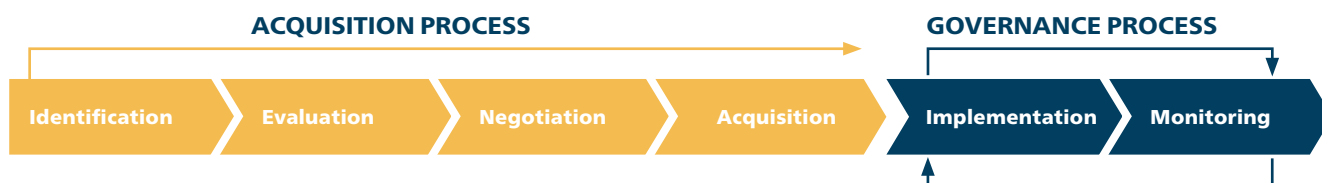
We hold network meetings and have a digital communications portal called Indutrade Portal, both of which facilitate knowledge-sharing and informal networking to exchange ideas and experiences between companies.

DEVELOP

When a company joins the Indutrade Group, it is able to maintain its original identity, while gaining access to the cumulative experience and knowledge that exists within the Group. Companies within the Group enrich each other and valuable knowledge-sharing occurs through network meetings and internal benchmarking. All companies in the Indutrade Group have clear authorities and responsibilities over their own business. Indutrade supports them with industrial know-how, financing, business development and management by objective.

ACQUIRE

We put high requirements on the companies we acquire. They are successful and well-managed, with a defined market and distinct customer offering. They are run by entrepreneurs who are passionate about their business concept, who want to further develop their company and who share our values on sustainable entrepreneurship. We acquire companies where the owners want to continue leading and developing the company without being its owner. Reasons for wanting to sell can vary. For example, a company may need a new owner because it is in an expansion or investment phase. Or, perhaps new ownership is needed to ensure the company's longevity. Indutrade has no exit strategy, and by selling to Indutrade, the company's future is secured.



Acquisition is a natural component of Indutrade’s operations and it is fundamental to our strategy for growth. With an opportunistic acquisition strategy, we acquire successful, well managed companies with a well defined market and a clearly distinct offering. We maintain a high rate of acquisition, typically acquiring several companies each year.

We put high requirements on the companies we acquire. They are run by entrepreneurs who are passionate about their business concept, who want to further develop their company and who share our values on sustainable entrepreneurship. 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.

The pre-acquisition process might last for several years, during which time we meet managers and employees frequently to ensure that they are an “Indutrade company”. We strive to, as early as possible during the acquisition process, discuss our decentralised governance model and our fundamental values.

All of the companies that were acquire are reviewed to ensure that they have a long-term sustainable business strategy that generates long-term values. Running businesses in a responsible way is of utmost importance and the key to long-term sustainable growth, development and profitability. In 2020, Indutrade acquired 10 new companies. All of them were subject to a sustainability review.

Identification

Indutrade strives to, already at an early stage, engage with owners of potential acquisition candidates. Prior to a potential sale, owners are already acquainted with Indutrade and find it natural to involve us in discussions about an acquisition. Indutrade continuously engages in discussions with interesting acquisition candidates, both directly and via company advisers.

Evaluation

Several parameters are used to evaluate a potential acquisition including market position, customers, competitors, main supplier’s strategic and technical focus, environmental impact, ISO certifications, financial position, historical data and future involvement of key employees. Running the business in a responsible way is critical to creating long-term sustainable growth, development and profitability, and is therefore central in the evaluation process.

Thorough and tailored due diligence minimises the operational and financial risks associated with acquisitions. Keys to success are careful preparations and that both parties getting to know each other. This is why the acquisition process is allowed to take time. If a potential acquisition does not comply with relevant standards, does not pass the review process regarding such items as human rights or corruption risks, or is not deemed to be amenable to necessary improvements, Indutrade rejects the acquisition.

Negotiation

The negotiation stage is primarily about ensuring the following:

- That it will be possible to carry out the acquisition at a price that makes the deal worthwhile for both parties.
- That key individuals will stay involved after the acquisition. These are typically joint owners of the company that is being acquired, which is why additional consideration is often part of the acquisition structure. It will be paid if the company achieves a certain level of profitability after the acquisition.
- It is also important that partners are in favour of the acquisition so that they too remain loyal.

GOVERNANCE PROCESS

Implementation

A structured review of the acquired company is done when carrying out an acquisition. The main areas that we focus on are the acquired company’s:

- Customers and suppliers – will it be possible to expand the scope of clientele and product line?
- Sustainability – have sustainability aspects been integrated into the business model, business culture, strategies, processes and product offering?
- Organisation – could it be made more efficient, with more focus on customers and sales?
- Costs, margins and inventory turnover – is it possible to raise profitability and returns?

New financial targets are established that are specific to the company and its conditions.

Monitoring

There is continuous dialogue between Indutrade’s Group management team/business area managers and the acquired company’s management team. Ongoing governance is goal-oriented with a focus on growth, margins and tied-up assets. During the year, we also ensure that the competence development, succession planning and the sustainability agendas of subsidiaries are being monitored and evaluated, which is an important aspect of Indutrade’s role as an active owner.



It is of utmost importance that our companies continuously strive to improve their social, environmental and economic impact.

Acquisitions in 2020

Growth via acquisition of successful, market-leading niche companies is a key component of Indutrade's business model. Due to the unstable market situation in 2020 caused by the COVID-19 pandemic, Indutrade chose to extend the acquisition processes to ensure that the right conditions for profitable growth existed with the potential acquisition companies. In 2020, Indutrade made 10 acquisitions and the total annual sales of these newly acquired companies amounted to SEK 825 million.

Possession	Acquisition	Business area	Sales SEK million ¹⁾	No. of employees ¹⁾
January	STEIN Automation GmbH & Co. KG	DACH	110	45
January	VarioDrive B.V.	Benelux	60	6
January	AVA Monitoring AB	Measurement & Sensor Technology	45	10
February	Sverre Hellum & Sønn AS	Industrial Components	60	13
February	Jouka Oy	Finland	70	31
March	Nortronic AS	Industrial Components	60	16
July	Holland Fasteners B.V. (HoFa)	Benelux	50	9
September	UK Gas Technologies Ltd	Flow Technology	130	32
October	Cheirón A.S.	Industrial Components	120	61
December	X-RAY WorX GmbH	Measurement & Sensor Technology	120	23
Total			825	246

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

JANUARY

STEIN AUTOMATION GMBH & CO. KG

Stein Automation is a supplier of pallet transfer systems for assembly-lines. The systems are Industry 4.0-ready and built up by standardized modules, providing flexible configuration and re-modelling features, to optimize the customers' production processes. The customers are companies primarily based in Germany, often with international production facilities, within the automotive, consumer goods and medical industries. Application areas are found in various assembly-line pallet transfer systems for e.g. white goods, electronics and automotive products. Stein Automation, established in 1969, has 45 employees and is based in Villingen-Schwenningen, Germany.



VARIODRIVE B.V.

VarioDrive is a niche technical trading company offering motion control solutions from leading suppliers to OEM customers in the Netherlands. With focus on drive and control technology, the offering includes customised solutions with integrated mechanical and electrical features, including pre-assembly of components and software programming. The motion control market is very diverse and application areas are found in general industries including intracompany logistics, packaging, aerospace and MedTech. Customers are for example system integrators and machine builders.



AVA MONITORING AB

AVA Monitoring develops, manufactures and sells vibration measurement and monitoring equipment used in connection to infrastructure engineering projects and construction projects. Through fully automated measurement systems with unattended and remotely controlled field instruments, ground vibrations and noise can be measured, controlled and monitored remotely via an online web application.

The company works through technological innovation to reduce the environmental impact on people, buildings, land, air and waterways in connection to, for example, infrastructure engineering projects. The customers are often specialized in providing measurement services in connection to construction projects and infrastructure engineering projects, mainly on the Nordic market.

Additionally, AVA Monitoring's products and solutions are being sold via distributors in the UK, Australia and Canada.



FEBRUARY

SVERRE HELLUM & SØNN AS

Sverre Hellum & Sønn is a supplier of diamond tools and associated equipment to the Norwegian market. Diamond tools are used in a wide range of industries such as infrastructure, on- and off-shore construction and geological prospecting (e.g. mining). The offering also includes machine equipment to industries in which diamond tools are used, with a focus on the construction industry. Additionally, the company is active on the micro trenching market – a technology used to install fiber optic for broadband networks. Sverre Hellum & Sønn has 13 employees and is based in Oslo and Tønsberg, Norway.



JOUKA OY

Jouka designs and manufactures ball valves and integrated ball valve solutions with a high degree of customisation. The company offers bespoke products with customer specific R&D. Customer segments include machine building, marine, process and pulp & paper industries primarily in the Finnish market. With high manufacturing flexibility, Jouka offers competitive delivery times to customers having special needs, such as precise materials specifications, designs or "sizing to the place" requirements. Jouka was established in 1957 and is based in Ylöjärvi, Finland, with 31 employees.



MARCH

NORTRONIC AS

Nortronic is a technical trading company within the lighting market, representing European market leading brands within the area of LED lighting solutions, lighting controls and drivers. Customers include for example electrical wholesalers, lighting companies and retail businesses. Nortronic's offering includes energy-efficient and innovative lighting solutions for both indoor and outdoor environments, with focus on the design element. Nortronic has 16 employees and is based in Kolbotn, Norway.



JULY

HOLLAND FASTENERS B.V. (HOFA)

HoFa is a supplier offering high-quality items such as bolts, screws, nuts, rivets, and with a significant part of the products customized and special made according to drawings and specifications. Main market is in the Netherlands, but HoFa also distributes its products in other European markets. Customers are manufacturers of agricultural machines and household appliances, furniture manufacturers, woodworking and metalworking industry and end users in electrical installations. HoFa also have significant customers among industrial distributors. Based in Bleiswijk, the Netherlands, the company has 9 employees.



SEPTEMBER

UK GAS TECHNOLOGIES LTD

UK Gas Technologies is a manufacturing group offering custom-made solutions for high purity medical and laboratory gases, purified water and steam systems, as well as other process installations and specialist systems. Their worldwide customers can be found within segments such as healthcare and hospitals, pharmaceutical manufacturing, research laboratories, and solar cell and semiconductor manufacturers.

Founded in 1983, the group today consists of the three companies Medical Gases Ltd, Microgas Systems Ltd, and Puretec Process Systems Ltd. UK Gas has 32 employees and is based in Gatwick Surrey, United Kingdom.



OCTOBER

CHEIRÓN A.S.

Cheirón is a technical trading company of medical technology products, specialising primarily in equipment used for healthcare applications in surgery rooms, intensive care wards, emergency wards, and cardio units. Providing value added solutions and service to their hospital customers' specific needs, the product offering includes monitoring equipment, respirators, defibrillators, anaesthesiology equipment, as well as a wide range of single-use items. The offering is complemented by service and training and customers are mainly Czech hospitals. Cheirón also produces its own product line of suction devices which they sell through a broad network of international distributors.



DECEMBER

X-RAY WORX GMBH

X-RAY WorX is a leading niche manufacturer of X-ray tubes for industrial applications in non-destructive testing. The product range consists of open high resolution microfocus X-ray tubes, with the highest capabilities, meeting diverse application and industrial requirements. The offering is complemented by maintenance, service, and training. Customers are primarily OEMs of industrial X-ray inspection systems, serving a diverse set of industrial end markets including high growth applications areas such as additive manufacturing and battery production. To serve its internationally diversified customer base, X-RAY WorX uses a broad network of distributors and sales partners. The company is located in Garbsen, Germany, and has 23 employees.



Driving forces and business environment

Conducting active business intelligence in which the long-term trends are identified, monitored and analysed is crucial for Indutrade in its ability to make well-grounded decisions and create long-term sustainable business. While certain trends may pose challenges, they also represent major business opportunities.

Trend	Examples of how Indutrade meets trends
<p>Greater needs within healthcare</p>	<p>Within the Indutrade Group, there are several companies active in the medical technology segment. Examples are Rubin Medical, which offers diabetes therapy in Sweden, Denmark and Norway. Biameditek and Cheiron are specialised in equipment used for healthcare applications in surgery rooms, intensive care wards, emergency wards, and cardio units in Poland and the Czech Republic. Ultra Pure International manufactures single-use systems used within the pharmaceutical industry.</p> <p>Indutrade is positive about acquiring additional companies operating in the medical technology segment.</p>
<p>Greater needs to expand infrastructure and water & wastewater systems</p>	<p>A majority of the companies within the Group conduct trading in industrial components for water & wastewater systems. Examples are Belos, Oy Lining and GPA Flowsystem. Another is Torell Pump, which markets and sells valves, pumps, compressors and equipment for cleaning wastewater. Ventim, another Indutrade subsidiary, supplies control valves and various other measuring instruments. AVA Monitoring offers automated measurement systems used in connection with infrastructure projects to measure ground vibrations and noise aimed at lowering the risks in the area.</p> <p>Indutrade is positive about acquiring additional companies operating in the infrastructure and water & wastewater segments.</p>
<p>Higher requirements for more efficient use of resources and recycling of material, and conservation of energy in industry.</p>	<p>Several Indutrade companies manufacture, develop and sell components, systems and services that help industries to comply with environmental standards. For example, Svenska Geotech offers sustainable environmental products used in, for example, building site preparation and civil engineering projects, while Flow Tec focuses on industrial valves, systems and components for the pulp and paper industry. Colly Filtreringsteknik offers efficient industrial filters that reduce the customer's environmental impact and contribute to increased productivity and reduced costs. Lyma delivers valves, pumps and instruments to waste incineration stations.</p> <p>Within the Group, systematic sustainability efforts are being pursued, which include measurement and monitoring of resource and energy efficiency.</p>
<p>Higher requirements on sustainable development due to climate change concerns. Because of this, the use of renewable energy sources is increasing and there is pressure to create a sustainable transport sector, with improved fuel efficiency and lower carbon emissions. As environmental awareness among consumers rises, so too does their demand for locally produced goods. Awareness about climate change and the environment is also influencing where industrial production is established around the world.</p>	<p>Färber & Schmid is a company that specialises in environmental-friendly chemicals for industrial wastewater treatment and the surface treatment market. HP Valves and BVT Sweden are companies that manufacture valves used in, among others, solar energy plants and which improve efficiency of energy production.</p> <p>The majority of Indutrade companies work in smaller cities or towns and through them, Indutrade contributes to local growth and development by creating jobs and promoting entrepreneurship and local investments.</p> <p>Within the Group, systematic sustainability efforts are being pursued, which includes increasing the percentage of renewable energy, reducing CO₂ emissions and increasing sales from sustainable products and/or solutions.</p>
<p>Digitalisation is creating many opportunities and contributing to more efficient use of resources.</p>	<p>Making customers' energy and resource use more efficient by connecting machines, systems and processes is something that many of the companies in the Group are working with. For example, Sepab offers its IoT platform, ExyPro, that is used by companies to monitor, streamline and analyse such things as environmental impact and the electronic driving records of their vehicle fleets. Another example is Dasa, which is specialised in intelligent systems for control, information management and communication for heavy vehicles used in forestry, contracting and transport. Datum Hawk is a solution that helps customers monitor and analyse engine performance in ships to reduce wear and fuel consumption. The solutions are connected and customers can monitor and analyse data in real time to save money. Some business areas have shared resources working with information and training on digitalisation.</p>

Sustainable business

Indutrade works long-term and sustainability is a natural part of our decentralised business model. We regard business opportunities linked to sustainability as a driving force for developing our companies and continuing to generate sustainable profitable growth.

Strengthens sustainability efforts

Indutrade works systematically with sustainability based on the materiality analysis where we have identified the most important areas for us to focus on. In 2020, long-term objectives were established for 2030 to enhance business opportunities, drive sustainable profitable growth, and support the UN Sustainable Development Goals (SDGs). Indutrade's sustainability strategy represents a shared commitment that the businesses within the Group continuously develops and improves in ways that are economically, environmentally and socially responsible. Consistent with Indutrade's decentralised business and entrepreneurial culture, the strategy is in line with the SDGs and based on Indutrade's three focus areas: people, environment and profitable growth. In order to follow up on the goals for 2030, we have identified a number of enablers within each key area. The objectives and measurements will be evaluated annually to ensure continuously effective ways to identify, measure and calculate the factors that affect Indutrade's long term objectives going forward. In 2020, a sustainability reporting platform was also launched for collecting sustainability data. It is used by all subsidiaries for reporting a number of key ratios.

Impact of the COVID-19 pandemic

Maintaining focus on the long term and sustainability, even in challenging situations, is critical. Since the outbreak of the pandemic, Indutrade has been carefully monitoring the effects of COVID-19, with the highest priority being the health and safety of our employees, customers and suppliers. There has been close dialogue with subsidiaries during the year aimed at implementing measures in the best possible way and lending support for local decisions. The transformation in digitalisation and sustainable development have accelerated due to the pandemic. These are two important areas that both strengthen competitiveness and generate new business opportunities.

Deeper engagement with stakeholders and our material issues

Indutrade's most important stakeholders are employees, owners, investors and other key players in the capital market. Through ongoing dialogue with stakeholders, business intelligence and analyses of industrial sectors, we identified our most important sustainabil-

ity issues as the following: anti-corruption & business ethics, acquisitions, employees, sustainability governance, environmental & climate impact and sustainable products and services.

In 2020, Indutrade engaged in several qualitative interviews with important stakeholders. The main conclusions from stakeholder engagement in 2020 were:

- The impact of the pandemic has been decisive, contributing to there being a clear focus on the health and safety of employees, customers and suppliers.
- Climate impact is becoming increasingly important, leading to higher expectations on being able to clearly show measurable results in the environmental area.
- Show how subsidiaries' products and services contribute to the global goals, particularly as regards environmental impact.
- Issues such as business ethics, human rights, competence development and diversity remain important.

The updated materiality analysis resulted in some minor changes and updates to our material issues.

Material issue:

Anti-corruption and business ethics

Indutrade is a signatory to the UN Global Compact and supports the ILO conventions, the UN Universal Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises. With operations in more than 30 countries around the world, business ethics is of utmost importance to Indutrade. In order to grow and develop, we must ensure that we have good business ethics and that there is full compliance at all levels of the organisation with our requirements on anti-corruption.

Our Code of Conduct – everyone's responsibility and right

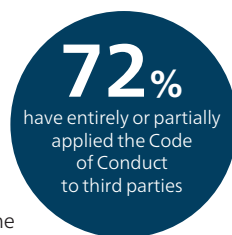
Indutrade's Code of Conduct is our policy for sustainable entrepreneurship and it is an important component of sustainability efforts. It provides guidance for who we aspire to be and how we would like to be perceived, and applies for all employees in the Indutrade Group, in all countries. The Code of Conduct lays out guidelines 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.

The Code of Conduct has been adopted by Indutrade's Board of Directors and it is available to all of our employees via Indutrade Portal (our communications portal that also offers e-learning to support implementation). A follow-up showed that 96 percent of Indutrade's companies have, during 2020, implemented the Code of Conduct in their organisation.

The Code of Conduct has been translated from Swedish into eight other languages and is available on our website. The MD of each subsidiary is responsible for making sure that the Code of Conduct is implemented.

Employees who notice any deviations from the Code of Conduct or suspect improprieties can report such via an external whistleblower function (anonymously, if they so prefer). The whistleblower function is also open to subsidiaries' suppliers, partners and subcontractors.

In 2020, Indutrade received four reports via the whistleblower function on suspected deviations from the Code. These were related to events that occurred in our subsidiaries. All of the cases were investigated and the matters were dealt with.



72%
have entirely or partially
applied the Code
of Conduct
to third parties

Code of Conduct for Suppliers and Partners

72 percent of Indutrade's companies have entirely or partially included suppliers and partners to be covered by the Code of Conduct. A large portion of Indutrade's subsidiaries do not have any own production. The products that they sell are manufactured in countries where the working conditions, environmental regulations and business ethics (including anti-corruption) may vary. It is therefore crucial that we work with our suppliers and partners to ensure that there is a sustainable value chain, thereby contributing to sustainable development.

Subsidiaries continuously monitor social and environmental aspects of customers and suppliers and thanks to their close ties and long-term collaborations, they have good insight and knowledge of the value chain. Suppliers and partners comply with the Code of Conduct, which lowers the risk of any negative impact on people in the value chain. A negative impact on people in the value chain could involve compliance and brand risks for the Indutrade Group. Besides the Code of

Conduct, Indutrade has several Group-wide internal guidelines which include such things as our trade compliance, tax, insurance, information and investment policies.

Material issue:

Acquisition

All of the 10 companies acquired during the year have been evaluated from a sustainability perspective. Due to the unstable market situation caused by the pandemic, Indutrade chose to extend the acquisition processes in 2020 to ensure that the right conditions for profitable growth existed with the potential acquisition companies.

Material issue:

Employees

Ensuring that employees are thriving and developing in the organisation is a priority area for Indutrade and critical to the Group's success. We help create the conditions for long-term growth of our business by focusing on continuously developing leadership skills and competencies, having inclusive teams and workplaces where people thrive and by ensuring that there are safe and healthy working conditions.

Competence development and knowledge sharing

One of the most important prerequisites for maintaining a long-term approach in our operations is to ensure we have the right expertise within the Group. In our subsidiaries this is largely a matter of making use of the expertise that already exists internally. We do this both through continuing education for

key individuals and by sharing knowledge and experiences within the Group. Through Indutrade Academy, we offer an in-house leadership programme that provides training in areas such as leadership and sales.

We share experiences, knowledge and best practice through networks, trainings and Indutrade Portal (internal communications platform). Many companies face similar challenges, making the solutions for one relevant to others. By sharing this information, companies belonging to the Group gain additional resources and insights.

In 2020, several Group-wide activities were held to promote competence development and knowledge sharing. Most were held via a digital platform, since physical meetings were not possible due to the pandemic. For example, a sustainability network for knowledge sharing was established and several digital courses and trainings were offered, aimed at fortifying the long-term development of employees and companies.

Our employees

We believe in giving people freedom and trust. It creates job satisfaction, pride and commitment. Being able to attract, develop and retain the right employees is a prerequisite for Indutrade's long-term profitability. 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 variation, sexual preference, age or other categories protected by law.

Due to the COVID-19 pandemic, sickness absence was unusually high in 2020 amounting to 6.1 days per full-time employee. That number also included absence for employees needing to remain isolated in their homes due to COVID-19, for safety reasons. The employee turnover rate was 10 percent, which is also higher than normal and it includes the approximately 320 employees who permanently left their positions, primarily due to changed market conditions due to the pandemic.

Health & Safety

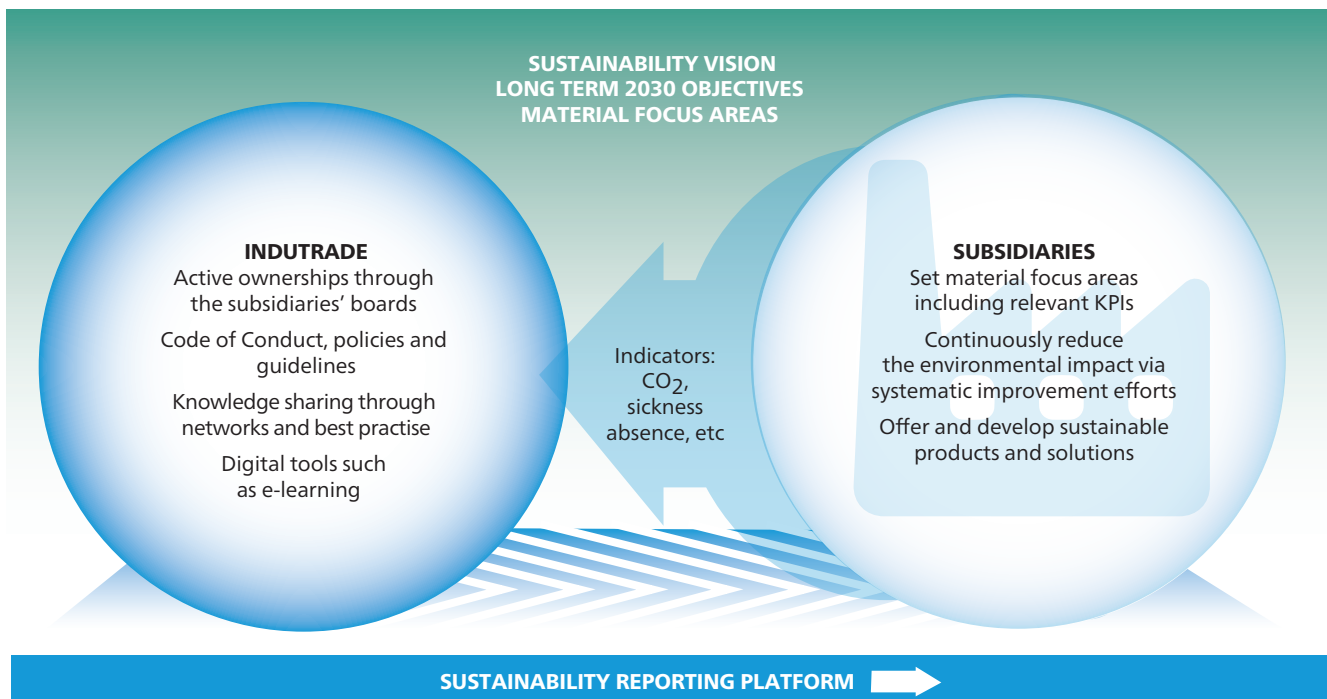
Health and safety in the workplace is fundamental for Indutrade. Investing in improved work and production environments is something that we prioritise, support and encourage. It creates the best conditions for a safe workplace with fewer risk factors at the same time that it boosts productivity and creates conditions for high performance and growth in the subsidiaries. We have a zero vision for occupational injuries.

In total, 220 workplace injuries were reported in 2020, including minor injuries that did not result in any lost time or absence from the workplace, resulting in an injury frequency rate of 3.2. Continuously improving the injury frequency rate is a priority focus area.

Material issue:

Sustainability governance

Indutrade's sustainability governance efforts have been adapted to our decentralised organisation and they primarily occur via the Boards of Directors of our subsidiaries.



Sustainability is a standing item on the Board meeting agendas of subsidiaries. The MD and senior executives of each subsidiary have operational responsibility for their own sustainability work and each Board of Directors is ultimately responsible for ensuring that the company follows its own and Indutrade's guidelines and policies. Sustainability governance occurs primarily via:

- Board meetings
- Code of Conduct, policies, guidelines
- Network meetings, e-learning and training
- Sustainability reporting platform

At the Group level, the Board is involved in climate issues by approving strategies, policies, acquisitions and potential divestments. At the Group level, we also conduct a comprehensive strategic risk analysis each year.

Decentralised sustainability governance

Indutrade comprises more than 200 companies in a wide variety of industries and markets. Accordingly, each of them faces different types of challenges and opportunities. After having identified each company's most important sustainability issues, each subsidiary then identified relevant goals and key ratios, thereby enabling efficient and strategic improvement work within each company. From a long-term ownership perspective, our overall ambitions for sustainability are the same for all our subsidiaries, namely, continuously improving work through systematic improvement efforts.

Material issue:

Environment and carbon footprint

Indutrade's environmental impact and environmental work primarily takes place in our subsidiaries. In 2020, we embarked on an initiative to calculate the Group's total greenhouse gas emissions. Both direct emissions (scope 1) and emissions from energy consumption (scope 2) are calculated in accordance with the Greenhouse Gas Protocol. Our subsidiaries include both manufacturing and non-manufacturing companies. As such, there are variations as to where the majority of emissions occur in their value chains. A significant portion of the Group's impact occurs in scope 3 (e.g. in the supply chains, business trips, shipping). At present, however, this data is not available at Group level. The objective is to include scope 3 before 2025 in order to provide a full understanding of the Group's emissions.

Most companies report that they are continuously reducing their environmental impact and actively helping their customers do the same. At the end of 2020, 69% of the manufacturing companies were working with environmental management systems and more than 50% of all the companies in the Group had various types of ISO certification, such as ISO 14001, ISO 9001, ISO 13485, ISO 17025 and OHSAS 18001. Being ISO-certified

is often a prerequisite for customers and suppliers prior to initiating collaboration. Seven of our Swedish subsidiaries conduct operations that require permits or reporting in accordance with the Swedish Environmental Code. Five foreign subsidiaries conduct operations subject to an equivalent permit or reporting obligation.

During 2020, Indutrade started analysing and mapping the impact of implementation of the EU Taxonomy Regulation, which is a classification system for designating investments as environmentally sustainable. The purpose of the EU Taxonomy Regulation is to ensure that the finance sector obtains a set of common guidelines for which investments may be called "green" investments. Indutrade monitors the updates that are continuously being published on the EU Taxonomy Regulation and will continue with analysis and documentation effort during 2021.

Material issue:

Sustainable products and solutions

Many of our companies offer solutions that improve energy efficiency for their customers, reduce their negative environmental impact or contribute to improving the customer's health. By having good knowledge about customers' systems and processes, combined with a high level of technical expertise, we improve the efficiency of our customers' operations and offer solutions that reduce envi-

ronmental impacts and enhance efficiency. Stimulating the development and sale of sustainable products is a focus area for the Group.

Indutrade AB's own operations

A natural starting point for the parent company's sustainability efforts is focusing on the processes where we can have the greatest impact, i.e. our investment decisions and exercising active ownership via the Boards of Directors for our subsidiaries. Proactive sustainability efforts should also be an integrated part of the daily operations run by our 19 employees at the head office in Stockholm. Indutrade's direct environmental impact is limited. However, we must still actively strive to lower it. Air travel, which accounted for Indutrade's largest environmental impact, decreased significantly in 2020 due to travel restrictions associated with the COVID-19 pandemic. Digital platforms were used to conduct meetings instead. Efforts focused on the work environment and IT, which got underway in 2019, continued in 2020.

ACTIVITIES IN 2020

- Long-term sustainability objectives and measurable KPIs
- Implemented a sustainability reporting platform
- Deeper stakeholder dialogue
- Established a sustainability network with participants from Group companies
- Started analysis of implementation of the EU Taxonomy Regulation
- Further development of e-learning for the Code of Conduct



In order to reach the goals for 2030, Indutrade has defined a number of key ratios for each area. The goals and ratios will be evaluated each year to ensure that we are working effectively and to identify, measure and calculate the factors that affect Indutrade's long-term goals and our progress in achieving them.

MATERIAL ISSUES	<ul style="list-style-type: none"> ▪ Anti-corruption and business ethics ▪ Sustainable products and solutions ▪ Employees ▪ Acquisitions ▪ Environment and carbon footprint ▪ Sustainability governance 		
FOCUS AREAS	PEOPLE	ENVIRONMENT	PROFITABLE GROWTH
KEY PERFORMANCE INDICATORS AND RESULTS	<p>Engaged people KPI: percentage of companies measuring employee satisfaction/engagement <i>Starting point 2020:</i> 58% <i>Target 2025:</i> 90%</p> <p>Leadership and competence development KPI: percentage of internal Managing Director appointments <i>Starting point 2020:</i> 50% <i>Target 2025:</i> 60%</p> <p>Employee engagement KPI: percentage of the Group's overall employee retention rate <i>Starting point 2020:</i> 90% <i>Target 2025:</i> 85-90%</p> <p>Diversity and inclusion KPI: percentage of subsidiary boards with women represented <i>Starting point 2020:</i> 30% <i>Target 2025:</i> 60%</p> <p>Employee well-being KPI: Group overall Sickness Absence rate (short-term and long-term sick leave) <i>Starting point 2020:</i> 6.1 days/full-time employee <i>Target 2025:</i> 4.3 days/full-time employee</p> <p>Employee safety KPI: Group overall Injury frequency rate¹⁾ <i>Starting point 2020:</i> 3.2 <i>Target 2025:</i> 1.6</p> <p><small>¹⁾ Injury frequency rate is the number of injuries per 200,000 employee-hours worked.</small></p>	<p>Improved energy efficiency KPI: improve the energy intensity per turnover <i>Starting point 2020:</i> 4.79 Mwh/SEK m net sales <i>Target 2025:</i> 3.35 Mwh/SEK m net sales</p> <p>Share of renewable energy KPI: increase the share of renewable energy <i>Starting point 2020:</i> 24% <i>Target 2025:</i> 50%</p> <p>Reduce CO₂ emissions KPI: reduce the CO₂ emissions for scope 1 and 2 <i>Starting point 2020:</i> 19,924 tCO₂e Emission intensity 1.04 tCO₂e/SEK m net sales <i>Target 2025:</i> 15,939 tCO₂e, corresponding to 20% reduction in absolute emission figures while still growing our business via acquisition of new companies</p> <p>Efficient business travel KPI: increase awareness around indirect emissions from business travel <i>Starting point 2020:</i> Increase knowledge of indirect CO₂ emissions in general and in relation to business travel, along with facilitating acceleration of digitalisation <i>Target 2025:</i> Include emissions from scope 3 in Indutrade's total CO₂ measurement</p>	<p>Customer satisfaction KPI: percentage of companies measuring customer satisfaction <i>Starting point 2020:</i> 66% <i>Target 2025:</i> 80%</p> <p>Resource efficiency Resource efficiency means using resources such as water, energy, and waste more efficiently. KPI: increase the number of companies with individual KPIs in the environmental area <i>Starting point 2020:</i> 45% <i>Target 2025:</i> 55%</p> <p>Solutions improving customers' operations and reducing environmental impacts KPI: increase the share of sales derived from environmentally sustainable economic activities, based on the EU taxonomy <i>Starting point 2020/21:</i> Begin mapping Indutrade companies according to EU's taxonomy <i>Target 2025:</i> Increase taxonomy aligned turnover from companies with sustainable products and/or solutions</p> <p>New product offerings should use less energy and/or decrease carbon footprint KPI: percentage of net sales deriving from product offerings launched during the last three years <i>Starting point 2020:</i> Start collecting data <i>Target 2025:</i> Increase the percentage of net sales derived from new products and stimulate the ability to innovate within the Group</p> <p>Assessment of acquired companies KPI: percentage of acquired companies assessed for sustainable contribution and sustainability related risks <i>Starting point 2020:</i> 100% of the acquisition processes have included environmental and sustainability assessments <i>Target 2025:</i> 100% of the acquired companies assessed by the EU Taxonomy standard, for economic, environmental, and social impacts, ensuring their contribution to sustainable development¹⁾</p> <p><small>¹⁾ Sustainable development in accordance with the SDGs</small></p>



In 2015, the UN introduced its 2030 Agenda for Sustainable Development supported by 17 Sustainable Development Goals (SDGs). The SDGs, which should be met by 2030, are aimed at achieving sustainable social, economic and environmental growth.

INDUTRADE CONTRIBUTES TO FULFILMENT OF THE UN SUSTAINABLE DEVELOPMENT GOALS



SDG 4 – Quality education

Our employees benefit from competence and career development along with a stable workplace.



SDG 8 – Decent work and economic growth

Solutions and products that contribute to a safer work environment and better health are one of the areas that Group companies work within. Many of our companies do business in smaller cities and communities, which contributes to local growth and creates jobs.

Indutrade contributes both directly and indirectly to a large number of areas. Our largest contribution comes from the services and products that companies deliver and produce. The SDGs that are most relevant for Indutrade are SDG 4, SDG 8, SDG 9 and SDG 13.



SDG 9 – Industry, innovation and infrastructure

Through efficient use of resources and continuous improvements, we strive to minimise the emissions and waste generated by our companies. Infrastructure is one of our largest segments, and we deliver many products and services in this area.



SDG 13 – Climate action

Many of Indutrade's companies deliver solutions and products that help customers save energy, water, materials and reduce CO₂ emissions.



Furthermore, many Indutrade companies deliver solutions and products that help customers save energy, water, materials and CO₂. That contributes to fulfilment of SDG 6 (Clean water and sanitation), SDG 7 (Affordable and clean energy), SDG 12 (Responsible consumption and production) and SDG 13 (Climate action) and indirectly to SDG 14 (Life below water) and SDG 15 (Life on land).

Some companies deliver solutions and products that contribute to a safer work environment and better health, which affects for example SDG 3 (Good health and well-being). Many of our companies do business in smaller cities and communities, where

they actively contribute to SDG 11 (Sustainable cities and communities) and SDG 10 (Reduced inequalities) in their regions and communities.

We work systematically to ensure that our operations are run in a fair and ethical way in order to minimise the risk of corruption in the supply chain. This contributes to SDG 16 (Peace, justice and strong institutions). We strive to ensure non-discrimination and equal opportunity in the workplace, which contributes to SDG 5 (Gender equality).

Operations

Companies that belong to the Indutrade Group are able to maintain their original identity, while gaining access to the collective knowledge and experience of all of the Group's employees. They are also able to maintain their local ties and growth potential. Furthermore, being responsible for their own responsibility fuels entrepreneurial spirit within the Group.

Business Areas

The Indutrade Group is structured into eight business areas. The eight business areas are as follows: Benelux, DACH, Finland, Flow Technology, Fluids & Mechanical Solutions, Industrial Components, Measurement & Sensor Technology and UK. Companies within a business area are grouped together either through similar products or geographical area.

Performance during the year and the COVID-19 pandemic

Indutrade's business model continues to show strength and stability and the Group can sum up 2020 as a successful year. Despite it being a turbulent year, with the ongoing COVID-19 pandemic and much uncertainty in the market, both sales and earnings nevertheless increased. For the full year 2020, sales amounted to SEK 19.2 billion and the EBITA margin was a record high 13.6%. Thanks to the amazing efforts of our employees, companies have been able to quickly and efficiently adapt to the prevailing circumstances and act on business opportunities.

There has been more engagement with subsidiaries since the outbreak of COVID-19, aimed at ensuring correct and quick dissemination of information and providing support for making good decisions. Demand increased sharply for some companies in the medical technology segment. Furthermore, inventory build-up at some industrial customers initially had a positive impact on the companies in these segments. However, as a consequence of the nationwide shutdowns that began at the end of March and closures of production facilities at several major customers, for example in the automotive and engineering industries, many of our companies were negatively affected with markedly reduced demand. During the first quarter,

some disruptions were also noted in the supply chains, as well as in own production. Later in the year, however, there were fewer disruptions from shutdowns and also fewer delivery problems.

All our companies with declining order intake have worked with different types of cost reduction programmes and many have also temporarily laid off staff. A number of subsidiaries, primarily in Sweden and the UK, have received redundancy support.

Our decentralised business model with entrepreneurial CEOs who make independent and quick business decisions is a strength in demanding times like these. During the fourth quarter, most of the programs involving various types of temporary lay-offs and short-term work, which had been set up at the start of the pandemic, were terminated.

Since the end of March 2020, the workforce has been permanently reduced by approximately 320 individuals, corresponding to 4%. For the full year 2020, personnel-related government assistance amounted to 0.5% of net sales.

Growth, both organic and via acquisitions, is a key concept for Indutrade. In total, ten acquisitions were made in 2020. An additional five acquisitions have been made thus far in 2021.

New sustainability vision and new sustainability goals

Indutrade has established a new sustainability vision and long-term sustainability objectives for 2030 to enhance business opportunities, drive sustainable profitable growth, and support the UN Sustainable Development Goals (SDGs).

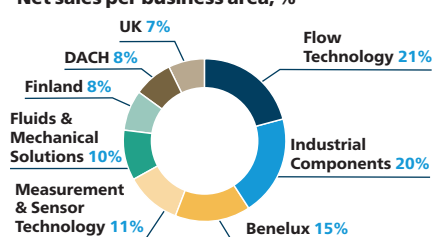
The sustainability vision is based on Indutrade's shared commitment that the businesses within the Group continuously develop and improve in ways that are economically, environmentally and socially responsible. The objectives are based on three main areas: employees, the environment and profitable growth. To achieve the objectives by 2030, Indutrade will be using measurable key ratios that are evaluated and follow up on each year.

Extension of loans and increase in credit commitments

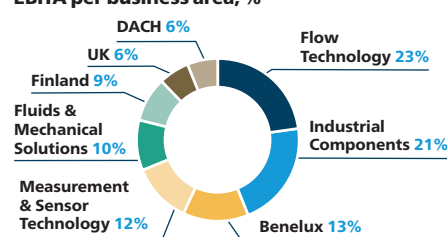
Indutrade's financing, nearly all of which is managed by the Parent Company, consists of loans from financial institutions, corporate bonds and certificate programmes.

Financing was strengthened during the year in conjunction with having extended a short-term loan of SEK 800 million by more than three years. In addition, long-term credit commitments were increased by SEK 750 million and prior existing credit commitments were extended by an additional year.

Net sales per business area, %



EBITA per business area, %



Key data per business area

	Benelux		DACH		Finland		Flow Technology		Fluids & Mechanical Solutions		Industrial Components		Measurement & Sensor Technology		UK	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net sales, SEK million	2,773	2,288	1,529	1,403	1,679	1,689	4,071	3,798	1,979	2,041	3,803	3,513	2,120	2,259	1,322	1,469
EBITA, SEK million	360	315	169	134	247	223	607	491	268	279	569	432	334	366	159	208
EBITA margin, %	13.0	13.8	11.1	9.6	14.7	13.2	14.9	12.9	13.5	13.7	15.0	12.3	15.8	16.2	12.0	14.2
Return on capital employed, %	16	16	13	12	31	33	30	26	15	17	25	21	13	15	11	15
Average number of employees	744	635	583	532	467	453	1,072	1,058	681	693	881	829	2,029	2,062	872	888

BENELUX

The companies in this business area offer custom-manufactured niche products, design solutions, aftermarket service and assembly, and customisation. The business area includes companies with a considerable amount of own manufacturing and proprietary products. Customers are in the energy, construction & infrastructure, and healthcare segments. Product areas include valves, hydraulic and industrial equipment, and measurement technology. The business area has strong market positions in the Benelux area (Belgium, the Netherlands and Luxembourg).



ROBERT TIMMER

DACH

This business area includes companies that offer custom manufactured niche products, design solutions, aftermarket service and assembly, and customisation. The business area includes companies with a considerable amount of own manufacturing and proprietary products. Customers are in the construction & infrastructure, engineering, healthcare and chemical industries. Product areas include construction material, hydraulic and industrial equipment and valves. Each of the individual companies has a strong market position in the DACH area (Germany, Austria and Switzerland), and most companies are market leaders in their fields.



MARKUS RÜEDIN

Share of sales **15%** | Share of EBITA **13%**

During the year, net sales increased by 21%, of which comparable units increased by 7%, acquisitions contributed 15% and currency movements amounted to -1%. The higher net sales for comparable units came from a higher level of invoicing for valves for power generation. The lower EBITA margin is primarily explained by a positive one-off item last year associated with pensions. There was only a marginal impact on EBITA from personnel related government assistance.

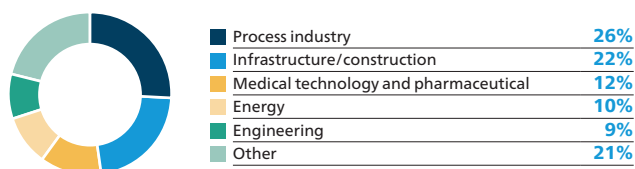
VarioDrive B.V. and Hofa B.V. (Holland Fasteners, the Netherlands), was acquired during the year.

	2020	2019	Change, %
Net sales, SEK million	2,773	2,288	21
EBITA, SEK million	360	315	14
EBITA margin, %	13.0	13.8	
Return on capital employed, %	16	16	
Average number of employees	744	635	

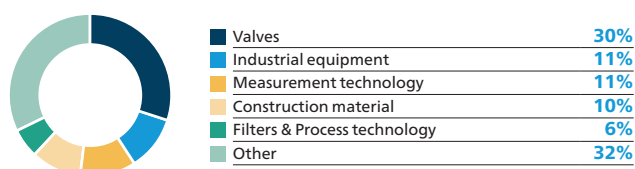
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Share of sales **8%** | Share of EBITA **6%**

During the year, net sales increased by 9%, of which the impact from comparable units was -2%. Acquisitions contributed 11%, divestments amounted to -1% and there was a positive impact from currency movements of 1%. The negative performance for comparable units primarily came from a somewhat lower level of activity in the German engineering industry.

The higher EBITA margin is primarily explained by cost reductions. Government assistance for temporary lay-offs corresponded to 0.7% of net sales.

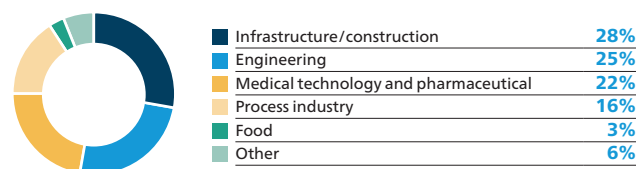
Stein Automation GmbH Co. KG (Germany) was acquired during the year.

	2020	2019	Change, %
Net sales, SEK million	1,529	1,403	9
EBITA, SEK million	169	134	26
EBITA margin, %	11.1	9.6	
Return on capital employed, %	13	12	
Average number of employees	583	532	

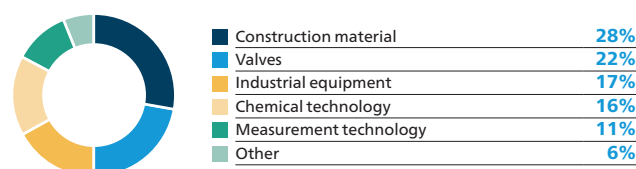
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



FINLAND

The Finland business area includes companies that offer sales of components as well as customisation, combinations and installations of products from various suppliers. Customers are in the construction & infrastructure, engineering, water/wastewater, energy and chemical industries.

Products range from hydraulics and industrial equipment to measurement technology, valves, service, filters and process technology. The business area has a strong market position in Finland.



JUHA KUJALA

Share of sales **8%**

Share of EBITA **9%**

During the year, net sales decreased by 1%, of which comparable units had an effect of -3%, acquisitions contributed 3% and currency movements had an effect of -1%. The negative performance for comparable units was primarily due to a lower demand from industrial customers. The improved EBITA margin is primarily attributable to cost reductions and acquisitions. Government assistance for temporary lay-offs was marginal during the year.

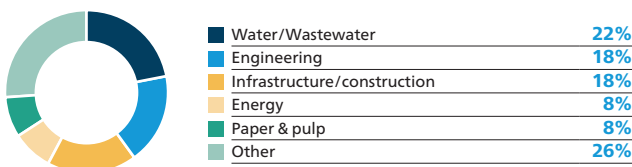
Jouka Oy (Finland) was acquired during the year.

	2020	2019	Change, %
Net sales, SEK million	1,679	1,689	-1
EBITA, SEK million	247	223	11
EBITA margin, %	14.7	13.2	
Return on capital employed, %	31	33	
Average number of employees	467	453	

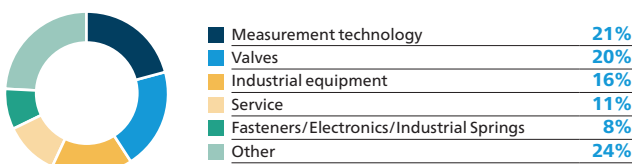
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



FLOW TECHNOLOGY

Companies in this business area offer components and systems for controlling, measuring, monitoring and regulating flows. The business area includes companies that specialise in various areas of industrial flow technology. Customers are in the process industry, food and pharmaceutical industries, water/wastewater, energy and marine industries. Product areas include valves, pipes and pipe systems, measurement technology, pumps, hydraulics and industrial equipment. The business area has a strong market position especially in Sweden, but also in the Northern Europe.



MORGAN O'BRIEN

Share of sales **21%**

Share of EBITA **23%**

During the year, net sales increased by 7%, of which comparable units increased by 7%, acquisitions contributed 3%, the effect of divestments was -2% and the impact from currency movements was -2%. The increase in sales for comparable units and improved EBITA margin is primarily explained by a favourable performance from companies with customers in the medical technology and pharmaceutical segment, and the improved margin is attributable to good cost control. Government assistance for temporary lay-offs amounted to 0.3% of net sales for the year.

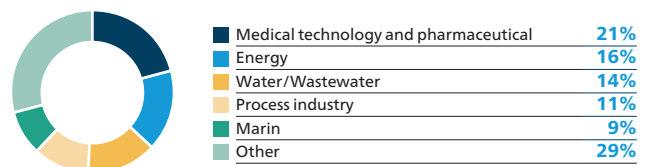
UK Gas Technologies Ltd (UK) was acquired during the year and Meson FT Rus LLC (Russia) was divested.

	2020	2019	Change, %
Net sales, SEK million	4,071	3,798	7
EBITA, SEK million	607	491	24
EBITA margin, %	14.9	12.9	
Return on capital employed, %	30	26	
Average number of employees	1,072	1,058	

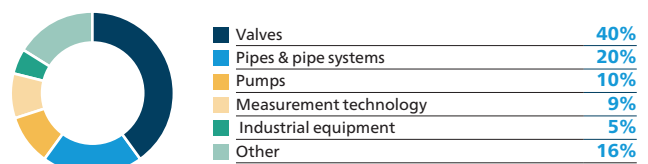
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



FLUIDS & MECHANICAL SOLUTIONS

Companies in the business area offer technical components, both hydraulic and mechanical, as well as solutions with high technological content, to the industry in primarily Scandinavia and Europe, but also the USA and Asia. The companies have a considerable amount of own manufacturing and proprietary products, as well as technical trading companies. Important product areas include filters, hydraulics, auto repair, tools & transmission, industrial springs, water & wastewater and lighting. The business area has a strong market position in the Nordic region.



GÖTE MATTSSON

INDUSTRIAL COMPONENTS

Companies in this business area are primarily technical trading companies that offer a wide range of technically advanced components and systems for industrial production and maintenance, as well as medical technology equipment. The products consist mainly of consumables. Its customers exist in the following segments: engineering, healthcare, construction and infrastructure. The product areas include hydraulics and industrial equipment, chemical technology and fasteners. The business area has a strong market position in the Nordic region.



JOAKIM SKANTZE

Share of sales **10%**

Share of EBITA **10%**

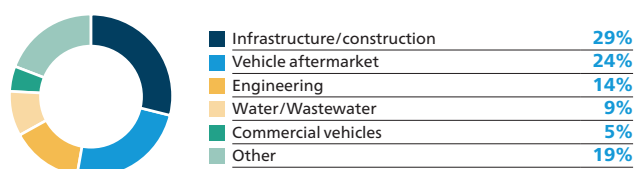
During the year, net sales decreased by 3%, of which comparable units had an effect of -3%, acquisitions contributed 1% and currency movements had an effect of -1%. The slowdown for comparable units pertained to several of the business area's segments, but was largest for the industrial segment. The vehicle aftermarket segment and water & wastewater segment, however, counteracted positively. The EBITA margin fell slightly during the year due to lower net sales, but improved towards the end of the year thanks to good cost control and favourable performance in some of the segments. Government assistance for temporary lay-offs amounted to 1.0% of net sales for the year.

	2020	2019	Change, %
Net sales, SEK million	1,979	2,041	-3
EBITA, SEK million	268	279	-4
EBITA margin, %	13.5	13.7	
Return on capital employed, %	15	17	
Average number of employees	681	693	

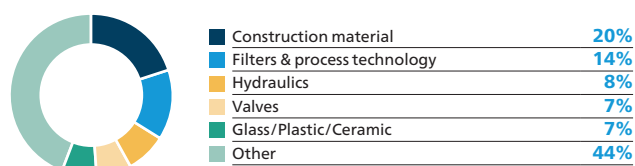
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Share of sales **20%**

Share of EBITA **21%**

During the year, net sales increased by 8%, of which comparable units increased by 4%, acquisitions contributed 6%, the effect of divestments was marginal and the impact from currency movements was -2%. The performance of companies in the medical technology segment was very strong during the year, which is partly attributable to the COVID-19 pandemic.

The high EBITA margin is attributable to positive earnings development for many of the companies, with improvements in several of the business area's segments, particularly towards the end of the year. The strongest performance, however, was in the medical technology segment. Government assistance for temporary lay-offs amounted to 0.7% of net sales for the year.

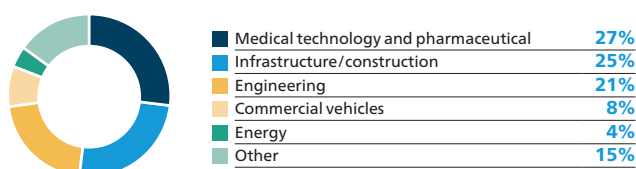
Sverre Hellum and Sønn AS, Nortronic AS (Norway) and Cheirón A.S., (Czech Republic) were acquired during the year.

	2020	2019	Change, %
Net sales, SEK million	3,803	3,513	8
EBITA, SEK million	569	432	32
EBITA margin, %	15.0	12.3	
Return on capital employed, %	25	21	
Average number of employees	881	829	

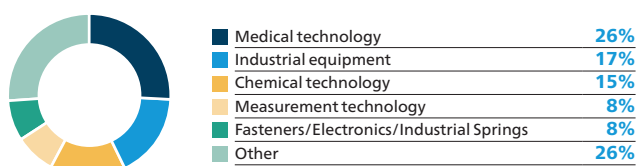
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



MEASUREMENT & SENSOR TECHNOLOGY

Companies in this business area sell measurement instruments, measurement systems, sensors, control and regulating technology, and monitoring equipment for various industries. All of the business area's companies have proprietary products based on advanced technological solutions and own development, design and manufacturing. Its customers exist in a variety of areas, such as various types of manufacturing industries like electronics, vehicles and energy. Companies in this business area work globally and have the entire world as the market for their products, with established production and sales companies on six continents.



PATRIK STOLPE

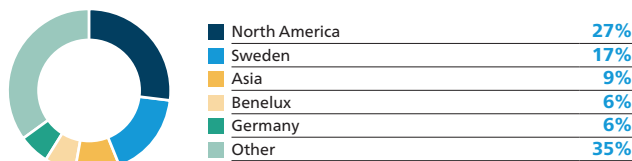
Share of sales **11%** | Share of EBITA **12%**

During the year, net sales decreased by 6%, of which comparable units had an effect of -9%, acquisitions contributed 4% and currency movements had an effect of -1%. During the year, there was a lower level of activity in several segments, primarily among customers in the vehicle and marine segments. EBITA margin was somewhat lower than last year for the full year, due to, among others, weaker demand. However, the margin improved towards the end of the year primarily due to cost savings. Government assistance for temporary lay-offs amounted to 0.7% of net sales for the year.

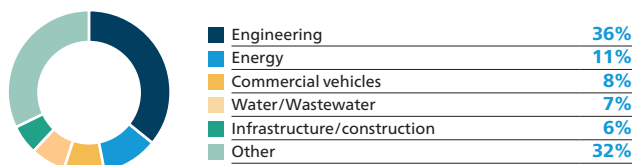
AVA Monitoring AB (Sweden) and X-RAY WorX GmbH (Germany) were acquired during the year.

	2020	2019	Change, %
Net sales, SEK million	2,120	2,259	-6
EBITA, SEK million	334	366	-9
EBITA margin, %	15.8	16.2	
Return on capital employed, %	13	15	
Average number of employees	2,029	2,062	

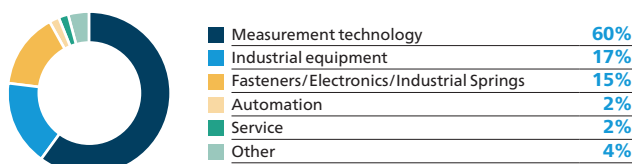
Net sales per geographic market, %



Net sales per customer segment, %

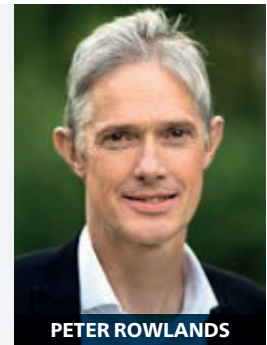


Net sales per product area, %



UK

The companies in this business area offer custom-manufactured niche products, design solutions, after-market service and assembly, and customisation. They have a considerable amount of own manufacturing and proprietary products. Customer segments include construction and infrastructure, engineering and commercial vehicles. Examples of product areas are springs, piston rings, press work, valve channels, pipes and pipe systems. The individual companies all have strong market positions in the UK, and most are market leaders in their respective niches.



PETER ROWLANDS

Share of sales **7%** | Share of EBITA **6%**

During the year, net sales decreased by 10%, of which comparable units had an effect of -11%, acquisitions contributed 3% and currency movements had an effect of -2%. The negative sales trend for comparable units is primarily attributable to the pandemic, along with uncertainty about Brexit.

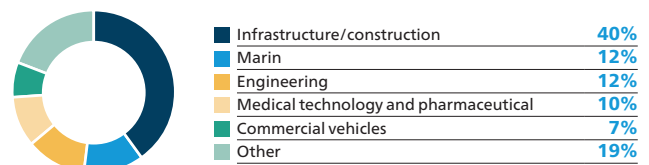
The weaker EBITA margin primarily results from lower net sales and unfavourable product mix. To some extent, however, it was offset by cost savings. Government assistance for temporary lay-offs amounted to 1.7% of net sales for the year.

	2020	2019	Change, %
Net sales, SEK million	1,322	1,469	-10
EBITA, SEK million	159	208	-24
EBITA margin, %	12.0	14.2	
Return on capital employed, %	11	15	
Average number of employees	872	888	

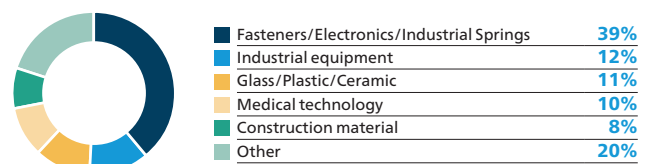
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Four reasons to invest in Indutrade

1

Sustainable growth

- Average annual sales growth of 12% since stock market listing in 2005
- 737% total return, including reinvested dividends, during last ten-year period
- Long record of experience in successful company acquisitions
- Opportunities to expand the product and service offering, along with geographic expansion

2

Stable profitability and strong cash flow

- Historically stable profitability
- Average EBITA margin of 12.3% during last five years
- Average return on capital employed of 20% during last five years
- Strong operating cash flow generated over the years
- High average dividend, 31% of net profit during last five years
- Equity ratio 48% at year-end 2020

3

Attractive market position and risk profile

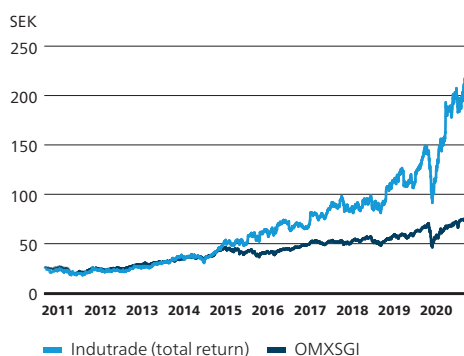
- Leading position in selected, niche segments
- Focus on high quality and technically advanced products for customers with recurring need
- Diversified and stable customer & supplier base
- Stable long-term relationships with leading suppliers

4

Strong culture and extensive expertise

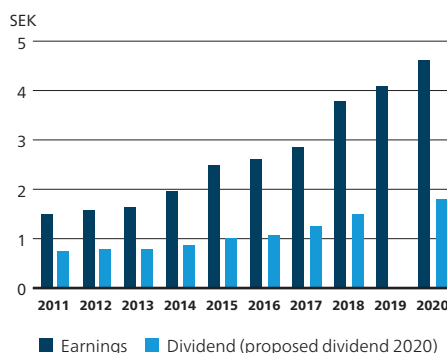
- Entrepreneurial spirit
- Decentralised organisation
- Sales force with high technical know-how
- Strict income and cost control

Total return of Indutrade shares 2011–2020



Source: Monitor by Modular Finance AB

Earnings and dividend per share

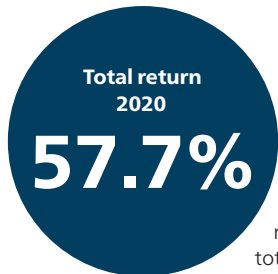


Analyst firms that monitor Indutrade

- 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 2020 was SEK 64,069 million (40,511).



Indutrade's share price increased by 58% during the year, from SEK 111.73 to SEK 176.20. During the same period of time the Stockholm Stock Exchange gained 13%, while the OMX Industrials PI sector index rose 13%. Including reinvested dividends, the total return for Indutrade shares was 57.7%, compared with 14.6% for the OMXSGL Index.

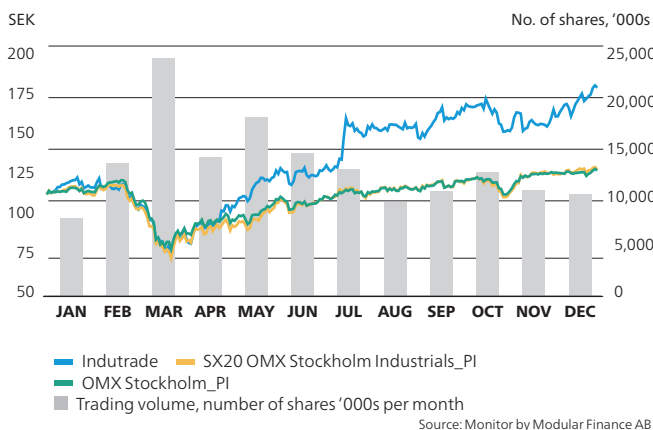
The highest price paid in 2020 was SEK 179.90, on 17 December, and the lowest price paid was SEK 73.73, on 23 March. The share prices have been restated after the bonus issue in December 2020. During the last ten-year period Indutrade's shares have delivered a total return of 737% including reinvested dividends. The OMXSGL Index showed a total return of 192% for the same period.

Trading volume

Total trading volume in Indutrade shares on all marketplaces during the year was 116.6 million (106.0) shares for a combined value of SEK 43.0 billion (29.3). This corresponds to a turnover rate of 97% (88%). Average daily trading volume was 462,777 shares (423,840), with 3,716 transactions (2,322). Trading volume on the Stockholm Stock Exchange was 55.2 million (51.0) shares, corresponding to a turnover rate of 46% (42%).

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 2020 Indutrade's shares were traded in several different marketplaces, and the Stockholm Stock Exchange accounted for 47% (42%) of total trading volume.

Share price trend 2020



Share capital

Indutrade's share capital amounted to SEK 727 (242) million on 31 December 2020, divided among 363,615,000 (120,855,000) shares with a share quota value of SEK 2 (2). All shares have equal voting power. A 2:1 bonus issue was executed in December 2020. After the bonus issue the number of shares have tripled.

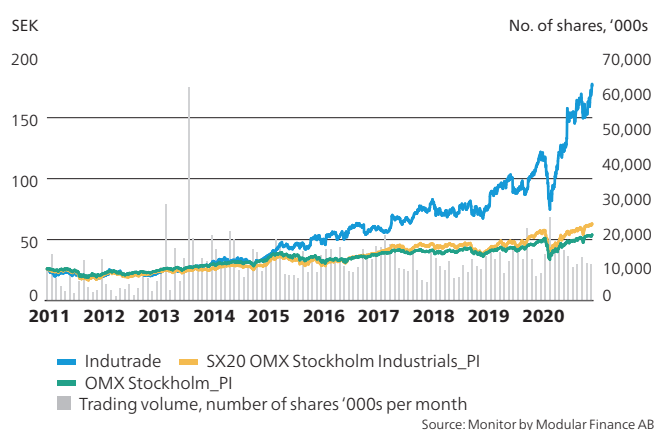
Ownership structure

Indutrade had 12,880 (10,287) shareholders on 31 December 2020. At year-end the ten largest owners controlled 64% of the capital and votes (64%). Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 62% (63%) of the capital and votes at year-end. Foreign ownership of the Company was 32% (31%), with the largest holdings held by shareholders in USA, UK, Luxembourg and Norway.

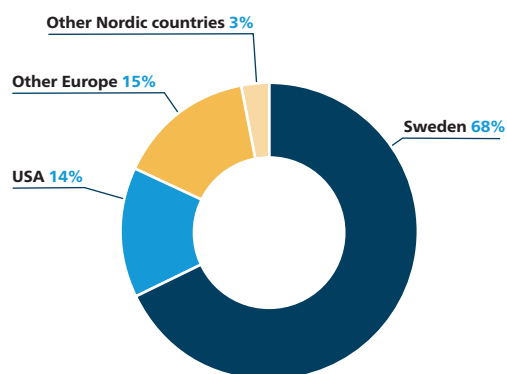
Dividend and dividend policy

The Board's goal is to provide the shareholders an attractive dividend yield and high dividend growth. The goal is that the dividend shall, over time, amount to between 30% and 50% of net profit. During the last five-year period, dividends of SEK 2,036 million has been distributed to the shareholders, corresponding to a dividend payout ratio of 31% of Indutrade's aggregate profit after tax, totalling SEK 6,486 million. Including the proposed dividend for the year and excluding 2019 when no dividend was paid, the dividend payout ratio is 41%.

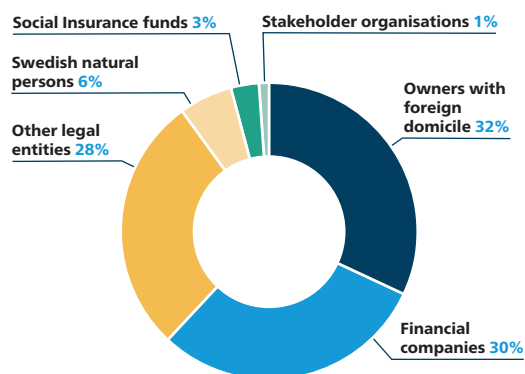
Share price trend 2011–2020



Ownership by country, %



Owners by category, %



Key ratios per share ¹⁾

	2020	2019
Share price at 31 December, SEK	176.20	111.73
Market cap at 31 December, SEK million	64,069	40,511
Dividend, SEK	1.80 ²⁾	-
Earnings before dilution, SEK	4.60	4.09
Earnings after dilution, SEK	4.59	4.09
Number of shares outstanding, '000s	363,615	362,565
Average number of shares before dilution, '000	362,721	362,565
Average number of shares after dilution, '000	363,320	362,754
Number of shareholders at 31 December	12,880	10,287
Highest price paid during the financial year, SEK	179.90	112.60
Lowest price paid during the financial year, SEK	73.73	70.20
Direct yield ³⁾ , %	1.0	-
Equity, SEK	23.72	19.74
Cash flow from operating activities, SEK	7.66	5.30

¹⁾ A 2:1 bonus issue was executed during December 2020. Comparison figures have been restated for the new number of shares.

²⁾ Proposed by the Board of Directors.

³⁾ Dividend divided by the share price on 31 December.

10 largest shareholders at 31 December 2020

	Number of shares	Share of capital and votes, %
L E Lundbergföretagen	96,840,000	26.6
State Street Bank and Trust Co, W9	24,823,687	6.8
AMF – insurance and funds	21,186,242	5.8
JP Morgan Chase Bank NA	16,201,202	4.5
Alecta Pensionsförsäkring	15,819,906	4.4
SEB Investment Management	13,730,236	3.8
Handelsbanken funds	12,295,563	3.4
Brown Brothers Harriman & Co., W9	11,388,932	3.1
Didner & Gerge funds	11,119,510	3.1
The Northern Trust Company	9,099,009	2.5
Others	131,110,713	36.0

• Incentive programme

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. For more information about LTI 2017, see Note 8.

Outstanding incentive programmes

Outstanding programme	Number of options	Corresponding number of shares	Proportion of total shares	Price per warrant, SEK	Original subscription price, SEK	Recalculated subscription price, SEK	Number of exercised warrants	Corresponding number of shares	Expiration period
2017/2022, Series I	526,000	1,578,000	0.4%	15.0	244.9	81.6	317,000	951,000	27 April 2020 – 20 May 2022
2017/2022, Series II	60,000	180,000	0.0%	13.4	276.8	92.3	33,000	99,000	27 April 2020 – 20 May 2022

Dilutive effects

	2020	2019
Average number of shares before dilution, '000	362,721	362,565
Number of shares that incur a dilutive effect due to incentive programme, '000	599	189
Average number of shares after dilution, '000	363,320	362,754
Dilutive effect, %	0.17	0.05
Number of shares at end of the period, '000	363,615	362,565



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.

Indutrade works continuously with assessment and evaluation of the risks that the Group is exposed to and could be exposed to. 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 2020 Indutrade conducted business through more than 200 companies in 30 countries on six 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

CHANGES IN THE ECONOMY

Indutrade's business is dependent on customer purchases and investments, and is affected by cyclical changes in many different markets and conditions in the global market.

CHANGES AT THE SUPPLIER LEVEL

There is always a risk of suppliers leaving a partnership with one of Indutrade's technology trading companies to set up their own sales operations or collaborate with a different distributor.

DIGITALISATION

Digitalisation – with more access to easily available information and quick connections – creates many opportunities, such as producers more easily being able to reach their end customers. That, in turn, could result in more competition and downward pressure on prices for Indutrade's technology sales companies.

More efficient production, shorter lead times and higher quality are other consequences of digitalisation.

FUNDING RISK

Funding risk is the risk that funding of the Group's capital requirement will be impeded, rendered impossible or become much more costly.

INTEREST RATE RISK

Interest rate risk is the risk that unfavourable changes in interest rates will have a significant impact on the Group's net financial items and earnings.

CHANGES IN GLOBAL TRADE REGULATIONS

Group companies do business in many different countries and in many different markets. Changes in domestic or international import/export regulations on various types of products could result in higher costs or other difficulties for Indutrade's companies.

RISK MANAGEMENT

The effect of economic fluctuations in specific sectors and geographic markets is mitigated by the Group's involvement in many different sectors, segments and geographic markets. Thanks to its decentralised business model, the companies belonging to the Group are easily able to adapt by making quick decisions at the local level.

By continuously acquiring companies in new customer segments and in new markets, the Group is able to reduce market risks and counteract cyclical fluctuations better.

Subsidiaries choose suppliers who view a collaboration with them as the best selling method. Stable supplier relationships are one of the parameters that are assessed prior to Indutrade's acquisition of a company. Because of the large overall number of suppliers within the Indutrade Group, no individual supplier accounts for a predominant economic risk from a Group perspective.

Indutrade's companies possess a high level of technical expertise and good knowledge of customer systems and processes, thereby adding much value in the supplier chain. The aim is also to continue developing this expertise and offerings so that it is possible to retain competitive advantages.

To facilitate knowledge-sharing and contribute to skills development in digitalisation, subsidiaries are offered access to the knowledge bank on digitalisation that has been built up. It is available via Indutrade Portal, which is Indutrade's digital communications platform.

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 manages the Group's funding needs centrally. Essentially all external funding is conducted by the Parent Company, which then funds the Group's subsidiaries in local currency.

Indutrade continuously and frequently monitors the interest rate situation and assesses the need to increase the percentage of loans at a fixed interest rate or secure the interest rate with interest rate swaps.

Indutrade's companies are active in a wide variety of market segments and geographic locations. As such, the Group's exposure to any one particular area is relatively low. The companies with operations at more high-risk geographic locations work proactively with many activities to minimise the impact of regulation changes.

RISK

COMPLIANCE WITH TRADE REGULATIONS

Indutrade's companies are domiciled in many different countries. New laws, taxation or rules in various markets could lead to limitations in running operations or stipulate new, higher requirements. Intentional or unintentional violations of trade regulations or international sanctions could result in Group companies incurring fines or becoming subject to various types of sanctions. Indutrade's reputation and competitiveness could be damaged in such situations.

CURRENCY RISK

Currency risk is the risk of unfavourable movements in exchange rates affecting consolidated profit 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.

SUSTAINABILITY GOVERNANCE

Long-term sustainability is becoming increasingly important to Indutrade's business in order to: conduct business over the long term with good financial profitability; be able to attract the best talent in the labour market; attract customers and suppliers; and comply with laws and government decisions. If companies belonging to the Group do not identify significant sustainability risks or deficiencies in the management of identified risks, Indutrade may be subject to various forms of sanctions and risk damage to its reputation. This, in turn, could have a negative impact on the Group's earnings and financial position.

ACQUISITION PROCESS

Indutrade acquires companies on an ongoing basis, typically, several each year. In 2020, ten companies were acquired. It is important that the acquisition process, and in particular the legal and financial due diligence processes, are both thorough and effective. If the situation (regarding such things as earnings capacity or sustainability issues) for a particular company worsens, Indutrade's reputation or financial performance could be damaged.

IT INCIDENTS

An IT incident is the risk of critical data, or one or more of the IT systems in place, being breached such that they become unusable, locked, impaired or destroyed. Indutrade's business is dependent on IT systems functioning as intended. In the event of a drawn out or widespread disruption, or other IT incidents, there is a risk of not being able to run certain operations for a period of time, or, in the worst case, having all areas of operations down, or only being up and running with much difficulty or at much higher costs.

CLIMATE AND ENVIRONMENTAL CHANGES

Climate and environmental changes involve risks, but when handled properly, these external factors can be turned into opportunities for Indutrade. Climate change in the form of global warming can lead to economic risks, such as sharply increased energy costs. Extreme weather changes and natural disasters are other examples of risks that can affect the entire Group.

Changed environmental legislation can affect companies' sales of products and solutions, as well as the transport of goods.

BUSINESS ETHICS

With operations in more than 30 countries around the world, business ethics is of utmost importance to Indutrade. Through good business ethics, Indutrade can contribute to a positive development in the entire value chain and minimise the risk of corruption. Unethical behaviour or unmanaged business ethics risks can damage Indutrade's brand and reputation among both entrepreneurs and other stakeholders in the market. Indutrade could also be subject to fines and other legal sanctions.

PANDEMICS

Pandemics, such as the COVID-19 outbreak, can significantly affect the Group's companies with a risk to employees', customers' and suppliers' health and disruptions in operations; for example, if many people become ill at the same time or are quarantined or if, as a result of actual or feared spread of infection, import or export regulations are introduced that lead to delays, increases in costs or obstacles. It could affect the Group's sales and costs, and thus also its earnings.

RISK MANAGEMENT

Trainings are held for the relevant target groups in order to increase awareness and knowledge of external regulations and internal policies. Risk analyses are also carried out regularly to identify business flows associated with risk. The company does business in regions where there are risks. It has therefore implemented special routines to ensure compliance with regulations.

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 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 at present.

A shared framework is available to all companies as a tool for increasing their skills and ability to work with sustainability in a structured way. A sustainability platform has been implemented that Group companies use to report their sustainability data. Trainings, workshops and network meetings on sustainability are continuously offered. The companies' sustainability work and risks are monitored and discussed each year by their boards of directors.

Acquisitions are carried out by employees who have a great deal of experience. Specialists are also brought in when certain legal and financial expertise is required. Thorough due diligence is always a central component of the acquisition process, thereby minimising the risk associated with acquisitions. Potential acquisitions are evaluated on many aspects, both quantitative and qualitative.

Indutrade's decentralised business model with independent subsidiaries means that only a few companies share their IT platform and infrastructure. Accordingly, the risk of a significant financial impact in the event of a major IT incident for the Group is relatively limited. To lower the risk even further, IT studies have been carried out and documented of the companies' operational risks.

Indutrade has a negative impact on the climate through CO₂ emissions from the Group's companies. In 2020, Indutrade started calculating the Group's total carbon dioxide emissions. We are striving to lower our environmental impact by continuously monitoring sustainability data and environmental risks. The level of awareness and demands of customers, suppliers and employees as regards sustainability and the environment are rising and Indutrade's subsidiaries are actively striving to satisfy the growing requirements and expectations on responsible and sustainable solutions. Stimulating and supporting the development and sale of sustainable products is a focus area for the Group.

The risks are minimised through preventive work in the form of general risk analyses and risk analyses in connection with acquisitions.

A Code of Conduct was established in 2015 to ensure that Indutrade's organisation lives up to the Group's values and does not participate in, or can be linked to, unethical business practices. Through good business ethics and corporate governance, the Group can contribute to a positive development in the entire value chain and minimise the risk of corruption. Indutrade's Code of Conduct for Suppliers and Partners stipulates requirements on such things as work with anti-corruption and respect for human rights throughout the supply chain, including subcontractors. An external whistleblower system has been set up and any suspected violations are dealt with by various functions within Group management.

The Group's structure, with its diversified, wide-ranging operations, limits the aggregated business and financial risks in the event of a pandemic.

Furthermore, with its decentralised governance model comprised of more than 200 independent companies, it is possible to quickly make decisions adapted to the local conditions, which is important as regards being able to limit the effects of a pandemic outbreak. In the event of a major crisis, Indutrade engages in more dialogue with its subsidiaries to ensure that there is a correct and rapid dissemination of information and the proper support for making good decisions.

Other information

Employees

The number of employees was 7,270 at the end of the year, compared with 7,357 at the start of the year. A total of 246 employees have been added during the year through acquisitions. Furthermore, 30 employees left the Group in conjunction with divestments.

During the fourth quarter, most of the programmes involving various types of temporary lay-offs and short-term work, which had been set up at the start of the COVID-19 pandemic, were terminated. Since the end of March 2020, the workforce has been permanently reduced by approximately 320 individuals, corresponding to 4%.

Research and development

Development of proprietary products is conducted primarily by manufacturing companies, which are mainly in the Benelux, DACH, Fluids & Mechanical Solutions, Measurement & Sensor Technology and UK business areas.

Environment and carbon footprint

Indutrade's environmental impact is primarily indirect and it occurs via our subsidiaries. Accordingly, most of our environmental initiatives occur in subsidiaries. Indutrade strives to continually reduce its environmental impact via systematic improvement efforts. Most of our subsidiaries are engaged in environmental work, such as more efficient use of energy and natural resources, implementing systems for reuse and recycling of materials and energy, along with preventing/limiting pollution.

In accordance with what is stipulated in Chapter 6 of the Swedish Annual Accounts Act, the Sustainability Report has been prepared separately. See page 2 for further reference.

Future outlook

Due to the ongoing pandemic, with new virus mutations, the business situation remains uncertain. Demand within the medical technology and pharmaceutical segments is expected to remain high, yet with a somewhat lower rate of growth. With time, as society gradually opens up again and demand improves, companies' market activities and costs will also gradually increase.

Events after the balance sheet date

During the period up until 19 March, five companies were acquired. More information is available in Note 32.

Guidelines for compensation of senior executives

The guidelines for compensation of senior executives that applied in 2020 are outlined in Note 8. The Company's auditors have performed a review to ensure adherence to the guidelines set by the Annual General Meeting. For the 2021 AGM, the Board intends to propose guidelines for compensation of senior executives in accordance with the following:

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

A prerequisite for the successful implementation of the company's business strategy and safeguarding of the company's long-term interests, including its sustainability, is that Indutrade is able to recruit and retain management with high qualifications. To this end, the company must offer competitive compensation and other terms of employment, which these guidelines enable. The forms of compensation should motivate members of the executive management to perform their utmost in order to safeguard the interests of the shareholders. For more information about the company's business strategy, please see the company's website: <https://www.indutrade.com/about-indutrade/objectives--strategy/>.

These guidelines encompass senior executives, i.e. the CEO and other members of the group management (the executive management). For employments governed by rules other than Swedish, customary adjustments may be made for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Variable cash compensation covered by these guidelines shall aim to promote the company's business strategy and long-term interests, including its sustainability.

The types of compensation

The total compensation shall be on market terms, straightforward, long-term and quantifiable, and may consist of the following components: fixed cash salary, variable cash compensation, pension benefits, as well as other benefits.

The general meeting may also, irrespective of these guidelines, resolve on, among other things, share-related or share price-related compensation (for information about ongoing incentive programmes, please see the company's website: <https://www.indutrade.com/about-indutrade/corporate-governance/remuneration/>).

The performance period with respect to criteria for awarding variable salary shall be measured over a period of one or several years. The variable cash compensation may amount to a maximum of 50 percent of the fixed annual salary.

The pension terms for the executive 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, a maximum of 40 percent of the fixed annual salary, and should be based on defined contribution pension solutions or correspond to a public pension plan (in Sweden the ITP plan). Variably salary to members of the executive management not covered by the ITP plan shall not qualify for pension benefits.

Other benefits may include, for example, life insurance, health insurance and company car. Premiums and other costs related to such benefits may amount to not more than 15 percent of the fixed annual salary. Awarding of non-monetary benefits shall facilitate the individuals in the execution of their duties and correspond to what can be considered reasonable in respect of practice in the market in which the respective executive is active.

Termination of employment

The notice period for a member of the executive management may not exceed 12 months if the termination is initiated by the company, and 6 months if it is initiated by the individual. Severance pay to a member of the executive management shall in aggregate not exceed 24 months' salary in the event the company serves notice, and 6 months' salary in the event the member of the executive management gives notice.

Criteria for variable cash compensation

The variable compensation shall be designed so as to reward the achievement of clear objectives, in straight-forward and transparent structures, and be linked to one or several predetermined and measurable financial criteria, such as sales growth, EBITA-margin or return on operating capital/capital employed. Any non-financial criteria shall be related to sustainability. Financial criteria shall constitute at least 75 percent of all criteria.

Once the period for measuring the satisfaction of criteria for awarding variable cash compensation expires, the outcome will be determined. The Remuneration Committee is responsible for determining the CEO's outcome, while the CEO is responsible for determining the outcome for other members of the executive management. For financial objectives, the assessment shall be based on the latest financial information made public by the company, with any adjustments deemed necessary or reasonable by the Board of Directors.

The terms for variable compensation shall be designed so that the Board of Directors, under exceptional financial conditions, may limit, refuse or redeem payment of variable compensation if such measure is deemed reasonable.

In specific cases, arrangements may be made on one-time variable compensation, provided that such compensation does not exceed an amount corresponding to 10 percent of the fixed annual salary, and is not paid more than once each year per individual. Such compensation shall not qualify for pension benefits unless required by mandatory collective agreement provisions. Resolutions on such compensation shall be made by the Board of Directors based on a proposal from the Remuneration Committee, so far as it concerns the CEO, and by the Remuneration Committee based on a proposal from the CEO, so far as it concerns other senior executives.

No other variable cash compensation shall be paid.

Salary and other employment terms for employees

In the preparation of the Board of Directors' proposal for these compensation guidelines, salary and other employment terms for employees of the company have been taken into account by including information on the employees' total compensation, the components of the compensation and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, evaluate and apply the guidelines

The Board of Directors has appointed a Remuneration Committee with the task of preparing the Board of Directors' decisions regarding proposal for guidelines for compensation to senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year, and submit it to the Annual General Meeting.

The Remuneration Committee shall also monitor and evaluate programmes for variable compensation to members of the executive management, as well as the application of the guidelines in terms of compensation levels and structures. Members of the executive management do not participate in the Board of Directors' processing of, and resolutions regarding, compensation-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines adopted by the general meeting, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interest, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in compensation-related matters, including any resolutions to derogate from the guidelines.

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 2020 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 727 million, divided among 363,615,000 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 2020 Indutrade had 12,880 shareholders (10,287). The ten largest shareholders controlled 64% of the share capital at year-end. Swedish legal entities, including institutions such as insurance companies and mutual funds, held 62% of the share capital and votes at year-end. Foreign ownership accounted for 32% of the share capital and votes.

One shareholder, L E Lundbergföretagen AB, with 26.6% 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 are included on the Large Cap list.

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.

The 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.

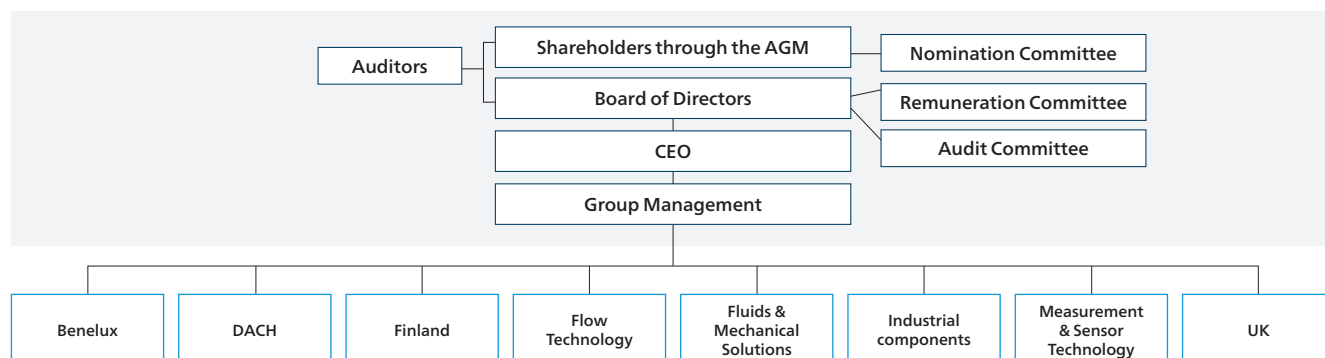
General meetings of shareholders

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 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 2021 AGM is provided on page 95 of this Annual Report and on the company’s website.

The notice of the AGM scheduled for 13 April 2021 was published on 5 March 2021 on Indutrade’s website, and on 10 March 2021 in the Official Swedish Gazette. The notice includes 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 and a proposal for the establishment of a long-term incentive programme.

2020 AGM



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
- Nasdaq Stockholm’s Rulebook for Issuers
- Swedish Corporate Governance Code (www.bolagsstyrning.se/koden/gallande-kod)

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

At the AGM on 2 June 2020, shareholders representing 63.8% of the shares and votes were in attendance. Katarina Martinson was appointed to serve as AGM chairman. The annual report and audit report were presented to the AGM. Chairman of the Board Katarina Martinson 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 Bo Annvik gave an address reviewing Indutrade's operations in 2019 and the start of 2020.

The auditors reported on their audit of the Group and presented relevant parts of their audit report for 2019.

The 2020 AGM made the following resolutions:

- to adopt the financial statements for 2019,
- that no dividend would be paid to shareholders for the 2019 financial year,
- to discharge the members of the Board of Directors and the CEO from liability for the past financial year,
- to re-elect directors Bengt Kjell, Ulf Lundahl, Krister Mellvé, Lars Pettersson, Katarina Martinson, Bo Annvik, Susanna Campbell and Anders Jernhall.
- to elect Katarina Martinson as Chairman of the Board,
- and to reelect PricewaterhouseCoopers AB as the company's auditor, and
- 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.

Extraordinary General Meeting

On 4 February 2020, Indutrade held an Extraordinary General Meeting. At that meeting, it was resolved to divest the subsidiary, Meson FT Rus LLC.

On 3 December 2020, Indutrade held an Extraordinary General Meeting. At that meeting, it was resolved that a change would be made to the Articles of Association along with a bonus issue, aimed at increasing the liquidity in the share and further strengthening its financial position.

After the bonus issue the number of shares have tripled and the price per share has been reduced to approximately one third. The record date of the bonus issue was 18 December 2020. The bonus issue did not involve any change in the relationship between shareholders.

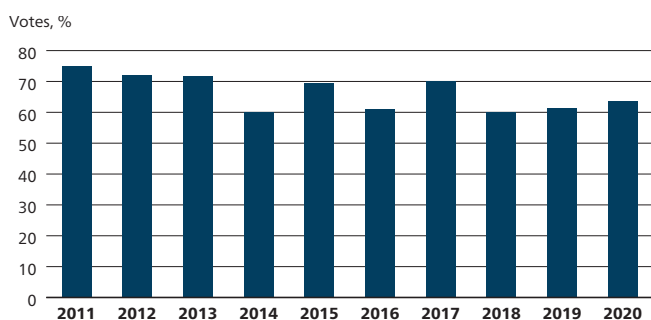
Members of the Board of Directors

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.

A presentation of the current assignments of the members of the Board can be found on pages 38-39 of this Annual Report. Mattias Karlsson, Mannheimer Swartling are the Board's 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.

AGM attendance



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, Code of Conduct, 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 team 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.

In 2020, the Board held a total of 16 meetings including the statutory meeting. The Board conducted its work during the year 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, an evaluation of the work it has done, along with the Board's composition, is carried out each year under the direction of the Chairman of the Board. In 2020, evaluation was carried out via a survey and via qualitative interviews. The results of the evaluation were reported in writing to the board members, who thereafter discussed it together at the board meeting in December. 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 Remuneration Committee draws up recommendations for decisions regarding the terms of employment for the CEO. It also addresses and conducts drafting work for issues related to compensation of the members of the Group Management team, which culminates with the submission of a recommendation for decision by the AGM.

The President consults with the Remuneration Committee regarding the terms of employment for other members of the Group Management.

During the year, one of the items discussed by the Remuneration Committee was a proposal for a new long-term incentive programme (LTI) for senior executives.

The committee held four meetings in 2020.

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. In addition, the Audit Committee evaluates the efficiency of the internal control system and the Group's risk management activities. It also monitors the financial structure.

The committee held five meetings during the year. The auditors participated in several meetings in conjunction with planning and reporting the results of this year's audit.

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 600,000, the Vice Chairman receives a fee of SEK 450,000, and the other directors receive a fee of SEK 300,000 each. However, no fee is payable to directors who are employed by a company within the Indutrade Group. The chairman of the Audit Committee receives a fee of SEK 80,000 per year and each of the committee members receives a fee of SEK 40,000. The chairman and members of the Remuneration Committee each receive a fee of SEK 30,000 per year. The total amount of Board fees and fees to committee members thus amounts to SEK 2,800,000.

Nomination Committee

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, who shall also convene the first meeting of the Nomination Committee. The member representing the largest shareholder shall serve 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 2021 AGM was announced on 16 September 2020, based on ownership information as per 31 August 2020.

Nomination Committee composition

Representative	Shareholder	Share of votes as per 31 Aug 2020
Claes Boustedt	L E Lundbergföretagen, Committee Chair	26.7%
Dick Bergqvist	AMF insurance and funds	5.0%
Camilla Wirth	Alecta Pensionsförsäkring	4.4%
Henrik Didner	Didner & Gerge funds	3.7%
Katarina Martinson	Chairman of the Board	

The Nomination Committee held two meetings for which the minutes were taken in preparation for the 2021 AGM. During those meetings, they discussed, among other things, the evaluation of work done by the Board during the year past and the composition of the Board of Directors. 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.

For its diversity policy, the Nomination Committee has applied item 4.1 of the Swedish Code of Corporate Governance, namely, that the board is to have a composition appropriate to the company's operations, phase of development and other relevant circumstances. The board members elected by the shareholders' meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. The company is to strive for gender balance on the board. The 2020 AGM resolved in accordance with the Nomination Committee's proposal.

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 2021 Annual General Meeting. The Committee also proposes the re-election of directors Susanna Campbell, Bengt Kjell, Ulf Lundahl, Krister Mellvé, Lars Pettersson, Anders Jernhall and Bo Annvik.

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 38-39 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

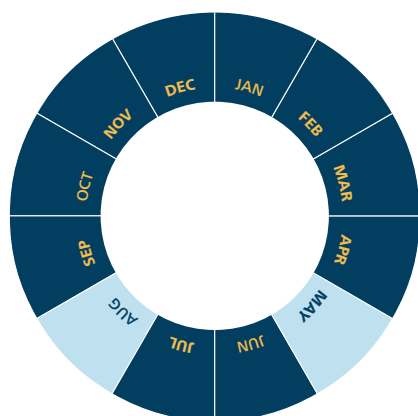
Bo Annvik has served as CEO of Indutrade AB since April 2017. He was born in 1965 and holds a B.Sc. Econ. He served as President and CEO of Haldex from 2012 to 2017 and served in executive positions for Volvo Cars during the years 1994–2002, for SKF during the years 2002–2007, and for Outokumpu during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

External auditor

At the 2020 AGM, the chartered accounting firm PricewaterhouseCoopers AB ("PwC") was elected as auditor for a term extending through the 2021 Annual General Meeting. The auditors maintain regular contact with the Audit Committee and the Group Management.

The chief auditor since 2020 is Anna Rosendal, Authorised Public Accountant. The auditor's fee is reported in Note 11 of this Annual Report.

Indutrade's nine-month interim report for the 2020 financial year was reviewed by the Company's auditors.



Board meetings 2020

JANUARY Summons to Extraordinary General Meeting, divestment of subsidiary. Acquisition issues.

FEBRUARY Year-end report. Discussion about dividend goals, report from the auditors, the Audit Committee and the Remuneration Committee. Acquisition issues.

MARCH Decisions about Annual Report. Questions prior to the AGM. Business matters, including the COVID-19 pandemic. Financing issues.

APRIL Interim report January – March 2020. Financing and acquisition issues. Report from the Audit Committee.

JUNE AGM. Statutory meeting. Decisions on company signatories, adoption of instructions and policies, appointment of Vice Chairman, Remuneration Committee, Audit Committee, meeting schedule.

JUNE Evaluation of acquisitions, competitor analysis.

JULY Interim report January – June 2020. Acquisition and investment issues.

SEPTEMBER The Group's strategy, including acquisition and sustainability issues. Investment issues. Company presentations.

OCTOBER Interim report January – September 2020. Report from the Audit Committee regarding the review of the interim report. Business, financing and investment issues. Company presentations. Summons to Extraordinary General Meeting

NOVEMBER Acquisition issues.

DECEMBER Budget and targets for 2021. Evaluation of the work done by the Board. Evaluation of the CEO and senior executives. Reports from the Remuneration Committee and Audit Committee, including review of internal controls. HR issues.

Internal control over financial reporting

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 manual of instructions and policies.

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 eight business areas in 2020. 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 financial 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. The routine was reviewed during the year.

At the start of 2020, all companies owned by Indutrade were required to respond to a questionnaire designed to evaluate internal control based on the risk analysis. The responses were compiled and evaluated. 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 audit committee also presented the results to the Board. 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



Katarina Martinson



Bengt Kjell



Susanna Campbell



Anders Jernhall

	Katarina Martinson	Bengt Kjell	Susanna Campbell	Anders Jernhall
Position	Chairman since 2018 Director since 2015 Chairman of the Remuneration Committee, member of the Audit Committee	Vice Chairman since 2013 Director since 2002 Member of the Remuneration Committee	Director since 2017	Director since 2018 Member of the Audit Committee
	Works with asset management for Lundberg family, among others.	Own investment business	Own investment business	Executive Vice President and CFO of Holmen AB.
Born	1981	1954	1973	1970
Citizenship	Swedish	Swedish	Swedish	Swedish
Education	M. Sc. Economics, Stockholm School of Economics	MBA Stockholm School of Economics	M. Sc. Economics, Stockholm School of Economics	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 at ISA, International Strategy & Investment Group, New York.	Acting President and CEO of Industrivärden, President and CEO of Handel och Industri AB, 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.	President and CEO of Ratos. Various positions with McKinsey and Company, and Alfred Berg Fondkommission.	Various positions at Holmen and Citibank.
Other directorships	Director of L E Lundbergföretagen, Fastighets AB L E Lundberg, Fidelio Capital, Husqvarna, Förvaltnings AB Lunden and L E Lundberg Kapitalförvaltning.	Chairman of SSAB and Amasten Fastighets AB. Vice Chairman of Pandox. Director of Industrivärden and others.	Chairman of Babyshop Group, Röhnisch Sportswear, Estrid Sweden AB and Network of Design (NOD). Director of Nalka Invest, Kinnevik and Northvolt.	Director of L E Lundberg Kapitalförvaltning.
Attendance at Board meetings	16/16	16/16	16/16	16/16
Attendance at Audit Committee meetings	5/5			5/5
Attendance at Remuneration Committee meetings	4/4	4/4		
Independent of Indutrade and its management	Yes	Yes	Yes	Yes
Independent in relation to major shareholders	No	Yes	Yes	No
Shareholding in Indutrade ¹⁾	96,840,000 (via L E Lundbergföretagen)	150,000	6,000	3,000

1) Holdings of shares in Indutrade AB are stated as of 31 December 2020 and they include the holdings of related parties (both individuals and legal entities).



Ulf Lundahl



Krister Mellvé



Lars Pettersson



Bo Annvik

Position	Director since 2006 Chairman of the Audit Committee	Director since 2012	Director since 2013 Member of the Remuneration Committee	Director since 2017 President and CEO
Born	1952	1949	1954	1965
Citizenship	Swedish	Swedish	Swedish	Swedish
Education	LL.B. and B. Sc. Economics	B. Sc. Economics	M. Sc. Engineering, Uppsala University, PhD h.c., Uppsala University	M. Sc. Economics
Professional experience	Executive Vice President and Deputy CEO of LE Lundbergföretagen, President of Östgöta Enskilda Bank, Head of Swedish operations of Danske Bank, CEO of Danske Securities.	Various executive positions at Robert Bosch Group.	President and CEO of Sandvik AB, Sandvik Materials Technology, Sandvik Tooling and Sandvik Coromant.	President and CEO of Haldex, executive positions with Volvo Cars, SKF and Outokumpu.
Other directorships	Chairman of Fidelio Capital, Attendo and Nordstjernan Kredit AB. Director of Holmen.	Director of Modular Management and Stein Automation.	Chairman of KP Komponenter A/S. Director of Husqvarna, Industrivärden, LE Lundbergföretagen and Festo AG	Director of SSAB and Abdon Group AB.
Attendance at Board meetings	15/16	16/16	16/16	16/16
Attendance at Audit Committee meetings	4/5			
Attendance at Remuneration Committee meetings			4/4	
Independent of Indutrade and its management	Yes	Yes	Yes	No
Independent in relation to major shareholders	Yes	Yes	No	Yes
Shareholding in Indutrade ¹⁾	36,000	142,500	6,300	42,000

Auditors

PricewaterhouseCoopers AB

Anna Rosendal

Authorized Public Accountant

Born 1975

Chief Auditor of Indutrade since 2020

Other auditing assignments for listed companies:

Dometic Group and Addnode Group

Group Management



BO ANNVIK

President and CEO
Born 1965
Citizenship Swedish
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 42,000
Number of warrants 100,000



PATRIK JOHNSON

CFO
Born 1970
Citizenship Swedish
Employed since 2018
Education M. Sc. Economics
Professional experience CFO Sandvik Machining Solutions and Seco Tools. Various management positions as controller and in accounting/finance at ABB Sweden.
Number of shares 0
Number of warrants 12,000



FRIDA ADRIAN

Vice President Communications, Sustainability and IR
Born 1977
Citizenship Swedish
Employed since 2017
Education M. Sc. Economics
Professional experience Head of IR at Mr Green & Co, various positions in IR, communications and finance at Investor, LF Bank and Svensk Exportkredit.
Number of shares 1,500
Number of warrants 0



JUHA KUJALA

Senior Vice President Finland
Born 1967
Citizenship Finnish
Employed since 2006
Education MBA, Technical college engineer
Professional experience CEO of Kontram Oy, CEO of Maansähkö Oy, COO and Sales Manager Kontram Oy, Export Manager Kalmar Industries Oy
Number of shares 30,060
Number of warrants 7,000



PETER ERIKSSON

Adviser to the CEO
Born 1953
Citizenship Swedish
Employed since 1995
Education Technical college engineer, B. Sc. Market Economics, IFL
Professional experience CEO Indutrade Flödesteknik Grupp, President and partner of Alnab, Sales Manager at Alnab.
Number of shares 132,450
Number of warrants 0



GÖTE MATSSON

Senior Vice President Fluids & Mechanical Solutions
Born 1955
Citizenship Swedish
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 48,600
Number of warrants 24,000



JONAS HALVORD

Head of Acquisitions and Business Development
Born 1961
Citizenship Swedish
Employed since 2018
Education B. Sc. Economics, Technical college engineer
Professional experience Director Mergers & Acquisitions SKF Group, CEO Provexa AB, CEO Svenska Skumsläcknings AB
Number of shares 0
Number of warrants 6,000



SUSANN NYBERG

Head of Group Finance
Born 1963
Citizenship Swedish
Employed since 2012
Education M. Sc. Economics
Professional experience Group Controller Addtech, Management Consultant KPMG, Financial Manager position at Telia, Financial Manager and Controller positions at SKF
Number of shares 22,014
Number of warrants 4,000



Senior Vice President
Flow Technology
Born 1961
Citizenship Irish
Employed since 1992
Education Dip. Applied Science /
Instrument Physics
Professional experience Managing
Director ESI Technologies Ltd
Number of shares 123
Number of warrants 0

MORGAN O'BRIEN



Senior Vice President
Measurement & Sensor Technology
Born 1965
Citizenship Swedish
Employed since 2014
Education B. Sc. Electronics,
Industrial Marketing
Professional experience Global
Segment Manager Xylem, President
and CEO Lorentzen & Wettre.
Number of shares 22,863
Number of warrants 5,000

PATRIK STOLPE



Senior Vice President UK
Born 1968
Citizenship British
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

PETER ROWLANDS



Senior Vice President Benelux
Born 1969
Citizenship Dutch
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

ROBERT TIMMER



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

MARKUS RÜDIN



Vice President Group Human
Resources
Born 1977
Citizenship Swedish
Employed since 2018
Education MSc in Human Resources
and Organisations
Professional experience People
Director Belron UK, HR Director
Carglass Nordics, HR positions at ICA,
Wasa Barilla and others.
Number of shares 0
Number of warrants 0

ÅSA WIRSENIUS



Senior Vice President
Industrial Components
Born 1967
Citizenship Swedish
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 18,000
Number of warrants 6,000

JOAKIM SKANTZE

Remuneration Report 2020

Introduction

This report describes how the guidelines for executive remuneration of Indutrade AB, adopted by the annual general meeting 2020, were implemented in 2020 (the "Remuneration Guidelines"). The report also provides information on remuneration to the CEO and a summary of the company's outstanding share-related and share price-related incentive plans. The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules issued by the Swedish Corporate Governance Board.

Further information on executive remuneration is available in note 8 (Wages, salaries and other remuneration, and social security costs) in the annual report 2020. Information on the work of the remuneration committee in 2020 is set out in the corporate governance report available in the annual report 2020.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the annual general meeting and disclosed in note 8 in the annual report 2020.

The CEO summarizes the company's overall performance in his statement in the annual report 2020.

The remuneration guidelines

A prerequisite for the successful implementation of the company's business strategy and safeguarding of the company's long-term interests, including its sustainability, is that Indutrade is able to recruit and retain management with high qualifications. To this end, the company must offer competitive remuneration and other terms of employment, which the Remuneration Guidelines enable. The forms of remuneration should motivate members of the executive management to perform their utmost in order to safeguard the interests of the shareholders. The total remuneration shall be on market terms, straightforward, long-term and quantifiable, and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Variable cash remuneration covered by the Remuneration Guidelines shall aim to promote the company's business strategy and long-term interests, including its sustainability.

The Remuneration Guidelines are included in their entirety in the annual report 2020. During 2020, the company has complied with the applicable Remuneration Guidelines, adopted by the annual general meeting. No deviations from the Remuneration Guidelines have been decided and no derogations from the procedure for implementation of the Remuneration Guidelines have been made. The auditor's report regarding the company's compliance with the Remuneration Guidelines is available on the company's website <https://www.indutrade.com/about-indutrade/corporate-governance/remuneration/>. No remuneration has been reclaimed. In addition to remuneration covered by the Remuneration Guidelines, the annual general meeting of the company has previously resolved to implement long-term share-related incentive plans. The plans are clearly linked to the business strategy and the company's long-term value creation by being linked to the development of the share price.

Variable cash remuneration

Variable cash remuneration is linked to predetermined and measurable criteria with a clear connection to the company's financial targets. The outcome is entirely related to the fulfilment of the set objective regarding the Group's profit before tax. The Board is responsible for the outcome assessment as regards the CEO. The outcome for the financial year 2020 amounts to 100% of maximum outcome.

Total remuneration to the CEO in 2020	Base salary	One year variable remuneration	Multi-year variable remuneration ¹⁾	Benefits ²⁾	Occupational pension ³⁾	Total remuneration
Bo Annvik	8,509 / 52%	4,380 / 27%	25 / 0%	436 / 2%	3,066 / 19%	16,416

¹⁾ The subsidy cost for the year, related to the incentive programme described above. In 2020, TSEK 180 was disbursed.

²⁾ Refers mainly to double housing (housing, garage and home travels), as well as car and fuel.

³⁾ Only base salary qualifies for pension benefits.

The chart refers to costs accounted for regarding remuneration to the CEO. Base salary refers to monthly salary, holiday pay and other taxable expense allowances. One year variable cash remuneration refers to a short-term incentive program for year 2020, which is paid in the beginning of the following year. Multi-year variable remuneration refers to cost accounted for regarding the long-term incentive program described above.

In 2020, the management reduced the base salary by 10% for six months due to the COVID-19 pandemic.

Outstanding share-related and share price-related incentive plans

In 2020, Indutrade has had one outstanding warrant programme comprising two series for senior executives and other key persons in the Indutrade Group (LTI 2017). The purpose of LTI 2017 is to, in a simple way, reward and retain important employees as well as to promote and create a long-term commitment to the Indutrade Group by the employees' own investments and subsequently attain an increased alignment of interests between the employees and Indutrade's shareholders.

LTI 2017 is a warrant programme comprising approximately 100 senior executives (including the CEO) and other key persons in the Indutrade Group. The participants acquired the warrants in 2017 at a calculated market price. During the term of the programme, Indutrade has paid out a cash subsidy for the number of warrants that the individual is guaranteed, corresponding to a total of 120 percent of the price that the participants paid. Any warrants acquired in excess of the number of warrants that is guaranteed have not been subsidized. The subsidy has been paid out to the participants on two occasions and in equal portions, provided that the participant, at the time of payment, had not disposed of any warrants and that the participant was still employed by the Group and had not resigned or been dismissed. Half of the subsidy was paid out in 2019, and half was paid out in 2020. Shares can be subscribed for during certain specified subscription periods from 27 April, 2020 up to and including Friday, 20 May, 2022 at a subscription price of SEK 81.60 for series I and SEK 92.30 for series II, recalculated after the bonus issue 2:1 in December 2020.

The CEO acquired 40,000 warrants of series I in 2017 within the incentive programme, of which 20,000 was acquired without any cash subsidy. In 2020, all of the warrants were exercised to subscribe for shares.

In addition to this programme, the CEO acquired 100,000 warrants in 2017 via L E Lundbergföretagen, at a calculated market price, which after the bonus issue 2:1 in December 2020 entitle to subscription of 300,000 shares.

The CEO was not awarded any remuneration in the form of shares during 2020.

Change of remuneration and company performance over the last five financial years

	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017	2017 vs. 2016	2016 vs. 2015
CEO remuneration ¹⁾					
Annual change in total remuneration (%)	6%	0%	1%	16% ²⁾	4%
The company's profit development					
Annual change in profit after tax for the year (%), the Group	13%	8%	33%	10%	5%
Remuneration to employees ³⁾					
Annual change in total remuneration (%), Sweden	3%	1%	3%	3%	5%

¹⁾ The remuneration refers to the total amount of all remuneration components as reported in the table below.

²⁾ Bo Annvik is CEO since April 2017. He succeeded Johnny Alvarsson who retired.

³⁾ Calculated based on the average number of employees in full-time equivalents in the Group's companies in Sweden. The number of employees in the parent company, excluding group management, is considered too small to constitute a relevant benchmark.

Proposed distribution of earnings

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

Share premium reserve	199
Reserve for fair value	-4
Retained earnings	5,023
Net profit for the year	1,138
Total	6,356

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

Dividend of SEK 1.80 per share	655
To be carried forward	5,701
Total	6,356

The dividend proposed by the Board of Directors corresponds to 9% of the Parent Company's equity and 8% of the Group's equity. Indutrade's dividend policy is that the dividend shall, over time, amount to between 30% and 50% of net profit.

In light of the expected economic development, 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 44%. 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 following income statements, balance sheets, cash flow statements and notes.

Stockholm March 19, 2021

Katarina Martinson
Chairman of the Board

Bengt Kjell
Vice Chairman of the Board

Susanna Campbell
Director

Anders Jernhall
Director

Ulf Lundahl
Director

Krister Mellvé
Director

Lars Pettersson
Director

Bo Annvik
President and CEO, Director

Our audit report was submitted on March 19, 2021

PricewaterhouseCoopers AB

Anna Rosendal
Authorized Public Accountant
Lead Partner

Financial statements

Contents

Financial statements	Page		Page
Consolidated financial statements	45-49	17 Property, plant and equipment	71
Parent Company financial statements	50-53	18 Leases	73
		19 Shares and participations	75
		20 Non-current receivables	76
		21 Inventories	76
		22 Trade receivables	76
		23 Prepaid expenses	77
		24 Non-current and current interest-bearing liabilities	77
		25 Pension obligations	78
		26 Other provisions	81
		27 Accrued expenses	81
		28 Pledged assets	81
		29 Contingent liabilities	81
		30 Cash and cash equivalents	81
		31 Cash flow	82
		32 Acquisitions and divestments of subsidiaries	83
		33 Related party transactions	85
		34 Events after the balance sheet date	85
		35 Disclosures about Parent Company	85
		36 Tax allocation reserves	85
Notes	Page		
1 Accounting and valuation principles	54		
2 Risks and risk management	55		
3 Segment reporting	59		
4 Revenue from Contracts with Customers	61		
5 Income statements classified by type of cost	62		
6 Other operating income/expenses	62		
7 Average number of employees	62		
Wages, salaries and other remuneration, and social			
8 security costs	63		
9 Depreciation/amortisation	65		
10 Government assistance	66		
11 Auditors' fees	66		
12 Financial income	66		
13 Financial expenses	66		
14 Profit from participation in Group companies	67		
15 Income Tax	67		
16 Intangible assets	69		

Consolidated income statement

SEK million	Note	2020	2019
Net sales	3, 4	19,217	18,411
Cost of goods sold		-12,681	-12,126
Gross profit		6,536	6,285
Development costs		-227	-217
Selling costs		-3,009	-2,990
Administrative expenses		-1,123	-1,103
Other operating income	6	345	153
Other operating expenses	6	-256	-112
Operating profit	5, 8, 9, 10, 11	2,266	2,016
Financial income	12	18	145
Financial expenses	13	-144	-269
Profit after financial items		2,140	1,892
Tax	15	-471	-409
Net profit for the year		1,669	1,483
Profit attributable to			
Equity holders of the parent company		1,669	1,482
Non-controlling interests		0	1
Earnings per share attributable to equity holders of the parent, SEK ¹⁾		4.60	12.26
Earnings per share after dilution, attributable to equity holders of the parent, SEK ¹⁾		4.59	12.26
Average number of shares before dilution, '000		362,721	362,565
Average number of shares after dilution, '000		363,320	362,754
Proposed dividend per share, SEK		1.80	-

¹⁾ A 2:1 bonus issue was executed during December 2020. All comparison figures have been restated for the new number of shares. For information about dilution, see Directors' report page 29.

Consolidated statement of comprehensive income

SEK million	Note	2020	2019
Net profit for the year		1,669	1,483
Other comprehensive income			
<i>Items that can be reversed into income statement</i>			
Fair value adjustment of hedge instruments	2	4	-2
Tax attributable to fair value adjustments	15	-1	0
Exchange rate differences		-279	109
<i>Items that cannot be reversed into income statement</i>			
Actuarial gains/losses	25	-16	-79
Tax on actuarial gains/losses	15	3	16
Other comprehensive income, net of tax		-289	44
Total comprehensive income for the period		1,380	1,527
Comprehensive income attributable to			
Equity holders of the parent company		1,380	1,526
Non-controlling interests		0	1

Comments on the consolidated income statement

Order intake

Order intake amounted to SEK 19,595 million (18,653) for the financial year, which is an increase of 5%. Comparable units increased by 2%, acquisitions contributed 6%, divestments had an effect of -1%, and the effect of currency movements was -2%.

Net sales

During the year, net sales increased by 4% to SEK 19,217 (18,411) million. Comparable units were unchanged, acquisitions contributed 6%, divestments had an effect of -1% and currency movements -1%.

Operating profit, EBITA

For the full year, operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 2,615 million (2,330), an increase of 12%. Comparable units increased by 7%, acquisitions contributed 7% and currency movements with -2%. Divestments had a marginal effect. The EBITA margin increased and amounted to 13.6% (12.7%). The gross margin amounted to 34.0% (34.1%).

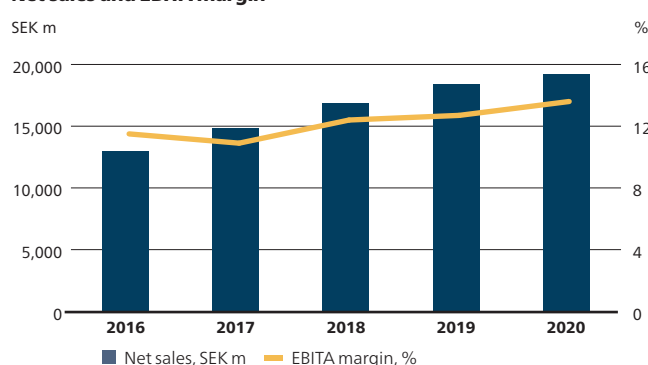
Net financial items and profit for the year

Net financial items for the full year amounted to SEK -126 million (-124). Tax on profit for the year was SEK -471 million (-409), corresponding to a tax charge of 22% (22%). Profit for the period grew 13% and amounted to SEK 1,669 million (1,483). Earnings per share before dilution increased by 12% and amounted to SEK 4.60 (4.09).

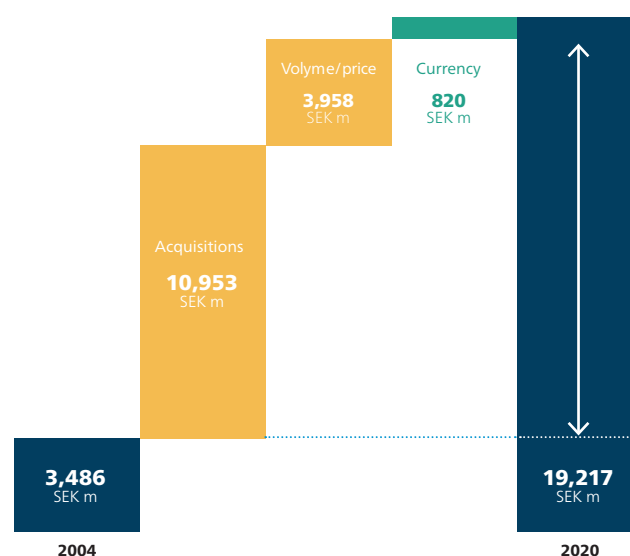
Values for each quarter

SEK million	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Net sales	4,976	4,614	4,599	5,028
EBITA	616	602	685	712
EBITA margin, %	12.4	13.0	14.9	14.2
Profit after tax	388	370	458	453
Earnings per share, SEK	1.07	1.02	1.27	1.24

Net sales and EBITA margin



Sales growth, SEK m



Consolidated balance sheet

SEK million	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Goodwill		4,306	4,031
Agencies, customer relationships, etc.		2,212	2,189
Trademarks		311	303
Software, licences, etc.		66	72
Other intangible assets		104	108
Total intangible assets	16	6,999	6,703
<i>Property, plant and equipment</i>			
Land and buildings	17	1,155	1,091
Machinery	17	559	609
Equipment	17	280	266
Construction-in-progress and advances for property, plant and equipment	17	73	54
Right-of-use assets	18	1,039	982
Total property, plant and equipment		3,106	3,002
<i>Financial assets</i>			
Holdings of shares and participation in unlisted companies	19	12	14
Non-current receivables	20	64	34
Deferred tax assets	15	152	134
Total financial assets		228	182
Total non-current assets		10,333	9,887
Current assets			
Inventories	21	3,307	3,400
Trade receivables	22	2,925	3,025
Contract assets	4	135	110
Current tax assets		25	30
Other current receivables		304	183
Prepaid expenses	23	175	190
Cash and cash equivalents	30, 31	758	719
Total current assets		7,629	7,657
TOTAL ASSETS		17,962	17,544

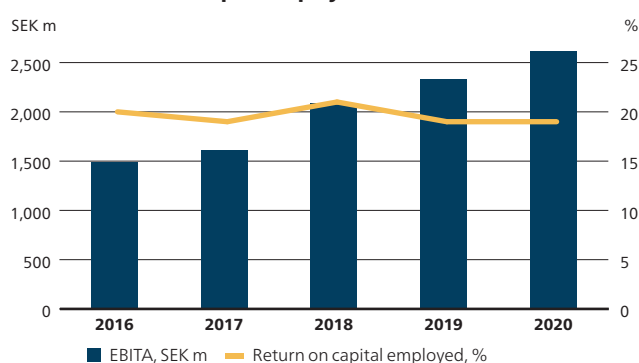
SEK million	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity			
Share capital		727	242
Reserves		121	397
Retained earnings incl. net profit for the year		7,776	6,518
Total equity attributable to owners of the parent		8,624	7,157
Non-controlling interests		10	13
Total equity		8,634	7,170
Non-current liabilities			
Non-current interest-bearing liabilities	18, 24, 31	4,050	4,330
Other non-current liabilities		1	2
Pension obligations	25	400	377
Deferred tax liabilities	15	749	706
Other provisions	26	20	12
Total non-current liabilities		5,220	5,427
Current liabilities			
Current interest-bearing liabilities	18, 24, 31	1,186	2,142
Trade payables		1,136	1,237
Contract liabilities	4	109	150
Current tax liabilities		202	159
Other current liabilities		516	400
Accrued expenses	27	959	859
Total current liabilities		4,108	4,947
TOTAL EQUITY AND LIABILITIES		17,962	17,544

Information on pledged assets and contingent liabilities is provided in Notes 28 and 29.

Profitability and financial position

The return on capital employed was 19% (19%), and the return on equity was 21% (22%).

Shareholders' equity amounted to SEK 8,634 million (7,170) and the equity ratio was 48% (41%). Cash and cash equivalents amounted to SEK 758 million (719). In addition to this, the Group had unutilised credit commitments of SEK 4,895 million (3,258). Interest-bearing net debt at the end of the period was SEK 4,878 million (6,130). The decline compared to last year was primarily attributable to the strong cash flow, a somewhat lower rate of acquisition and not having paid dividends for 2020. The net debt/equity ratio was 56% (85%) at year end.

EBITA and return on capital employed

Consolidated statement of changes in equity

SEK million	Attributable to equity holders of the parent company				Non-controlling interests	Total equity
	Share capital	Reserves	Retained earnings	Total		
OPENING BALANCE, 1 JANUARY 2019	242	290	5,673	6,205	13	6,218
ADJUSTED OPENING BALANCE DUE TO CHANGED ACCOUNTING POLICY IFRS 16			-28	-28		-28
ADJUSTED OPENING BALANCE	242	290	5,645	6,177	13	6,190
Comprehensive income						
Net profit for the year	-	-	1,482	1,482	1	1,483
Other comprehensive income						
Fair value adjustment of hedge instruments	-	-2	-	-2	-	-2
Tax attributable to fair value adjustments	-	0	-	0	-	0
Actuarial gains/losses	-	-	-79	-79	-	-79
Tax on actuarial gains/losses	-	-	16	16	-	16
Exchange rate differences	-	109	-	109	0	109
Total comprehensive income	-	107	1,419	1,526	1	1,527
Transactions with shareholders						
Acquisitions of non-controlling interests	-	-	-2	-2	0	-2
Sale of shares with non-controlling interests	-	-	-	-	0	0
Dividend paid for 2018	-	-	-544 ¹⁾	-544	-1	-545
Total transactions with shareholders	-	-	-546	-546	-1	-547
OPENING BALANCE, 1 JANUARY 2020	242	397	6,518	7,157	13	7,170
Comprehensive income						
Net profit for the year	-	-	1,669	1,669	0	1,669
Other comprehensive income						
Fair value adjustment of hedge instruments	-	4	-	4	-	4
Tax attributable to fair value adjustments	-	-1	-	-1	-	-1
Actuarial gains/losses	-	-	-16	-16	-	-16
Tax on actuarial gains/losses	-	-	3	3	-	3
Exchange rate differences	-	-279	-	-279	0	-279
Total comprehensive income	-	-276	1,656	1,380	0	1,380
Transactions with shareholders						
Acquisitions of non-controlling interests	-	-	-	-	-	-
Sale of shares with non-controlling interests	-	-	-	-	-3	-3
Dividend paid for 2019	-	-	- ²⁾	-	-	-
New issues	0	-	87	87	-	87
Bonus issue	485	-	-485	-	-	-
Total transactions with shareholders	485	-	-398	87	-3	84
CLOSING BALANCE, 31 DECEMBER 2020	727	121	7,776	8,624	10	8,634

¹⁾ The dividend per share for 2018 amounted to SEK 1.50 restated for the 2:1 bonus issue in December 2020.

²⁾ The dividend per share for 2019 amounted to SEK 0. The proposed dividend per share for 2020 amounts to SEK 1.80.

Consolidated statement of cash flows

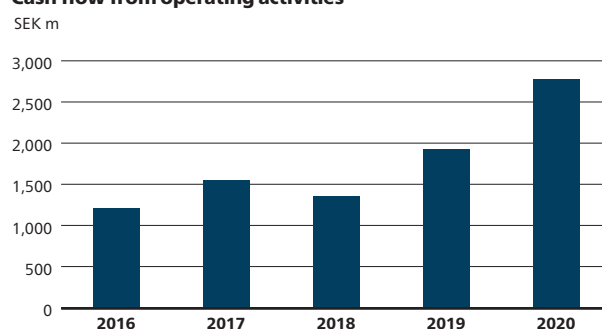
SEK million	Note	2020	2019
Operating activities			
Operating profit		2,266	2,016
<i>Adjustment for</i>			
Depreciation/amortisation	9, 16, 17	996	899
Adjustment of contingent consideration	32	-208	-30
Net profit from sale of operations, property, plant and equipment, intangible assets and shares		-69	7
Other non-cash items		208	19
Paid tax		-508	-512
<i>Change in working capital</i>			
Inventories		66	-291
Trade receivables		35	123
Trade payables		-58	-43
Other operating assets and liabilities, net		155	-138
Interest received		18	13
Interest paid		-92	-97
Other financial items		-29	-44
Cash flow from operating activities		2,780	1,922
Investing activities			
Acquisitions of subsidiaries and operations	32	-1,024	-1,513
Sales of subsidiaries and operations	32	46	29
Acquisitions of property, plant and equipment	17	-390	-386
Sales of property, plant and equipment	17	28	20
Acquisitions of intangible non-current assets	16	-37	-37
Decrease in financial assets		12	4
Increase in financial assets		-1	-1
Cash flow from investing activities		-1,366	-1,884
Financing activities			
Borrowings	31	2,936	5,082
Repayment of debt	31	-3,976	-4,201
Amortisation leasing	18, 31	-367	-340
Dividend paid out		-	-544
New issues		87	-
Payment for issued warrants		-	-
Cash flow from financing activities		-1,320	-3
Cash flow for the year		94	35
Cash and cash equivalents at start of year		719	708
Exchange rate differences in cash and cash equivalents		-55	-24
Cash and cash equivalents at end of year	30, 31	758	719

Cash flow from operating activities amounted to SEK 2,780 million (1,922) for the full year. Cash flow after net capital expenditures in intangible non-current assets and in property, plant and equipment (excluding company acquisitions) was SEK 2,381 million (1,519).

The Group's net capital expenditures, excluding company acquisitions, totalled SEK 399 million (403). Depreciation of property, plant and equipment totalled SEK 600 million (550).

Investments in company acquisitions amounted to SEK 908 million (1,415). In addition, earn-out payments for previous years' acquisitions totalled SEK 116 million (97). Divestments amounted to SEK 46 million (28).

Cash flow from operating activities



Parent company

The main functions of Indutrade AB are to take responsibility for business development, acquisitions, financing, business control, analysis and communication. The Parent Company's net sales, which consist entirely of internal invoicing of services, amounted to SEK 8 million (7) for the year. The Parent Company's financial assets consist mainly of shares in subsidiaries. During the year,

the Parent Company acquired shares in four new companies. The Parent Company has not made any major investments in intangible assets or in property, plant and equipment. The number of employees on 31 December was 19 (19). Receivables and payables to Group companies primarily consist of loans granted and received to and from subsidiaries.

Income statement Parent Company

SEK million	Note	2020	2019
Net sales		8	7
Gross profit		8	7
Administrative expenses	5	-117	-120
Other operating income and expenses	6	-	-
Operating profit	8, 9, 10, 11	-109	-113
Financial income	12	130	214
Financial expenses	13	-109	-231
Profit from participations in Group companies	14	894	981
Profit after financial items		806	851
Group contributions received		498	741
Group contributions rendered		-93	-87
Change in tax allocation reserve		-2	-26
Excess depreciation of equipment		0	0
Profit before taxes		1,209	1,479
Tax	15	-71	-108
Net profit for the year		1,138	1,371

Statement of comprehensive income Parent Company

SEK million	Note	2020	2019
Net profit for the year		1,138	1,371
Other comprehensive income			
<i>Items that can be reversed into income statement</i>			
Fair value adjustment of hedge instruments	2	-1	0
Tax attributable to fair value adjustments	15	0	0
Other comprehensive income, net of tax		-1	0
Total comprehensive income for the period		1,137	1,371

Balance sheet Parent Company

SEK million	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Software and licences	16	0	0
<i>Property, plant and equipment</i>			
Equipment	17	1	1
<i>Financial assets</i>			
Participations in Group companies	19	6,210	5,919
Non-current receivables	20	38	13
Deferred tax assets	15	5	4
Total financial assets		6,253	5,936
Total non-current assets		6,254	5,937
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		6,683	6,804
Other receivables		157	35
Prepaid expenses	23	21	22
Total current receivables		6,861	6,861
Cash and cash equivalents	30	0	0
Total current assets		6,861	6,861
TOTAL ASSETS		13,115	12,798

SEK million	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	35	727	242
Statutory reserve		5	5
		732	247
<i>Unrestricted equity</i>			
Share premium reserve		199	112
Reserve for fair value		-4	-3
Retained earnings		5,023	4,137
Net profit for the year		1,138	1,371
		6,356	5,617
Total equity		7,088	5,864
Untaxed reserves			
Tax allocation reserve	36	675	673
Excess depreciation of equipment		0	0
Total untaxed reserves		675	673
Non-current liabilities			
Non-current interest-bearing liabilities	24	2,893	3,257
Pension obligations	25	20	17
Deferred tax liabilities	15	0	5
Total non-current liabilities		2,913	3,279
Current liabilities			
Current interest-bearing liabilities	24	757	1,629
Trade payables		4	5
Liabilities to Group companies		1,626	1,301
Other current liabilities		15	12
Current tax liabilities		0	0
Accrued expenses	27	37	35
Total current liabilities		2,439	2,982
TOTAL EQUITY AND LIABILITIES		13,115	12,798

Information on pledged assets and contingent liabilities is provided in Notes 28 and 29.

Parent Company statement of changes in equity

SEK million	Share capital	Reserves	Share premium reserve	Reserve for fair value	Retained earnings	Total
OPENING BALANCE, 1 JANUARY 2019	242	5	112	-3	4,681	5,037
Comprehensive income						
Net profit for the year	-	-	-	-	1,371	1,371
Other comprehensive income						
Fair value adjustment of hedge instruments	-	-	-	0	-	0
Tax attributable to fair value adjustments	-	-	-	0	-	0
Total comprehensive income	-	-	-	0	1,371	1,371
Transactions with shareholders						
Dividend paid for 2018	-	-	-	-	-544 ¹⁾	-544
Total transactions with shareholders	-	-	-	-	-544	-544
OPENING BALANCE, 1 JANUARY 2020	242	5	112	-3	5,508	5,864
Comprehensive income						
Net profit for the year	-	-	-	-	1,138	1,138
Other comprehensive income						
Fair value adjustment of hedge instruments	-	-	-	-1	-	-1
Tax attributable to fair value adjustments	-	-	-	0	-	0
Total comprehensive income	-	-	-	-1	1,138	1,137
Transactions with shareholders						
Dividend paid for 2019	-	-	- ²⁾	-	-	-
New issues	0	-	87	-	-	87
Bonus issue	485	-	-	-	-485	-
Total transactions with shareholders	485	-	87	-	-485	87
CLOSING BALANCE, 31 DECEMBER 2020	727	5	199	-4	6,161	7,088

¹⁾ The dividend per share for 2018 amounted to SEK 1.50 restated for the 2:1 bonus issue in December 2020.

²⁾ The dividend per share for 2019 amounted to SEK 0. The proposed dividend per share for 2020 amounts to SEK 1.80.

Cash flow statement Parent Company

SEK million	Note	2020	2019
Operating activities			
Operating profit		-109	-113
<i>Adjustment for</i>			
Depreciation, amortisation and impairment losses	9, 16, 17	1	0
Net profit for sale of operations		-	0
Other non-cash items		7	4
Paid tax		-119	-169
<i>Change in working capital</i>			
Trade receivables		0	0
Trade payables		-2	2
Other operating assets and liabilities, net		176	-1,477
Interest received		130	90
Interest paid		-68	-74
Group contributions received and dividend income		1,548	1,644
Other financial items		-40	-33
Cash flow from operating activities		1,524	-126
Investing activities			
Acquisitions of subsidiaries	19	-268	-418
Divestment of subsidiaries		-	0
Acquisitions of non-current intangible assets and property, plant and equipment	16,17	-1	0
Cash flow from investing activities		-269	-418
Financing activities			
Borrowings		2,947	5,073
Repayment of debt		-4,289	-4,185
Dividend paid out		-	-544
New issues		87	-
Cash flow from financing activities		-1,255	344
Cash flow for the year		0	-200
Cash and cash equivalents at start of year		0	200
Cash and cash equivalents at end of year	30	0	0

Notes

Unless otherwise stated, all amounts in the notes are in SEK million. Rounding-off differences may occur.

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 more than 200 subsidiaries in 30 countries. Indutrade's shares have been listed on Nasdaq Stockholm since 2005.

The Group is structured into eight business areas.

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 19 March 2021. The consolidated and parent company income statements and balance sheets will be presented for adoption by the Annual General Meeting on 13 April 2021.

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), 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 2020

There are no new IFRSs or IFRIC pronouncements endorsed that have had a significant impact on the Group's result of operations and position in 2020.

No newly issued IFRSs or interpretations have been applied prospectively.

Standards, amendments and interpretations that apply as from 1 January 2021

There are no new IFRSs or IFRIC pronouncements endorsed that will have a significant impact on the Group's result of operations and position in 2021.

No newly issued IFRSs or interpretations have been applied prospectively.

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 consideration for acquisition of a subsidiary is comprised of the fair value of what has been paid in cash and the fair value of liabilities arising from contingent earn-out payments, i.e. the fair value of acquired assets and liabilities, along with goodwill arising from the acquisition. Transaction costs in connection with acquisitions are recognised directly in profit for the year as other operating expenses. In cases where contingent earn-out payment 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 more 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

Note 1 continued

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 primarily applies to assessments of: testing for impairment of goodwill, defined benefit pension obligations, discount rate for leasing and the duration of the lease. 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 earn-out payments affects the value of participations in subsidiaries. Contingent earn-out payments are 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.

02

Risks and risk management

Accounting principles

Financial instruments

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

Trade payables

Indutrade's trade payable typically fall due within 6 months, which is why they are classified as current liabilities. Initially, trade payables are measured at fair value and thereafter at amortised cost.

Derivative instruments

Derivative instruments are reported at fair value in the balance sheet as per the contract date, both initially and for subsequent revaluations. The method for reporting the profit or loss that arises with revaluation depends on how the derivative was identified. The Group identifies certain derivatives as a hedge on a highly probable forecast transaction (cash flow hedge). More information is provided below under Cash Flow Hedging.

For other derivatives, 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. The costs and earnings impact of forward contracts used to hedge loans are reported as part of 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 derivatives, such as forward contracts, are recognised in the income statement on the same line and at the same point in time as the hedged item, typically as part of other operating income/expense.

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.

Holdings of shares and participation in unlisted companies

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 insignificant.

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 risks

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.

Financial statements

Note 2 continued

Funding risk and liquidity risk

Funding risk is 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 manages the Group's funding needs centrally. Nearly all of the 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.

In order to secure its long-term financing, Indutrade signed an agreement during the year for a new revolving credit facility. It amounts to SEK 750 million and the agreement spans 3 years. In total, there are revolving credit facilities for SEK 4,250 million, of which SEK 3,500 million span over 5 years. At year-end SEK 4,250 million of the facility were unutilised.

Indutrade's agreement with the bank contains covenants, i.e. thresholds on certain KPIs. All of the covenants were met with a good margin during the year.

Indutrade has had a commercial paper programme in place since 2014. As of the end of the financial year, the framework of the programme was SEK 3,000 million.

Indutrade also has a Medium Term Note programme (MTN) with a framework amount of SEK 3,000 million.

The Group's interest-bearing net debt was SEK 4,878 million (6,130) at year-end.

At year-end, the Group had SEK 758 million (719) in cash and cash equivalents and SEK 4,895 million (3,258) in unutilised overdraft facilities. Of the Group's interest-bearing loans, 78% of the total principal falls due for payment after 31 December 2021. For a more detailed maturity analysis, see the description of the Group's borrowings in Note 24.

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 56% (85%).

Interest rate risk

Interest rate risk is the risk that unfavourable changes in interest rates will have a significant impact on the Group's net financial items and earnings. At year-end, as in the preceding year, most of the Group's loans had variable interest rates.

The Parent Company has entered into two contracts to hedge SEK 250 million of its borrowing at variable interest against fixed interest for five years. The contract expires in 2023. The difference between the fixed and variable interest is expensed in the income statement. The valuation of interest rate swaps for the year amounted to SEK –1 million (0) before tax, which is recognised in other comprehensive income. The Parent Company had a corresponding result of SEK –1 million (0).

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 –34 million (–43), taking into account the loans' fixed interest periods. Taking into account the existing interest rate swaps, the effect would be approximately SEK –31 million (–41). Profit after tax would be affected by SEK –25 million (–32).

The table below shows the remaining contractual terms of loans and contingent earn-out payments until maturity, including interest. Trade payables normally have a term of less than six months.

For information on the utilisation of bank overdraft facilities, granted credit limits and contingent earn-out payments, see Note 24. For leasing liabilities, see Note 18.

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

	Group		Parent company	
	2020	2019	2020	2019
Maturity in 2020	–	1,846	–	1,677
Maturity in 2021	882	883	774	585
Maturity in 2022	797	576	643	557
Maturity in 2023	1,406	1,083	1,337	1,023
Maturity in 2024	1,159	1,200	1,015	1,200
Maturity in 2025 or later	47	55	–	–
Total borrowings incl. interest, SEK million	4,291	5,643	3,769	5,042

Currency risk

Currency risk is the risk of unfavourable movements in exchange rates affecting consolidated profit 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 to the extent 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 –11 million (3), net, in exchange rate differences in operating profit and SEK –13 million (–5), net, in financial items.

With respect to operational transaction exposure, at 31 December 2020 Indutrade had net exposure of SEK 97 million (179) in foreign currency. See the breakdown of currencies in the following table.

Net exposure at year-end

Group SEK million	2020		2019	
	local currency	SEK	local currency	SEK
EUR	5.7	58	12.0	125
USD	5.6	46	7.7	72
DKK	–0.1	0	9.8	14
CHF	–0.2	–2	–1.4	–13
GBP	–2.5	–27	–1.6	–19
Other currencies		22		0
Total		97		179

At year-end, the Group had outstanding forward contracts to reduce the currency risk associated with future cash flows. All of the contracts mature within 17 months. Market valuation of outstanding forward contracts as per 31 December 2020 resulted in an unrealised gain of SEK 5 million (–2) before tax, which is recognised in other comprehensive income.

Note 2 continued

Forward contracts

Group SEK million	2020	2019
USD	190	125
EUR	90	9
SGD	23	28
SEK	9	30
AUD	5	6
GBP	–	13
Total	317	211

In addition, the Parent Company has hedged outstanding receivables from and liabilities to subsidiaries, along with contingent earn-out payments. Receivables from subsidiaries increased during the year.

Forward contracts

Parent Company SEK million	2020	2019
EUR	2,002	1,364
GBP	1,854	1,902
CHF	249	395
USD	156	179
NOK	128	53
DKK	101	216
PLN	24	24
SGD	–	3
Total	4,514	4,136

All contracts mature within 23 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 2020 and 2019, but the amounts were insignificant.

Net investments in foreign subsidiaries

Group Net exposure in millions	2020		2019	
	local currency	SEK	local currency	SEK
EUR	343	3,440	261	2,727
GBP	143	1,589	144	1,758
NOK	727	694	591	625
DKK	475	641	522	729
CHF	37	341	40	380
Total		6,705		6,219

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 141 million (133) on net sales and approximately SEK 13 million (11) on net profit. The effect on equity of a 1% change would be SEK 70 million (65).

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. These have primarily been major Nordic banks.

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. The Indutrade Group does business in many countries, which entails a spread of credit risk exposure over several geographic areas. No single customer represents more than 3 percent of sales. For information on sales per geographic area, see Note 4.

For information on age analysis, doubtful debts and bad debts, see Note 22.

Financial assets and liabilities

Financial instruments are measured at fair value, based on the classification of the fair value hierarchy:

Other observable data, besides listed prices, for assets or liabilities (Level 2), Non-observable market data (Level 3).

No reclassifications between Level 2 and Level 3 were made during the year. 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 are not made on a regular basis for changes in the market interest rate, since the effects of these are judged to be negligible. For further information about contingent earn-out payments and loans, see Note 24.

	Contingent earn-out payments	
	2020	2019
Opening book value	565	215
Acquisitions during the year	319	465
Consideration paid	–104	–93
Reclassified via income statement	–213	–32
Interest expenses	5	7
Exchange rate differences	–23	3
Closing book value	549	565

Financial statements

Note 2 continued

The Group's financial assets and liabilities in 2020

	Interest rate swaps and currency forward contracts in hedge accounting	Amortised cost	Holdings of shares and participation in unlisted companies	Contingent earn- out payments	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Valuation classification	Level 2		Level 3	Level 3			
Other shares and participations	–	–	12	–	–	12	12
Trade receivables	–	2,925	–	–	–	2,925	2,925
Other receivables	7	49	–	–	–	56	56
Cash and cash equivalents	–	758	–	–	–	758	758
Total	7	3,732	12	–	–	3,751	3,751
Non-current interest-bearing liabilities	–	–	–	462	3,588	4,050	4,057
Current interest-bearing liabilities	–	–	–	87	1,099	1,186	1,186
Trade payables	–	–	–	–	1,136	1,136	1,136
Other liabilities	10	–	–	–	–	10	10
Total	10	–	–	549	5,823	6,382	6,389

The Group's financial assets and liabilities in 2019

	Interest rate swaps and currency forward contracts in hedge accounting	Amortised cost	Holdings of shares and participation in unlisted companies	Contingent earn- out payments	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Valuation classification	Level 2		Level 3	Level 3			
Other shares and participations	–	–	14	–	–	14	14
Trade receivables	–	3,025	–	–	–	3,025	3,025
Other receivables	3	5	–	–	–	8	8
Cash and cash equivalents	–	719	–	–	–	719	719
Total	3	3,749	14	–	–	3,766	3,766
Non-current interest-bearing liabilities	–	–	–	411	3,919	4,330	4,339
Current interest-bearing liabilities	–	–	–	154	1,988	2,142	2,143
Trade payables	–	–	–	–	1,237	1,237	1,237
Other liabilities	8	–	–	–	–	8	8
Total	8	–	–	565	7,144	7,717	7,727

03

Segment reporting

Accounting principles

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.

Detailed information on segment revenue is provide in Note 4 Revenue from Contracts with Customers.

The Group is organised in these eight business areas: Benelux, DACH, Finland, Flow Technology, Fluids & Mechanical Solutions, Industrial Components, Measurement & Sensor Technology and UK. They constitute the Group’s operating segments.

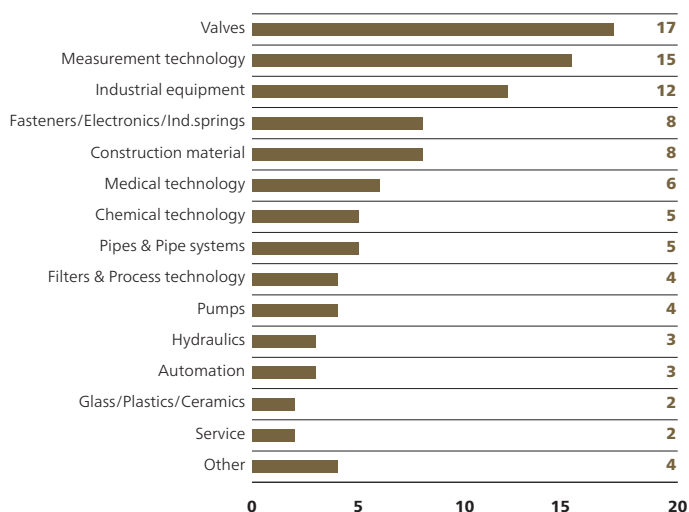
The Group’s business areas conduct business primarily in the Nordic countries and in central and northern Europe. See the Directors’ Report for a description of each business area.

According to IFRS, “Other” is the part of operations that does not constitute its own operating segment. 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.

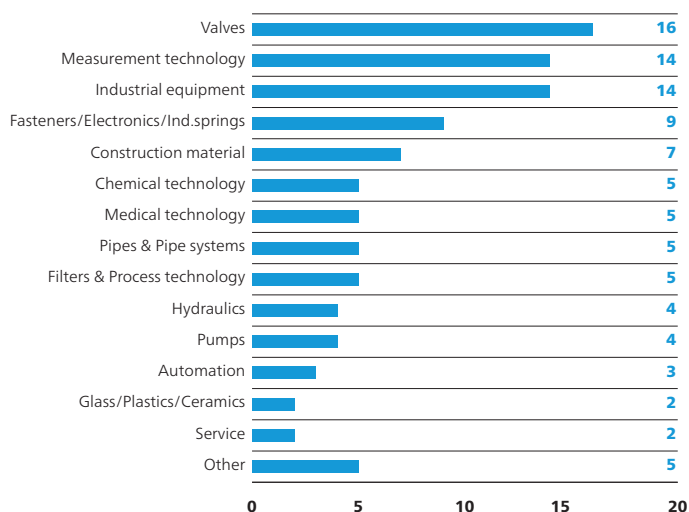
The operating segments are monitored through “Net sales”, which include both external and internal sales. However, the scope of internal sales between the subsidiaries is very limited, which is shown in the eliminations column in the table below.

The earnings measure that is monitored in Indutrade is EBITA. The business areas are followed up using the same accounting principles as the Group.

Sales per product area 2020, %



Sales per product area 2019, %



Financial statements

Note 3 continued

2020	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	PC	Elim. ¹⁾	Total
Net sales	2,773	1,529	1,679	4,071	1,979	3,803	2,120	1,322	8	-67	19,217
Operating profit	299	128	235	575	237	504	266	120	-109	11	2,266
Net financial items											-126
Income Tax											-471
Net profit											1,669
EBITA ²⁾	360	169	247	607	268	569	334	159	-109	11	2,615
EBITA margin, %	13	11.1	14.7	14.9	13.5	15.0	15.8	12.0			13.6
Amortisation of intangible assets	-65	-43	-23	-35	-34	-73	-84	-39	-	-	-396
<i>of which attributable to acquisitions</i>	-61	-41	-12	-32	-31	-65	-68	-39	-	-	-349
Depreciation of property, plant and equipment	-90	-77	-70	-83	-78	-84	-63	-54	-1	-	-600
Investments in non-current assets	74	20	32	33	56	77	64	52	0	-	408

2019	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	PC	Elim. ¹⁾	Total
Net sales	2,288	1,403	1,689	3,798	2,041	3,513	2,259	1,469	7	-56	18,411
Operating profit	267	104	217	460	240	371	304	171	-113	-5	2,016
Net financial items											-124
Income Tax											-409
Net profit											1,483
EBITA ²⁾	315	134	223	491	279	432	366	208	-113	-5	2,330
EBITA margin, %	13.8	9.6	13.2	12.9	13.7	12.3	16.2	14.2			12.7
Amortisation of intangible assets	-50	-31	-15	-34	-42	-68	-72	-37	0	-	-349
<i>of which attributable to acquisitions</i>	-48	-30	-6	-31	-39	-61	-62	-37	-	-	-314
Depreciation of property, plant and equipment	-77	-69	-69	-78	-70	-77	-58	-51	-1	-	-550
Investments in non-current assets	42	90	23	46	66	43	52	58	0	-	420

¹⁾ Primarily pertains to the elimination of intra-Group sales and intra-Group profit on inventory.

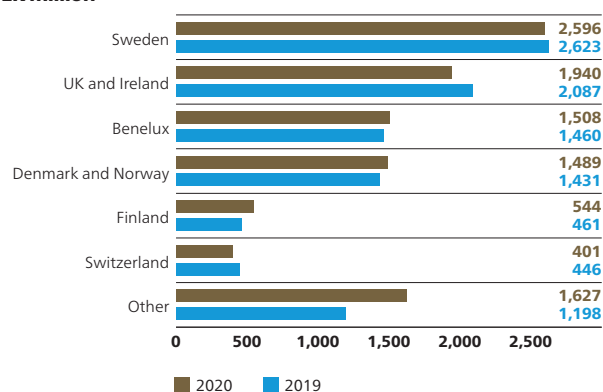
²⁾ EBITA less depreciation/amortization attributable to acquisitions is equal to Operating profit

FT – Flow Technology FMS – Fluids & Mechanical Solutions IC – Industrial Components

MST – Measurement & Sensor Technology

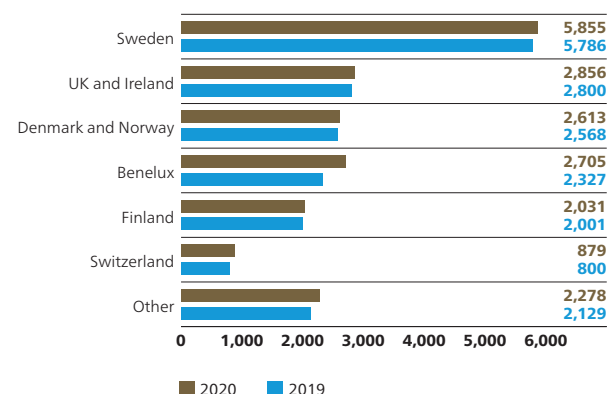
PC – Parent Company & Group Item

The Group's property, plant and equipment per geographic area, SEK million



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

The Group's revenue 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.

Revenue from Contracts with Customers

Accounting principles

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 include services, such as for installation of a product. Revenue for installation is typically recognized at a specific point in time, since it does not meet the criteria for recognition over time. 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 are frequently offered to customers 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.

A few companies work with larger projects where performance does not result in creation of an asset with alternative use and where

it is also entitled to payment for services rendered to date, such as manufacturing of a customized product. This revenue is recognised over time. 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 change 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.

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.

The Group does not expect to have any significant 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.

The Group does not have any material assets that have arisen from the costs associated with fulfilling a contract, such as costs associated with obtaining a contract with customers, costs prior to entering into a contract or start-up costs.

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.

2020	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	69	12	1,550	2,357	1,401	3,229	528	96	-27	9,215
Other Europe	2,088	1,447	99	1,445	461	517	727	1,061	-22	7,823
Americas	299	38	18	33	83	38	611	82	-6	1,196
Asia	289	26	9	122	26	11	199	68	-2	748
Other	28	6	3	114	8	8	55	15	-2	235
IS	2,773	1,529	1,679	4,071	1,979	3,803	2,120	1,322	-59	19,217
When revenue is recognised										
- Over time	0	296	0	0	0	28	213	0	-1	536
- At a specific time	2,773	1,233	1,679	4,071	1,979	3,775	1,907	1,322	-58	18,681
IS	2,773	1,529	1,679	4,071	1,979	3,803	2,120	1,322	-59	19,217
2019	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	27	10	1,560	2,271	1,430	3,104	495	102	-19	8,980
Other Europe	1,856	1,330	110	1,276	494	353	837	1,202	-16	7,442
Americas	190	41	10	34	81	32	652	90	-6	1,124
Asia	197	15	7	179	29	21	216	60	-5	719
Other	18	7	2	38	7	3	59	15	-3	146
IS	2,288	1,403	1,689	3,798	2,041	3,513	2,259	1,469	-49	18,411
When revenue is recognised										
- Over time	48	264	0	185	0	151	191	7	-4	842
- At a specific time	2,240	1,139	1,689	3,613	2,041	3,362	2,068	1,462	-45	17,569
IS	2,288	1,403	1,689	3,798	2,041	3,513	2,259	1,469	-49	18,411

FT – Flow Technology FMS – Fluids & Mechanical Solutions IC – Industrial Components MST – Measurement & Sensor Technology PC – Parent Company & Group Items

Financial statements

Note 4 continued

	Group		Parent company	
	2020	2019	2020	2019
Contract assets				
Opening book value	110	99		
New contracts and increase in existing contracts	279	81		
Reclassification of contract asset to accounts receivable	-246	-75		
Exchange rate differences	-8	5		
BS Closing book value	135	110		
Contract liabilities				
Opening book value	151	148		
Company acquisition and divestment	-19	-5		
Increase in contract liabilities during the year	69	74		
Contracts for which revenue has been recognised that were included in contract liabilities at the beginning of the period	-83	-68		
Impairment losses	-	-3		
Exchange rate differences	-9	5		
BS Closing book value	109	151		

During 2020, revenue from performance obligations that were fulfilled during prior periods amounted to SEK 4 (1) million. This type of revenue could consist of customer bonuses that did not need to be paid and changes in the estimated revenue or costs of major products based on changed assumptions.

Remaining long-term customer contracts not yet fulfilled or partially fulfilled as of 31 December 2020 amount to SEK 258 million. Of that amount, SEK 211 million is expected to be recognised as revenue during the 2021 financial year and the remainder, SEK 47 million in 2022.

Other contracts with customers have an original expected duration of 1 year, at most. In accordance with IFRS 15, disclosures of the transaction price have not been provided for these unfulfilled obligations.

05

Income statements classified by type of cost

	Group		Parent company	
	2020	2019	2020	2019
Goods for resale, raw materials and consumables	-10,045	-9,526	-	-
Costs for employee benefits	-4,426	-4,286	-71	-69
Depreciation/amortisation, Notes 9,16,17	-996	-899	-1	-1
Transport costs	-342	-364	-1	-1
Marketing costs	-128	-161	-1	-1
Property-related costs	-571	-517	-12	-11
Other costs	-532	-683	-31	-37
IS Total	-17,040	-16,436	-117	-120

06

Other operating income/expenses

	Group		Parent company	
	2020	2019	2020	2019
Other operating income				
Exchange rate gains	86	86	-	-
Revaluation of liabilities pertaining to contingent earn-out payments, Note 2	212	31	-	-
Gain on sale of subsidiaries/operations	33	6	-	-
Insurance benefits and similar benefits	12	29	-	-
Other	2	1	-	-
IS Total	345	153	-	-
Other operating expenses				
Exchange rate losses	-97	-83	-	-
Revaluation of liabilities pertaining to contingent earn-out payments, Note 2	-4	-1	-	-
Transaction costs associated with acquisitions, Note 31	-11	-14	-	-
Loss on sale of subsidiaries/operations	-3	-14	-	-
Impairment losses on intangible assets, Note 16	-141	-	-	-
IS Total	-256	-112	-	-
Other operating income/expenses, net	89	41	-	-

07

Average number of employees

	2020		2019	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent company	20	12	17	10
Subsidiaries in Sweden	1,637	370	1,589	341
Total Sweden	1,657	382	1,606	351
Subsidiaries outside Sweden	5,692	1,381	5,561	1,728
Total	7,349	1,763	7,167	2,079

The Parent Company's board is composed of 2 women and 6 men (same as in preceding year). The subsidiaries' boards and senior executives include 21 (20) women. The Group Management consisted of 3 (3) women and 12 (12) men through 31 December 2020.

Wages, salaries and other remuneration, and social security costs

Accounting principles

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

	2020			2019		
	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	43	26	12	43	23	8
Subsidiaries in Sweden	898	385	114	879	394	98
Total Sweden	941	411	126	922	417	106
Subsidiaries outside Sweden	2,616	437	192	2,435	407	187
Total	3,557	848	318	3,357	824	293

Of the Parent Company's pension costs, SEK 3 million (3) pertains to the Board of Directors and the CEO. The corresponding amount for the Group is SEK 54 million (47).

Wages, salaries and other remuneration broken down by country (Sweden and other countries) and by category of employee (senior executives and other employees)

	2020			2019		
	Company management ¹⁾	Of which, bonuses and similar	Other employees	Company management ¹⁾	Of which, bonuses and similar	Other employees
Parent company	16	4	27	15	3	28
Subsidiaries in Sweden	114	13	784	111	15	768
Total Sweden	130	17	811	126	18	796
Subsidiaries outside Sweden	234	33	2,382	215	29	2,220
Total	364	50	3,193	341	47	3,016

¹⁾ Pertains to Board of Directors and Presidents.

Wages, salaries and remuneration of senior executives

The Chairman and members of the Board of Directors are paid a fee in accordance with a resolution by the Annual General Meeting. At the AGM in June 2020, it was resolved that the fees should be unchanged, i.e. that a fee of SEK 600,000 should be paid to the Chairman of the Board and SEK 450,000 to the Vice Chairman. Other Board members, who are not employees of the company, are paid a fee of SEK 300,000 each. The Audit Committee chair is paid an additional fee of SEK 80,000, and the other members receive SEK 40,000 each. A fee of SEK 30,000 is paid to the chair and each of other members of the Remuneration Committee.

Guidelines for compensation and other terms of employment for senior executives adopted by the 2020 Annual General Meeting

These guidelines shall be applicable to agreed compensation, and amendments to compensation already agreed, after adoption of the guidelines by the 2020 Annual General Meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

A prerequisite for the successful implementation of the company's business strategy and safeguarding of the company's long-term interests, including its sustainability, is that Indutrade is able to recruit and

retain management with high qualifications. To this end, the company must offer competitive compensation and other terms of employment, which these guidelines enable. The forms of compensation should motivate members of the executive management to perform their utmost in order to safeguard the interests of the shareholders. For more information about the company's business strategy, please see the company's website: <https://www.indutrade.com/about-indutrade/objectives--strategy/>.

These guidelines encompass senior executives, i.e. the CEO and other members of the group management (the executive management). For employments governed by rules other than Swedish, customary adjustments may be made for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Variable cash compensation covered by these guidelines shall aim to promote the company's business strategy and long-term interests, including its sustainability.

The types of compensation

The total compensation shall be on market terms, straightforward, long-term and quantifiable, and may consist of the following components: fixed cash salary, variable cash compensation, pension benefits, as well as other benefits.

Financial statements

Note 8 continued

The general meeting may also, irrespective of these guidelines, resolve on, among other things, share-related or share price-related compensation (for information about ongoing incentive programmes, please see the company's website: <https://www.indutrade.com/about-indutrade/corporate-governance/remuneration/>).

The performance period with respect to criteria for awarding variable salary shall be measured over a period of one or several years. The variable cash compensation may amount to a maximum of 50 percent of the fixed annual salary.

Additionally, senior executives may be awarded cash compensation linked to their investments in shares or share-related instruments under such incentive programmes, as well as pension and other benefits. Such cash compensation must not exceed 15 percent of the fixed annual salary.

The pension terms for the executive 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, a maximum of 40 percent of the fixed annual salary, and should be based on defined contribution pension solutions or correspond to a public pension plan (in Sweden the ITP plan). Variably salary to members of the executive management not covered by the ITP plan shall not qualify for pension benefits.

Other benefits may include, for example, life insurance, health insurance and company car. Premiums and other costs related to such benefits may amount to not more than 15 percent of the fixed annual salary. Awarding of non-monetary benefits shall facilitate the individuals in the execution of their duties and correspond to what can be considered reasonable in respect of practice in the market in which the respective executive is active.

Termination of employment

The notice period for a member of the executive management may not exceed 12 months if the termination is initiated by the company, and 6 months if it is initiated by the individual. Severance pay to a member of the executive management shall in aggregate not exceed 24 months' salary in the event the company serves notice, and 6 months' salary in the event the member of the executive management gives notice.

Criteria for variable cash compensation

The variable compensation shall be designed so as to reward the achievement of clear objectives, in straight-forward and transparent structures, and be linked to one or several predetermined and measurable financial criteria, such as sales growth, EBITA-margin or return on operating capital/capital employed. Any non-financial criteria shall be related to sustainability. Financial criteria shall constitute at least 75 percent of all criteria.

Once the period for measuring the satisfaction of criteria for awarding variable cash compensation expires, the outcome will be determined. The Remuneration Committee is responsible for determining the CEO's outcome, while the CEO is responsible for determining the outcome for other members of the executive management. For financial objectives, the assessment shall be based on the latest financial information made public by the company, with any adjustments deemed necessary or reasonable by the Board of Directors.

The terms for variable compensation shall be designed so that the Board of Directors, under exceptional financial conditions, may limit, refuse or redeem payment of variable compensation if such measure is deemed reasonable.

In specific cases, arrangements may be made on one-time variable compensation, provided that such compensation does not exceed an amount corresponding to 10 percent of the fixed annual salary, and is not paid more than once each year per individual. Such compensation shall not qualify for pension benefits unless required by mandatory collective agreement provisions. Resolutions on such compensation shall be made by the Board of Directors based on a proposal from the Remuneration Committee, so far as it concerns the CEO, and by the Remuneration Com-

mittee based on a proposal from the CEO, so far as it concerns other senior executives.

No other variable cash compensation shall be paid.

Salary and other employment terms for employees

In the preparation of the Board of Directors' proposal for these compensation guidelines, salary and other employment terms for employees of the company have been taken into account by including information on the employees' total compensation, the components of the compensation and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, evaluate and apply the guidelines

The Board of Directors has appointed a Remuneration Committee with the task of preparing the Board of Directors' decisions regarding proposal for guidelines for compensation to senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year, and submit it to the Annual General Meeting.

The Remuneration Committee shall also monitor and evaluate programmes for variable compensation to members of the executive management, as well as the application of the guidelines in terms of compensation levels and structures. Members of the executive management do not participate in the Board of Directors' processing of, and resolutions regarding, compensation-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines adopted by the general meeting, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interest, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in compensation-related matters, including any resolutions to derogate from the guidelines.

Incentive programmes

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 warrants were acquired at an estimated market price.

A cash subsidy corresponding to a total of 120 percent 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 was paid out in 2019 and half in 2020. The subsidy was paid for the number of warrants the individual was granted and not for any over-subscription. The subsidy was expensed over the vesting period. The total cost is SEK 10 million, of which SEK 1 million in 2020.

The CEO acquired 40,000 warrants, of which 20,000 without cash subsidy. Others members of the Group management team acquired 145,000 warrants, of which 30,000 without cash subsidy. In 2020, the CEO utilised all warrants to subscribe for shares and other members of the Group management team utilised 12,600 warrants to subscribe for shares, also, 61,400 warrants were divested. In addition to this programme, the CEO acquired 100,000 warrants in 2017 at an estimated market price via LE Lundbergföretagen. Following the 2:1 bonus issue in December 2020, they entitle holders to subscribe for 300,000 shares.

Note 8 continued

Outstanding incentive programmes

Outstanding programme	Number of options	Corresponding number of shares	Proportion of total shares	Price per warrant, SEK	Original subscription price, SEK	Recalculated subscription price, SEK	Number of exercised warrants	Corresponding number of shares	Expiration period
2017/2022, Series I	526,000	1,578,000	0.4%	15.0	244.9	81.6	317,000	951,000	27 April 2020 – 20 May 2022
2017/2022, Series II	60,000	180,000	0.0%	13.4	276.8	92.3	33,000	99,000	27 April 2020 – 20 May 2022

Compensation and other benefits, 2020

SEK thousand	Base salary/ Directors' fees	Variable compensation ¹⁾	Other benefits	Pension cost	Total
Katarina Martinson, Chairman of the Board, Chairman of the Remuneration Committee, Member of the Audit Committee	670				670
Bengt Kjell, Vice Chairman of the Board, Member of the Remuneration Committee	480				480
Susanna Campbell, Director	300				300
Anders Jernhall, Director, Member of the Audit Committee	340				340
Ulf Lundahl, Director, Chairman of the Audit Committee	380				380
Krister Mellvé, Director	300				300
Lars Pettersson, Director, Member of the Remuneration Committee	330				330
Bo Annvik, CEO ²⁾	8,509	4,405	436	3,066	16,416
Other senior executives (14 persons) ²⁾	34,162	11,591	2,149	8,095	55,997
Total	45,471	15,996	2,585	11,161	75,213

¹⁾ Including compensation (the year's subsidy cost) for the senior executives who participate in the incentive programmes described above.
For the CEO, the cost is SEK 25 thousand for other senior executives it is SEK 140 thousand.

²⁾ In 2020, members of the Group management team reduced the base salary by 10 percent for 6 months due to uncertainty about the COVID-19 pandemic.

Compensation and other benefits, 2019

SEK thousand	Base salary/ Directors' fees	Variable compensation ¹⁾	Other benefits	Pension cost	Total
Katarina Martinson, Chairman of the Board, Chairman of the Remuneration Committee, Member of the Audit Committee	624				624
Bengt Kjell, Vice Chairman of the Board, Member of the Remuneration Committee	461				461
Susanna Campbell, Director	289				289
Anders Jernhall, Director, Member of the Audit Committee	309				309
Ulf Lundahl, Director, Chairman of the Audit Committee	360				360
Krister Mellvé, Director	289				289
Lars Pettersson, Director, Member of the Remuneration Committee	318				318
Bo Annvik, CEO	8,517	3,432	607	2,898	15,454
Other senior executives (14 persons)	34,213	11,670	2,409	8,471	56,763
Total	45,380	15,102	3,016	11,369	74,867

¹⁾ Including compensation (the year's subsidy cost) for the senior executives who participate in the incentive programmes described above.
For the CEO, the cost is SEK 98 thousand for other senior executives it is SEK 546 thousand.

09

Depreciation and amortisation

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

	Group		Parent company	
	2020	2019	2020	2019
Cost of goods sold	603	549	–	–
Development costs	24	14	–	–
Selling costs	219	197	–	–
Administrative expenses	150	139	1	1
Total	996	899	1	1

10

Government assistance

Accounting principles

Indutrade does not normally receive government assistance. However, due to the extraordinary circumstances associated with the COVID-19 pandemic, companies belonging to the Group have obtained this type of support and it has primarily been employee-related. Such support is reported in the financial statements as a cost reduction for the items the support relates to. Recognition occurs when it is reasonably certain that the support will be received and any stated terms and conditions have been met.

	Group		Parent company	
	2020	2019	2020	2019
Temporary lay-offs	67	-	-	-
Reduced employer contributions	31	-	-	-
Other assistance	6	-	0	-
Total assistance	104	-	0	-

Assistance received amounts to 0.5% of net sales. In conjunction with assistance already received, there are no remaining unmet conditions or other contingent liabilities.

11

Auditors' fees

	Group		Parent company	
	2020	2019	2020	2019
PricewaterhouseCoopers				
Audit assignment	18	16	2	1
Auditing activities in addition to audit assignment	0	1	-	-
Tax consulting	1	1	-	-
Other services	1	0	0	0
Total fees, PricewaterhouseCoopers	20	18	2	1
Other auditing firms				
Auditing fees	6	6	-	-

Other auditing firms refers to several auditing firms where none account for a significant amount in 2020 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 7 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 1 million.

12

Financial income

Accounting principles

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	
	2020	2019	2020	2019
Interest	18	15	130	90
Exchange rate differences ¹⁾	-	130	-	124
Other	0	0	-	-
15 Total financial income	18	145	130	214
<i>Of which, pertaining to Group companies:</i>				
Interest	-	-	115	81

¹⁾ as of 2020 exchange rate difference are reported at the net amount. The comparative financial information has not been restated.

13

Financial expenses

Accounting principles

Financial expenses consist of interest expense on loans and pension liabilities, effects of the dissolution of discounted contingent earn-out payments, interest expense on leases, 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	
	2020	2019	2020	2019
Interest expenses, bank loans	-74	-80	-66	-72
Interest expenses, pension liability	-3	-5	-	-
Interest expenses, leases	-27	-26	0	0
Interest expenses, contingent earn-out payments	-5	-7	-1	-1
Total interest expenses	-109	-118	-67	-73
Exchange rate differences ¹⁾	-13	-135	-21	-144
Other	-22	-16	-21	-14
15 Total financial expenses	-144	-269	-109	-231
<i>Of which, pertaining to Group companies:</i>				
Interest	-	-	-3	-2

¹⁾ as of 2020 exchange rate difference are reported at the net amount. The comparative financial information has not been restated.

14

Profit from participation in Group companies

Parent company	2020	2019
Dividends from subsidiaries	894	991
Liquidation loss	–	–10
IS Total	894	981

15

Taxes

Accounting principles

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 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	
	2020	2019	2020	2019
<i>Tax expense</i>				
Current tax	–545	–467	–78	–108
Deferred tax	74	60	7	0
Other tax	0	–2	0	0
Total	–471	–409	–71	–108

The Group's tax expense amounts to 22% (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	
	2020	2019	2020	2019
Profit before taxes	2,140	1,892	1,209	1,479
Weighted average tax based on national tax rates (Group 21.1% and 21.1%, respectively, and Parent Company 21.4% and 21.4%, respectively)	–452	–400	–259	–316
Tax effect of:				
Non-deductible interest expenses on discounted contingent earn-out payments	–1	–1	0	0
Non-deductible transaction costs for acquisitions	–2	–3	–	–
Tax-exempt contingent earn-out payment recognised as income	45	7	–	–
Non-deductible impairment of goodwill	–28	–	–	–
Other non-deductible other expenses / tax-exempt income	–15	–8	189 ¹⁾	208 ¹⁾
Losses, for which loss carryforward is not recognised	–3	–14	–	–
Utilisation of loss-carryforward where tax was not previously reported	1	2	–	–
Adjustment pertaining to previous years' current tax	2	–3	–1	0
Change in tax rate	–18	13	0	0
Other items	0	–2	0	0
IS Total	–471	–409	–71	–108
	22%	21.6%	5.9%	7.3%

¹⁾ Pertains primarily to dividends from subsidiaries.

Financial statements

Note 15 continued

Group, 1 Jan– 31 Dec 2020	Intangible assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
Deferred tax, net						
Opening book value	-465	-83	-155	60	71	-572
Deferred tax as per income statement	70	5	4	2	11	92
Change in tax rate affecting income statement	-19	-1	0	2	0	-18
Deferred tax recognised in other comprehensive income	-	-	-	3	-1	2
Deferred tax attributable to acquisitions	-116	-3	-1	-	-1	-121
Exchange rate differences	20	4	0	-1	-3	20
Closing book value	-510	-78	-152	66	77	-597
As per 31 Dec 2020						
BS Deferred tax asset	3	3	0	64	82	152
BS Deferred tax liability	-513	-81	-152	2	-5	-749
Deferred tax, net	-510	-78	-152	66	77	-597
Group, 1 Jan – 31 Dec 2019	Intangible assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
Deferred tax, net						
Opening book value	-388	-69	-143	46	67	-487
Change in accounting method	-	-	-	-	7	7
Deferred tax as per income statement	65	-1	-7	-1	-9	47
Change in tax rate affecting income statement	14	1	0	-2	0	13
Deferred tax recognised in other comprehensive income	-	-	-	16	0	16
Deferred tax attributable to acquisitions	-147	-12	-5	0	4	-160
Exchange rate differences	-9	-2	0	1	2	-8
Closing book value	-465	-83	-155	60	71	-572
As per 31 Dec 2019						
BS Deferred tax asset	0	4	0	60	70	134
BS Deferred tax liability	-465	-87	-155	0	1	-706
Deferred tax, net	-465	-83	-155	60	71	-572

The loss-carryforward, in which deferred tax has been capitalised, amounts to SEK 173 million (165), corresponding to a tax asset of SEK 52 million (54). The tax that has been capitalised on loss-carryforwards pertains mainly to German companies. The loss-carryforward is not limited in time. Uncapitalised loss-carryforwards amount to SEK 80 million (119), corresponding to a tax asset of SEK 22 million (29). The amount is primarily attributable to companies in Germany, USA, China, Singapore

and Brazil. The remainder is made up of other 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 71 million is estimated to be dissolved in 2021. The calculation is based on estimated depreciation of acquisition calculations in the coming years.

Parent Company, 1 Jan– 31 Dec 2020	Pension obligations	Other items	Total tax
Deferred tax, net			
Opening book value	4	-5	-1
Deferred tax as per income statement	0	6	6
Change in tax rate affecting income statement	0	0	0
Deferred tax recognised in other comprehensive income	-	0	0
Closing book value	4	1	5
As per 31 Dec 2020			
BS Deferred tax asset	4	1	5
BS Deferred tax liability	-	0	0
Deferred tax, net	4	1	5

Parent Company, 1 Jan– 31 Dec 2019	Pension obligations	Other items	Total tax
Deferred tax, net			
Opening book value	3	-4	-1
Deferred tax as per income statement	1	-1	0
Change in tax rate affecting income statement	0	0	0
Deferred tax recognised in other comprehensive income	-	0	0
Closing book value	4	-5	-1
As per 31 Dec 2019			
BS Deferred tax asset	4	0	4
BS Deferred tax liability	-	-5	-5
Deferred tax, net	4	-5	-1

Intangible assets

Accounting principles**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. 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. Most of the 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, in the same way as 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. 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 most of the trademarks have been assessed as having an indefinite useful life and are not amortised, but are 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 entails that such determination is done at the segment level, which corresponds to Indutrade's business areas, except for newly acquired companies where there are remaining contingent earn-outs, which are tested separately. 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.

The effects of implementation of IFRS 16 have been taken into consideration in the test of impairment and have not had a significant impact.

Group, 1 Jan– 31 Dec 2020	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
Opening book value	4,031	2,189	303	73	108	6,704
Exchange rate differences	-189	-106	-7	-4	-2	-308
Investments during the year	-	-	0	24	12	36
Company acquisitions	634	459	17	3	8	1,121
Reclassification	-19	19	-	-	-	-
Sales and disposals	-	0	-	-1	-	-1
Adjustment of preliminary purchase price allocation	5	-	-	-	-	5
Depreciation/amortisation	-	-344	-2	-29	-21	-396
Impairment losses	-141	-	-	-	-1	-142
Company divestment	-15	-5	-	-	-	-20
BS Closing book value	4,306	2,212	311	66	104	6,999
As per 31 Dec 2020						
Cost	4,566	4,502	374	252	218	9,912
Accumulated depreciation/amortisation and impairment	-260	-2,290	-63	-186	-114	-2,913
BS Book value	4,306	2,212	311	66	104	6,999

Financial statements

Note 16 continued

Group, 1 Jan – 31 Dec 2019	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
Opening book value	3,170	1,723	270	71	105	5,339
Exchange rate differences	72	42	4	1	0	120
Investments during the year	–	–	0	26	11	37
Company acquisitions	810	733	31	2	5	1,581
Reclassification	–	0	–	0	–1	–1
Sales and disposals	–	0	–	0	–	0
Adjustment of preliminary purchase price allocation	0	0	0	0	0	0
Depreciation/amortisation	–	–309	–2	–26	–12	–349
Impairment losses	–21	–	–	–2	–	–23
BS Closing book value	4,031	2,189	303	72	108	6,704
As per 31 Dec 2019						
Cost	4,158	4,238	365	232	201	9,195
Accumulated depreciation/amortisation and impairment	–127	–2,049	–62	–160	–93	–2,491
BS Book value	4,031	2,189	303	73	108	6,704

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 2020.

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, except for newly acquired companies where there are remaining contingent earn-outs, which are tested separately. During the period leading up to when contingent earn-outs are to be paid, typically 1-3 years, no major changes are made to the operations of the company acquired, since the contingent earn-out payments are based on the company's earnings from existing operations. Integration with the rest of the Group is thus limited, initially. The point of departure for impairment testing is the contingent earn-out payments. In cases where it has been assessed that part, or all of the contingent earn-out will not be paid, a detailed impairment test for the company must be carried out.

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 2021 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%.

Cash flows for cash-generating units, which correspond to operating segments (business areas) have been discounted using a weighted cost of capital equal to approximately 8% (9%) before tax. The weighted cost of capital has been adapted to the prevailing level of interest rates.

Operating segments have operations in more than one country. 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.

For newly acquired companies tested separately, an individually adapted WACC has been used that reflects the company's specific situation and risk. Impairment testing carried out in 2020 resulted in recognition of goodwill impairment equal to SEK 141 million.

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.

No events or changed conditions that would motivate impairment testing of other intangible assets that are amortised have been identified.

Note 16 continued

Group breakdown of goodwill at segmental level

	2020	2019
Benelux	575	547
DACH	406	359
Finland	199	140
Flow Technology	535	515
Fluids & Mechanical Solutions	525	550
Industrial Components	720	689
Measurement & Sensor Technology	987	816
UK	359	415
Total	4,306	4,031

Group breakdown of trademarks at segmental level

	2020	2019
Benelux	14	15
DACH	76	78
Finland	0	0
Flow Technology	10	11
Fluids & Mechanical Solutions	18	19
Industrial Components	5	6
Measurement & Sensor Technology	188	174
UK	0	0
Total	311	303
Parent company	2020	2019
Opening cost	2	2
Investments during the year	0	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

17

Property, plant and equipment

Accounting principles

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.

Financial statements

Note 17 continued

Group, 1 Jan– 31 Dec 2020	Land and buildings	Machinery	Equipment	Construction-in-progress	Total property, plant and equipment
Opening book value	1,091	609	266	54	2,020
Exchange rate differences	-56	-28	-9	-2	-95
Investments during the year	84	77	106	104	371
Company acquisitions	35	10	16	-	61
Sales and disposals	-3	-4	-13	-	-20
Reclassification	42	36	5	-83	-
Depreciation/amortisation	-38	-129	-90	-	-257
Company divestment	-	-12	-1	-	-13
BS Closing book value	1,155	559	280	73	2,067
As per 31 Dec 2020					
Cost	1,646	1,945	1,125	73	4,789
Accumulated depreciation/amortisation and impairment	-491	-1,386	-845	-	-2,722
BS Book value	1,155	559	280	73	2,067

Group, 1 Jan – 31 Dec 2019	Land and buildings	Machinery	Equipment	Construction-in-progress	Total property, plant and equipment
Opening book value	885	477	342	32	1,736
Existing leases as per the prior leasing standard, IAS 17, moved to note 18	-	-	-97	-	-97
Exchange rate differences	13	16	6	1	36
Investments during the year	26	199	98	60	383
Company acquisitions	190	30	26	1	247
Sales and disposals	-1	-3	-12	-4	-20
Reclassification	26	7	-13	-36	-16
Adjustment of preliminary purchase price allocation	0	0	0	0	0
Depreciation/amortisation	-35	-116	-82	-	-233
Company divestment	-13	-1	-2	-	-16
BS Closing book value	1,091	609	266	54	2,020
As per 31 Dec 2019					
Cost	1,554	1,932	1,056	54	4,596
Accumulated depreciation/amortisation and impairment	-463	-1,323	-790	-	-2,576
BS Book value	1,091	609	266	54	2,020

¹⁾ Of net investments in property, plant and equipment, SEK 362 million had an effect on cash flow, while SEK 0 million pertain to investments financed via finance leases.

Parent company	2020	2019
Opening cost	3	4
Investments during the year	1	0
Sales and disposals	-1	-1
Closing accumulated cost	3	3
Opening depreciation/amortisation	-2	-2
Depreciation for the year	-1	-1
Sales and disposals	1	1
Closing accumulated depreciation	-2	-2
BS Planned residual value	1	1

Accounting principles***The Group's leasing activity and reporting of such***

Indutrade's leases are primarily for rented premises. There are however, also leases on machinery and cars. Typically, leases are amortised over a fixed duration of between 1 and 15 years, with the option to extend. The Group has both small and medium-sized subsidiaries at many locations and in several countries. Because of that, there are also many lease agreements in place, with a variety of terms and conditions. Individually, most of the leases are immaterial. The leased assets may not be used as collateral on loans.

Leases are reported as rights-of-use with a corresponding liability as of the date when the leased asset is available for use by the Group. Each lease payment is allocated between amortisation of the liability and the financial expense. The financial expense is allocated over the lease period such that an amount corresponding to a fixed interest for the reported liability is recognised in each reporting period. Right-of-use assets are depreciated on a straight-line basis over the asset's useful life or lease period, whichever is shorter.

Assets and liabilities arising from leases are initially measured at present value.

Lease liabilities include the present value of the following lease payments:

- fixed fees (including fees which, in substance, are fixed)
- variable lease fees linked to an index or rate of interest
- guaranteed residual value that the lessee expects to pay to the lessor

The lease payments are discounted using the implicit rate of interest if that can be determined. Otherwise, the Group's established interest rate is used.

Right-of-use assets are measured at cost and include the following:

- the amount at which the lease liability was originally valued
- initial direct expenses

Short-term leases and contracts where the right-of-use asset has a low value are expensed on an ongoing basis over the duration of the lease. Only identifiable assets are included as right-of-use assets with the associated lease liability, which means that the

lease payments associated with such things as service contracts with non-identifiable assets are reported directly in the income statement.

The Group is exposed to potential future increases in variable lease payments based on an index or interest rate that is not included in the lease liability prior to them entering into force. When adjustments of lease payments based on an index or an interest rate enter into force, the lease liability is revalued and adjusted against the right-of-use asset.

Interest

In instances where interest has not been specified in the lease agreement, Indutrade has (for each currency that applies) used a risk-free interest rate with a duration corresponding to the average term for leases as the basis. A premium has then been added to cover the Group's and subsidiaries' assessed credit risk. An adjustment has also been made based on the type of asset.

Fees pertaining to the guaranteed residual value

The Group initially estimates the amounts of guaranteed residual values that are expected to be paid and reports them as part of the lease liability. The amounts are evaluated and adjusted (if necessary) at the end of each reporting period. At the end of this financial year, guaranteed residual values associated with lease liabilities amounted to SEK 0.3 million (0.5).

Important estimates and assumptions regarding the duration of the lease

When the duration of a lease has been established, management considers all available information providing an economic incentive to utilise an option to extend, or not utilise an option to cancel an agreement. Opportunities to extend an agreement are only included in the duration of the lease if it is reasonable to assume that the lease will be extended.

The assessment is re-evaluated if any important events arise, or, if a change in circumstances occurs that impacts this assessment and the change is within the lessee's control.

Financial statements

Note 18 continued

Right-of-use assets

Group, 1 Jan – 31 Dec 2020	Buildings	Cars	Production equipment	Other	Total Right-of-use assets
Opening book value	791	144	36	11	982
Exchange rate differences	-26	-2	-2	0	-30
Additional rights-of-use	250	96	3	9	358
Company acquisitions	83	3	-	0	86
Leases ended	-4	-8	-	0	-12
Amortisation ¹⁾	-231	-91	-15	-6	-343
Company divestment	-2	-	-	-	-2
BS Closing book value	861	142	22	14	1,039
As per 31 Dec 2020					
Cost	1,252	273	54	24	1,603
Accumulated depreciation	-391	-131	-32	-10	-564
BS Book value	861	142	22	14	1,039

¹⁾ In the income statement, amortisation associated with leases is reported for each function

Right-of-use assets

Group, 1 Jan – 31 Dec 2019	Buildings	Cars	Production equipment	Other	Total Right-of-use assets
Existing leases as per the prior leasing standard, IAS 17	-	100	12	2	114
Change in accounting principles	725	39	37	6	807
Exchange rate differences	13	2	1	0	16
Additional rights-of-use	190	98	2	6	296
Company acquisitions	76	3	2	3	84
Leases ended	-6	-10	-1	-	-17
Amortisation	-207	-87	-17	-6	-317
Company divestment	-	-1	-	0	-1
BS Closing book value	791	144	36	11	982
As per 31 Dec 2019					
Cost	992	222	64	21	1,299
Accumulated depreciation	-201	-78	-28	-10	-317
BS Book value	791	144	36	11	982

Note 18 continued

Amount recognised in the income statement

	2020	2019
Amortisation of leases	-343	-317
Interest expense on lease liabilities (included in financial expenses)	-27	-26
Lease expense on short-term contracts	-5	-6
Lease expense on assets with a low value	-16	-18
Costs associated with variable lease payments	-1	-1
Revenue from subleasing of rights-of-use	0	0
Total amount recognised in the income statement	-392	-368

Contractual duration for financial liabilities

	2020	2019
Maturity in 2020	-	325
Maturity in 2021	323	224
Maturity in 2022	247	171
Maturity in 2023	185	126
Maturity in 2024	122	82
Maturity in 2025 or later	276	140
Total contractual cash flows	1,153	1,068
Carrying amount of lease liability	1,068	1,011

Cash flow disclosures**Cash flow from operating activities**

	2020	2019
Payments for short-term contracts and contracts of lesser value	-21	-24
Costs associated with variable lease payments	-1	-1
Interest paid	-27	-26
Total cash flow from operating activities	-49	-51

Cash flow from financing activities

Amortisation of lease liabilities attributable to leases	-367	-340
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19

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
Kytäjän Golf Oy	Finland	-	-	6	1
EGA Matic ApS	Denmark	27	27	125	1
Veng Norge AS	Norway	30	30	330	8
Other		-	-	-	2

Holdings of shares and participation in unlisted companies

12

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	
	2020	2019	2020	2019
Opening cost	14	13	6,590	6,156
External acquisitions	-	1	312	348
External divestiture/liquidations	-2	0	-	-10
Shareholder contribution	-	0	23	85
Internal restructuring	-	-	-	25
Adjustment of estimated contingent earn-out payments	-	-	-44	-14
Increase through company acquisition	2	0	-	-
Decrease through company divestiture	-2	-	-	-
Exchange rate differences	0	0	-	-
Closing accumulated cost	12	14	6,881	6,590
Opening revaluations	-	-	8	8
Closing acc. revaluations	-	-	8	8
Opening impairment	0	-	-679	-679
Impairment for the year	-	0	-	-
Closing acc. impairment	0	0	-679	-679
BS Book value	12	14	6,210	5,919

Effect on cash flow

Purchase price, external acquisitions	-312	-344
Purchase price not paid out	69	90
Reversal of contingent earn-out payments	-	-
Internal restructuring	-	-25
Purchase price paid for previous years' acquisitions	-5	-59
Shareholder contribution paid out	-20	-80
Total	-268	-418

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.

20

Non-current receivables

	Group		Parent company	
	2020	2019	2020	2019
Opening balance	34	26	13	13
Additional receivables	41	9	22	–
Repaid deposits/amortisation	–12	–2	–	–
Company acquisitions	–	1	–	–
Change in value of pensions	0	1	0	1
Reported net against pension obligations	2	–1	3	–1
Exchange rate differences	–1	0	0	–
BS Total	64	34	38	13

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.

21

Inventories

Accounting principles

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	2020	2019
Raw materials and consumables	675	704
Products-in-process	317	308
Finished products and goods for resale	2,315	2,388
BS Total	3,307	3,400

The cost of goods sold for the Group includes impairment of inventory, totalling SEK 52 million (25).

No significant reversals of previous impairment charges were made in 2020 or 2019.

22

Trade receivables

Accounting principles

Trade receivables

Trade receivables pertain to goods sold as part of operating activities. Trade receivable are initially recognised at the transaction price and subsequently at amortised cost, since the Group holds trade receivables with the intention of receiving contractual cash flows. Bad debt losses are recorded based on an assessment of expected losses during the lifespan of receivables. It is based on historic data and various risk scenarios. The historical loss level is adjusted according to the most likely scenario. The loss is recognised in the income statement as part of selling costs. Recoveries of previous impairment losses are credited to selling costs in the income statement.

Since the Group consists of more than 200 operating companies, the item "trade receivables" is an accumulation of many smaller individual entries. That fact lowers the overall risk, since subsidiaries can act quickly if a customer does not pay in accordance with the terms and conditions. Because Indutrade's trade receivables typically fall due within 6 months, they are classified as current assets.

Age breakdown of trade receivables and provisions for impaired trade receivables

Group	2020	2019
Trade receivables		
Trade receivables not yet due	2,240	2,187
Trade receivables 0-3 months past due	594	740
Trade receivables 3-6 months past due	58	57
Trade receivables more than 6 months past due	90	105
Provision for doubtful debts	–57	–64
BS Total	2,925	3,025
Provision for doubtful debts		
Provision for doubtful debts, 0–3 months past due	–7	–6
Provision for doubtful debts, 3-6 months past due	–4	–6
Provision for doubtful debts, older than 6 months	–46	–52
Total	–57	–64
Change in provision for doubtful debts during the year		
Opening provision	–64	–65
Receivables written off as bad debt losses	10	6
Reversed, unutilised provisions	8	10
Provision for doubtful debts for the year	–11	–12
Company acquisitions	–2	–1
Exchange rate differences	2	–2
Closing provision	–57	–64

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

23

Prepaid expenses

	Group		Parent company	
	2020	2019	2020	2019
Prepaid material costs	40	57	–	–
Prepaid rents	31	26	–	–
Prepaid IT/telecom costs	22	21	1	1
Prepaid insurance premiums	15	15	0	0
Prepaid property costs	11	12	–	–
Other prepaid expenses	56	59	20	21
BS Total	175	190	21	22

24

Non-current and current interest-bearing liabilities

Accounting principles

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 recognised 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 earn-out payments

Indutrade typically uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. Contingent earn-out payment is typically based on the projected earnings of the acquired company over the next few years. As per the date of the transaction, the contingent earn-out payment 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 earn-out payments are remeasured at every reporting date. Excess or deficit amounts are booked as an expense or revenue in the income statement under "Other operating income/expenses". Contingent earn-out payments are reported as a current liability if it is payable within 12 months from the balance sheet date.

Leases

For a description of the accounting principles for lease liabilities, please see Note 18 Leases.

Note 24 continued

	Group		Parent company	
	2020	2019	2020	2019
Non-current liabilities				
Lease liability	758	694	0	0
SEK-denominated loans with terms longer than 1 year	802	1,183	800	1,178
MTN loans	2,000	2,000	2,000	2,000
EUR-denominated loans with terms longer than 1 year	17	16	–	–
Loans in other currencies with terms longer than 1 year	12	26	–	–
Contingent earn-out payments in SEK with payment due later than 1 year	93	115	56	79
Contingent earn-out payments in EUR with payment due later than 1 year	188	78	–	–
Contingent earn-out payments in other currencies with payment due later than 1 year	180	218	37	–
BS Total	4,050	4,330	2,893	3,257
Current liabilities				
Utilised bank overdraft facilities	48	255	35	232
Lease liability	310	317	0	0
SEK-denominated loans with terms shorter than 1 year	–	299	–	297
Commercial paper	699	1,082	699	1,082
EUR-denominated loans with terms shorter than 1 year	–	3	–	–
Loans in other currencies with terms shorter than 1 year	41	32	–	–
Contingent earn-out payments in SEK with payment due less than 1 year	13	12	12	12
Contingent earn-out payments in EUR with payment due less than 1 year	56	29	–	–
Contingent earn-out payments in other currencies with payment due less than 1 year	19	113	11	6
BS Total	1,186	2,142	757	1,629

Externally granted bank overdraft facilities amount to SEK 716 million (740) for the Group and SEK 680 million (680) for the Parent Company.

Maturity dates leases, non-current portion	Group	
	2020	2019
Maturity in 2021	–	215
Maturity in 2022	235	161
Maturity in 2023	173	117
Maturity in 2024	112	76
Maturity in 2025 or later	238	125
Total	758	694

Financial statements

Note 24 continued

2020	Group					Parent company
	SEK	EUR	DKK	GBP	KRW	SEK
Maturity dates for long-term loans, SEK million						
Maturity in 2022	500	7	5	1	1	500
Maturity in 2023	1,300	1	–	1	3	1,300
Maturity in 2024	1,000	1	–	1	–	1,000
Maturity in 2025 or later	2	8	–	–	–	–
Total	2,802	17	5	3	4	2,800
Variable (V)/Fixed (F) interest	V&F	V&F	V	V&F	V	V&F

2019	Group						Parent company
	SEK	EUR	CNY	GBP	KRW	USD	SEK
Maturity dates for long-term loans, SEK million							
Maturity in 2021	501	6	10	3	4	0	500
Maturity in 2022	501	2	–	2	2	0	500
Maturity in 2023	1,000	0	–	1	–	0	1,000
Maturity in 2024 or later	1,181	8	–	3	–	1	1,178
Total	3,183	16	10	9	6	1	3,178
Variable (V)/Fixed (F) interest	V&F	V&F	V	V&F	V	V&F	V&F

2020	Group						Parent company		
	SEK	EUR	GBP	NOK	CHF	CZK	SEK	NOK	CZK
Maturity dates for long-term contingent earn-out payments, SEK million									
Maturity in 2022	56	40	95	26	–	11	56	26	11
Maturity in 2023	–	16	–	–	45	–	–	–	–
Maturity in 2024	–	132	–	–	–	–	–	–	–
Maturity in 2025 or later	37	–	–	–	–	–	–	–	–
Total	93	188	95	26	45	11	56	26	11
Present value discounting rate, %	2	2	2	2	2	2	2	2	2

2019	Group					Parent company
	SEK	EUR	GBP	NOK	CHF	SEK
Maturity dates for long-term contingent earn-out payments, SEK million						
Maturity in 2021	51	63	167	6	–	51
Maturity in 2022	28	9	–	–	–	28
Maturity in 2023	–	6	–	–	45	–
Maturity in 2024 or later	36	–	–	–	–	–
Total	115	78	167	6	45	79
Present value discounting rate, %	2	2	2	2	2	2

25

Pension obligations

Accounting principles

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 the average duration of the obligations. Indutrade has determined

Note 25 continued

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 has been closed for new contributions, as well as the main portion of the plan in the Netherlands.

Breakdown of net liability in SEK million

	2020	2019
PRI plan	175	155
Defined benefit plans, Netherlands, Switzerland and the UK	190	192
Total defined benefit plans	365	347
Other pension obligations	35	30
BS Total	400	377

The Group's plan assets, totalling SEK 943 million (978), 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 2020 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 SEK 29 million (28). Premiums for 2021 are expected to be in line with 2020. Alecta's collective funding ratio was 148% (148%) in December 2020.

Assumptions used in actuarial computations

The Group, 2020	Sweden	Netherlands	Switzerland	Great Britain
Assumptions in calculating pension obligations				
Discount rate, %	0.90	0.90	0.20	1.10
Future salary increases, %	3.25	1.80	0.50	–
Anticipated inflation, %	1.50	1.80	0.50	3.30
Future pension increases, %	1.50	0.50	0.00	2.30
Employee turnover, %	2.00	1)	1)	–

1) Age-related.

Assumptions used in actuarial computations

Group, 2019	Sweden	Netherlands	Switzerland	Great Britain
Assumptions in calculating pension obligations				
Discount rate, %	1.55	1.01	0.35	1.90
Future salary increases, %	3.80	1.80	1.00	–
Anticipated inflation, %	1.80	1.80	1.00	3.30
Future pension increases, %	1.80	0.50	0.00	2.30
Employee turnover, %	2.00	1)	1)	–

1) Age-related.

Duration

Duration, years	2020	2019
Sweden	20	20
Netherlands	20	20
Switzerland	17	17
Great Britain	13	13

Sensitivity analysis for changes in significant assumptions

Impact on defined benefit obligation, SEK million	Sweden	Netherlands	Switzerland	Great Britain
Discount rate, increase by 1.00%	–14	–49	–40	–4
Discount rate, decrease by 1.00%	16	56	46	5
Salary increase, increase by 1.00%	10	0	4	–

Financial statements

Note 25 continued

Amounts reported in the balance sheet

	2020	2019
Present value of funded obligations	1,133	1,170
Fair value of plan assets	-943	-978
	190	192
Present value of unfunded obligations	175	155
	175	155
Net liability, defined benefit plans, in the balance sheet	365	347

Revaluation in the liability and other comprehensive income

	2020	2019
Experience-based adjustments of defined benefit obligations	5	5
Return on plan assets, excl. interest income	-12	-102
Demographic adjustments of defined benefit obligations	-13	0
Financial adjustments of defined benefit obligations	36	176
Total	16	79

	2020	2019
Present value of pension obligations at start of year	1,325	1,077
Pension costs	31	35
Change of pension terms	-	-12
Interest expenses	11	19
Employee contributions	11	10
Pension payments	-50	-18
Actuarial gains (-)/losses (+)	28	181
Exchange rate differences	-48	33
Present value of pension obligations at year-end	1,308	1,325
Plan assets at start of year	978	810
Interest income	7	14
Employee contributions	12	12
Company contributions	20	26
Pension payments	-46	-14
Return on plan assets, excl. interest income	12	102
Exchange rate differences	-40	28
Plan assets at year-end	943	978
Net liability at start of year	347	267
Net cost reported in the income statement	35	28
Pension payments	-5	-6
Company contributions	-20	-26
Actuarial gains (-)/losses (+)	16	79
Exchange rate differences in foreign plans	-8	5
Net liability at year-end	365	347

Amounts reported in income statement	2020			2019		
	Defined benefit plans	Defined contribution plans	Total	Defined benefit plans	Defined contribution plans	Total
Costs relating to service in current and past periods	31	284	315	23	265	288
Interest on obligation	11	-	11	19	-	19
Return on plan assets	-7	-	-7	-14	-	-14
Net cost in income statement	35	284	319	28	265	293
of which, included in selling costs	31	207	238	23	194	217
of which, included in administrative expenses	0	77	77	0	71	71
of which, included in financial items	4	-	4	5	-	5

Anticipated company contributions to defined benefit pension plans in 2021 amount to SEK 17 million.

26

Other provisions

Accounting principles

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	
	2020	2019	2020	2019
Guarantee commitments	20	12	–	–
Total long-term provisions	20	12	–	–
			Guarantee commitments	
Opening balance, 1 January 2020				12
Guarantee commitments in acquired companies				0
Change in guarantee commitments for the year				8
BS Closing balance, 31 December 2020				20

27

Accrued expenses

	Group		Parent company	
	2020	2019	2020	2019
Accrued vacation pay	251	235	5	6
Other payroll costs	312	268	12	11
Accrued social security costs	97	96	8	6
Accrued expenses for purchase of materials	102	99	–	–
Customer bonuses and discounts	74	61	–	–
Accrued audit and consulting fees	37	31	2	2
Accrued financial expenses	9	9	8	9
Other	77	60	2	1
BS Total	959	859	37	35

28

Pledged assets

	Group		Parent company	
	2020	2019	2020	2019
For own liabilities:				
Real estate mortgages	73	103	–	–
Chattel mortgages	14	38	–	–
Assets subject to liens ¹⁾	178	191	–	–
Blocked funds	5	1	–	–
Total	270	333	–	–

¹⁾ Primarily leases on cars.

29

Contingent liabilities

Accounting principles

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	
	2020	2019	2020	2019
Guarantees pledged for subsidiaries' PRI liabilities	–	–	80	79
Guarantees pledged for the benefit of subsidiaries	–	–	28	38
Contingent liabilities for own PRI liabilities	2	2	–	–
Other contingent liabilities	0	1	–	–
Total	2	3	108	117

30

Cash and cash equivalents

Accounting principles

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	
	2020	2019	2020	2019
Cash and bank balances	755	716	0	0
Short-term investments	3	3	0	0
BS Total	758	719	0	0

Cash flow

	Non-cash changes											31 Dec 2020
	1 Jan 2020	Items affecting cash flow	Acquisition	Divestments	Interest	Transfer from non-current to current	Translation difference	Adjustment in income statement	New loans raised	Fair value		
Current interest-bearing liabilities	1,671	-1,406	6	-	-	504	13	-	-	-	788	
Non-current interest-bearing liabilities	3,225	366	9	34	-	-504	-299	-	-	-	2,831	
Lease liability	1,011	-367	86	-14	27	-	-32	-	357	-	1,068	
Total, excl. contingent earn-out payments	5,907	-1,407	101	20	27	-	-318	-	-	-	4,687	
Contingent earn-out payments ¹⁾	565	-104	-	-	5	-	-23	-213	319	0	549	
Total interest-bearing liabilities	6,472	-1,511	101	20	32	-	-341	-213	676	0	5,236	
Financial assets used for hedging purposes ²⁾	14	-	-	-	-	-	-	-	16	-	30	
Short-term investments	3	0	-	-	-	-	0	-	-	-	3	
Cash and bank balances	716	94	-	-	-	-	-55	-	-	-	755	
Total cash and bank balances	719	94	-	-	-	-	-55	-	-	-	758	

¹⁾ Items affecting cash flow are reported in investing activities.

²⁾ For liabilities reported in financing activities.

	Non-cash changes											31 Dec 2019
	1 Jan 2019	Items affecting cash flow	Acquisition	Divestments	Interest	Transfer from non-current to current	Translation difference	Adjustment in income statement	New loans raised	New accounting principle, IFRS 16	Fair value	
Current interest-bearing liabilities	1,642	-289	7	-	-	310	1	-	-	-	1,671	
Non-current interest-bearing liabilities	2,356	1,170	27	-	-	-310	-18	-	-	-	3,225	
Lease liability	108	-340	83	-18	25	-	17	-	294	842	1,011	
Total, excl. contingent earn-out payments	4,106	541	117	-18	25	-	0	-	294	842	5,907	
Contingent earn-out payments ¹⁾	215	-93	-	-	7	-	3	-32	465	-	565	
Total interest-bearing liabilities	4,321	448	117	-18	32	-	3	-32	759	842	6,472	
Financial assets used for hedging purposes ²⁾	6	-	-	-	-	-	-	-	8	-	14	
Short-term investments	3	0	-	-	-	-	0	-	-	-	3	
Cash and bank balances	705	35	-	-	-	-	-24	-	-	-	716	
Total cash and bank balances	708	35	-	-	-	-	-24	-	-	-	719	

¹⁾ Items affecting cash flow are reported in investing activities.

²⁾ For liabilities reported in financing activities.

Acquisitions and divestments of subsidiaries

Acquisitions in 2020

All of the shares were acquired in the following companies: Stein Automation GmbH (Germany), VarioDrive B.V. (Netherlands), AVA Monitoring AB (Sweden), Sverre Hellum & Sønn AS (Norway), Jouka OY (Finland), Nortronic AS (Norway), Holland Fasteners B.V. (the Netherlands), UK Gas Technologies Ltd. (UK), Cheirón A.S. (Czech Republic) and X-RAY WorX GmbH (Germany).

Benelux

On 27 January, VarioDrive B.V. (the Netherlands) was acquired, with annual sales of SEK 60 million. The company offers motion control solutions to OEM customers.

On 20 July, Holland Fasteners B.V. (the Netherlands) was acquired, with annual sales of SEK 50 million. The company offers customised, high-quality items such as bolts, screws, nuts and rivets. Its customers are primarily located in the Netherlands.

DACH

On 10 January, STEIN Automation GmbH & Co. KG, (Germany) was acquired with annual sales of SEK 110 million. The company is a supplier of pallet transfer systems for assembly lines. Its customers are companies primarily based in Germany within the automotive, medical and consumer goods industries.

Flow Technology

On 17 September, UK Gas Technologies Ltd. (UK) was acquired, with annual sales of SEK 130 million. It manufactures solutions for high purity medical and laboratory gases, purified water and steam systems, as well as other process installations and specialist systems. The company serves customers worldwide.

Finland

On 6 February, Jouka Oy (Finland) was acquired, with annual sales of SEK 70 million. The company designs and manufactures ball valves and integrated ball valve solutions for customers primarily in the Finnish market.

Industrial Components

On 4 February, Sverre Hellum & Sønn AS (Norway) was acquired, with annual sales of SEK 60 million. The company is a supplier of diamond tools in the Norwegian market.

On 3 March, Nortronic AS (Norway) was acquired, with annual sales of approximately SEK 60 million. The company is a technology sales company in the lighting market, which represents manufacturers of various LED solutions, system solutions for control and drives.

On 1 October, Cheirón A.S. (Czech Republic) was acquired, with annual sales of SEK 120 million. The company offers medical technology products, used in surgery rooms, intensive care wards, emergency wards, and cardio units.

Measurement & Sensor Technology

On 31 January, AVA Monitoring AB (Sweden) was acquired, with annual sales of SEK 45 million. The company develops, manufactures and sells equipment for measuring ground vibration and noise in connection with infrastructure and construction projects.

On 22 December, X-RAY WorX GmbH (Germany) was acquired, with annual sales of SEK 120 million. The company manufactures X-ray tubes for industrial applications in non-destructive testing.

Divestments

On 24 March, Meson FT Rus LLC was divested, with annual sales of approximately SEK 80 million. The capital gain amounted to SEK 0 million.

Effects of acquisitions carried out in 2020 and 2019

SEK million	2020		2019	
	Net sales	EBITA	Net sales	EBITA
Business area				
Benelux	345	40	272	28
DACH	158	23	95	17
Finland	57	15	–	–
Flow Technology	137	22	116	18
Fluids & Mechanical Solutions	28	2	92	17
Industrial Components	215	38	87	17
Measurement & Sensor Technology	99	16	297	43
UK	51	2	183	26
Effect on Group	1,090	158	1,142	166
Acquisitions carried out in 2018			333	50
Acquisitions carried out in 2019	619	76	809	116
Acquisitions carried out in 2020	471	82	–	–
Effect on Group	1,090	158	1,142	166

The table above shows the net sales and EBITA that the acquired companies have had since the acquisition date and which are included in the Group's earnings for each period. If all acquired units had been consolidated as from 1 January 2020, net sales for the year would have amounted to SEK 19,517 million, and EBITA would have totalled SEK 2,669 million.

Financial statements

Note 32 continued

Acquired assets

Preliminary purchase price allocations

SEK million	2020	2019
Purchase price, incl. contingent earn-out payments	1,359	2,091
of which contingent earn-out payments	324	465

Acquired assets	2020			2019		
	Book value	Fair value adjustment	Fair value	Book value	Fair value adjustment	Fair value
Goodwill	–	634	634	–	810	810
Agencies, trademarks, customer relationships, licenses etc.	11	476	487	9	763	772
Property, plant and equipment	61	–	61	247	–	247
Financial assets	0	–	0	1	–	1
Inventories	180	–	180	241	–	241
Other current assets ¹⁾	242	–	242	271	–	271
Cash and cash equivalents	124	–	124	202	–	202
Deferred tax liability	–3	–118	–121	–10	–152	–162
Provisions including pension liabilities	–	–	–	0	–	0
Other operating liabilities	–248	–	–248	–291	–	–291
Non-controlling interests	–	–	–	0	–	0
	367	992	1,359	670	1,421	2,091

¹⁾ Primarily trade receivables.

Since disclosures about the individual acquisitions are insignificant, they are provided here in aggregate form. The cost amount of the value of customer relationships and agencies is reported on the balance sheet as agencies, trademarks, customer relationships, licences, etc. They will be amortised over a period of 5–20 years, with the exception of trademarks, most of which are assumed to have indefinite useful life. Trademarks are included at a value of SEK 17 million (31). Goodwill is justified by the good profitability and personnel included in the acquired companies.

Indutrade typically 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 amount to SEK 324 million (465). The contingent earn-out payments fall due for payment within three years and can amount to a maximum of SEK 364 million (487). If the conditions are not met, the outcome can be in the range of SEK 0–364 million (0–487).

Transaction costs for the acquisitions carried out during the year totalled SEK 11 million (14) and are included in "Other operating expenses" in the income statement. Contingent earn-out payments were restated in the amount of SEK 214 million (30). The effect is reported under Other operating income and expenses in the amount of SEK 208 million (30) and under Net financial items in the amount of SEK 6 million (0).

The purchase price allocation calculations for the companies acquired through December 2019 have now been finalised. No significant adjustments have been made to the calculations. 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.

Cash flow impact

SEK million	2020	2019
Purchase price, incl. contingent earn-out payments	1,359	2,091
Purchase price not paid out	–327	–474
Cash and cash equivalents in acquired companies	–124	–202
Payments pertaining to previous years' acquisitions	116	97
Total cash flow impact	1,024	1,512

Acquisitions and divestments after the end of the reporting period

On 4 January, Pistesarjat Oy, Finland, was acquired, with annual sales of SEK 90 million. The company offers cable systems from global leading suppliers to customers in Finland.

On 20 January, an agreement was signed to acquire Tecno Plast Industrietechnik GmbH (Germany), with annual sales of SEK 240 million. The company offers single-use tubing sets, PTFE and silicone hoses to customers in Germany, Austria, and Switzerland. The acquisition was made on 12 February subsequent to approval by the German Competition Authority.

On 29 January, Fire Proof B.V. (the Netherlands) was acquired, with annual sales of SEK 70 million. The company is a distributor specialised in passive fire protection for buildings.

On 15 February Typhoon Group (the Netherlands) was acquired, with annual sales of SEK 40 million. It is specialised in stirring and mixing systems.

On 4 March, Efccon Water B.V. (the Netherlands) was acquired, with annual sales of SEK 20 million. It is a highly focused supplier of products and measurement instrumentation for wastewater sampling systems.

33

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 8, Wages, salaries and other remuneration, and social security costs.

34

Events after the balance sheet date

During January-March 2021, five company acquisitions were made. For further information, see Note 32.

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

35

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
Box 6044
SE-164 06 Kista
Sweden Tel: +46 (0)8 703 03 00
Website: www.indutrade.se

The share capital of Indutrade AB as per 31 December 2020 consisted of 363,615,000 shares with a share quota value of SEK 2, for a total of SEK 727 million. A bonus issue was executed in December 2020. As a result of that, the number of shares tripled. The bonus issue did not involve any change in the relationship between shareholders.

At the Annual General Meeting on 13 April 2021, a dividend of SEK 1.80 per share will be proposed for the 2020 financial year, for a total of SEK 655 million. The proposed dividend has not been reported as a liability in these financial statements.

36

Tax allocation reserves

	Parent company	
	2020	2019
Provision 2014	–	73
Provision 2015	110	110
Provision 2016	108	108
Provision 2017	142	142
Provision 2018	120	120
Provision 2019	120	120
Provision 2020	75	–
BS Total	675	673

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 2020, with the exception of the Corporate Governance Report on pages 34-41. The annual accounts and consolidated accounts of the company are included on pages 14-15, 22-26, 29-41, 43, and 45-85 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 2020 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 2020 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 34-41. 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 judgements; 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 30 countries and has a clearly defined acquisition strategy the Group has grown, mainly through acquisitions.

The single largest company in the Group is HP Valves Odenzaal BV 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 sufficient coverage of the Group's net sales, the Group audit team have assigned each subsidiary 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 control 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 2020, with respect to the interim reports for the third quarter and year-end, we reported our main observations to Group management, audit committee and the Board of Directors. For the third quarter, we issued a public review report.

We have considered the impact covid-19 has had on our audit and tailored our procedures to properly cover any new and/or increased risks. On an overall level we have been able to conduct our audit although the pandemic has led to other ways of working and use of digital tools for communication and collection of audit evidence

Materiality

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**

Valuation of inventories

Inventories is a significant item in the consolidated balance sheet. As per December 31 2020 inventory amounts to SEK 3,3 billion. The existence and valuation of inventories are important factors to consider. The obsolescence provisions are to some extent affected by management's judgments

Refer to the Annual Report Note 21 Inventories

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.

Considering the company's operations, system support, inventory turnover and other relevant factors we have tested the obsolescence models in the subsidiaries against Indutrade's general accounting principles considering.

We have traced the disclosures information included in Note 21 Inventories to the accounting records and other supporting documentation and ensured that they are in line with the disclosure requirements in IAS 2 Inventory.

Valuation of trade receivables

Accounts receivable amount to SEK 2.9 billion as of December 31, 2020 which constitutes a significant balance sheet item. Key audit areas to consider when auditing accounts receivable are existence and valuation. Accounts receivables also are affected by elements of management's judgments in terms of impaired accounts receivable and assessment of credit risk. Allowances for account receivables are recorded based on assessment of the expected credit losses during the lifespan of the receivables. The model is based on historical data and various risk scenarios. The historical loss level is adjusted according to the most likely scenario. As the Group consist of more than 200 companies the balance consists of several minor amounts.

Refer to the Annual Report Note 2 – Risk and risk management and note 22 – Trade accounts receivable

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. Based on our work, we had no material observations for the overall audit on Indutrade's valuation of accounts receivable.

We have traced the disclosures information included in Note 22 Trade accounts receivables to the accounting records and other supporting documentation and ensured that they are in line with the disclosure requirements in IFRS 9 Financial Instruments

Goodwill impairment

Goodwill amount to SEK 4,3 billion as of December 31, 2020 which constitutes a significant balance sheet item. Goodwill is subject to the risk of impairment. Goodwill is tested for goodwill impairment based on the lowest levels of separable identified cash flows (cash generated units). This represents the segment levels for Indutrade with the exception of newly acquired entities with a remaining earn out period which are evaluated separately. Management is performing a goodwill impairment test on a yearly basis which includes estimates and judgments relating to future expected cashflows, market growth rate and discount rate (WACC). The estimates are subject to managements estimates and judgements. Goodwill has been written-off with SEK 141 million during the year.

Refer to the Annual Report Note 16 Intangible assets

We have included a combination of analytical procedures and a detailed test of managements impairment test of goodwill which included a test of significant assumptions. We have included assistance from our valuation experts to challenge the assumptions and estimates applied by management.

We have traced the disclosures information included in Note 16 Intangible assets to the accounting records and other supporting documentation and ensured that they are in line with the disclosure requirements in IAS 36 Impairment of assets.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-5, 27-28, 44, 91-95 and the sustainability report on page 6-13, 16-21, 30-32 and remuneration report on page 42. Board of Directors and the Managing Director are responsible for this other information.

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.

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.

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.

Responsibilities of the Board of Directors and the Managing Director

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.

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.

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

Auditor's responsibility

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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisors- inspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

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 2020 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 34-41 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 2 June, 2020 and has been the company's auditor since before 1994.

Stockholm 19 March 2021

PricewaterhouseCoopers AB

Anna Rosendal

Authorized Public Accountant

Lead partner

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 2020 on pages 6-13, 16-21, and 30-32 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 opinions.

Opinion

A statutory sustainability report has been prepared.

Stockholm March 19, 2021

PricewaterhouseCoopers AB

Anna Rosendal

Authorized Public Accountant

Lead partner

Multi-year overview and definitions

Condensed income statements

SEK million	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net sales	19,217	18,411	16,848	14,847	12,955	11,881	9,746	8,831	8,384	7,994
Cost of goods sold	-12,681	-12,126	-11,099	-9,881	-8,607	-7,847	-6,464	-5,833	-5,545	-5,268
Development costs	-227	-217	-204	-178	-156	-133	-107	-110	-95	-74
Selling costs	-3,009	-2,990	-2,737	-2,463	-2,179	-2,044	-1,708	-1,601	-1,527	-1,430
Administrative expenses	-1,123	-1,103	-991	-893	-791	-635	-535	-449	-426	-398
Other operating income/expenses	89	41	8	-52	50	13	49	18	6	-2
Operating profit	2,266	2,016	1,825	1,380	1,272	1,235	981	856	797	822
Financial income/expenses	-126	-124	-75	-70	-78	-98	-86	-100	-83	-93
Profit after financial items	2,140	1,892	1,750	1,310	1,194	1,137	895	756	714	729
Income Tax	-471	-409	-382	-280	-258	-243	-192	-169	-145	-189
Net profit for the year	1,669	1,483	1,368	1,030	936	894	703	587	569	540
EBITA	2,615	2,330	2,087	1,613	1,484	1,427	1,134	990	905	917
EBITA margin, %	13.6	12.7	12.4	10.9	11.5	12.0	11.6	11.2	10.8	11.5

Condensed balance sheets

SEK million	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Assets										
Goodwill	4,306	4,031	3,170	2,845	2,388	1,942	1,572	1,308	1,188	822
Other intangible assets	2,693	2,672	2,169	2,102	1,879	1,636	1,445	1,286	1,215	888
Property, plant and equipment	3,106	3,002	1,736	1,618	1,451	1,117	971	849	741	706
Financial assets	228	182	158	139	117	101	87	61	59	45
Inventories	3,307	3,400	2,834	2,517	2,249	1,931	1,617	1,546	1,472	1,328
Trade receivables	2,925	3,025	2,877	2,469	2,292	1,995	1,702	1,435	1,411	1,263
Other receivables	639	513	418	412	345	300	336	208	204	149
Cash and cash equivalents	758	719	708	464	332	339	357	261	243	264
Total assets	17,962	17,544	14,070	12,566	11,053	9,361	8,087	6,954	6,533	5,465
Liabilities and equity										
Equity	8,634	7,170	6,218	5,168	4,399	3,707	3,162	2,626	2,290	2,064
Non-current interest-bearing liabilities, incl. pension liabilities	4,450	4,707	2,811	1,569	2,274	1,260	1,216	2,201	1,158	837
Other non-current liabilities and provisions	770	720	619	600	563	480	412	353	333	255
Current interest-bearing liabilities	1,186	2,142	1,806	2,724	1,686	2,028	1,635	381	1,424	1,083
Trade payables	1,136	1,237	1,168	1,081	968	848	763	602	586	556
Other current liabilities	1,786	1,568	1,448	1,424	1,163	1,038	899	791	742	670
Total liabilities and equity	17,962	17,544	14,070	12,566	11,053	9,361	8,087	6,954	6,533	5,465

Lease liabilities and right-of-use assets according to IFRS 16 are included in the key data as of 2019. The comparative financial information has not been restated.

Condensed cash flow statements

SEK million	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Cash flow from operating activities before changes in working capital	2,582	2,271	1,821	1,514	1,318	1,315	970	790	720	764
Changes in working capital	198	-349	-461	40	-111	-239	-66	69	-201	-55
Cash flow from operating activities	2,780	1,922	1,360	1,554	1,207	1,076	904	859	519	709
Net capital expenditures in non-current assets	-399	-403	-299	-236	-320	-221	-124	-206	-127	-139
Company acquisitions and divestments	-978	-1,484	-586	-1,007	-1,164	-878	-585	-444	-572	-467
Change in other financial assets	11	3	0	1	8	-1	3	1	-5	13
Cash flow from investing activities	-1,366	-1,884	-885	-1,242	-1,476	-1,100	-706	-649	-704	-593
Net borrowing	-1,407	541	225	116	620	303	165	88	442	134
Dividend paid out	-	-544	-453	-384	-360	-310	-282	-282	-270	-204
Payment for issued warrants	-	-	0	8	-	-	-	-	-	-
New issues	87	-	7	95	-	-	-	-	-	-
Cash flow from financing activities	-1,320	-3	-221	-165	260	-7	-117	-194	172	-70
Cash flow for the period	94	35	254	147	-9	-31	81	16	-13	46
Cash and cash equivalents at start of year	719	708	464	332	339	357	261	243	264	219
Exchange rate differences	-55	-24	-10	-15	2	13	15	2	-8	-1
Cash and cash equivalents at end of year	758	719	708	464	332	339	357	261	243	264

Financial metrics

SEK million	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Non-current interest-bearing liabilities	4,450	4,707	2,811	1,569	2,274	1,260	1,216	2,201	1,158	837
Current interest-bearing liabilities	1,186	2,142	1,806	2,724	1,686	2,028	1,635	381	1,424	1,083
Cash and cash equivalents	-758	-719	-708	-464	-332	-339	-357	-261	-243	-264
Interest-bearing net debt	4,878	6,130	3,909	3,829	3,628	2,949	2,494	2,321	2,339	1,656
Net debt/equity ratio, %	56	85	63	74	82	80	79	88	102	80
Interest coverage ratio, times	21.0	17.2	25.1	21.1	16.5	14.6	12.2	8.9	9.0	8.9
Equity ratio, %	48	41	44	41	40	40	39	38	35	38
Net debt/EBITDA, times	1.5	2.1	1.7	2.1	2.2	1.8	1.9	2.1	2.3	1.6
Return measures										
Capital employed, average, SEK million	13,541	12,416	9,839	8,444	7,491	6,537	5,324	4,894	4,078	3,680
Return on capital employed, %	19	19	21	19	20	22	21	20	22	25
Equity, average, SEK million	7,899	6,715	5,715	4,746	3,976	3,440	2,818	2,377	2,113	1,849
Return on equity, %	21	22	24	22	24	26	25	25	27	29
Number of employees										
Average number of employees	7,349	7,167	6,710	6,156	5,495	4,978	4,418	4,151	3,939	3,778
Number of employees at year-end	7,270	7,357	6,778	6,545	5,705	5,107	4,578	4,218	4,086	3,807

Lease liabilities and right-of-use assets according to IFRS 16 are included in the key data as of 2019. The comparative financial information has not been restated.

Key ratios per share ¹⁾

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Share price at 31 December, SEK	176.2	111.7	68.5	74.5	61	53.4	34.7	29.8	21.9	20.3
Market cap at 31 December, SEK million	64,069	40,511	24,848	27,011	21,960	19,220	12,480	10,740	7,880	7,320
Dividend, SEK	1.80 ²⁾	–	1.50	1.25	1.07	1.00	0.86	0.78	0.78	0.75
Earnings before dilution, SEK	4.60	4.09	3.77	2.85	2.60	2.48	1.96	1.63	1.58	1.50
Earnings after dilution, SEK	4.59	4.09	3.77	2.84	2.59	2.48	1.96	1.63	1.58	1.50
Number of shares outstanding, 000s	363,615	362,565	362,565	362,397	360,000	360,000	360,000	360,000	360,000	360,000
Average number of shares before dilution, '000	362,721	362,565	362,496	361,371	360,000	360,000	360,000	360,000	360,000	360,000
Average number of shares after dilution, '000	363,320	362,754	362,529	361,851	360,753	360,282	360,000	360,000	360,000	360,000
Number of shareholders at 31 December	12,880	10,287	9,553	9,816	10,518	7,965	5,970	6,038	5,721	5,025
Highest price paid during the financial year, SEK	179.9	112.8	83.1	77.7	63.7	54.3	35.5	30.3	25.5	26.6
Lowest price paid during the financial year, SEK	73.7	67.6	67.3	55.7	45.4	34.5	26.8	22	19.4	17.1
Direct yield ³⁾ , %	1.0	–	2.2	1.7	1.7	1.9	2.5	2.6	3.6	3.7
Equity, SEK	23.72	19.74	17.11	14.21	12.19	10.29	8.78	7.29	6.36	5.73
Cash flow from operating activities, SEK	7.66	5.30	3.75	4.30	3.35	2.99	2.51	2.39	1.44	1.97

¹⁾ A 2:1 bonus issue was executed during December 2020. All comparison figures have been restated for the new number of shares.

²⁾ Board's proposal for 2020.

³⁾ 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.

Return on capital employed

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

Return on equity

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

Gross margin

Gross profit divided by net sales.

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 owners of the parent divided by the number of shares outstanding.

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 operations.

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.

Capital employed

Shareholders' equity plus interest-bearing net debt.

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.

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.

Interest-bearing net debt

Interest-bearing liabilities including pension liability and estimated contingent earn-out payments for acquisitions, less cash and cash equivalents.

Interest coverage ratio

Operating profit plus interest income divided by interest expenses

Equity ratio

Shareholders' equity divided by total assets.

Quarterly overview

Net sales

SEK million	2020					2019				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	2,773	714	688	695	676	2,288	704	569	543	472
DACH	1,529	362	360	394	413	1,403	374	375	349	305
Finland	1,679	417	394	432	436	1,689	436	419	416	418
Flow Technology	4,071	1,054	996	976	1,045	3,798	997	946	965	890
Fluids & Mechanical Solutions	1,979	507	479	481	512	2,041	503	501	532	505
Industrial Components	3,803	1,130	842	862	969	3,513	917	823	883	890
Measurement & Sensor Technology	2,120	545	523	495	557	2,259	597	584	536	542
UK	1,322	314	329	294	385	1,469	349	387	374	359
Parent company and Group items	-59	-15	-12	-15	-17	-49	-14	-9	-11	-15
	19,217	5,028	4,599	4,614	4,976	18,411	4,863	4,595	4,587	4,366

EBITA

SEK million	2020					2019				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	360	103	89	85	83	315	116	71	67	61
DACH	169	39	42	43	45	134	36	36	33	29
Finland	247	61	72	66	48	223	61	68	51	43
Flow Technology	607	154	162	151	140	491	134	122	130	105
Fluids & Mechanical Solutions	268	66	66	73	63	279	64	67	73	75
Industrial Components	569	193	122	130	124	432	115	101	108	108
Measurement & Sensor Technology	334	89	96	58	91	366	95	98	83	90
UK	159	31	41	37	50	208	36	59	62	51
Parent company and Group items	-98	-24	-5	-41	-28	-118	-26	-34	-33	-25
	2,615	712	685	602	616	2,330	631	588	574	537

EBITA-margin

SEK million	2020					2019				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	13.0	14.4	12.9	12.2	12.3	13.8	16.5	12.5	12.3	12.9
DACH	11.1	10.8	11.7	10.9	10.9	9.6	9.6	9.6	9.5	9.5
Finland	14.7	14.6	18.3	15.3	11.0	13.2	14.0	16.2	12.3	10.3
Flow Technology	14.9	14.6	16.3	15.5	13.4	12.9	13.4	12.9	13.5	11.8
Fluids & Mechanical Solutions	13.5	13.0	13.8	15.2	12.3	13.7	12.7	13.4	13.7	14.9
Industrial Components	15.0	17.1	14.5	15.1	12.8	12.3	12.5	12.3	12.2	12.1
Measurement & Sensor Technology	15.8	16.3	18.4	11.7	16.3	16.2	15.9	16.8	15.5	16.6
UK	12.0	9.9	12.5	12.6	13.0	14.2	10.3	15.2	16.6	14.2
	13.6	14.2	14.9	13.0	12.4	12.7	13.0	12.8	12.5	12.3

Annual General Meeting and reporting dates

Annual General Meeting

Time and place

Indutrade AB (publ.) (CIN: 556017-9367) will hold its AGM on Tuesday, 13 April 2021.

Due to the COVID-19 pandemic and the recommendations of the Public Health Agency of Sweden, Indutrade has decided to conduct the AGM without shareholders, proxies or members of the public being physically present. Furthermore, shareholders will only be allowed to exercise their voting rights via advance voting. Information about the resolutions by the AGM will be made public on 13 April 2021, as soon as the results from advance voting have been finalised and compiled.

A presentation by Bo Annvik, President and CEO of Indutrade, where he comments on the company's performance in 2020 will be published on Indutrade's website, www.indutrade.se, on Tuesday, 13 April 2021.

Right to participate and notification

Those who would like to participate in the AGM via postal voting must:

- be registered as a shareholder in the share register maintained by Euroclear Sweden AB on Thursday 1 April 2021, and
- no later than Monday, 12 April 2021 register by submitting their postal vote in accordance with the instructions provided under the heading Postal Voting below so that postal votes are received by Euroclear Sweden AB no later than that date.

In order to be entitled to participate in the AGM, shareholders whose shares are registered in the names of a trustee must, besides registering to participate in the AGM by sending in a postal vote, have their shares re-registered temporarily in their own names so that they are included in the shareholder register as of the record date, Thursday 1 April 2021. This type of registration can be temporary (voting right registration) and it must be requested of the trustee in accordance with their routines, which will also specify how far in advance this must be done. Voting right registration that has been carried out by the trustee no later than Wednesday 7 April 2021 will be included when compiling the share register.

Information that is submitted when registering will be administered and used only for the 2021 AGM.

Postal Voting

Shareholders may exercise their voting rights at the meeting only by voting in advance in accordance with Section 22 of the Swedish Act (2020:198) on Temporary Exemptions to Facilitate the Execution of General Meetings in Companies and Associations.

For postal voting, a specific form must be used. The form is available at www.indutrade.se. The postal voting form is valid as registration to participate in the AGM. The completed postal voting form must be received by Euroclear Sweden AB no later than Monday, 12 April 2021. The completed form must be sent by mail to Indutrade AB, "AGM", c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm.

It is also possible to complete the form electronically and sign it using BankID in accordance with the instructions at: <https://anmalan.vpc.se/euroclearproxy> or by sending the completed form via email to: general-meetingservice@euroclear.com.

If the shareholder votes in advance through a proxy, the power of attorney form must also be attached and submitted. If the shareholder is a legal entity, a registration certificate or other authorization document must be attached and submitted. When voting in advance, shareholders may not stipulate or attach any special instructions or conditions to the vote. If they do so, the vote will be invalid.

Additional instructions and conditions are printed on the postal voting form.

Dividend

The Board proposes a dividend of SEK 1.80 per share.

The proposed record date for the dividend is Thursday, 15 April 2021. Provided that the AGM resolves in accordance with the Board's proposal, payment of the dividend is expected to be made via Euroclear Sweden AB on Tuesday, 20 April 2021.

Reporting dates

Interim reports

1 January – 31 March 2021	29 April 2021
1 January – 30 June 2021	19 July 2021
1 January – 30 September 2021	28 October 2021

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