



Indutrade

ANNUAL REPORT
2014

Year in brief



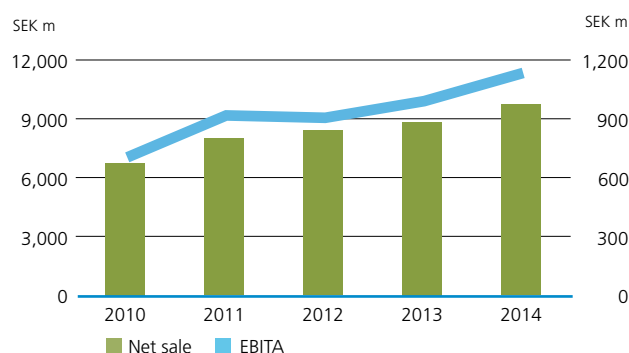
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- Order intake rose 11% to SEK 10,000 million (9,014).
- Net sales rose 10% to SEK 9,746 million (8,831).
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) rose 15% to SEK 1,134 million (990).
- Earnings per share were SEK 17.60 (14.68).
- Twelve acquisitions were carried out, with total annual sales of approximately SEK 770 million, of which eleven were consolidated by year-end.
- The Board of Directors proposes a dividend of SEK 7.75 (7.05) per share.

Key data	2014	2013
Net sales, SEK m	9,746	8,831
EBITA, SEK m	1,134	990
EBITA margin, %	11.6	11.2
Profit for the year after tax, SEK m	703	587
Earnings per share, SEK	17.60	14.68
Return on operating capital, %	21	20
Average number of employees	4,418	4,151

Net sales and earnings



This is a non-official translation of the Swedish original wording. In case of differences between the English translation and the Swedish original, the Swedish text shall prevail.

» Business concept

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

Sales growth, %

10

Number of acquisitions

12

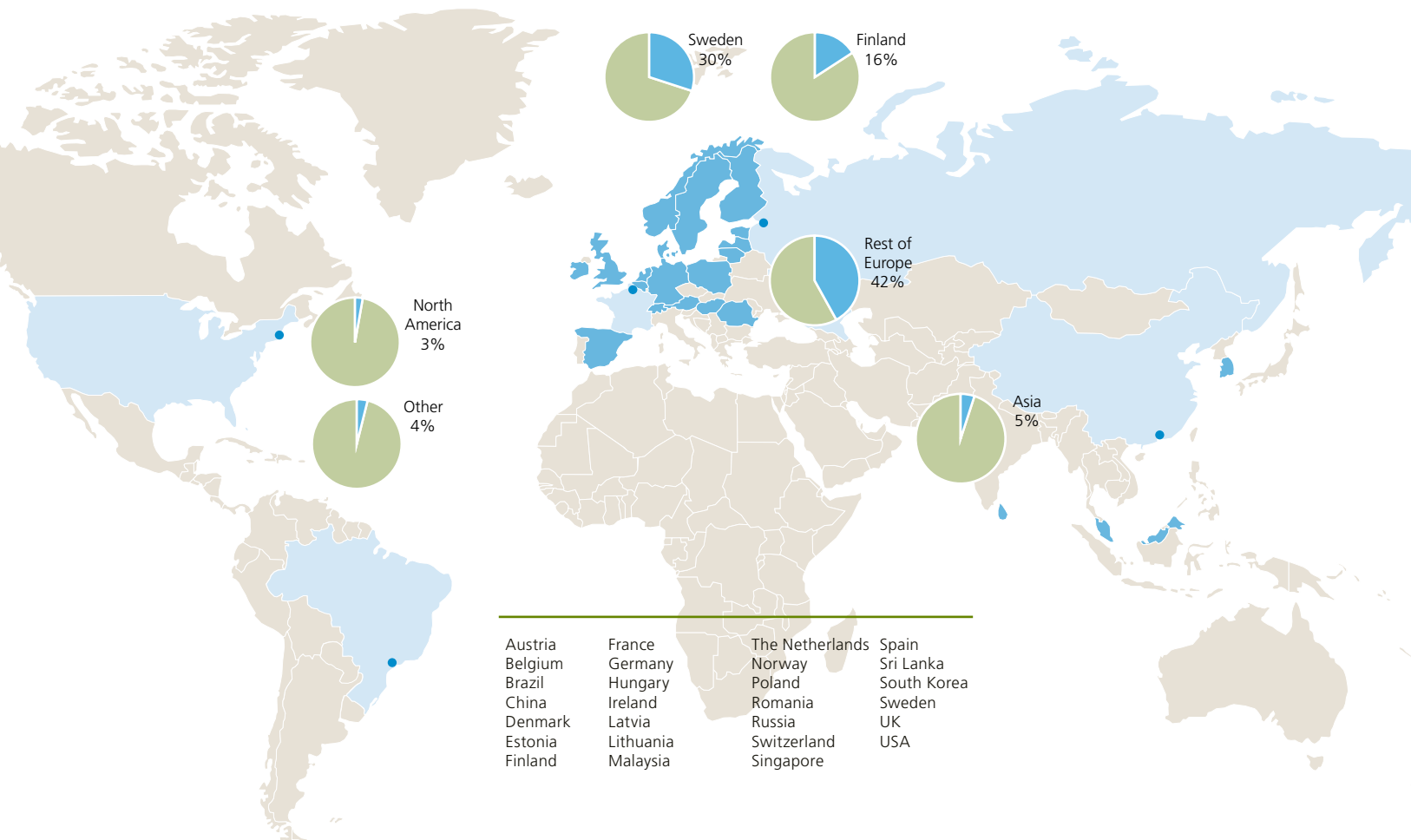
EBITA margin, %

11.6

Proposed dividend, SEK

7.75

Share of sales



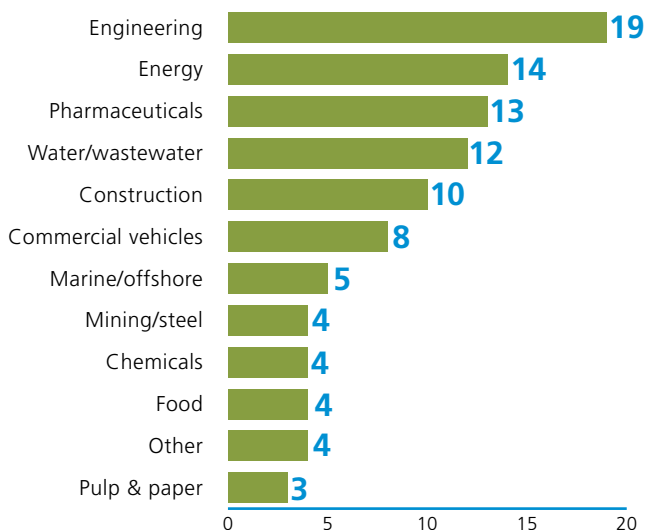
Indutrade in brief

» Since the stock market introduction in 2005 we have grown by an average of 11% per year, and our sales now amount to SEK 10 billion. Indutrade today comprises nearly 200 companies in 27 countries on four continents. Our companies are characterised by high-tech know-how and an ability to build enduring, close relationships with customers and suppliers.

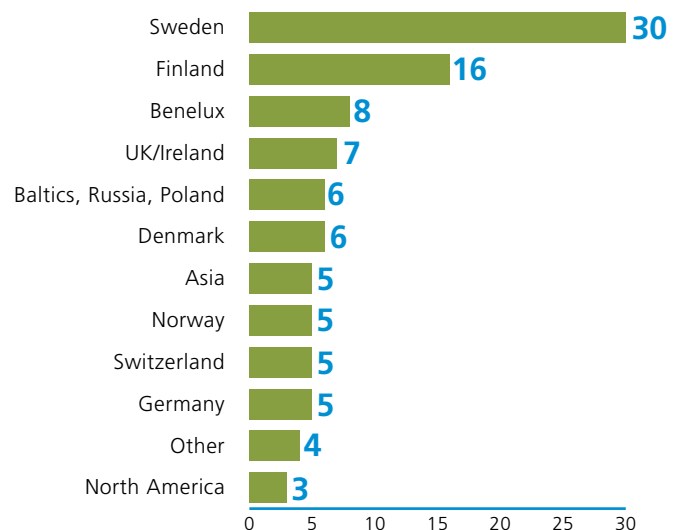
» Our business philosophy is based on entrepreneurship, self determination and customer-adapted leadership.

» We continue to pursue our acquisition strategy of buying companies that are successful and well-managed, with a clearly defined market and distinct offering.

Net sales per customer segment, %



Net sales per market, %



Acquire



We set high standards for the companies we acquire. They are successful and well-managed, with a clearly defined market and distinct customer

offering. They are run by entrepreneurs with a passion for their business concept and who want to further develop the business. We acquire companies in which the owner wants to continue leading and developing the business, without being the owner. The rationale for selling can vary. Perhaps the company is facing an expansion or investment phase. Or maybe the owner wants to see his life's work live on. Indutrade has no exit strategy, and by selling to Indutrade, the company's future can be secured.

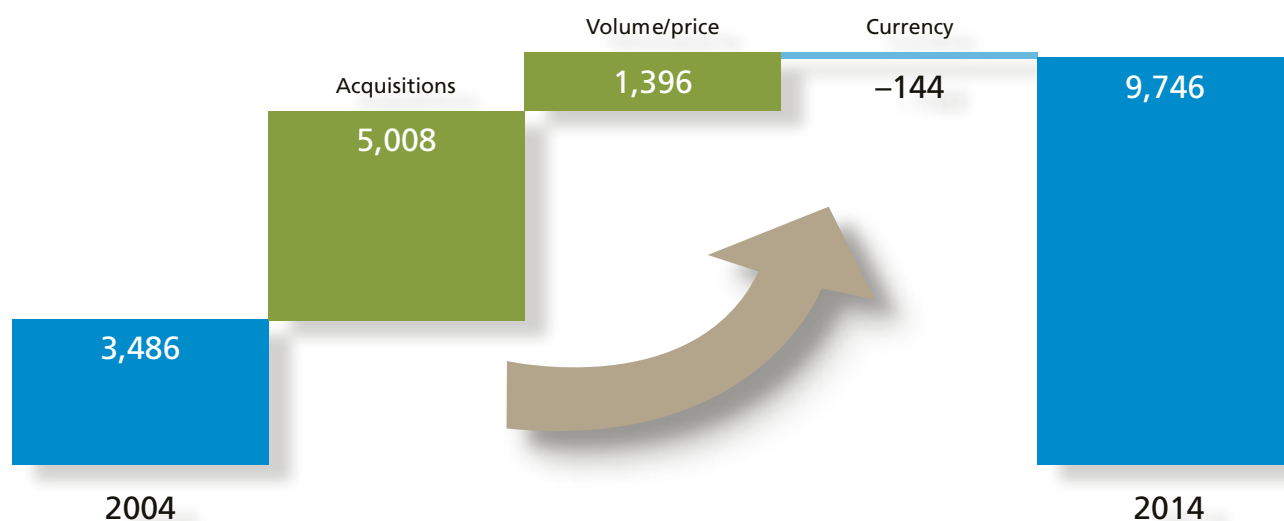
Develop



Being part of the Indutrade Group means that a company can retain its original identity at the same time that it gains access to the combined

experience and knowledge of industry colleagues in the Group. Indutrade's companies stimulate each other and benefit from information-sharing. Network seminars and internal benchmarking help to establish best practice that can be spread throughout the Group. All Indutrade companies have clearly decentralised responsibility as well as authority. Indutrade supports them with industrial know-how, financing, business development and management by objective.

Sales growth, SEK m



Successful acquisitions



For Indutrade, 2014 was yet another good year for the record. Sales grew 10% and earnings by 20%. Granted, organic growth was only 1%, but given the continued uncertain economic situation in our operating environment, I am satisfied that despite this we have once again managed to achieve growth.

Owing to the extensive breadth of our business in terms of markets as well as sectors, ups and downs in the economy are seldom reflected with the same magnitude in our performance. We have a large spread of risk, and if business is weak in a given market or segment, then this is typically compensated by better performance somewhere else. The same applies for the effects of political decisions that can affect the conditions for doing business in a given market.

Some of our businesses can be affected by problems or disturbances without it having critical consequences for the whole. If anything, an increasingly cumbersome bureaucracy, directives and growing reporting requirements are taking up a growing share of internal resources which otherwise could be used for business development.

During the year, we also achieved our goal of moving up to the Stockholm Stock Exchange's Large Cap list. This benefits the company as well as its stock – the company, because it represents yet another quality seal in connection with company acquisitions, and its stock, because more institutional investors with investment restrictions can now invest in Indutrade.

High pace of acquisitions

Twelve new companies with combined annual sales of approximately SEK 770 million came into the Indutrade Group during the year. Entirely in line with our ambition to increase our international presence, most of the acquisitions – eight in all – were of companies outside the Nordic region. Five of these were in the UK, which is a market we believe strongly in. In all we now have eleven companies in the UK and Ireland, and both the newly acquired companies and the ones that we have had since previously performed very well during the year. Our success can be

credited to the combination of a favourable market and our acquisition of quality companies. I am counting on a continued high pace of growth in the UK, where there are many interesting companies. As we continue to make more acquisitions, knowledge about Indutrade and what we stand for is growing, which in turn is generating new business opportunities.

In Sweden, too, we expect to continue making acquisitions, but due to our size in certain segments, the number of potential acquisition candidates is fewer. However, it may be of interest for us to move into or grow in market segments that are new for us and that will continue to exist in the country, where we can benefit from our technological niche expertise, such as in infrastructure projects.

New business area

At year-end 2014 the Indutrade Group comprised nearly 200 companies in 26 countries and five business areas. Starting on 1 January 2015 we have a new, sixth business area. These are companies with relatively advanced measurement technology that have been broken away from the Special Products business area to form the new Measurement & Sensor Technology business area. We see great growth opportunities in this area, which is interesting in terms of products, markets and profitability. In connection with the formation of this business area we also strengthened our management team with an externally recruited business area president.

Despite soft demand, all of the business areas performed well in 2014, and all of them except Engineering &

At our acquisition hubs in the Netherlands, Switzerland and the UK, we are now starting to see the effects of the competence transfer that has taken place with respect to company acquisitions, and the Group's operations outside the Nordic countries are expected to grow steadily.



Equipment posted earnings improvements compared with 2013. Energy, which is one of our most important segments, got off to a weak start in 2014. However, the second half of the year was considerably better, with favourable growth in both invoicing and order intake, and the starting point for 2015 thus appears bright, with a number of big power plant construction projects under way. We have also had success in wind power, which shows that we are well positioned to handle conventional as well as new energy technology.

Good opportunities despite concerns

Of course, the unstable global situation – with economic tensions in the EU, terrorist acts and the crisis in Ukraine – is creating uncertainty, which in turn affects the willingness to invest among businesses as well as private individuals. Despite of this, the market trend in industry was generally regarded as positive at the start of 2015. However, it is too early to draw any conclusions for the full year. Indutrade has achieved steady growth since its start more than 35 years ago, and the key to our success is our focus on generating positive cash flow. With the money we earn we buy quality companies that generate more money, which enables us to buy more quality companies – it's that simple. This is how we grow and succeed at generating capital for new acquisitions as well as for a return for our shareholders.

The biggest challenge for Indutrade is to achieve organic growth with profitability. The climate for continued acquisitions is positive, in my view. We have strong cash flow that we can use for new acquisitions. We also have

a good deal flow, and the more well-known we become in the international market, the greater opportunities we have to find good companies.

At our acquisition hubs in the Netherlands, Switzerland and the UK, we are now starting to see the effects of the competence transfer that has taken place with respect to company acquisitions, and the Group's operations outside the Nordic countries are expected to grow steadily.

New sales channel

Previously, large international trade shows were the primary showcase for companies offering technological products or services. Trade shows are now partly being usurped by the internet. Currently a shift is taking place in our industry, and web portals targeted at customers as well as designers are becoming an increasingly important sales channel. This is opening up opportunities as our companies gain an even broader global reach.

Finally, I cannot stress enough the importance that we hold fast to our values and strong culture, distinguished by entrepreneurship. Our business model is based on a clearly decentralised organisation and management by objective. To preserve and promote creativity and an enterprising spirit, all of our leaders must be able and dare to delegate. This is a central component of our business model, and our success is proof that it works.

Johnny Alvarsson
President and CEO, Indutrade

Share data

Indutrade's shares are listed on Nasdaq Stockholm. From 1 January 2015 the shares are listed on the Large Cap list. Indutrade's market capitalisation on 31 December 2014 was SEK 12,480 million (10,740).

Indutrade's share price rose from SEK 268.50 to SEK 312.00 during the year, an increase of 16%. The Stockholm Stock Exchange gained 13% for the year, and the OMX Industrials PI index rose 12%. Including reinvested dividends, the total return for Indutrade shares was 19%. The highest price paid in 2014 was on 2 April, SEK 319.50, and the lowest price paid was on 16 October, SEK 241.00. Since the stock market introduction on 5 October 2005 until 31 December 2014, Indutrade's shares have delivered a total return of 466% including reinvested dividends, while the SIX Return Index, which measures the total return of the market as a whole, showed a total return of 137% during the same period.

Trading volume

A total of 17.5 million (21.2) Indutrade shares were traded in 2014, for a combined value of SEK 5.1 billion (4.9). This corresponds to a turnover rate of 44% (53%). Average daily trading volume was 70,328 Indutrade shares (84,890), with 355 transactions (193).

Share capital

Indutrade's share capital amounted to SEK 40 million on 31 December 2014 (40), divided among 40,000,000 shares (40,000,000) with a share quota value of SEK 1. All shares have equal voting power.

10 largest shareholders at 31 December 2014

	No. shares	Share of capital and votes, %
L E Lundbergföretagen	10,230,000	25.6
Didner & Gerge funds	3,936,899	9.8
AMF Insurance and Funds	3,837,668	9.6
Lannebo funds	2,725,595	6.8
Handelsbanken Funds AB RE JPMEL	1,975,361	4.9
SEB Investment Management	1,596,405	4.0
Nordea Investment Funds	1,219,342	3.1
Odin Norden Verdipapirfond	929,473	2.3
Canadian Treaty Clients Account	637,656	1.6
Odin Sverige Aksjefondet	616,150	1.5
Other	12,295,451	30.8

Ownership structure

Indutrade had 5,970 shareholders on 31 December 2014 (6,038). At year-end the ten largest owners controlled 69% of the capital and votes (66%). Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 72% of the capital and votes at year-end (72%). Foreign ownership of the Company was 21% (20%).

Incentive programmes

In April 2014 the Annual General Meeting of Indutrade AB resolved to implement an incentive programme, LTI 2014, comprising a combined maximum of 460,000 warrants in two series, directed at senior executives and other key persons in the Indutrade Group.

Within the framework of Series I, which was offered to 135 persons, the participants acquired a total of 257,500 warrants for a combined total of SEK 3,914,000. The price per warrant was SEK 15.20, which corresponded to the market price. The subscription price was set at SEK 356.30 per share. Within the framework of Series II, which was offered to 13 persons, the participants acquired a total of 27,500 warrants for a combined value of SEK 319,000. The price per warrant was SEK 11.60, which corresponded to the market price. The subscription price for this series was set at SEK 350.00 per share.

The shares can be subscribed during specially prescribed subscription periods through Friday, 18 May 2018. Upon full exercise, the number of shares outstanding will increase by 285,000, corresponding to 0.7% of the total number of shares and votes.

During the reporting period, the dilutive effect was 0%.

Shareholders grouped by size

Size class	No. shareholders	Share of capital and votes, %
1 – 500	4,385	2.0
501 – 1,000	755	1.5
1,001 – 2,000	355	1.4
2,001 – 5,000	239	2.0
5,001 – 10,000	82	1.4
10,001 – 20,000	41	1.5
20,001 – 50,000	46	3.7
50,001 – 100,000	24	4.7
100,001 – 500,000	28	14.9
500,001 – 1,000,000	9	14.8
1,000,001 – 5,000,000	5	26.5
5,000,001 – 10,000,000	0	0
10,000,001 –	1	25.6

Dividend and dividend policy

The Board's goal is to provide the shareholders an attractive dividend yield and high dividend growth. The goal is that over time, the dividend shall range from 30% to 60% of net profit. During the last five-year period, of Indutrade's aggregate profit after tax, totalling SEK 2,804 million, dividends of SEK 1,348 million have been paid to the shareholders (including the proposed dividend for the year), which corresponds to 48% of net profit.

Contacts with investors and analysts

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

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

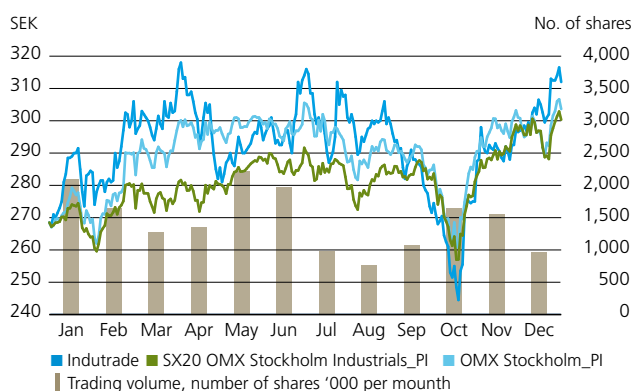
Key data per share

	2014	2013
Share price per 31 December, SEK	312.00	268.50
Market cap per 31 December, SEK m	12,480	10,740
Dividend, SEK	7.75 ¹⁾	7.05
Earnings, SEK	17.60	14.68
No. of shares outstanding, thousands	40,000	40,000
No. of shareholders per 31 December	5,970	6,038
Highest prices paid during the financial year, SEK	319.50	272.50
Lowest price paid during the financial year, SEK	241.00	198.00
Dividend yield ²⁾ , %	2.5	2.6
Shareholders' equity, SEK	79.00	65.58
Cash flow from operating activities, SEK	22.60	21.48

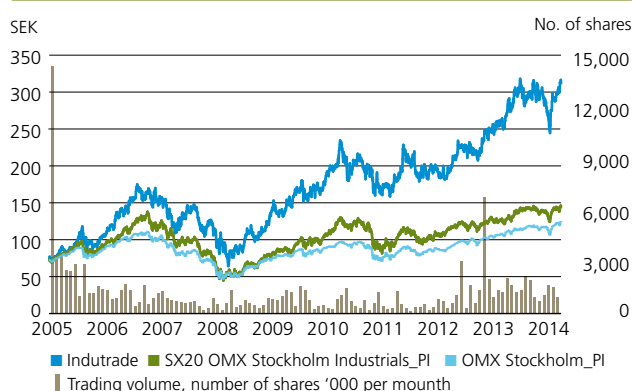
1) Proposed by the Board of Directors.

2) Dividend divided by share price on 31 December.

Share price trend 2014



Share price trend October 2005-2014



Total return for Indutrades shares October 2005-2014



Earnings and dividend per share



Goals and strategies

Overall goals

The Group strives for continuous growth in selected geographical markets, product areas and niches while maintaining limited business risk. Growth is pursued organically as well as through acquisitions. Indutrade's overall goals for profitable growth are:

- » to be the leading technical sales group in northern Europe in terms of net sales and technical expertise,
- » to be an international group with proprietary products and brands.

Financial targets

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.

The target EBITA margin is a minimum of 10% per year over a business cycle.

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

1) The target for return on operating capital was changed in the beginning of 2014 to be 20% instead of previously 25%.

Net debt/equity ratio should normally not exceed 100%.

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

1) The target for dividend payout ratio was a minimum of 50% of net profit until the proposed dividend for 2012.
2) Proposed dividend for 2014.

Target achievement

During the last five-year period, average annual sales growth was 9%. Net sales increased by 10% in 2014. For comparable units, the change was marginal, while acquired growth was 7%. The currency effect in 2014 was 3%.

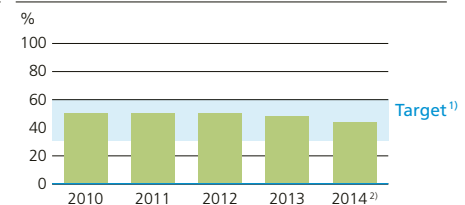
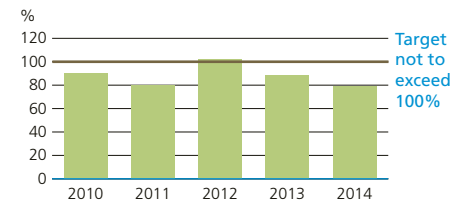
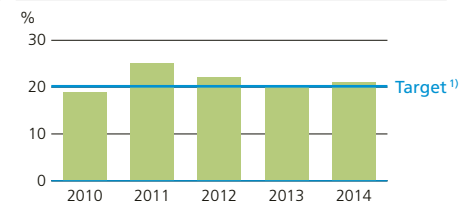
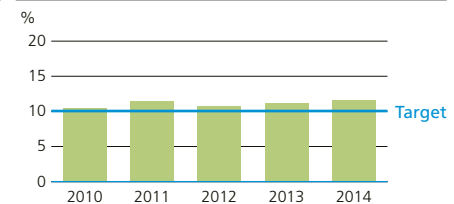
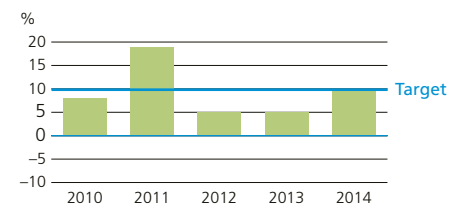
The average EBITA margin during the last five years was 11.1%. The EBITA margin in 2014 was 11.6%.

During the last five years, the average return on operating capital was 21%. In 2014 the return was 21%.

During the last five years, the net debt/equity ratio at year-end ranged from 79% to 102%. The net debt/equity ratio at year-end 2014 was 79%.

During the last five years, the dividend payout ratio was 48% including the proposed dividend. For 2014 a dividend of SEK 7.75 has been proposed, corresponding to 44% of net profit.

Historical achievement



Strategies

Indutrade pursues the following strategies to achieve its goals.

Growth with limited business risk

Growth will be pursued in three dimensions:

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

Growth is to be achieved organically as well as through acquisitions. As companies in the Indutrade Group grow, the entry barriers for potential competitors are also expected to rise. At the same time, the risk of Indutrade's suppliers establishing own sales organisations in the Company's markets decreases.

- » Business development and growth are strategic tools for lowering business risk.

Acquisitions

Indutrade acquires well managed, long-term successful, often owner-led industrial companies whose management teams are eager to continue running and growing the business. These companies manufacture or sell products in distinct markets.

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

Strong market positions

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

- » Strong market positions are often a prerequisite for good profitability. They also make it easier to attract the best suppliers, which further strengthens Indutrade's position.

Long-term partnerships with leading suppliers

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

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

Companies with proprietary products and brands

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

- » Proprietary products and brands balance the Group's technology sales companies. Since 2004 the share of sales of proprietary products has grown by 31 percentage points, and in 2014 they accounted for 40% of consolidated net sales.

High share of repetitive sales and focus on selected customer segments

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

- » This contributes to business stability and predictability of revenue flows.

Sales organisation with high level of technical expertise

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

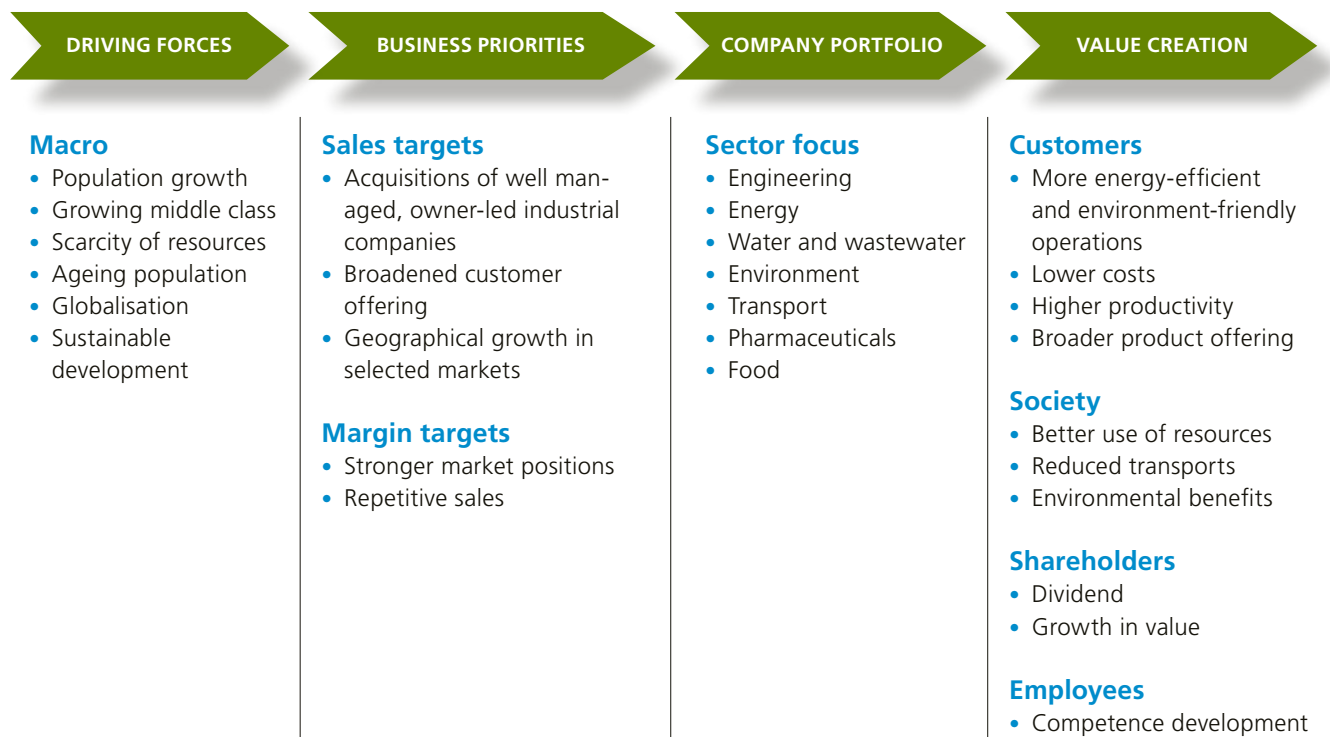
- » This makes Indutrade an attractive business partner that creates value-added for customers and suppliers alike.

Decentralised organisation with strong local ties

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

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

Driving forces and business environment



Global macro-trends often present major challenges for Indutrade's customers. Indutrade strives to offer components, systems and services that improve customers' ability to manage change and thereby overcome these challenges.

The world is developing and changing at a rapid pace. Monitoring and analysing global trends is crucial for Indutrade's ability to make well-grounded decisions regarding its business. Global trends entail both challenges and business opportunities.

Population growth along with a growing middle class is leading to rising demand for capital- as well as consumer goods. As people live longer, their healthcare needs are also growing, with a related rise in demand for new medicines and medical equipment. Finite natural resources are leading to higher demands for more efficient use of resources and the re-use of material and energy in industry. Climate change is leading to demands for greater use of renewable energy sources and a sustainable transport sector, with improved fuel economy and lower CO2 emissions. Overall, a growing environmental awareness, coupled with demands for long-term sustainable development is resulting in greater demand among consumers for locally produced goods.

More environment-friendly production with Indutrade

Indutrade's products and services help customers conduct their businesses in a more energy-efficient and environment-friendly way. Our growth strategy is focused on sectors with high demands for efficiency and thus a high degree of automation. Priority is given to products that help industries measure, govern, control, automate and streamline their processes, and products that support industries in meeting environmental standards and their energy needs.

Diversification of risk

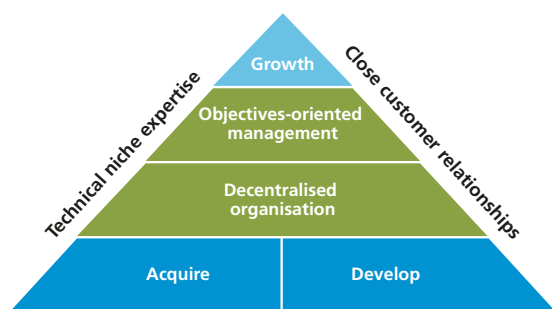
In an effort to diversify risk and reduce sensitivity to economic fluctuations, Indutrade works with products and services in a wide range of sectors.

In view of the growing demands for generally improved environmental performance and more efficient energy production, together with growing international trade, the segments that are considered to be the most important for Indutrade's continued expansion and development are energy, water and wastewater, the environment, transport, pharmaceuticals, engineering and food. The segments in which Indutrade currently has the most sales are engineering, energy, pharmaceuticals, and water and wastewater.

Business philosophy and acquisition process

Our business philosophy builds upon entrepreneurship, self-determination, and customer-adapted leadership. We buy profitable, well managed companies which, after being acquired, are allowed to continue doing business as previously, retaining their name, culture and management.

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



The benefit of being part of Indutrade

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

At internal networking seminars, we provide opportunities for our subsidiaries to make comparisons and informally share ideas and experiences. Every quarter a benchmarking process is conducted in the form of a ranking list, which is designed to concretise the companies' goals and give the company presidents knowledge about other companies' development in the Group.

Acquisition process

Identification

Indutrade strives to establish a dialogue with the owners of potentially interesting companies at an early stage. In doing so, Indutrade is often positioned as a natural discussion partner for business owners prior to a possible sale. At any given time, Indutrade is in discussions with five to ten acquisition candidates.

Evaluation

Potential acquisitions are evaluated on the basis of such parameters as market position, the market segment's attractiveness, customers, competitors, the principal supplier's strategic and technical focus, repetitive features in the product offering, financial position, history, key persons' continued involvement, and the value-added that the company can create for customers and suppliers. Thorough evaluation minimises the operational and financial risk associated with an acquisition.

Negotiation

The main purpose of the negotiation phase is to ensure:

- that the acquisition can be carried out at a price that makes the deal a value-creating endeavour. Historically, Indutrade has acquired businesses at a price of four to eight times net profit given a normal capital structure;
- the continued involvement of key persons after the acquisition. As the key persons are often part-owners of the company being acquired, normally an acquisition structure entailing earn-out payments is used. Key persons are thereby given an incentive to continue working in the Group and contribute to continued growth;
- that the acquisition candidate's main suppliers give their consent to the acquisition, thereby ensuring that key product agencies are not lost.

Governance process

Implementation

In connection with an acquisition, a structured review is conducted that focuses primarily on the acquired company's:

- customers and suppliers, with a view to broadening the customer base and product offering,
- organisation, with a view to improving efficiency and increasing focus on customers and sales,
- costs, margins and inventory turnover with a view to raising profitability.

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

Follow-up

The Group's management and the management of the pertinent business area conduct a continuous dialogue with the company's management. The ongoing governance is goal-oriented, with focus on growth, margins and working capital management.



Sustainable business

Acquiring companies is one of the cornerstones of Indutrade's business model. In our acquisition process it is therefore of utmost importance that we ensure shared values and principles with respect to social responsibility and sustainable business. Naturally, our sustainability work is affected by the laws in the countries in which we have operations, but also by demands made by customers and other stakeholders. Our ambition is to conduct our business in close dialogue with all stakeholders that affect and are affected by our operations.

Everyone's responsibility

Good business ethics and clear values are crucial for upholding the trust of customers, employees and other stakeholders. Each and every employee makes a contribution to Indutrade's reputation as a reliable and responsible company that lives up to its obligations.

Indutrade's policy for social responsibility and environmental work provides support for all employees in their daily work. Employees can report deviations from this policy or suspicions of improprieties via our whistleblower function, which can be used anonymously.

Consideration for individuals and society

Indutrade's operations are based on long-term, strong relationships with customers and suppliers, but also with the communities in which our companies are based. Our companies contribute to local development through a long-term presence and profitable business.

In addition, we support organisations and issues that are aligned with our fundamental values – both at the Group and local levels. A few of the organisations that Indutrade supports are the Children's Cancer Fund of Sweden, Children's Rights in Society (BRIS), and the Swedish Society for Nature Conservation.

Diversity

Diversity and the repudiation of all forms of discrimination are important for maintaining competitiveness and dynamism in our organisation as well as for continuing to be an attractive employer. We offer our employees equal opportunities regardless of their age, skin colour, gender, nationality, faith, sexual orientation or ethnicity. Workers' rights to organise in the union of their choice and to collectively bargain shall be respected.

Continuous improvements in environmental work

Indutrade's core business is technology sales and distribution, even though the share of the Group's companies with own manufacturing has increased. As a result, Indutrade's environmental impact is limited and related mainly to transports of finished products, business travel, and handling of waste.

Nonetheless, the goal is to continuously reduce the environmental impact of operations through systematic improvement work along the entire value chain. Among other things, we strive for more efficient use of energy and natural resources, and we prioritise the use of systems for the re-use or recycling of material and energy and take measures to prevent and limit pollution to the environment. Our goal is to reduce water and energy consumption for our products and to handle waste in a safe and effective manner.

Some of our subsidiaries are certified according to ISO 14001. But even the subsidiaries that are not certified conduct systematic environmental work aimed at continuous improvement. Environmental targets are to be measurable, and goals as well as plans are followed up within the frameworks of the respective subsidiaries.

Sustainable customer offerings

Like us, Indutrade's customers are encountering rising demands and expectations for responsible and sustainable solutions. These entail significant opportunities for our business and operational development. Part of the positioning of the companies' offerings involves demonstrating the value added they offer from environmental and social perspectives. Indutrade's companies offer many good examples of such solutions. Tribotec and Pentronic are two such companies.



» **Tribotec AB** offers environmentally adapted corrosion protection solutions. Apart from being at the forefront in its own environmental efforts, the company focuses on offering customers the best available technology and product range from an environmental standpoint. Tribotec offers corrosion protection solutions with technology developed by the US company Cortec, a world leader in developing biologically decomposable corrosion protection products. Cortec sets high standards for its retailers, and Tribotec's concept for environmentally adapted corrosion protection solutions is therefore a good fit with Cortec's demand specifications. Tribotec is one of the world's five largest retailers of Cortec's environmentally friendly corrosion protection products for packaging solutions, surface treatment and detergents.

Tribotec's biggest product based on Cortec's technology is a corrosion protection package – a bag in which the contents are sealed in to prevent corrosion. A large share of such packages are sold to customers that transport products that are shipped in containers. For such a solution it is vital to “make time stand still” – especially for transports between different climate zones.



» **Pentronic** – Through extremely precise temperature measurements, Pentronic helps customers in a range of different industries increase their productivity and efficiency by enabling a more exact supply of energy in their processes. For example, through precise temperature measurement and calibration, combined heat and power plants can achieve a maximum exchange to extract as much energy as possible from its fuel supply.

In the automotive industry, refined temperature measurements from a large number of measurement points enhance engine performance and reduce harmful exhaust emissions.

Temperature sensors that can measure with precision have many areas of application that are beneficial for society. They help sensitive industries such as the food and pharmaceutical industries maintain high standards of safety, hygiene and reliability through the various phases of manufacturing processes.

Pentronic provides equipment as well as expertise and training, thereby helping customers conduct their businesses with a high level of efficiency and safety.

Quarterly overview

Net sales, SEK m	2014					2013				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	1,274	329	319	332	294	1,265	334	301	331	299
Flow Technology	2,073	541	533	547	452	1,979	508	471	531	469
Fluids & Mechanical Solutions	1,058	289	252	266	251	993	258	234	258	243
Industrial Components	1,925	546	437	495	447	1,717	466	409	438	404
Special Products	3,463	960	887	802	814	2,920	795	741	730	654
Parent company & Group items	-47	-11	-16	-12	-8	-43	-9	-8	-8	-18
	9,746	2,654	2,412	2,430	2,250	8,831	2,352	2,148	2,280	2,051

EBITA, SEK m	2014					2013				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	93	22	31	25	15	103	28	25	30	20
Flow Technology	176	50	47	52	27	159	39	40	54	26
Fluids & Mechanical Solutions	127	33	29	34	31	110	26	25	29	30
Industrial Components	226	56	52	69	49	212	64	55	53	40
Special Products	553	173	150	113	117	443	122	120	110	91
Parent company & Group items	-41	0	-15	-11	-15	-37	4	-13	-12	-16
	1,134	334	294	282	224	990	283	252	264	191

EBITA-margin, %	2014					2013				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	7.3	6.7	9.7	7.5	5.1	8.1	8.4	8.3	9.1	6.7
Flow Technology	8.5	9.2	8.8	9.5	6.0	8.0	7.7	8.5	10.2	5.5
Fluids & Mechanical Solutions	12.0	11.4	11.5	12.8	12.4	11.1	10.1	10.7	11.2	12.3
Industrial Components	11.7	10.3	11.9	13.9	11.0	12.3	13.7	13.4	12.1	9.9
Special Products	16.0	18.0	16.9	14.1	14.4	15.2	15.3	16.2	15.1	13.9
	11.6	12.6	12.2	11.6	10.0	11.2	12.0	11.7	11.6	9.3

Quarterly overview pro forma

Net sales, SEK m	2014					2013				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	1,274	329	319	332	294	1,265	334	301	331	299
Flow Technology	2,073	541	533	547	452	1,979	508	471	531	469
Fluids & Mechanical Solutions	1,058	289	252	266	251	993	258	234	258	243
Industrial Components	1,925	546	437	495	447	1,717	466	409	438	404
Measurement & Sensor Technology	753	207	190	193	163	704	183	174	186	161
Special Products	2,710	753	697	609	651	2,216	612	567	544	493
Parent company & Group items	-47	-11	-16	-12	-8	-43	-9	-8	-8	-18
	9,746	2,654	2,412	2,430	2,250	8,831	2,352	2,148	2,280	2,051
EBITA, SEK m	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	93	22	31	25	15	103	28	25	30	20
Flow Technology	176	50	47	52	27	159	39	40	54	26
Fluids & Mechanical Solutions	127	33	29	34	31	110	26	25	29	30
Industrial Components	226	56	52	69	49	212	64	55	53	40
Measurement & Sensor Technology	135	40	43	32	20	110	29	32	33	16
Special Products	418	133	107	81	97	333	93	88	77	75
Parent company & Group items	-41	0	-15	-11	-15	-37	4	-13	-12	-16
	1,134	334	294	282	224	990	283	252	264	191
EBITA-margin, %	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	7.3	6.7	9.7	7.5	5.1	8.1	8.4	8.3	9.1	6.7
Flow Technology	8.5	9.2	8.8	9.5	6.0	8.0	7.7	8.5	10.2	5.5
Fluids & Mechanical Solutions	12.0	11.4	11.5	12.8	12.4	11.1	10.1	10.7	11.2	12.3
Industrial Components	11.7	10.3	11.9	13.9	11.0	12.3	13.7	13.4	12.1	9.9
Measurement & Sensor Technology	17.9	19.3	22.6	16.6	12.3	15.6	15.8	18.4	17.7	9.9
Special Products	15.4	17.7	15.4	13.3	14.9	15.0	15.2	15.5	14.2	15.2
	11.6	12.6	12.2	11.6	10.0	11.2	12.0	11.7	11.6	9.3

Since 1 January 2015, operations in the Indutrade Group are conducted in six business areas. A grouping of companies active in measurement and sensor technology in the Special Products business area has been broken off to form a separate business area.

Pro forma figures for the 2014 and 2013 financial years are provided above.

Several-year overview

Condensed income statement (SEK m)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net sales	9,746	8,831	8,384	7,994	6,745	6,271	6,778	5,673	4,516	3,822
Cost of goods sold	-6,464	-5,833	-5,545	-5,268	-4,480	-4,207	-4,520	-3,826	-3,027	-2,582
Development costs	-107	-110	-95	-74	-48	-44	-32	-20	-15	-12
Selling costs	-1,708	-1,601	-1,527	-1,430	-1,224	-1,169	-1,169	-972	-835	-725
Administrative expenses	-535	-449	-426	-398	-376	-323	-299	-250	-205	-182
Other operating income/expenses	49	18	6	-2	-3	-3	2	4	2	3
Operating profit	981	856	797	822	614	525	760	609	436	324
Financial income and expenses	-86	-100	-83	-93	-61	-64	-68	-31	-20	-15
Profit after financial items	895	756	714	729	553	461	692	578	416	309
Tax	-192	-169	-145	-189	-148	-120	-182	-159	-116	-87
Net profit for the year	703	587	569	540	405	341	510	419	300	222
EBITA	1,134	990	905	917	703	594	820	650	460	333
EBITA margin, %	11.6	11.2	10.8	11.5	10.4	9.5	12.1	11.5	10.2	8.7

Condensed balance sheets (SEK m)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Assets										
Goodwill	1,572	1,308	1,188	822	712	514	574	378	265	210
Other intangible assets	1,445	1,286	1,215	888	761	555	599	364	183	88
Property, plant and equipment	971	849	741	706	657	563	554	388	327	287
Financial assets	87	61	59	45	50	48	52	43	25	31
Inventories	1,617	1,546	1,472	1,328	1,183	1,064	1,207	936	719	615
Accounts receivable - trade	1,702	1,435	1,411	1,263	1,047	901	1,102	859	679	532
Current receivables	336	208	204	149	164	125	100	100	69	53
Cash and cash equivalents	357	261	243	264	219	229	223	203	119	117
Total assets	8,087	6,954	6,533	5,465	4,793	3,999	4,411	3,271	2,386	1,933
Liabilities and equity										
Equity	3,162	2,626	2,290	2,064	1,744	1,644	1,597	1,189	892	714
Non-current interest-bearing liabilities and pension liabilities	1,216	2,201	1,158	837	939	886	930	431	406	415
Other non-current liabilities and provisions	412	353	333	255	231	132	148	237	73	44
Current interest-bearing liabilities	1,635	381	1,424	1,083	841	462	622	393	236	116
Accounts payable - trade	763	602	586	556	493	424	584	470	398	322
Other current liabilities	899	791	742	670	545	451	530	551	381	322
Total liabilities and equity	8,087	6,954	6,533	5,465	4,793	3,999	4,411	3,271	2,386	1,933

Condensed cash flow statements (SEK m)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Cash flow from operating activities before changes in working capital	970	790	720	764	616	438	619	526	369	313
Changes in working capital	-66	69	-201	-55	40	120	-129	-127	-104	9
Cash flow from operating activities	904	859	519	709	656	558	490	399	265	322
Net investment in non-current assets	-124	-206	-127	-139	-111	-90	-130	-67	-41	-41
Company acquisitions and divestments	-585	-444	-572	-467	-684	-188	-276	-307	-157	-148
Change in other financial assets	3	1	-5	13	0	0	0	1	-16	-8
Cash flow from investing activities	-706	-649	-704	-593	-795	-278	-406	-373	-214	-197
Net borrowing	165	88	442	134	321	-12	131	203	65	192
Dividend payout	-282	-282	-270	-204	-172	-256	-210	-150	-110	-301
Cash from financing activities	-117	-194	172	-70	149	-268	-79	53	-45	-109
Cash flow for the year	81	16	-13	46	10	12	5	79	6	16
Cash and cash equivalents at start of year	261	243	264	219	229	223	203	119	117	97
Exchange rate differences	15	2	-8	-1	-20	-6	15	5	-4	4
Cash and cash equivalents at end of year	357	261	243	264	219	229	223	203	119	117
Financial metrics (SEK m)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Non-current interest-bearing liabilities	1,216	2,201	1,158	837	939	886	930	431	406	415
Current interest-bearing liabilities	1,635	381	1,424	1,083	841	462	622	393	236	116
Cash and cash equivalents	-357	-261	-243	-264	-219	-229	-223	-203	-119	-117
Group net debt	2,494	2,321	2,339	1,656	1,561	1,119	1,329	621	523	414
Net debt/equity ratio, %	79	88	102	80	90	68	83	52	59	58
Interest coverage ratio, times	12.2	8.9	9.0	8.9	9.4	7.6	10.4	15.8	18.4	18.2
Equity ratio, %	39	38	35	38	36	41	36	36	37	37
Net debt/EBITDA, times	1.9	2.1	2.3	1.6	2.0	1.6	1.5	0.9	1.0	1.1
Return ratios										
Return on equity, %	25	25	27	29	24	21	38	41	39	33
Return on working capital, %	21	20	22	25	19	18	33	38	35	30
Key data per employee										
Average number of employees	4,418	4,151	3,939	3,778	3,420	3,122	2,728	1,929	1,673	1,510
Net sales, SEK 000	2,206	2,127	2,128	2,116	1,972	2,009	2,485	2,941	2,699	2,531
Pre-tax profit, SEK 000	203	182	180	193	162	148	254	300	249	205

Key data per share	2014	2013	2012	2011	2010	2009	2008	2007	2006
Share price per 31 December, SEK	312.00	268.50	197.00	183.00	232.00	135.00	66.25	123.75	135.00
Market cap per 31 December, SEK m	12,480	10,740	7,880	7,320	9,280	5,400	2,650	4,930	5,400
Dividend ¹⁾ , SEK	7.75	7.05	7.05	6.75	5.10	4.30	6.40	5.25	3.75
Earnings, SEK	17.60	14.68	14.23	13.50	10.18	8.53	12.75	10.48	7.50
Number of outstanding shares, thousands	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Number of shareholders per 31 December	5,970	6,038	5,721	5,025	5,388	5,369	4,577	4,739	5,230
Highest price paid during the financial year, SEK	319.50	272.50	229.50	239.00	234.00	153.00	149.00	172.00	139.00
Lowest price paid during the financial year, SEK	241.00	198.00	175.00	153.50	134.50	69.50	63.75	117.00	80.50
Dividend yield ²⁾ , %	2.5	2.6	3.6	3.7	2.2	3.2	9.7	4.3	2.8
Shareholders' equity, SEK	79.00	65.58	57.20	51.55	43.55	41.10	39.93	29.73	22.30
Cash flow from operating activities, SEK	22.60	21.48	12.98	17.73	16.40	13.95	12.25	9.98	6.63

1) Proposed for 2014 by the Board of Directors.

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

Definitions

Earnings per share

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

EBITA

Operating profit before amortisation of intangible assets arising in connection with company acquisitions (Earnings Before Interest, Tax and Amortisation).

EBITA margin

EBITA divided by net sales for the period.

EBITDA

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

Equity per share

Equity divided by the number of shares outstanding.

Equity ratio

Shareholders' equity divided by total assets.

Gross margin

Gross profit divided by net sales.

Interest-bearing net debt

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

Interest coverage ratio

Gross profit plus financial income divided by financial expenses.

Net capital expenditure

Purchases less sales of intangible 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.

Operating capital

Interest-bearing net debt and shareholders' equity.

Return on equity

Net profit for the period divided by average equity per month.

Return on operating capital

EBITA divided by average operating capital per month.

Directors' report

The Board of Directors and President of Indutrade AB (publ), reg. no. 556017-9367, herewith submit the annual report for the 2014 financial year.

Operations

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

The Group was organised in five business areas during the year: Engineering & Equipment, Flow Technology, Fluids & Mechanical Solutions, Industrial Components and Special Products. In 2014 business was conducted through nearly 200 subsidiaries in 26 countries on four continents. Indutrade's shares are listed on Nasdaq Stockholm, and were added to the Large Cap list in January 2015.

Performance 2014

Indutrade's companies encountered a slightly improved demand situation in 2014. This, together with completed acquisitions, led to new record levels for order intake as well as net sales. At the same time, the variation for the Group's companies was large between markets, segments and countries.

Order intake, net sales and earnings

Order intake for the year totalled SEK 10,000 million (9,014), an increase of 11%. For comparable units, order intake rose 1%, while acquired growth was 7%. Currency movements had a positive effect on order intake, by 3%. Like-for-like order intake increased during the year for the Flow Technology, Fluids & Mechanical Solutions and Industrial Components business areas, while it decreased for the other business areas.

Net sales for the year totalled SEK 9,746 million (8,831), an increase of 10%. For comparable units the increase was marginal, while acquired growth was 7%. Currency movements had a positive impact by 3%.

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) was SEK 1,134 million (990) for the year, an increase of 15%. The operating margin before amortisation of intangible assets (the EBITA margin) was 11.6% (11.2%). The gross margin for the Group as a whole was level with the preceding year, at 33.7% (33.9%). The earnings increase and strengthening of the EBITA margin were entirely attributable to the contribution made by acquisitions. With only a marginal increase in net sales for comparable units, continued cost adjustments had a significant impact on the Group's earnings performance. For the full year, three of the Group's five business areas achieved the Group's goal of an EBITA margin in excess of 10%. Currency effects of translation of foreign units had a positive impact on EBITA by SEK 30 million, or 3%. Net financial items amounted to SEK -86 million (-100), of which net interest expense was SEK -75 million (-90). Net interest expense was favourably affected by a lower average interest rate. Tax on profit for the year was SEK -192 million (-169), corresponding to a tax charge of 21% (22%). Profit after tax rose 20% to SEK 703 million (587). Earnings per share increased to SEK 17.60 (14.68).

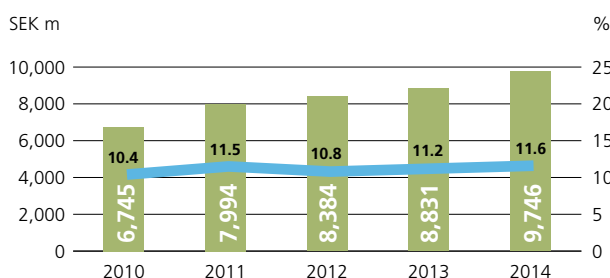
Profitability, financial position and cash flow

The return on operating capital was 21% (20%), and the return on equity was 25% (25%).

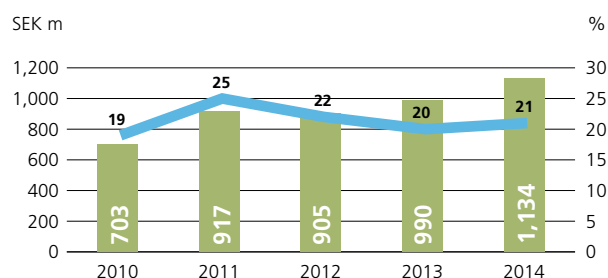
Shareholders' equity amounted to SEK 3,162 million (2,626), and the equity ratio was 39% (38%).

Cash and cash equivalents amounted to SEK 357 million (261). In addition to this, the Group had unutilised credit promises of SEK 1,858 million (1,233). Interest-bearing net debt amounted to SEK 2,494 million (2,321). The net debt/equity ratio was 79% at year-end (88%).

Net sales SEK m, EBITA margin, %

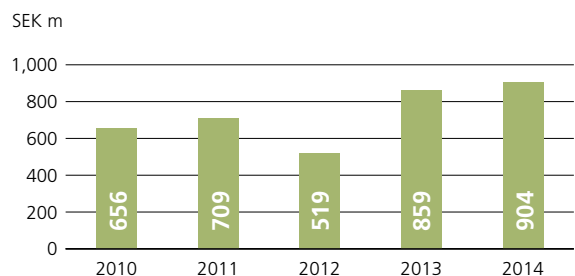


EBITA SEK m, Return on operating capital %



Cash flow from operating activities was SEK 904 million (859). Cash flow after net capital expenditures in intangible non-current assets and property, plant and equipment (excluding company acquisitions) was SEK 780 million (653).

Cash flow from operating activities, SEK m



The Group's net capital expenditures, excluding company acquisitions, amounted to SEK 124 million (206). Depreciation of property, plant and equipment amounted to SEK 127 million (114). Company acquisitions amounted to SEK 512 million (335). In addition, payments of contingent consideration for previous years' acquisitions amounted to SEK 73 million (128).

Business Areas

» Engineering & Equipment

Share of order intake 2014 **12%**
Share of net sales 2014 **13%**

Net sales rose 1% during the year to SEK 1,274 million (1,265). For comparable units, net sales decreased by 4%, while currency movements had a positive impact on net sales by 5%.

90% of the business area's sales is in Finland and the demand situation in Finnish industry remained challenging during the year. The business area was affected by low activity mainly in the construction sector and general restraint regarding investments in Finland.

EBITA decreased by 10% to SEK 93 million (103), corresponding to an EBITA margin of 7.3% (8.1%). Cost adjustments were made in some of the business area's companies to counter the effects of low demand.

Engineering & Equipment

Net sales per customer segment, %		Net sales per product area, %	
Water/Wastewater	24	Hydraulics & Industrial equipment	28
Engineering	18	Measurement technology	23
Construction	10	Valves	15
Infra structure	9	Service	10
Energy	7	Pumps	8
Mining/Steel	6	Filter & Process technology	5
Chemicals	6	Automation	4
Commercial vehicles	5	Pipes & pipe systems	3
Pulp & Paper	5	Fasteners/Electronics/Industrial springs	3
Marine/Offshore	3	Chemical technology	1
Food	1		
Other	6		

» Flow Technology

Share of order intake 2014	21%
Share of net sales 2014	21%

Net sales amounted to SEK 2,073 million (1,979) for the year, an increase of 5%. The increase for comparable units was 4%. Currency movements had a positive impact on net sales by 1%.

The business situation, which strengthened further during the latter part of the preceding year, improved further during the opening quarters of 2014. This initial strong order intake also led to higher invoicing during the second half of the year. The increase was spread over most of the business area's segments at the same time that the variation in demand between months, segments and customers was great. Following a strong start to the year, demand eased somewhat towards the end of the year, and uncertainty once again took hold.

EBITA increased by 11% to SEK 176 million (159), and the EBITA margin reached 8.5% (8.0%). The higher earnings and improved margin were mainly attributable to the increase in sales.

Flow Technology

Net sales per customer segment, %		Net sales per product area, %	
Water/Wastewater	24	Valves	44
Energy	20	Measurement technology	15
Marine/Offshore	12	Pipes & Pipe systems	15
Chemicals	9	Pumps	11
Pulp & Paper	7	Hydraulics & Industrial equipment	8
Engineering	6	Service	2
Pharmaceuticals/Healthcare	6	Medical technology	2
Mining/Steel	5	Fasteners/Electronics/Industrial springs	1
Food	4	Glass/Plastics/Ceramics	1
Construction	3	Other	1
Commercial vehicles	1		
Other	3		

» Fluids & Mechanical Solutions

Share of order intake 2014	11%
Share of net sales 2014	11%

Net sales rose 7% during the year, to SEK 1,058 million (993). The increase for comparable units was 3%. Acquisitions contributed 2%, while currency movements had a positive impact on net sales by 2%.

Most companies in the business area managed to gradually strengthen their positions in their respective niches, with higher sales and profitability as a result. The improvement was relatively evenly spread over various segments. EBITA increased by 16% to SEK 127 million (110), and the EBITA margin reached 12.0 % (11.1%). The earnings improvement was mainly attributable to improved profitability for comparable units.

Fluids & Mechanical Solutions

Net sales per customer segment, %		Net sales per product area, %	
Engineering	26	Filter & Process technology	22
Construction	22	Hydraulics & Industrial equipment	21
Water/Wastewater	13	Valves	11
Food	9	Glass/Plastics/Ceramics	11
Commercial vehicles	8	Fasteners/Electronics/Industrial springs	9
Mining/Steel	4	Pipes & Pipe systems	6
Pharmaceuticals/Healthcare	4	Chemical technology	6
Infra structure	3	Automation	5
Energy	3	Pumps	2
Marine/Offshore	2	Other	7
Chemicals	1		
Pulp & Paper	1		
Other	4		

» Industrial Components

Share of order intake 2014	19%
Share of net sales 2014	20%

Net sales rose 12% during the year, to SEK 1,925 million (1,717). The increase for comparable units was 5%. Acquisitions contributed 6%, and currency movements 1%.

Like the other business areas, the business situation, which improved during the year, showed a wide variation between companies, segments and countries. Companies working in medical technology and chemical products for industry, in particular, developed favourably in terms of both sales and earnings. EBITA increased by 7% to SEK 226 million (212), corresponding to an EBITA margin of 11.7% (12.3%). The increase in earnings and margins attributable to acquisitions was countered by a negative mix and narrower gross margins. For the business area as a whole, which has a relatively high share of sales in Sweden, the weaker Swedish krona had a negative impact on gross margins during the latter part of the year, as high purchasing prices could not be compensated during the period.

Industrial Components

Net sales per customer segment, %		Net sales per product area, %	
Engineering	31	Hydraulics & Industrial equipment	25
Pharmaceuticals/Healthcare	25	Medical technology	23
Commercial vehicles	9	Fasteners/Electronics/Industrial springs	16
Energy	6	Chemical technology	16
Food	5	Automation	8
Construction	5	Filter & Process technology	6
Pulp & Paper	4	Glass/Plastics/Ceramics	2
Mining/Steel	4	Service	2
Marine/Offshore	3	Pipe & Pipe systems	1
Other	8	Other	1

» Special Products

Share of order intake 2014	37%
Share of net sales 2014	35%

Net sales rose 19% during the year, to SEK 3,463 million (2,920). For comparable units, net sales decreased by 3%. Acquired growth was 16% on an accumulated basis, while currency movements had a positive impact on net sales by 6%.

The increase in net sales is mainly attributable to completed acquisitions, while the performance for comparable units was varied. Following a period of weak demand for products in the energy segment, order intake and invoicing turned upwards once again during the second half of the year. The Special Products business area, which has a relatively high share of companies with project-related business, showed a large variation in order intake and invoicing between months and quarters. Compared with very strong performance a year ago, the trend for the business area's operations in Switzerland was slightly weaker in 2014.

EBITA increased by 25% to SEK 553 million (443), and the EBITA margin was 16.0% (15.2%). The earnings increase is mainly attributable to acquisitions.

Special Products

Net sales per customer segment, %		Net sales per product area, %	
Energy	20	Valves	31
Engineering	18	Measurement technology	21
Pharmaceuticals/Healthcare	18	Insulation	10
Construction	14	Hydraulics & Industrial equipment	7
Commercial vehicles	8	Fasteners/Electronics/Industrial springs	5
Water/Wastewater	6	Automation	4
Food	4	Filter & Process technology	3
Chemicals	4	Glass/Plastics/Ceramics	3
Marine/Offshore	3	Pipe & Pipe systems	3
Mining/Steel	2	Service	3
Pulp & Paper	1	Pumps	3
Other	2	Medical technology	2
		Chemical technology	2
		Other	3

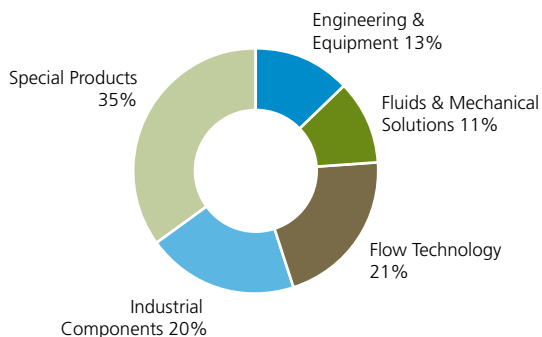
Geographical distribution of net sales per business area, %

Country	Engineering & Equipment	Flow Technology	Fluids & Mechanical Solutions	Industrial Components	Special Products
Asia	1	4	1		10
Baltics/Russia/Poland	2	10	21	4	1
Benelux	1		1	2	21
Denmark		13	13	6	1
Finland	90	6	1	13	1
North America			1		10
Norway		11	9	9	
Switzerland			1		14
UK & Ireland		7	1		14
Sweden	1	46	45	64	7
Germany	3	1	1	1	13
Other	2	2	5	1	8

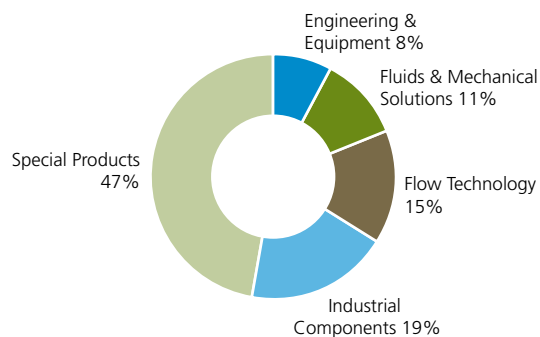
Key data per business area

	Engineering & Equipment		Flow Technology		Fluids & Mechanical Solutions		Industrial Components		Special Products	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
SEK m										
Net sales, SEK m	1,274	1,265	2,073	1,979	1,058	993	1,925	1,717	3,463	2,920
EBITA, SEK m	93	103	176	159	127	110	226	212	553	443
EBITA margin, %	7.3	8.1	8.5	8.0	12.0	11.1	11.7	12.3	16.0	15.2
Return on operating capital, %	20	23	18	16	20	18	25	25	21	20
Average number of employees	442	484	663	645	486	452	574	565	2,253	2,005

Net sales per business area, %



EBITA per business area, %



Acquisitions 2014

Possession	Acquisition	Country	Business area	Sales, SEK m ¹	No. employees
January	AP Tobler AG	Switzerland	Special Products	37	35
March	Svenska Geotech AB	Sweden	Industrial Components	40	6
May	Corrosion Resistant Products Ltd	UK	Special Products	110	58
June	Micro Spring and Presswork Ltd	UK	Special Products	40	45
June	Birmingham Specialities Ltd	UK	Special Products	60	58
June	ALH Systems Ltd	UK	Special Products	60	46
August	Bailey Morris Ltd	UK	Special Products	70	38
September	BL Products AB	Sweden	Industrial Components	20	6
October	Winab Vikväggar AB	Sweden	Fluids & Mechanical Solution	90	39
October	Gelins-KGK AB	Sweden	Industrial Components	110	22
December	Verbeeck Packaging Group B.V.	Belgium	Special Products	45	8
Total				682	361

1) Estimated annual sales at the time of acquisition.

- » **AP Tobler AG** specialises in surface treatment of stainless steel and aluminium equipment for the pharmaceutical industry, with annual sales of SEK 37 million. The company is consolidated in the Group as from 1 January 2014.
- » **Svenska Geotech AB** with annual sales of SEK 40 million, imports and supplies building site preparation and civil engineering products to companies in the infrastructure segment. The company is consolidated in the Group as from 17 March 2014.
- » **Corrosion Resistant Products Ltd** manufactures and supplies corrosion-resistant piping, valves and expansion bellows, and has annual sales of SEK 110 million. The company is consolidated in the Group as from 13 May 2014.
- » **Micro Spring and Presswork Ltd** manufactures industrial springs and stampings, and has annual sales of SEK 40 million. The company is consolidated in the Group as from 17 June 2014.
- » **Birmingham Specialities Ltd** is a specialist manufacturer of industrial components, with annual sales of SEK 60 million. The company is consolidated in the Group as from 18 June 2014.
- » **ALH Systems Ltd**, with annual sales of SEK 60 million, specialises in the manufacture and sale of encapsulants, sealants and adhesives. The company is consolidated in the Group as from 26 June 2014.
- » **Bailey Morris Ltd** manufactures driveshafts, propshafts and special components. The company has annual sales of SEK 70 million and is consolidated in the Group as from 15 August 2014.
- » **BL Products AB**, with annual sales of SEK 20 million, sells and installs packaging machinery. The company is consolidated in the Group as from 22 September 2014.
- » **Winab Vikväggar AB** with annual sales of SEK 90 million, manufactures folding partitions and partition walls for customers in the private and public sectors. The company is consolidated in the Group as from 1 October 2014.
- » **Gelins-KGK AB** is a technology sales company that supplies industrial components to Swedish industry and farm equipment. The company has annual sales of SEK 110 million and is consolidated in the Group as from 20 October 2014.
- » **Verbeeck Packaging Group B.V.**, with annual sales of SEK 45 million, specialises in packaging solutions for the cosmetics, pharmaceutical, food and household sectors. The company is consolidated in the Group as from 10 December 2014.

Risks and risk management

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

Many of the risks described here could affect the Company both positively and negatively. This means that in the event of a favourable risk development or if the Company's risk management is successful in mitigating the

risk, 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.

In 2014 Indutrade conducted business through nearly 200 companies in 26 countries on four continents. This spread of risk along with a large number of customers in diversified industries and a large number of suppliers in various technology areas limits the business risks.

Risk	Risk management
Changes in the economy Indutrade's business is dependent on customers' purchases and investments, and is affected by changes in the economy.	» The effect of economic fluctuations in specific sectors and geographic markets is mitigated by the Company's involvement in many different sectors and geographic markets. In addition, the diversification of sales among OEM components, consumables, maintenance products, investment goods and service has a balancing effect.
Outsourcing of operations Outsourcing of industrial production to low-cost countries takes place in markets in which Indutrade is active	» Outsourcing has had a limited impact on Indutrade, since the Group has chosen to focus on customers with a recurring need in industries with a high degree of automation and/or large initial investments, which tend to not outsource.
Competition from low-cost countries An increase in products from low-cost countries can be seen in Indutrade's markets.	» To counter the effects of this competition, Indutrade offers products and services with a high-tech content, a high level of service and qualified technical advice. In addition, Indutrade strives to establish close partnerships with customers by becoming involved early in the planning and development stages, where the Group's employees can contribute with their expertise about various processes.
Operational risk The Group's operations are conducted with two main focuses: trading companies with industrial technology sales, and companies that manufacture their own products. For the companies involved in trading, there is the risk of an agency relationship being terminated. This could occur, for example, in connection with a structural change at the supplier level.	» Termination of an agency relationship is a natural occurrence in an agency company's operations, and the organisation has experience in dealing with this. Indutrade has some 100 trading companies with a few main agencies per company, complemented by a number of smaller agencies. Because of the large number of agencies, no individual agency accounts for a predominant economic risk from the Group's perspective. The risk associated with major customers deciding to bypass the agency level and trade directly with the producers is limited, since customers place great value on the technical expertise, availability and delivery reliability provided by an inventory-holding local technology sales company such as Indutrade. Indutrade's companies are also active in aftermarket sales, such as in servicing.

Risk

Changes at the supplier level

There is always a risk of suppliers leaving a partnership with a technology sales company to set up their own sales operation



Indutrade mitigates this risk by choosing suppliers who view a partnership with Indutrade as the most profitable sales method. Stable supplier relationships are one of the parameters that are assessed prior to Indutrade's acquisition of a company. To ensure that an acquired company does not lose its product agency agreements, its primary suppliers must give their consent to the acquisition.

Key person dependence

The risk of losing experienced employees is elevated in connection with company acquisitions.



Indutrade's acquisition strategy entails ensuring that the target company's key employees are motivated to continue running the company after the acquisition. To attract and retain key personnel, Indutrade conducts continuous competence development and special management development programmes.

Funding risk

By funding risk is meant the risk that funding of the Group's capital requirement will be impeded or become more costly.



Funding risk is mitigated as far as possible by ensuring that the Company has a maturity structure that creates conditions to take necessary alternative actions to raise capital should this be necessary. Indutrade takes a central approach to the Group's funding. In principle, all external funding is conducted by the Parent Company, which then funds the Group's subsidiaries in local currency.

Interest rate risk

By interest rate risk is meant the risk that unfavourable changes in interest rates will have an excessive impact on the Group's net financial expense and earnings.



Indutrade strives to achieve an even spread of fixed-interest maturities to avoid a situation where large loan volumes will be subject to a new level of fixed interest at the same point in time.

Currency risk

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



The Indutrade Group's transaction exposure arises, for example, when subsidiaries import products for sale in the domestic market. Exchange rate effects are eliminated as far as possible through currency clauses in customer contracts and by buying and selling in the same currency. In certain cases, forward contracts are used.

The Group has a translation risk when translating the accounts of foreign subsidiaries to the Group currency, SEK. This type of currency risk is not hedged at present.

- 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.

Environmental matters

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

Employees

At year-end the Group had 4,578 employees (4,218), and the average number of employees during the year was 4,418 (4,151). A total of 361 employees were added through acquisitions.

Incentive programmes

In April 2014 the Annual General Meeting of Indutrade AB resolved to implement an incentive programme, LTI 2014, comprising a combined maximum of 460,000 warrants in two series, directed at senior executives and other key persons in the Indutrade Group.

Within the framework of Series I, which was offered to 135 persons, the participants acquired a total of 257,500 warrants for a combined total of SEK 3,914,000. The price per warrant was SEK 15.20, and the subscription price was set at SEK 356.30 per share.

Within the framework of Series II, which was offered to 13 persons, the participants acquired a total of 27,500 warrants for a combined value of SEK 319,000. The price per warrant was SEK 11.60, and the subscription price for this series was set at SEK 350.00 per share.

The shares under the programmes can be subscribed during specially prescribed subscription periods starting in the second quarter of 2017 through Friday, 18 May 2018. Upon full exercise, the number of shares outstanding will increase by 285,000, corresponding to 0.7% of the total number of shares and votes.

Guidelines for compensation of senior executives

The guidelines for compensation of senior executives that applied in 2014 are outlined in Note 7. The Company's auditors have performed a review to ensure adherence to the guidelines set by the Annual General Meeting. Ahead of the 2015 Annual General Meeting, it is the Board's intention to propose essentially unchanged guidelines for compensation of senior executives, in accordance with the following recommendation:

- Indutrade shall apply the compensation levels and terms of employment necessary to be able to recruit and retain management with a high level of expertise and the capacity to achieve set objectives. The forms of compensation shall motivate members of the executive management to perform their utmost in order to safeguard the interests of the shareholders. The forms of compensation shall therefore be in line with the going rate in the market and shall be straightforward, long-term and quantifiable. Compensation of members of the executive management shall normally consist of a fixed and a variable portion. The variable portion shall reward clear, goal-related results and improvements in simple, transparent structures and shall have a cap. The fixed salary component for members of the executive management shall be in line with the going rate in the market and shall be commensurate with the individual's expertise, responsibilities and performance. Variable compensation

for members of the executive management shall normally not exceed 7 months' salary and shall be coupled to the achievement of goals to improve the Company's and respective business areas' level of earnings, and the Group's growth. Variable salaries can amount to a maximum of SEK 12 million in the aggregate. Incentive programmes in the Company shall mainly be share price-related and cover persons in senior positions in the Company who have a significant influence over the Company's earnings and growth, and shall be based on the achievement of set targets. An incentive programme shall ensure long-term commitment to the Company's development and shall be implemented on market terms. The Company shall be able to pay cash compensation coupled to purchases of shares or share-based instruments. Such cash compensation shall normally not exceed 15% of the executive's fixed salary.

- Non-monetary benefits for members of the executive management shall facilitate the individuals in the execution of their duties and correspond to what can be considered to be reasonable in respect of practice in the market in which the respective executive is active.
- Pension terms for members of the 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 and should be based on a defined contribution pension solution or a general pension plan (in Sweden, the ITP plan).
- Severance pay for members of the executive management shall not exceed a total of 24 months' salary in the event the Company serves notice, and 6 months in the event a member of the executive management gives notice.
- By executive management is meant in this context the President and CEO, the Chief Financial Officer, the Business Area presidents, the Head of Group Finance and the Group Controller.
- The Board's Remuneration Committee deals with and conducts drafting work for decisions on the terms of employment for the CEO, and the Board evaluates the CEO's performance once a year. The Remuneration Committee also prepares and conducts drafting work concerning guidelines for remuneration of members of the executive management, for decision by the Board. The CEO consults with the Remuneration Committee on terms of employment for other members of the executive management.
- The Board shall have the right to depart from the aforementioned guidelines for compensation of the executive management if there are special reasons in a particular case.

Research and development

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

Parent Company

The primary functions of Indutrade AB are to take responsibility for business development, acquisitions, financing, governance and analysis. The Parent Company's net sales, which consist entirely of internal invoicing of services, amounted to SEK 4 million (3) during the year. The Parent Company's financial assets consist mainly of shares in subsidiaries. During the year, the Parent Company acquired shares in twelve new companies. The Parent Company did not make any major investments in intangible non-current assets or in property, plant and equipment. The number of employees on 31 December was 10 (10).

Events after the balance sheet date

Effective 1 January 2015 the Indutrade Group is organised in six business areas, instead of five as previously. This was carried out by breaking away companies active in measurement and sensor technology from the Special Products business area into a separate business area.

In January and March, seven companies were acquired with combined annual sales of SEK 425 million: Flowtec Industrietechnik GmbH, Austria, Adaero Precision Components Ltd, UK, Cepro International BV, the Netherlands, Sepab Fordonsprodukter AB, Sweden, Filtration Ltd, UK, Combilent A/S, Denmark and Milltech Precision Engineering Ltd, UK. For further information about the acquisitions, see Note 29.

Future outlook

At present Indutrade does not see any signs of a general change in the demand situation. The volatility in the market will remain, and the challenge is to capture market shares in a market with low organic growth.

Indutrade, whose companies are small, flexible and close to customers, can act swiftly and adapt to prevailing demand. The companies that have conditions to grow organically with improved or steady profitability are urged to do so. Companies with high market shares and those working in markets where it is hard to grow, such as traditional trading companies, focus on profitability and cash flow, which enables a continued high pace of acquisitions for the Group.

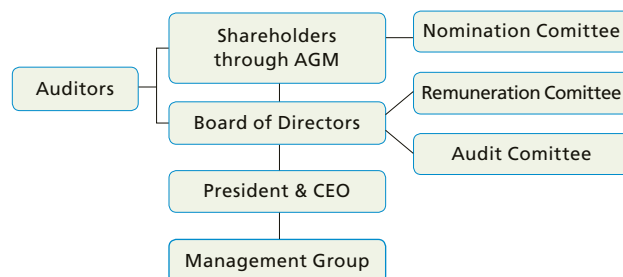
With this combination of strategies and a group of nearly 200 companies in varying countries and segments, we have favourable prospects for creating profitable growth also in the years ahead.

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 2014 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 elected committees and the CEO in accordance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies, the Company's Articles of Association and the Board's internal governance documents.



Share capital and shareholders

The share capital amounts to SEK 40 million, divided among 40,000,000 shares with a share quota value of SEK 1. All shares have equal voting power. Indutrade, which was previously a wholly owned subsidiary of AB Industrivärden, was listed on the Stockholm Stock Exchange on 5 October 2005. At year-end 2014 Indutrade had 5,970 shareholders (6,038). The ten largest shareholders controlled 69% of the share capital at year-end. Swedish legal entities, including institutions such as insurance companies and mutual funds, held 72% of the share capital and votes at year-end. Foreign investors owned 21% of the share capital and votes.

One shareholder, L E Lundbergföretagen AB, with 25.6% 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 were added to the Large Cap list in January 2015.

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

Articles of Association

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

General meetings of shareholders

General meetings of shareholders are Indutrade’s highest governing body. At the Annual General Meeting (AGM), which is held within six months after the end of each financial year, the income statement and balance sheet are adopted, the dividend is set, the Board and auditors (where applicable) are elected, their fees are determined, other items of legally ordained business are conducted, and decisions are made on proposals submitted by the Board and shareholders.

All shareholders who are registered in the shareholder register on a specified record date and who have notified the Company in due time of their intention to participate at the general meeting are entitled to attend the meeting and vote for the total number of shares they have. Shareholders may be represented by proxy. More information about the 2015 AGM is provided on page 75 of this Annual Report and on the Company’s website.

The notice of the AGM scheduled for 29 April 2015 is expected to be published on 27 March 2015 in the Official Swedish Gazette and on Indutrade’s website. The notice will include a proposed agenda including proposals for the dividend, the election of directors, directors’ fees (broken down by the Chairman and other directors), the election of the auditor, the auditor’s fee, and proposed guidelines on compensation of the Company’s senior executives.

Annual General Meeting 2014

At the AGM on 28 April 2014, shareholders representing 60.1% of the shares and votes were in attendance. Fredrik Lundberg was appointed to serve as AGM chairman. At the

AGM, the annual report and audit report were presented. Chairman of the Board Fredrik Lundberg provided information on the work of the Board and reported on the guidelines for compensation of the executive management and on the work of the Audit and Remuneration Committees. In addition, CEO Johnny Alvarsson gave an address reviewing Indutrade’s operations in 2013 and the start of 2014.

The auditors reported on their audit of the Group and presented relevant parts of their audit report for 2013.

The 2014 AGM made the following resolutions:

- to adopt the financial statements for 2013
- to set the dividend at SEK 7.05 per share
- to discharge the members of the Board of Directors and the President from liability for the past financial year
- to re-elect directors Fredrik Lundberg, Eva Färnstrand, Bengt Kjell, Martin Lindqvist, Ulf Lundahl, Krister Mellvé, Lars Pettersson and Johnny Alvarsson
- to re-elect Fredrik Lundberg as Chairman of the Board
- to re-elect Bengt Kjell as Vice Chairman of the Board
- that the Nomination Committee shall consist of representatives of four of the largest shareholders in terms of votes as well as the Chairman of the Board
- that the Nomination Committee’s composition shall be based on ownership data as per 31 August 2014 and be announced not later than six months before the Annual General Meeting
- that Indutrade shall apply compensation levels for senior executives which mainly shall consist normally of a fixed and variable portion, shall be in line with the going rate in the market, and shall be commensurate with the executives’ level of expertise, responsibility and performance
- to implement a long-term incentive programme involving a directed issue and the transfer of warrants

Members of the Board of Directors

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

The Chairman of the Board, Fredrik Lundberg, is President and CEO of L E Lundbergföretagen. The Vice Chairman, Bengt Kjell, is a former Executive Vice President of Industrivärden and is currently CEO of the company AB Handel och Industri. Eva Färnstrand is a former Site Manager at Södra Cell Mönsterås and is currently Chairman of Infranord. Martin Lindqvist is President and CEO of SSAB and has previously served in other executive positions in the SSAB Group. Ulf Lundahl is a former Executive Vice

Attendance at board meetings in 2014

Board member	Year elected	Board meetings	Independent in relation to Company	Independent in relation to major shareholders ¹⁾
Johnny Alvarsson	2004	10/10	No	Yes
Eva Färnstrand	1998	10/10	Yes	Yes
Bengt Kjell (Vice Chairman)	2002	10/10	Yes	Yes
Martin Lindqvist	2011	9/10	Yes	Yes
Ulf Lundahl	2006	10/10	Yes	Yes
Fredrik Lundberg (Chairman)	2013	10/10	Yes	No
Krister Mellvé	2012	10/10	Yes	Yes
Lars Pettersson	2013	10/10	Yes	No

1) Pertains to the situation 2014.

President of L E Lundbergföretagen. Krister Mellvé has held leading positions in the Robert Bosch Group. Lars Pettersson is a former President and CEO of Sandvik. Johnny Alvarsson is President and CEO of Indutrade.

A presentation of the current assignments of the members of the Board can be found on page 34 of this Annual Report. The Company's CFO serves as company secretary. Other executives participate at board meetings in a reporting role when necessary.

All of the directors, except for Johnny Alvarsson, are independent in relation to Indutrade. Johnny Alvarsson, Eva Färnstrand, Bengt Kjell, Martin Lindqvist, Krister Mellvé and Ulf Lundahl 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, Johnny Alvarsson, has an operational role in the Company.

The work of the Board of Directors

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

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

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

for ensuring that the Company has satisfactory internal control and continuously evaluates the extent to which the Company's system for internal control works. The Board is also responsible for developing and monitoring the Company's strategies by drawing up plans and setting objectives. The Board oversees and evaluates the CEO's and operative management's work on a continuous basis. This particular matter is addressed yearly without any members of the executive management present. In accordance with the adopted work plan, the Board holds at least five regular meetings each year, including the statutory meeting after the AGM, and on any other occasions when warranted by the situation.

In 2014 the Board held a total of ten meetings including statutory meetings. The Board conducted its work in 2014 in accordance with the Board's work plan. Matters requiring special attention by the Board during the year pertained to strategy, finance and acquisitions.

As part of the Board's work during the year, a number of subsidiary presidents and business area presidents 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. The Chairman is also responsible for making sure

that an annual evaluation is conducted of the Board's and the CEO's work and that the results of this evaluation are presented to the Nomination Committee. The Chairman represents the Company on ownership matters.

Remuneration Committee

The Board has appointed a remuneration committee consisting of the Chairman of the Board, Fredrik Lundberg, the Vice Chairman, Bengt Kjell, and board member Martin Lindqvist. The Remuneration Committee draws up "the Board's proposed guidelines for compensation and other terms of employment for senior executives". This proposal is discussed by the Board and is submitted to the AGM for approval.

The CEO consults with the Remuneration Committee on the terms of employment for the other members of the executive management.

The Remuneration Committee held one meeting in 2014, at which all of the committee members were present.

Audit Committee

The Board has appointed an audit committee, consisting of the entire board except for the CEO. Ulf Lundahl is Audit Committee chair.

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. The Audit Committee held three meetings in 2014, at which all of the members were present. On three occasions in 2014 the committee conducted reviews with and received reports from the Company's external auditors.

Directors' fees

Fees are payable to the Chairman of the Board and directors in accordance with an AGM resolution. The Chairman receives a fee of SEK 500,000, the Vice Chairman receives a fee of SEK 375,000, and the other directors receive a fee of SEK 250,000 each. However, no fee is payable to directors who are employed by a company within the Indutrade Group. The Audit Committee chair is paid a fee of SEK 50,000, and the members of the Remuneration Committee each receive a fee of SEK 25,000. The total yearly fees thus amount to SEK 2,250,000.

Nomination Committee

On 28 April 2014 the AGM resolved that the Nomination Committee shall consist of representatives of four of the largest shareholders in terms of votes as well as the Chairman of the Board, who shall also convene the first meeting of the Nomination Committee. The member representing the largest shareholder shall be appointed as committee chair. The composition of the Nomination Committee ahead of the 2015 Annual General Meeting is to be based on ownership data as per 31 August 2014 and is to be publicly announced not later than six months prior to the AGM. The composition of the Nomination Committee ahead of the 2015 AGM was announced on 28 November 2014.

Ahead of the 2015 AGM, the Nomination Committee was composed of the following members:

Nomination Committee composition

Representative	Shareholder	Share of votes
Claes Boustedt	L E Lundbergföretagen, Nomination Committee chair	25.6%
Gustaf Setterblad	Didner & Gerge funds	9.8%
Anders Oscarsson	AMF Insurance and funds	9.6%
Göran Espelund	Lannebo funds	6.8%
Fredrik Lundberg	Chairman of the Board	

The Nomination Committee held two meetings, at which – among other items of business – the evaluation of the Board's work during the past year was presented and the Board's composition was discussed. 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, where applicable, election of the auditor, and the principles for the appointment of the new Nomination Committee.

Based on the results of the Board's evaluation and the current directors' availability for re-election – among other things – the Nomination Committee makes an assessment of whether the 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.

Ahead of the 2015 AGM, the Nomination Committee has proposed the re-election of directors Johnny Alvarsson, Eva Färnstrand, Bengt Kjell, Fredrik Lundberg, Ulf Lundahl, Krister Mellvé and Lars Petterson. Martin Lindqvist has notified the committee that he is not avail-

able for re-election. Katarina Martinson has been nominated as a new director.

Katarina Martinson (b. 1981) has an M.Sc. Econ. degree from the Stockholm School of Economics. She has worked since 2009 with asset management for the Lundberg family and is the principal owner and a director on the board of Fidelio Capital AB. She also serves as a director on the boards of L E Lundbergföretagen AB and Husqvarna AB, among other companies.

Fredrik Lundberg has been proposed for re-election as Chairman of the Board. The Nomination Committee's proposal entails that the number of directors on the Board will be unchanged during the coming mandate period and that the Board will thereby have a total of eight members. A more detailed presentation of the members of the Board is provided on page 34 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 executive management team. The CEO's decision-making authority regarding investments and financing matters is governed by rules set by the Board.

President and CEO

Indutrade's President and CEO, Johnny Alvarsson, has been employed by Indutrade since 2004. He was CEO of Elektronikgruppen from 2001 to 2004, CEO of Zeteco AB from 1988 to 2000, and held various management positions at Ericsson from 1975 to 1987. Johnny Alvarsson owns 8,050 shares of Indutrade stock.

Auditors

At the 2014 Annual General Meeting, the chartered accounting firm PricewaterhouseCoopers AB ("PwC") was appointed as auditor for a term extending through the 2015 Annual General Meeting.

The auditors maintain regular contact with the Audit Committee and the executive management.

The chief auditor since 2013 is Michael Bengtsson, Authorised Public Accountant, who succeeded Lennart Danielsson, who was in charge of Indutrade's audit from 2006 to 2013. The auditor's fee is reported in Note 10 of this Annual Report.

Quarterly review by the auditors

During the 2014 financial year, Indutrade's nine-month interim report was reviewed by the external auditors.

Internal control over financial reporting

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

Control environment

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

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

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

Risk assessment

The Company has implemented a structured process for assessing risks that could affect financial reporting. This is an annually recurring process and is evaluated by the Audit Committee and the Board.

Through this risk assessment it has been ascertained that the Group's structure, consisting of a large number of standalone companies of varying size that are independent from each other in various sectors and geographical 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 accounts receivable and inventories.

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

Control activities

The Group's companies were organised in five business areas through 31 December 2014. Effective 1 January 2015,

there are six business areas. In addition to a business area president, the respective business area management teams include a controller. The controller plays a central role in analysing and 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 the internal control over financial reporting.

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

All companies owned by Indutrade at the start of 2014 were required to respond to the evaluation questionnaire. The responses were compiled and evaluated per group of companies and for the Group as a whole. As a complement to this work, the auditors validated parts of the respective companies' completed questionnaires. In addition to this, the controllers of the business areas and Parent Company monitor internal control through visits to a number of companies each year. Both the evaluation performed by the Company and the result of the auditors' validation have been reported to 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 overall 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.

Proposed distribution of earnings

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

Share premium reserve	4
Reserve for fair value	-32
Retained earnings	1,540
Net profit for the year	799
Total	2,311

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

Dividend of SEK 7.75 per share	310
To be carried forward	2,001
Total	2,311

The dividend proposed by the Board of Directors corresponds to 13% of the Parent Company's equity and 10% of the Group's equity. Indutrade's dividend policy is that the dividend shall, over time, amount to between 30% and 60% of net profit.

Against the backdrop of the anticipated trend in the economy, the Board is of the opinion that the proposed dividend is well balanced with respect to the goals, scope and risks of the operations and with respect to the ability to meet the Company's future obligations.

If the dividend had been paid out at year-end, the Group's equity ratio would have been 35%. After payment of the proposed dividend, it is judged that Indutrade will continue to have a favourable financial position.

Board of Directors and auditors



Name/ Position	Born	Education	Professional experience	Other directorships	No. of shares
Fredrik Lundberg Chairman since 2013. President and CEO of L E Lundbergföretagen	1951	B.Sc., MBA, Hon. PhD in Economics and Hon. PhD in Technology	President and CEO of L E Lundbergföretagen	Chairman of Holmen and Hufvudstaden, Vice Chairman of Svenska Handelsbanken Director of Industrivärden, Skanska and L E Lundbergföretagen	10,230,000 (via Lundberg- företagen)
Bengt Kjell Vice Chairman since 2013. Director since 2002. President and CEO of AB Handel och Industri	1954	MBA, Stockholm School of Economics	Executive Vice President and Head of Investment Operations of Indus- trivärden. Head of Corporate Finance Securum, Senior Partner Navet, Authorised public accountant	Chairman of Hemfosa Fastigheter and Skånska Byggvaror. Director of ICA Group, Pandox and Swegon	20,000
Eva Färnstrand Director since 1998	1951	M. Sc. in Chemistry, Royal Institute of Technology	Site Manager Södra Cell Mönsterås, President of Tidningstryckarna Aftonbladet Svenska Dagbladet, Newsprint Business Area Manager, SCA Graphic Sundsvall	Chairman of Infranord Director of Sveaskog	500
Martin Lindqvist Director since 2011. President and CEO of SSAB	1962	B. Sc. Econ. Uppsala University	President of SSAB EMEA business area, Head of SSAB Strip Products, CFO SSAB, CFO SSAB Tunnsplåt, Head Controller NCC	Chairman of Industriarbetsgivarna. Director of Svenskt Näringsliv (The Confederation of Swedish Enterprise)	0
Ulf Lundahl Director since 2006	1952	LL. B. and B. Sc. Econ.	Executive Vice President and Deputy CEO of L E Lundbergföretagen. President of Östgöta Enskilda Bank, Head of Swedish operations for Danske Bank, CEO of Danske Securities	Chairman of Fidelio Capital Director of Holmen, Ramirent, Eltel, Attendo and SHB Region- bank Stockholm	4,000
Krister Mellvé Director since 2012	1949	B. Sc. Econ.	Leading positions within Robert Bosch Group	Chairman of DeltaNordic. Director of Modern Metal Ltd, China, PSM International Ltd, China and Modular Management, Sweden	12,000
Lars Pettersson Director since 2013	1954	M. Sc. PhD h.c. Uppsala University	President and CEO of Sandvik Group, Sandvik Materials Technology, Sandvik Tooling and Sandvik Coromant	Chairman of KP Komponenter A/S. Director of Husqvarna, PMC Group, L E Lundbergföretagen, LKAB and Uppsala University Consistory	700
Johnny Alvarsson President and CEO Director since 2004	1950	see further on page 35			

Auditors PricewaterhouseCoopers AB

Michael Bengtsson, Authorised Public Accountant. Born 1959. Chief Auditor of Indutrade since 2013.

Other auditing assignments in public companies: Bure and Betsson. Other auditing assignments in major unlisted companies: Perstorp and Carnegie.

Executive Management



Johnny Alvarsson



Peter Eriksson



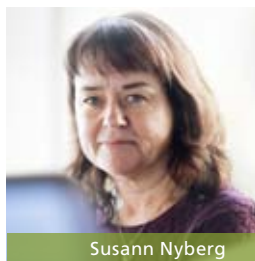
Claes Hjalmarson



Juha Kujala



Göte Mattsson



Susann Nyberg



Olof Paulsson



Patrik Stolpe



Jan Öhman

Name/ Position	Born	Employed since	Education	Professional experience	No. of shares	No. of warrants
Johnny Alvarsson President and CEO. President of Special Products business area	1950	2004	M. Sc. Eng., Management studies	President and CEO Elektronikgruppen, President and CEO Zeteco, various management positions at Ericsson	8,050	15,000
Peter Eriksson President of Flow Technology business area	1953	1995	Technical college engineer, B.Sc. Market economics, IFL	President and Partner Alnab, Sales Manager Alnab	13,450	10,000
Claes Hjalmarson Group Controller	1954	1984	B. Sc. Econ.	CFO Colly Group, CFO G A Lindberg Group, Auditor Ernst & Young	4,200	10,000
Juha Kujala President of Engineering & Equipment business area	1967	2006	eMBA, B.Sc. Techn.	President Kontram Oy, President Maansähkö Oy, Sales Manager Kontram Oy, Export Manager Kalmar Industries Oy	1,000	10,000
Göte Mattsson President of Fluids & Mechanical Solutions business area	1955	1999	B. Sc. Econ. Management studies	President and Partner Industri Belos, President J Sörling, Group Controller Transventor Group, Vice President Parator	5,400	10,000
Susann Nyberg Head of Group Finance	1963	2012	M. Sc. Econ.	Group Controller Addtech, Management consultant KPMG, Financial Manager Telia, Financial Manager and Controller, SKF	146	3,500
Olof Paulsson President of Industrial Components business area	1949	1983	Technical college engineer, B. Sc. Market econ., IFL	President Colly Company, Colly Filtreringsteknik and Colly Components, Division Manager Colly Company	3,200	0
Patrik Stolpe President of Measurement & Sensor Technology business area	1965	2015	B. Sc. Electronics, Industrial marketing	Global Segment Manager Xylem, President and CEO Lorentzen & Wettre	166	10,000
Jan Öhman CFO	1960	2014	Senior High School, Business economics	CFO Sandvik Venture, CFO and Vice President Sandvik Materials Technology, General Manager Boliden Aitik Mining Operation	2,000	20,000

Consolidated income statement

SEK m	Note	2014	2013
Net sales	3	9,746	8,831
Cost of goods sold		-6,464	-5,833
Gross profit		3,282	2,998
Development costs		-107	-110
Selling costs		-1,708	-1,601
Administrative costs		-535	-449
Other operating income	5	146	142
Other operating expenses	5	-97	-124
Operating profit	4, 6, 7, 8, 9, 10	981	856
Financial income	11	16	9
Financial expenses	12	-102	-109
Profit after financial items		895	756
Tax	14	-192	-169
Net profit for the year		703	587
Profit attributable to			
Equity holders of the parent		704	587
Non-controlling interests		-1	0
		703	587
Earnings per share attributable to equity holders of the parent, SEK ¹⁾		17.60	14.68
Proposed dividend per share, SEK		7.75	7.05

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

Consolidated statement of comprehensive income

SEK m	Note	2014	2013
Net profit for the year		703	587
Other comprehensive income			
Items that subsequently can be reversed into income statement			
Fair value adjustment of hedge instruments	2	-27	3
Tax attributable to fair value adjustment	2	7	-1
Exchange rate differences		172	22
Items that cannot be reversed into income statement			
Actuarial gains/losses	23	-51	9
Tax attributable to actuarial gains/losses	23	11	-2
Other comprehensive income, net after tax		112	31
Total comprehensive income for the year		815	618
Comprehensive income attributable to			
Equity holders of the parent		816	617
Non-controlling interests		-1	1
		815	618

Consolidated balance sheet

SEK m	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets			
	15		
Goodwill		1,572	1,308
Other intangible assets		1,445	1,286
Total intangible assets		3,017	2,594
Property, plant and equipment			
	16		
Land and buildings		524	457
Machinery		214	158
Equipment		226	207
Construction in progress and advances for property, plant and equipment		7	27
Total property, plant and equipment		971	849
Financial assets			
Financial assets available for sale	17	4	7
Non-current receivables	18	15	12
Deferred tax assets	14	68	42
Total financial assets		87	61
Total non-current assets		4,075	3,504
Current assets			
Inventories	19	1,617	1,546
Accounts receivable - trade	20	1,702	1,435
Current tax assets		75	55
Other current receivables		170	68
Prepaid expenses and accrued income	21	91	85
Cash and cash equivalents	28	357	261
Total current assets		4,012	3,450
TOTAL ASSETS		8,087	6,954

SEK m	Note	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES			
Equity			
Share capital		40	40
Reserves		57	-95
Profit brought forward incl. net profit for the year		3,063	2,678
Total equity attributable to owners of the parent		3,160	2,623
Non-controlling interests		2	3
Total equity		3,162	2,626
Non-current liabilities			
Non-current interest-bearing liabilities	22	983	2,034
Other non-current liabilities		0	0
Pension obligations	23	233	167
Deferred tax liabilities	14	404	344
Other provisions	24	8	9
Total non-current liabilities		1,628	2,554
Current liabilities			
Current interest-bearing liabilities	22	1,635	381
Accounts payable – trade		763	602
Current tax liabilities		82	64
Other current liabilities		372	262
Accrued expenses and deferred income	25	445	465
Total current liabilities		3,297	1,774
TOTAL EQUITY AND LIABILITIES		8,087	6,954
Pledged assets	26	253	246
Contingent liabilities	27	2	2

Consolidated statement of changes in equity

SEK m	Attributable to owners of the parent				Non-controlling interests	Total equity
	Share capital	Reserves	Profit brought forward	Total		
OPENING BALANCE, 1 JANUARY 2013	40	-118	2,366	2,288	2	2,290
Comprehensive income						
Net profit for the year	-	-	587	587	0	587
Other comprehensive income						
Fair value adjustment of hedge instruments	-	3	-	3	-	3
Tax attributable to fair value adjustment	-	-1	-	-1	-	-1
Actuarial gains/losses	-	-	9	9	-	9
Tax attributable to actuarial gains/losses	-	-	-2	-2	-	-2
Exchange rate differences	-	21	-	21	1	22
Total comprehensive income	-	23	594	617	1	618
Transactions with shareholders						
Dividend paid for 2012	-	-	-282 ¹⁾	-282	-	-282
Total transactions with shareholders	-	-	-282	-282	-	-282
OPENING BALANCE, 1 JANUARY 2014	40	-95	2,678	2,623	3	2,626
Comprehensive income						
Net profit for the year	-	-	704	704	-1	703
Other comprehensive income						
Fair value adjustment of hedge instruments	-	-27	-	-27	-	-27
Tax attributable to fair value adjustment	-	7	-	7	-	7
Actuarial gains/losses	-	-	-51	-51	-	-51
Tax attributable to actuarial gains/losses	-	-	11	11	-	11
Exchange rate differences	-	172	-	172	0	172
Total comprehensive income	-	152	664	816	-1	815
Transactions with shareholders						
Payment for issued warrants	-	-	4	4	-	4
Acquisitions of non-controlling interests	-	-	-1	-1	-	-1
Dividend paid for 2013	-	-	-282 ²⁾	-282	-	-282
Total transactions with shareholders	-	-	-279	-279	-	-279
CLOSING BALANCE, 31 DECEMBER 2014	40	57	3,063	3,160	2	3,162

1) The dividend per share in 2012 was SEK 7.05.

2) The dividend per share in 2013 was SEK 7.05. The proposed dividend per share for 2014 is SEK 7.75.

Consolidated statement of cash flows

SEK m	Note	2014	2013
Operating activities			
Operating profit		981	856
Adjustment for			
Depreciation, amortisation and impairment losses	8, 15, 16	389	344
Adjustment of contingent consideration	29	-94	-89
Net profit from sale of operations, property, plant and equipment, and shares		1	-11
Other non-cash items		-3	8
Paid tax		-228	-237
Change in working capital			
Inventories		42	-2
Accounts receivable - trade		-84	86
Accounts payable - trade		89	-27
Other operating assets and liabilities, net		-113	12
Interest received		6	7
Interest paid		-65	-78
Other financial items		-17	-10
Cash flow from operating activities		904	859
Investing activities			
Acquisitions of subsidiaries and operations	29	-585	-463
Sales of subsidiaries and operations	29	0	19
Acquisitions of property, plant and equipment	16	-112	-210
Sales of property, plant and equipment	16	19	24
Acquisitions of intangible non-current assets	15	-31	-20
Decrease/increase in financial assets		3	1
Cash flow from investing activities		-706	-649
Financing activities			
Borrowings		2,585	1,665
Repayment of debt		-2,424	-1,577
Dividend		-282	-282
Payment for issued warrants		4	-
Cash flow from financing activities		-117	-194
Cash flow for the year		81	16
Cash and cash equivalents at start of year		261	243
Exchange rate differences in cash and cash equivalents		15	2
Cash and cash equivalents at end of year	28	357	261

Income statement Parent Company

SEK m	Note	2014	2013
Net sales		4	3
Gross profit		4	3
Administrative expenses		-62	-55
Other operating income/expenses	5	5	5
Operating loss	4, 6, 7, 8, 9, 10	-53	-47
Financial income	11	37	39
Financial expenses	12	-84	-87
Profit from participations in Group companies	13	624	269
		577	221
Profit after financial items		524	174
Group contributions received		489	516
Group contributions rendered		-92	-60
Change in tax allocation reserve		-73	-94
Excess depreciation of equipment		0	0
Profit before tax		848	536
Tax	14	-49	-62
Net profit for the year		799	474

Statement of comprehensive income Parent Company

SEK m	Note	2014	2013
Net profit for the year		799	474
Other comprehensive income			
Items that subsequently can be reversed into income statement:			
Fair value adjustment of hedge instruments		-40 ¹⁾	-
Tax attributable to fair value adjustment		8 ¹⁾	-
Other comprehensive income, net of tax		-32	-
Total comprehensive income for the year		767	474

1) Starting in 2014, the effect of interest rate swaps is recognised directly in the Parent Company.

Balance sheet Parent Company

SEK m	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible non-current assets			
Software and licences	15	0	0
Property, plant and equipment			
Equipment	16	1	1
Financial assets			
Participations in Group companies	17	3,501	2,943
Non-current receivables	18	9	6
Non-current receivables, Group company		–	3
Deferred tax assets	14	11	2
Total financial assets		3,521	2,954
Total non-current assets		3,522	2,955
Current assets			
Current receivables			
Receivables from Group companies		2,431	2,078
Current tax assets		37	23
Other receivables		9	0
Prepaid expenses and accrued income	21	3	4
Total current receivables		2,480	2,105
Cash and cash equivalents	28	0	7
Total current assets		2,480	2,112
TOTAL ASSETS		6 002	5 067

SEK m	Note	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	32	40	40
Statutory reserve		5	5
		45	45
Unrestricted equity			
Share premium reserve		4	–
Reserve for fair value		–32	–
Profit brought forward		1,540	1,348
Net profit for the year		799	474
		2,311	1,822
Total equity		2,356	1,867
Untaxed reserves			
Tax allocation reserve		388	315
Excess depreciation of equipment		0	0
Total untaxed reserves		388	315
Non-current liabilities			
Non-current interest-bearing liabilities	22	808	1,871
Pension obligations	23	10	8
Deferred tax liabilities	14	2	–
Total non-current liabilities		820	1,879
Current liabilities			
Current interest-bearing liabilities	22	1,550	282
Accounts payable - trade		2	1
Liabilities to Group companies		816	700
Other current liabilities		48	1
Accrued expenses and deferred income	25	22	22
Total current liabilities		2,438	1,006
TOTAL EQUITY AND LIABILITIES		6,002	5,067
Pledged assets	26	8	6
Contingent liabilities	27	114	112

Statement of changes in equity Parent Company

SEK m	Share capital	Reserves	Share premium reserve	Reserve for fair value	Retained profit	Total
OPENING BALANCE, 1 JANUARY 2013	40	5	–	–	1,630	1,675
Comprehensive income						
Net profit for the year	–	–	–	–	474	474
Other comprehensive income						
Fair value adjustment of hedge instruments	–	–	–	–	–	–
Tax attributable to fair value adjustment	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	474	474
Transactions with shareholders						
Dividend paid for 2012	–	–	–	–	–282 ²⁾	–282
Total transactions with shareholders	–	–	–	–	–282	–282
OPENING BALANCE, 1 JANUARY 2014	40	5	–	–	1,822	1,867
Comprehensive income						
Net profit for the year	–	–	–	–	799	799
Other comprehensive income						
Fair value adjustment of hedge instrument	–	–	–	–40 ¹⁾	–	–40
Tax attributable to fair value adjustment	–	–	–	8 ¹⁾	–	8
Total comprehensive income	–	–	–	–32	799	767
Transactions with shareholders						
Payment for issued warrants	–	–	4	–	–	4
Dividend paid for 2013	–	–	–	–	–282 ³⁾	–282
Total transactions with shareholders	–	–	4	–	–282	–278
CLOSING BALANCE, 31 DECEMBER 2014	40	5	4	–32	2,339	2,356

1) Starting in 2014, the effect of interest rate swaps is recognised directly in the Parent Company.

2) The dividend per share for 2012 was SEK 7.05.

3) The dividend per share for 2013 was SEK 7.05. The proposed dividend for 2014 is SEK 7.75.

Cash flow statement Parent Company

SEK m	2014	2013
Operating activities		
Operating profit	-53	-47
Adjustment for		
Depreciation, amortisation and impairment losses	1	1
Other non-cash items	2	2
Tax paid	-62	-73
Change in working capital		
Accounts receivable - trade	0	1
Accounts payable - trade	1	-1
Other operating assets and liabilities, net	-291	-85
Interest received	37	38
Interest paid	-66	-68
Group contributions received and dividend income	1,098	616
Other financial items	-20	-5
Cash flow from operating activities	647	379
Investing activities		
Acquisitions of subsidiaries	17	-486
Acquisitions of property, plant and equipment	16	0
Acquisitions of intangible non-current assets	15	0
Change in financial assets	-	-6
Cash flow from investing activities	-587	-492
Financing activities		
Borrowings	2,570	1,226
Repayment of debt	-2,359	-824
Dividends paid	-282	-282
Payment for issued warrants	4	-
Cash flow from financing activities	-67	120
Cash flow for the year	-7	7
Cash and cash equivalents at start of year	7	0
Cash and cash equivalents at end of year	0	7

Notes

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

Note 1

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 through subsidiaries in 26 countries. Indutrade's shares are listed on Nasdaq Stockholm, and were included on the Mid Cap list through 31 December 2014. Starting on 1 January 2015 the shares are included on the Large Cap list. Through 31 December 2014 the Group was organised in five business areas. On 1 January 2015 the number of business areas was increased to six. Note 3 describes the business area structure through 31 December 2014, with a pro forma presentation for the new business area structure.

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 20 March 2015. The consolidated and parent company income statements and balance sheets will be presented for adoption by the Annual General Meeting on 29 April 2015.

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 and in accordance with RFR 1 and the Swedish Annual Accounts Act. Assets and liabilities have been accounted for at historical cost, except for with respect to revaluations of financial assets and liabilities (including derivative instruments) and available-for-sale financial assets, which are measured at fair value through profit or loss.

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 2014

There are no new IFRSs or IFRIC pronouncements endorsed by the EU that are applicable for Indutrade or that had a significant impact on the Group's result of operations and position in 2014.

Standards, amendments and interpretations that apply as from 1 January 2015

There are no new IFRSs or IFRIC pronouncements that will have a significant impact on the Group's result of operations and position in 2015.

No newly issued IFRSs or interpretations have been applied prospectively.

Other new accounting principles that have been issued, but not taken effect

IASB has issued IFRS 9 Financial Instruments, which replaces most of IAS 39 Financial Instruments: Recognition and Measurement (2018) and IFRS 15 Revenue from Contracts with Customers, which is the new standard for revenue recognition (2017). IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. No assessment of the effects on the Indutrade Group's financial statements has been made yet. The standards have not been endorsed yet by the EU.

Basis of consolidation

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

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

For each acquisition, the Group determines if all non-controlling interests in the acquired company are to be stated at fair value or at the non-controlling interest's proportional share of the acquired company's net assets.

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

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

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

Classification

Non-current assets and non-current liabilities consist essentially of amounts that are expected to be recovered or paid after 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.

Note 1

Continued

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

Transactions and balance sheet items in foreign currency

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

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

Intangible non-current assets

Goodwill

Goodwill consists of the amount by which the cost exceeds the fair value of the Group's share of the acquired subsidiary's identifiable net assets at the time of acquisition. Goodwill is tested at least annually for impairment and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the remaining carrying amount of goodwill relating to the entity sold. Goodwill is normally allocated at the segment level for impairment testing. For impairment testing during the year, see "Impairment testing of non-financial assets" below.

Agencies, trademarks, customer relationships, etc.

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

In connection with nearly all company acquisitions completed by Indutrade, a value is determined for purchased agencies and the customer relationships that are included as part of the acquisition. Since most of Indutrade's acquisitions are small, it is not possible to itemise the intangible assets. For small acquisitions, the cost of customer lists and agencies is normally valued at between a half year's and one year's gross margin. 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 relationships, etc.	5–20 years
Trademarks	–
Software, licences, etc.	5–10 years
Other intangible assets	5–20 years

Property, plant and equipment

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 their estimated useful lives. 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

Goodwill, land and trademarks are judged to have 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. When calculating value in use, future cash flows are discounted with a discount factor, which takes into account the risk free interest rate and the risk connected to the specific asset. When determining any need to recognise impairment, assets are grouped at the lowest levels in which there are separate, identifiable cash flows (cash-generating units). For Indutrade this entails that such determination is normally done at the segment level, which corresponds to Indutrade's business areas. For assets other than financial assets and goodwill for which an impairment loss has previously been recognised, a test is performed as per each balance sheet date to determine if any reversals should be made.

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.

Financial instruments

The Group mainly has the following financial instruments: trade accounts receivable, cash and cash equivalents, trade accounts payable, borrowings, contingent consideration and derivative instruments.

Note 1

Continued

Trade accounts receivable

Trade accounts receivable are stated initially at fair value and thereafter in the amount that is expected to be received after individual assessment. A provision for decreases in the value of trade accounts receivable is made when there is objective evidence that the Group will not be able to receive all amounts due according to the original terms of the receivable. Testing is conducted locally in the respective subsidiaries. The asset's carrying amount is reduced by use of a value impairment account, and the loss is recognised in the income statement under the item "Selling costs". Recoveries of previous impairment losses are credited to selling costs in the income statement. Since the Group consists of more than 180 operating companies, the item trade accounts receivable consists of many smaller amounts. The subsidiaries have close contact with their customers, and thus valuation of trade accounts receivable rarely poses any difficulty. The risk is lower, and the subsidiaries can act quickly if a customer does not pay in accordance with the terms and conditions. See also note 2. Since Indutrade's trade accounts receivable normally have a remaining term of less than six months, the carrying amount is considered to reflect the fair value.

Cash and cash equivalents

Cash and cash equivalents include short-term investments with maturities of less than three months, and cash at bank and in hand.

Drawn bank overdraft facilities are stated on the balance sheet under the item "Current interest-bearing liabilities".

Trade accounts payable

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

Borrowings

Loans are stated initially at fair value, net after deducting transaction costs. They are thereafter stated at amortised cost, and any difference between the amount received (net after transaction costs) and the repayment amount is stated in the income statement allocated over the duration of the loans using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer repayment by at least 12 months after the balance sheet date.

Contingent consideration

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

Derivative instruments

Derivative instruments are stated at fair value on the balance sheet as per the contract date, both initially and for subsequent

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

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

Cash flow hedging

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

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

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are designated as available for sale or have not been classified in any other category. These are included in non-current assets unless the Group has the intention of selling the asset within 12 months after the balance sheet date. The Group has only negligible holdings of such assets. The difference between the carrying amount and fair value is considered to be immaterial.

Financial income and expenses

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

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

Interest income and expenses are reported in accordance with the effective interest method. Dividend income is recognised when the right to payment has been determined.

Provisions

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

Note 1

Continued

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.

Contingent liabilities

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.

Leases

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

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

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

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

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

Segment reporting

The Group applies IFRS 8. 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.

Taxes

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

will. Valuation of deferred tax is based on how the underlying asset or liability is expected to be realised or settled. Deferred tax is calculated using the tax rates that apply on at the balance sheet date or announced as per the balance sheet date and which are expected to apply when the deferred tax asset in question is realised or the tax liability is settled. Deferred tax assets attributable to deductible, temporary differences and unutilised tax-loss carryforwards are reported to the extent that it is probable that they will be utilised in the foreseeable future.

Employee benefits

Pension obligations

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 in countries in which such a market exists or, alternatively, mortgage bonds with maturities that correspond to the pension obligations and currency.

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.

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.

Note 1

Continued

Incentive programme, LTI 2014

In April 2014 the Annual General Meeting of Indutrade AB resolved to implement an incentive programme, LTI 2014, comprising a combined maximum of 460,000 warrants in two series, directed at senior executives and other key persons in the Indutrade Group.

A total of 285,000 warrants have been acquired in the two series. A market price has been paid for the warrants – SEK 15.20 per warrant for Series I, and SEK 11.60 per warrant for Series II. A total of SEK 4,233,000 has been paid in. Shares can be subscribed during specially prescribed subscription periods through Friday, 18 May 2018.

A cash subsidy corresponding to 120% of the price the participants paid for the warrants will be paid out on two occasions under certain conditions. The cost for the subsidy is recognised in pace with its earning by the participants.

For further details about the incentive programme, see note 7.

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.

Revenue recognition

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

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

Important estimations and assumptions for accounting purposes

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

Impairment testing of non-financial assets

Each year, non-financial assets are tested for impairment. The recoverable value for cash-generating units has been determined by

calculating value in use. For these calculations, certain assumptions must be made. These are shown in note 15, Intangible assets.

Valuation of pension obligations

In calculating the liability on the balance sheet pertaining to defined benefit pension plans, various assumptions have been made, as described in note 23.

The discount rate for defined benefit pension plans in the Netherlands, the UK and Switzerland has been determined through reference to the market rate of return for high quality corporate bonds. 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 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.

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 recommendations indicate which exceptions and amendments are to be applied with respect to IFRS.

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

Untaxed reserves are reported in the Parent Company including deferred tax liabilities and not as in the Group (broken down into deferred tax liabilities and equity).

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

Note 2

Risks and risk management

Market risks

At year-end 2014 the Indutrade Group conducted business in 26 countries. This geographic spread along with a large number of customers and products provides relatively limited risk exposure and sensitivity to economic fluctuations. The Group's operations are conducted with two main focuses: trading companies with industrial technology sales, and companies that manufacture their own products.

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

Note 2

Continued

counts for a decisive economic risk from the Group's perspective.

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

Financial risks

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

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

Finance policy

Indutrade's board of directors sets the Company's finance policy on a yearly basis. This policy establishes the Company's financial strategy and internal delegation of responsibilities. The policy also governs such matters as how financing, liquidity management and currency risk management are to be handled within the Group as well as any restrictions that should be considered with respect to counterparties.

Funding risk

By funding risk is meant the risk that funding of the Group's capital requirement will be hampered or become more costly. This is mitigated as far as possible by ensuring that the Company has a maturity structure that creates conditions to take necessary alternative actions to raise capital should this be necessary.

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

During the first quarter of 2014 Indutrade established a commercial paper programme with a framework of SEK 1,500 million.

At year-end 2014 the Parent Company had external interest-bearing liabilities worth SEK 2,358 million (2,153). The corresponding amount for the Group was SEK 2,618 million (2,415). The Group's interest-bearing net debt was SEK 2,494 million at year-end, compared with SEK 2,321 million a year earlier.

At year-end 2014 the Group had SEK 357 million (261) in cash and cash equivalents and SEK 1,858 million (1,233) in unutilised overdraft facilities. Of the Group's interest-bearing loans, 34% of the total amount falls due for payment after 31 December 2015. For a more detailed maturity analysis, see the description of the Group's borrowings in note 22.

The Group strives to strike 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 79% (88%).

Interest rate risk

By interest rate risk is meant the risk that unfavourable changes in interest rates will have an excessive impact on the Group's net fi-

ancial items and earnings. At year-end 2014, as in the preceding year, most of the Group's loans carried variable rates of interest. The Parent Company has entered into contracts to hedge SEK 1,200 million of its borrowing at variable interest against fixed interest for five years. Of this amount, SEK 500 million is due in 2015, SEK 300 million is due in 2016, and SEK 400 million is due in 2018. The difference between the fixed and variable interest is expensed in the income statement. During the year, valuation of interest rate swaps resulted in a loss for the group of SEK –16 million (gain of 2) before tax, which is recognised in other comprehensive income.

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 23 million (21), without taking into account the loans' fixed interest periods. Taking into account the existing fixed interest periods, the effect would be approximately SEK 11 million (9). Profit after tax would be affected by SEK –9 million (–7).

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

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

	Group		Parent Company	
Maturity dates for loans, leasing commitments and contingent earn-out payments:	2014	2013	2014	2013
Maturity 2014	–	433	–	329
Maturity 2015	1,663	1,083	1,574	1,038
Maturity 2016	703	668	619	607
Maturity 2017	48	105	4	87
Maturity 2018	219	219	202	203
Maturity 2019 or later	47	43	–	–
Total borrowings incl. interest, SEK million	2,680	2,551	2,399	2,264

Currency risk

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

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

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

The consolidated income statement includes SEK –2 million (–2), net, in exchange rate differences in operating profit and SEK –1 million (–4), net, in financial items.

With respect to transaction exposure, at 31 December 2014 Indutrade had net exposure of SEK 81 million in foreign currency (–47). See the breakdown of currencies in the following table.

Note 2

Continued

Net exposure at year-end

Group	2014		2013	
	Local currency	SEK	Local currency	SEK
in millions				
USD	14.0	109	1.7	11
EUR	-2.8	-26	-5.1	-46
DKK	7.0	9	7.2	9
GBP	-0.6	-7	-1.5	-16
CHF	-0.7	-6	-0.9	-7
Other currencies		2		2

At year-end the Group had outstanding forward contracts worth SEK 626 million (263) to reduce the currency risk associated with future flows, of which SEK 145 million (40) pertains to EUR, and SEK 481 million (223) pertains to USD. The contracts in EUR expire within 12 months from year-end, while the USD contracts expire within 15 months. Market valuation of outstanding forward contracts as per 31 December 2014 resulted in an unrealised loss of SEK -11 million (gain of 1) before tax, which is recognised in other comprehensive income.

In addition, the Parent Company has hedged outstanding receivables from and liabilities to subsidiaries, and anticipated dividends, as shown in the table below.

Forward contracts

Parent Company

SEK million	2014	2013
EUR	313	154
GBP	87	24
CHF	19	55
DKK	14	22
NOK	14	17
PLN	11	6
RUB	4	-
SGD	-	2

All contracts have a term of less than 15 months.

The Group is exposed to a translation risk associated with translation of the accounts of foreign subsidiaries to the Group currency, SEK. This type of currency risk is not hedged. Net investments in foreign subsidiaries at year-end are shown in the following table. Indutrade also had net investments in other currencies in both 2014 and 2013, but the amounts were insignificant.

Net investments in foreign subsidiaries

Group	2014		2013	
	Local currency	SEK	Local currency	SEK
Net exposure in millions				
EUR	124	1,179	96	862
GBP	43	516	13	141
CHF	30	237	34	251
NOK	151	159	67	71
DKK	56	72	70	83

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 65 million (54) on net sales and approximately SEK 5 million (5) on net profit. The effect on equity of a 1% change would be SEK 23 million (16).

Customer and counterparty risks

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

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

For information on age analysis, provisions for impaired trade accounts receivable and customer losses, see note 20.

Calculation of fair value

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

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

Note 2

Continued

The Group's assets and liabilities at fair value as per 31 December 2014

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	–	–	4	4
Derivative instruments held for hedging purposes	–	14	–	14
Liabilities				
Derivative instruments held for hedging purposes	–	66	–	66
Contingent earn-out payments	–	–	241	241

The Group's assets and liabilities at fair value as per 31 December 2013

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	–	–	7	7
Derivative instruments held for hedging purposes	–	3	–	3
Liabilities				
Derivative instruments held for hedging purposes	–	27	–	27
Contingent earn-out payments	–	–	268	268

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

Contingent earn-out payments

	2014	2013
Opening book value	268	370
Acquisitions during the year	115	98
Reversed via income statement	–94	–89
Earn-out payments	–68	–128
Interest expense	4	14
Exchange rate differences	16	3
Closing book value	241	268

Note 3

Segment reporting

Through 31 December 2014 the Group was organised in five business areas: Engineering & Equipment, Flow Technology, Fluids & Mechanical Solutions, Industrial Components and Special Products, which constituted the Group's operating segments. The Group's business areas conduct business primarily in the Nordic countries and in central and northern Europe.

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

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

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

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

The Special Products business area offers specially manufactured niche products, design solutions, aftermarket service and assembly, and special processing. The business area includes companies that conduct a considerable amount of own manufacturing. It is also the Indutrade business area with the highest share of proprietary products.

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

The operating segments are followed up 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 metric that is followed up in Indutrade is EBITA. The table below also shows Profit before tax.

The Flow Technology business area incurred nonrecurring expenses of SEK 88 million as a result of the decision on a new long-term strategy for a group of companies within the business area. In the Special Products business area, contingent earn-out payments have been restated, resulting in recognised revenue of

Note 3

Continued

SEK 88 million. Both of these items are reported under elimination items to enable comparisons in the business areas over time.

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

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

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

The principle for breaking down external revenue and non-current assets per geographic area in the tables below is that such reporting is based on the location of the subsidiary's registered office.

The products that Indutrade sells can be broken down into

roughly 20 product categories. The largest, valves, accounted for 23% of net sales in 2014, or SEK 2,286 million (2,303). Hydraulics and industrial equipment accounted for 15%, or SEK 1,468 million (1,386), and measurement technology for 14%, or SEK 1,324 million (1,196). Other product categories each accounted for 7% or less of net sales.

Effective 1 January 2015 the Indutrade Group is organised in six business areas, instead of five as previously. The change was carried out by breaking away a grouping of companies active in measurement and sensor technology from the Special Products business area into a separate business area. The motive for the change is to strengthen focus and thus the conditions for continued growth in the Group. Pro forma figures for the new structure for the 2013 and 2014 financial years are provided below.

Indutrade's operating segments based on business area structure through 31 December 2014

2014	EE	FT	FM	IC	SP	PC	Elim.	Total
Net sales	1,274	2,073	1,058	1,925	3,463	4	-51	9,746
Operating profit	80	153	106	193	490	-53	12	981
Net financial items	-6	-18	-1	-7	-10	577	-621 ¹⁾	-86
Profit before tax	74	135	105	186	480	848	-933 ¹⁾	895
EBITA	93	176	127	226	553	-53	12	1,134
EBITA margin, %	7.3	8.5	12.0	11.7	16.0	-	-	11.6
Amortisation of intangible assets	-18	-24	-23	-34	-72	0	-	-171
Depreciation of property, plant and equipment	-11	-19	-19	-23	-54	-1	-	-127
Sales growth, %	1	5	7	12	19	-	-	10
Operating capital	564	913	684	922	2,969	2,249	-2,645 ¹⁾	5,656
Return on operating capital, %	20	18	20	25	21	-	-	21
Investments in non-current assets	22	37	18	40	72	1	-	190
Total assets	754	1,491	1,013	1,547	4,058	6,002	-6,778¹⁾	8,087
Total liabilities	612	1,345	394	958	1,565	3,258	-3,207¹⁾	4,925
2013	EE	FT	FM	IC	SP	PC	Elim.	Total
Net sales	1,265	1,979	993	1,717	2,920	3	-46	8,831
Operating profit	92	137	90	182	393	-47	9	856
Net financial items	-6	-18	-2	-9	-27	221	-259 ¹⁾	-100
Profit before tax	86	119	88	173	366	536	-612 ¹⁾	756
EBITA	103	159	110	212	443	-47	10	990
EBITA margin, %	8.1	8.0	11.1	12.3	15.2	-	-	11.2
Amortisation of intangible assets	-16	-23	-21	-30	-57	-1	-	-148
Depreciation of property, plant and equipment	-9	-21	-18	-22	-44	0	-	-114
Sales growth, %	-5	-7	-3	12	19	-	-	5
Operating capital	465	987	607	853	2,348	1,959	-2,272 ¹⁾	4,947
Return on operating capital, %	23	16	18	25	20	-	-	20
Investments in non-current assets	14	28	29	33	136	0	-	240
Total assets	660	1,494	917	1,441	3,157	5,067	-5,782¹⁾	6,954
Total liabilities	446	1,211	380	883	1,270	2,885	-2,747¹⁾	4,328

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

EE – Engineering & Equipment
SP – Special Products

IC – Industrial Components
FM – Fluids & Mechanical Solutions

FT – Flow Technology
PC – Parent Company

Note 3

Continued

Indutrade's operating segments based on business area structure as from 1 January 2015 – pro forma

2014	EE	FT	FM	IC	MST	SP	PC	Elim.	Total
Net sales	1,274	2,073	1,058	1,925	753	2,710	4	-51	9,746
Operating profit	80	153	106	193	112	378	-53	12	981
Net financial items	-6	-18	-1	-7	2	-12	577	-621 ¹⁾	-86
Profit before tax	74	135	105	186	114	366	848	-933 ¹⁾	895
EBITA	93	176	127	226	135	418	-53	12	1,134
EBITA margin, %	7.3	8.5	12.0	11.7	17.9	15.4	-	-	11.6
Amortisation of intangible assets	-18	-24	-23	-34	-28	-44	0	-	-171
Depreciation of property, plant and equipment	-11	-19	-19	-23	-18	-36	-1	-	-127
Sales growth, %	1	5	7	12	7	22	-	-	10
Operating capital	564	913	684	922	961	2,008	2,249	-2,645 ¹⁾	5,656
Return on operating capital, %	20	18	20	25	14	24	-	-	21
Investments in non-current assets	22	37	18	40	19	53	1	-	190
Total assets	754	1,491	1,013	1,547	1,255	2,803	6,002	-6,778¹⁾	8,087
Total liabilities	612	1,345	394	958	433	1,132	3,258	-3,207¹⁾	4,925
2013	EE	FT	FM	IC	MST	SP	PC	Elim.	Total
Net sales	1,265	1,979	993	1,717	704	2,216	3	-46	8,831
Operating profit	92	137	90	182	88	305	-47	9	856
Net financial items	-6	-18	-2	-9	-14	-13	221	-259 ¹⁾	-100
Profit before tax	86	119	88	173	74	292	536	-612 ¹⁾	756
EBITA	103	159	110	212	110	333	-47	10	990
EBITA margin, %	8.1	8.0	11.1	12.3	15.6	15.0	-	-	11.2
Amortisation of intangible assets	-16	-23	-21	-30	-27	-30	-1	-	-148
Depreciation of property, plant and equipment	-9	-21	-18	-22	-17	-27	0	-	-114
Sales growth, %	-5	-7	-3	12	17	20	-	-	5
Operating capital	465	987	607	853	931	1,417	1,959	-2,272 ¹⁾	4,947
Return on operating capital, %	23	16	18	25	11	28	-	-	20
Investments in non-current assets	14	28	29	33	38	98	0	-	240
Total assets	660	1,494	917	1,441	1,187	1,970	5,067	-5,782¹⁾	6,954
Total liabilities	446	1,211	380	883	380	890	2,885	-2,747¹⁾	4,328

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

EE – Engineering & Equipment
 SP – Special Products
 PC – Parent Company

IC – Industrial Components
 FM – Fluids & Mechanical Solutions

FT – Flow Technology
 MST – Measurement & Sensor Technology

Note 3

Continued

Revenue from external customers per geographic area

Group	2014		2013	
Sweden	3,613		3,395	
Finland	1,608		1,586	
Benelux	1,098		1,075	
Denmark and Norway	845		805	
UK and Ireland	759		360	
Switzerland	535		492	
Other world	1,288		1,118	
Total	9,746		8,831	

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.

Non-current assets per geographic area

Group	2014		2013	
Sweden	2,039		1,970	
UK and Ireland	683		283	
Finland	253		248	
Benelux	247		237	
Switzerland	209		187	
Other world	557		518	
Total	3,988		3,443	

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

Note 4

Income statements classified by type of cost

	Group		Parent Company	
	2014	2013	2014	2013
Goods for resale, raw materials and consumables	-5,171	-4,759	-	-
Costs for employee benefits	-2,186	-1,949	-41	-34
Depreciation/amortisation	-298	-262	-1	-1
Other costs	-1,159	-1,023	-20	-20
Total	-8,814	-7,993	-62	-55

Note 5

Other operating income/expenses

	Group		Parent Company	
	2014	2013	2014	2013
Other operating income				
Exchange rate gains	47	28	5	1
Revaluation of liabilities pertaining to contingent consideration	94	89	-	-
Gain on sale of subsidiaries/operations	-	17	-	-
Other	5	8	-	5
Total	146	142	5	6
Other operating expenses				
Exchange rate losses	-49	-30	-	-1
Transaction costs for acquisitions	-5	-6	-	-
Impairment of goodwill	-41	-82	-	-
Other	-2	-6	-	-
Total	-97	-124	-	-1
Other operating income/expenses, net	49	18	5	5

Note 6

Average number of employees

	2014		2013	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	10	5	10	5
Subsidiaries in Sweden	1 270	260	1 219	245
Total Sweden	1 280	265	1 229	250
Subsidiaries outside Sweden	3 138	768	2 922	767
Total	4 418	1 033	4 151	1 017

The Parent Company's board is composed of one woman and seven men, as in the preceding year. The subsidiaries' boards and management include four women (2013: three women). The Parent Company's management consisted of seven men through 31 December 2014.

Note 7

Wages, salaries and other remuneration, and social security costs

	2014			2013		
	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	27	14	5	22	12	4
Subsidiaries in Sweden	591	266	63	562	253	60
Total Sweden	618	280	68	584	265	64
Subsidiaries outside Sweden	1,089	208	110	930	179	95
Total	1,707	488	178	1,514	444	159

Of the Parent Company's pension costs, SEK 2 million (2) pertains to the Board of Directors and President. The corresponding amount for the Group is SEK 29 million (28).

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

	2014			2013		
	Companies' management ¹⁾	Of which, bosses and similar	Other employees	Companies' management ¹⁾	Of which, bosses and similar	Other employees
Parent Company	12	3	15	10	2	12
Subsidiaries in Sweden	72	8	519	65	7	497
Total Sweden	84	11	534	75	9	509
Subsidiaries outside Sweden	117	17	972	98	10	832
Total	201	28	1 506	173	19	1 341

1) Pertains to the board members and the CEO.

Wages, salaries and remuneration of senior executives Information provided at the 2014 Annual General Meeting pertaining to the 2014 financial year

The Chairman and members of the Board of Directors are paid a fee in accordance with a resolution by the Annual General Meeting. A fee of SEK 500,000 is payable to the Chairman, and a fee of SEK 375,000 is payable to the Vice Chairman. A fee of SEK 250,000 is payable to each of the other non-executive directors, and a fee of SEK 50,000 is payable to the Audit Committee chair. A fee of SEK 25,000 is paid to members of the Remuneration Committee.

Compensation for the CEO and other senior executives consists of a base salary, variable compensation, other benefits and pension. By other senior executives is meant six persons: the Chief Financial Officer (CFO), four business area presidents and the Group Controller.

Senior executives employed by the subsidiaries receive their compensation from the respective subsidiaries.

For the CEO of the Parent Company, the variable compensation is capped at six months' salary, i.e., 50% of base salary. For other senior executives, the variable compensation is capped at four to seven months' salaries, or 33% to 58% of base salary. Variable compensation is related to the earnings performance of the Group or of the respective business areas. The retirement age for the CEO is normally 65. In addition to statutory retirement benefits, Indutrade is to pay pension premiums – excluding premiums for disability insurance and waiver of premium protection – corresponding to 35% of his base salary.

The CEO is entitled to choose his pension solution, within the cost framework described above and subject to the approval of the Chairman. Johnny Alvarsson has been given an extended mandate as CEO until the 2017 Annual General Meeting, with unchanged terms.

Other senior executives are entitled to retirement benefits corresponding to an average of 30% of their respective base salaries. The retirement age is 65. Earned retirement benefits are not conditional upon future employment by Indutrade.

Terms of notice

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

Incentive programme

In April 2014 the Annual General Meeting resolved in accordance with the Board's proposal to implement an incentive programme, LTI 2014, comprising a combined maximum of 460,000 warrants in two series, directed at senior executives and other key persons in the Indutrade Group. Within the framework of Series I, which was offered to 135 persons, the participants acquired a total of 257,500 warrants for a combined total of SEK 3,914,000. The price per warrant was SEK 15.20, which corresponds to the market price. The subscription price was set at SEK 356.30 per share. Within the framework of Series II, which was offered to 13 persons, the participants acquired a total of 27,500 warrants for a combined value of SEK 319,000. The price per warrant was SEK 11.60, which corresponds to the market price. The subscription price for this series was set at SEK 350.00 per share. The CEO has acquired 15,000 warrants and other senior executives 60,000 warrants of Series I. Each warrant carries entitlement to subscribe for one share in Indutrade during specially prescribed subscription periods through 18 May 2018. A cash subsidy corresponding to 120% of the price paid by the participants for the warrants will be paid out on two occasions and in equal parts after half of the term of the programme and after three years, respectively, normally under the condition that the participant has not sold any warrants and continues to be employed by the Group at the time of payment.

Note 7

Continued

Guidelines adopted by the 2014 Annual General Meeting for compensation and other terms of employment for senior executives

By executive management is meant in this context the President and CEO, the Chief Financial Officer, the business area presidents, and the Group Controller. Indutrade shall apply compensation levels and terms of employment necessary to be able to recruit and retain management with high competence and the capacity to achieve set objectives.

The forms of compensation shall motivate members of the executive management to perform their utmost in order to safeguard the interests of the shareholders. The forms of compensation shall therefore be in line with the going rate in the market and shall be straightforward, long-term and quantifiable. Compensation of members of executive management shall normally consist of a fixed and a variable portion. The variable portion shall reward clear, goal-related results and improvements to these in simple, transparent structures and shall have a cap. Fixed salary for members of the executive management shall be in line with the going rate in the market and shall be commensurate with the individual's expertise, responsibilities and performance. The variable compensation component for members of the executive management shall normally not exceed seven months' salary and shall be coupled to the achievement of the goals related to the Company's and respective business areas' level of earnings, and the Group's growth. Variable compensation for members of the executive management can amount to a maximum of approximately SEK 10 million.

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

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

Pension terms for members of the 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 and should be based on a defined contribution pension solution or a general pension plan (in Sweden, the ITP plan).

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

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

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

Compensation and other benefits, 2014

SEK 000s	Base salary/ directors' fees	Variable compensation ¹⁾	Other benefits	Pension cost	Total
Fredrik Lundberg, Chairman of the Board, member of the Remuneration Committee	525	–	–	–	525
Bengt Kjell, Vice Chairman of the Board, member of the Remuneration Committee	400	–	–	–	400
Eva Färnstrand, Director	250	–	–	–	250
Martin Lindqvist, Director, member of the Remuneration Committee	275	–	–	–	275
Ulf Lundahl, Director, Audit Committee chair	300	–	–	–	300
Krister Mellvé, Director	250	–	–	–	250
Lars Pettersson, Director	250	–	–	–	250
Johnny Alvarsson, President and CEO	6,360	3,247	119	2,254	11,980
Other senior executives (6 persons)	13,046	3,282	722	3,948	20,998
Total	21,656	6,529	841	6,202	35,228

1) Including compensation (the year's subsidy cost) for the senior executives who participate in the above mentioned incentive programme, which amounted to SEK 67,000 for the CEO and SEK 264,000 for senior executives.

Note 7

Continued

Compensation and other benefits, 2013

SEK 000s	Base salary/ directors' fees	Variable compensation ¹⁾	Other benefits	Pension cost	Total
Fredrik Lundberg, Chairman of the Board, member of the Remu- neration Committee	372	–	–	–	372
Bengt Kjell, Vice Chairman of the Board, member of the Remuneration Committee	436	–	–	–	436
Eva Färnstrand, Director	250	–	–	–	250
Martin Lindqvist, Director, member of the Remuneration Committee	275	–	–	–	275
Ulf Lundahl, Director, Audit Committee chair	293	–	–	–	293
Krister Mellvé, Director	250	–	–	–	250
Mats Olsson, director, Audit Committee chair (through 21 August)	88	–	–	–	88
Lars Petterson, Director	177	–	–	–	177
Johnny Alvarsson, President and CEO	6,000	2,024	119	2,158	10,301
Other senior executives (6 persons)	11,580	2,546	769	3,736	18,631
Total	19,721	4,570	888	5,894	31,073

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

Note 8

Depreciation and amortisation

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

	Group		Parent Company	
	2014	2013	2014	2013
Cost of goods sold	209	184	–	–
Development costs	7	7	–	–
Selling costs	58	53	–	–
Administrative expenses	24	18	1	1
Total	298	262	1	1

Note 9

Operating leases

	Group		Parent Company	
	2014	2013	2014	2013
Lease payments ex- pensed during the year:	172	154	2	2
Future contracted lease payments				
Maturity year 1	173	156	2	2
Maturity year 2	137	124	1	2
Maturity year 3	92	93	–	1
Maturity year 4	66	60	–	–
Maturity year 5	43	50	–	–
Maturity year 6-	78	64	–	–
Total future lease payments	589	547	3	5

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

Note 10

Auditors' fees

	Group		Parent Company	
	2014	2013	2014	2013
PricewaterhouseCoopers				
Audit assignment	10	9	1	1
Auditing activities in addition to audit assignment	1	1	0	0
Tax consulting	1	1	0	0
Other services	1	1	0	0
Total fees, PricewaterhouseCoopers	13	12	1	1
Other auditing firms				
Auditing fees	2	2		

Other auditing firms refers to several auditing firms where none account for a significant amount in 2014 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.

Note 11

Financial income

	Group		Parent Company	
	2014	2013	2014	2013
Interest	6	7	37	38
Exchange rate differences	10	2	0	1
Other	0	0	–	–
Total financial income	16	9	37	39
Of which, pertaining to Group companies:				
Interest	–	–	36	37

Note 12

Financial expenses

	Group		Parent Company	
	2014	2013	2014	2013
Interest expenses, bank loans	–70	–76	–66	–70
Interest expenses, pension liability	–4	–4	–	–
Interest expenses, finance leases	–3	–3	0	0
Interest expenses, contingent consideration	–4	–14	1	–10
Total interest expenses	–81	–97	–65	–80
Exchange rate differences	–11	–6	–10	–2
Other	–10	–6	–9	–5
Total financial expenses	–102	–109	–84	–87
Of which, pertaining to Group companies:				
Interest	–	–	–5	–5

Note 13

Profit from participations in group companies

Parent Company		
	2014	2013
Dividends from subsidiaries	642	299
Capital gain on sale of subsidiary	0	–
Impairment of shares in subsidiaries	–18	–30
Total	624	269

Note 14

Taxes

	Group		Parent Company	
	2014	2013	2014	2013
Tax expense				
Current tax	–208	–201	–48	–63
Deferred tax	18	33	–1	1
Other tax	–2	–1	–	–
Total	–192	–169	–49	–62

The Group's tax expense amounted to 21.5% (22.4%) of consolidated profit before tax. The difference between the reported tax expense and anticipated tax expense (weighed average tax based on national tax rates) is explained below.

	Group		Parent Company	
	2014	2013	2014	2013
Profit before tax	895	756	848	536
Weighted average tax based on national tax rates (Group 21.7% and 22.4%, respectively, and Parent Company 22.0% and 22.0%, respectively)	–194	–169	–187	–118
Tax effect of:				
Non-deductible interest expenses on discounted contingent consideration	–1	–3	0	–2
Non-deductible transaction costs for acquisitions	–1	–2	–	0
Non-taxable contingent consideration recognised as income	21	21	–	–
Non-deductible impairment of goodwill	–9	–19	–	–
Other non-deductible expenses/non-taxable income	–5	–1	138	58
Utilisation of loss-carryforward where tax was not previously reported	1	1	–	–
Adjustment pertaining previous years' current tax	–2	0	–	–
Change in tax rate	0	4	–	–
Other items	–2	–1	–	–
Total	–192	–169	–49	–62
	21.5%	22.4%	5.9%	11.6%

Note 14

Continued

Group

	Intangible non-current assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
1 Jan.-31 Dec. 2013						
Deferred tax, net Opening book value	-227	-32	-67	22	16	-288
Deferred tax as per income statement	27	1	-3	2	2	29
Change in tax rate affecting income statement	4	0	0	0	0	4
Deferred tax recognised in other comprehensive income	-	-	-	-2	-1	-3
Deferred tax attribut- able to acquisitions	-37	-1	-1	0	-4	-43
Exchange rate differences	0	0	0	-2	1	-1
Deferred tax, net Closing book value	-233	-32	-71	20	14	-302
As per 31 Dec. 2013						
Deferred tax asset	2	1	-	20	19	42
Deferred tax liability	-235	-33	-71	0	-5	-344
Deferred tax, net	-233	-32	-71	20	14	-302

Group

	Intangible non-current assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
1 Jan.-31 Dec. 2014						
Deferred tax, net Opening book value	-233	-32	-71	20	14	-302
Deferred tax as per income statement	32	0	-15	-1	1	17
Change in tax rate affecting income statement	1	0	-	0	-	1
Deferred tax recognised in other comprehensive income	-	-	-	11	7	18
Deferred tax attributable to acquisitions	-58	-2	-7	2	1	-64
Exchange rate differences	-6	-1	0	1	0	-6
Deferred tax, net Closing book value	-264	-35	-93	33	23	-336
As per 31 Dec. 2014						
Deferred tax asset	1	1	-	33	33	68
Deferred tax liability	-265	-36	-93	-	-10	-404
Deferred tax, net	-264	-35	-93	33	23	-336

The loss-carryforward amounts to SEK 45 million (20). The deferred tax asset in loss-carryforwards that have not been capitalised amount to SEK 4 million (2).

Substantial dividends may be recognised without withholding tax.

Of the deferred tax liabilities, SEK 35 million will be dissolved in 2015. The calculation is based on estimated depreciation of acquisition calculations in coming years.

Note 14

Continued

Parent Company

	Pension obligations	Other items	Total tax
1 Jan.-31 Dec. 2013			
Deferred tax, net Opening book value	1	0	1
Deferred tax as per income statement	1	0	1
Deferred tax, net Closing book value	2	0	2
As per 31 Dec. 2013			
Deferred tax asset	2	0	2
Deferred tax liability	-	-	-
Deferred tax, net	2	0	2
1 Jan.-31 Dec. 2014			
Deferred tax, net Opening book value	2	0	2
Deferred tax as per income statement	0	-1	-1
Deferred tax recognised in other comprehensive income	-	8	8
Deferred tax, net Closing book value	2	7	9
As per 31 Dec. 2014			
Deferred tax asset	2	9	11
Deferred tax liability	-	-2	-2
Deferred tax, net	2	7	9

Note 15

Intangible assets

Group

	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
1 Jan.-31 Dec. 2013						
Opening book value	1,188	893	238	40	44	2,403
Exchange rate differences	5	2	2	-1	0	8
Investments during the year	-	1	-	8	11	20
Company acquisitions	200	189	8	-	0	397
Sales and disposals	-	-	-	0	0	0
Reclassification	-	-	-	-	-	-
Adjustment of preliminary purchase price allocation	-3	-1	-	-	-	-4
Amortisation (note 8)	-	-133	-	-10	-5	-148
Impairment charges	-82	-	-	-	-	-82
Closing book value	1,308	951	248	37	50	2,594
As per 31 Dec. 2013						
Cost	1,392	1,559	248	94	79	3,372
Accumulated amortisation and impairment charges	-84	-608	-	-57	-29	-778
Book value	1,308	951	248	37	50	2,594
1 Jan.-31 Dec. 2014						
Opening book value	1,308	951	248	37	50	2,594
Exchange rate differences	54	32	3	1	1	91
Investments during the year	-	0	1	19	11	31
Company acquisitions	247	257	-	-	-	504
Sales and disposals	-	-	-	-	-	-
Reclassification	-	-	-	2	-	2
Adjustment of preliminary purchase price allocation	4	3	-	-	-	7
Amortisation (note 8)	-	-154	0	-13	-4	-171
Impairment charges	-41	-	-	-	-	-41
Closing book value	1,572	1,089	252	46	58	3,017
As per 31 Dec. 2014						
Cost	1,697	1,871	252	119	85	4,024
Accumulated amortisation and impairment charges	-125	-782	0	-73	-27	-1,007
Book value	1,572	1,089	252	46	58	3,017

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 2014.

Note 15

Continued

Goodwill is apportioned over cash-generating units, which for Indutrade are equated with operating segments. Operating segments correspond to Indutrade's business areas.

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 2015 financial year. During the rest of the five-year period, an annual growth rate of 2% (2%) has been assumed. Where greater changes are expected, the assumptions have been adapted to better correspond to these expectations. For cash flows beyond the five-year period, the rate of growth has been assumed to correspond to the growth rate during the fifth year, ordinarily 2%. The cash flows have been discounted with a weighed cost of capital that corresponds to approximately 9% (14%) before tax. The weighed cost of capital has been adapted to the prevailing level of interest rates. The same discount rate has been used for all segments, since they conduct similar operations. 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.

In connection with a new assessment of contingent earn-out payments in 2014, in response to a lower level of earnings in relation to the anticipated outcome that formed the basis for the previously booked contingent earn-out payment, impairment testing of goodwill was conducted in the affected companies in accordance with the principles described above. As a result of this impairment testing, an impairment charge of SEK 3 million was recognised in 2014 for the value of goodwill in the Special Products business area. For most of these businesses the trend is positive, but not at the rate required for an earn-out payment.

During the year, a decision was made on a new long-term strategy for a company grouping within the Flow Technology business area. As a result of this decision, a need arose to conduct impairment testing of goodwill in this grouping, which resulted in recognition of SEK 38 million in impairment.

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 have been identified that warrant impairment testing for other intangible non-current assets that are amortised.

Group breakdown of goodwill at segmental level

	2014	2013
Engineering & Equipment	134	126
Flow Technology	183	214
Fluids & Mechanical Solutions	248	204
Industrial Components	269	233
Special Products	738	531
Total	1,572	1,308

Group breakdown of trademarks at segmental level

	2014	2013
Engineering & Equipment	0	0
Flow Technology	59	59
Fluids & Mechanical Solutions	–	–
Industrial Components	–	–
Special Products	193	189
Total	252	248

Group breakdown of goodwill at segmental level according to new structure as from 1 January 2015

	2014	2013
Engineering & Equipment	134	126
Flow Technology	183	214
Fluids & Mechanical Solutions	248	204
Industrial Components	269	233
Measurement & Sensor Technology	249	244
Special Products	489	287
Total	1,572	1,308

Group breakdown of trademarks at segmental level according to new structure as from 1 January 2015

	2014	2013
Engineering & Equipment	0	0
Flow Technology	59	59
Fluids & Mechanical Solutions	–	–
Industrial Components	–	–
Measurement & Sensor Technology	146	145
Special Products	47	44
Total	252	248

Parent Company

	2014	2013
Opening cost	2	2
Investments during the year	0	0
Closing accumulated cost	2	2
Opening amortisation	–2	–1
Amortisation for the year	0	–1
Closing accumulated amortisation	–2	–2
Planned residual value	0	0

Note 16

Property, plant and equipment

Group	Land and buildings	Machinery	Equipment	Construction in progress	Total property, plant and equipment
1 Jan.–31 Dec. 2013					
Opening book value	404	144	189	4	741
Exchange rate differences	3	0	1	0	4
Investments during the year ¹⁾	61	37	83	39	220
Company acquisitions	1	11	15	–	27
Transferred from construction in progress	16	0	0	–16	–
Sales and disposals ¹⁾	–9	–1	–19	–	–29
Reclassification	–	0	0	–	0
Depreciation (Note 8)	–19	–33	–62	–	–114
Closing book value	457	158	207	27	849
As per 31 Dec. 2013					
Cost	677	521	665	27	1,890
Accumulated depreciation and impairment charges	–220	–363	–458	–	–1,041
Book value	457	158	207	27	849

Group	Land and buildings	Machinery	Equipment	Construction in progress	Total property, plant and equipment
1 Jan.–31 Dec. 2014					
Opening book value	457	158	207	27	849
Exchange rate differences	26	14	6	1	47
Investments during the year ¹⁾	5	43	97	14	159
Company acquisitions	35	30	10	–	75
Transferred from construction in progress	24	9	2	–35	–
Sales and disposals ¹⁾	–1	0	–37	–	–38
Reclassification	–2	0	8	–	6
Depreciation (Note 8)	–20	–40	–67	–	–127
Closing book value	524	214	226	7	971
As per 31 Dec. 2014					
Cost	771	703	744	7	2,225
Accumulated depreciation and impairment charges	–247	–489	–518	–	–1,254
Book value	524	214	226	7	971

1) Of net investments in property, plant and equipment, SEK 93 million (186) had an effect on cash flow, while SEK 42 million (7) pertain to investments financed via finance leases

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

	2014	2013
Cost		
– capitalised finance leases	116	115
Accumulated depreciation	–38	–39
Book value	78	76

Leased assets consist primarily of cars.

Parent Company

	2014	2013
Opening cost	3	3
Investments during the year	1	0
Sales and disposals	0	0
Closing accumulated cost	4	3
Opening depreciation	–2	–2
Depreciation for the year	–1	0
Sales and disposals	0	0
Closing accumulated depreciation	–3	–2
Planned residual value	1	1

Note 17

Shares and participations

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

	Domicile	Share of capital %	Share of votes %	No. shares	Book value
Kiinteistö Oy Honkakoli	Finland	–	–	18	1
Kytäjän Golf Oy	Finland	–	–	6	1
Other		–	–	–	2
Available-for-sale financial assets					4

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	
	2014	2013	2014	2013
Opening cost	7	6	3,561	3,161
External acquisitions	0	–	651	461
Shareholder contribution	–	–	7	10
Sale	–3	–	–	–
Adjustment of estimated contingent consideration	–	–	–86	–71
Purchase price paid for previous years' acquisitions	–	–	4	–
Company acquisitions	0	–	–	–
Exchange rate differences	0	1	–	–
Closing accumulated cost	4	7	4,137	3,561
Opening revaluations	–	–	8	8
Closing accumulated revaluations	–	–	8	8
Opening impairment charges	–	–	–626	–596
Impairment charges during the year	–	–	–18	–30
Closing accumulated impairment charges	–	–	–644	–626
Book value	4	7	3,501	2,943
Effect on cash flow				
Purchase price, external acquisitions			–651	–461
Purchase price not paid			108	76
Reversal of contingent consideration			–	4
Purchase price paid for previous years' acquisitions			–33	–94
Shareholder contribution paid out			–11	–11
Total			–587	–486

Note 17

continued

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.

Note 18

Non-current receivables

	Group		Parent Company	
	2014	2013	2014	2013
Opening balance	12	13	6	4
Additional receivables	0	0	–	–
Repaid deposits/amortisation	0	–1	–	–
Company acquisitions	0	0	–	–
Change in value of pensions	1	0	0	0
Reported net against pension obligations	2	0	3	2
Exchange rate differences	0	0	–	–
Other changes	0	0	–	–
Total	15	12	9	6

The Group's non-current receivables pertain primarily to endowment insurance policies, but also to deposits. The book value is judged to correspond to fair value. The maturity dates for the endowment insurance policies is dependent on the date of retirement for the persons insured.

The Parent Company's non-current receivables pertain to one endowment insurance policy.

Note 19

Inventories

Group

Inventories are broken down into the following items:	2014	2013
Raw materials and consumables	303	256
Products in process	155	219
Finished products and goods for resale	1 159	1 071
Total	1 617	1 546

The cost of goods sold for the Group includes impairment of inventory, totalling SEK 76 million (29). No significant reversals of previous impairment charges were made in 2014 or 2013.

Note 20

Trade accounts receivable

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

Group	2014		2013	
	2014	2013	2014	2013
Trade accounts receivable				
Trade accounts receivable not due	1,222	985		
Trade accounts receivable 0-3 months past due	403	384		
Trade accounts receivable 3-6 months past due	30	27		
Trade accounts receivable more than 6 months past due	83	72		
Provision for impaired trade accounts receivable	-36	-33		
Total	1,702	1,435		
Provision for impaired trade accounts receivable				
Provision for trade accounts receivable, 0-3 months past due	-3	-2		
Provision for trade accounts receivable, 3-6 months past due	-3	-3		
Provision for trade accounts receivable, older than 6 months	-30	-28		
Total	-36	-33		
Change in provision for impaired trade accounts receivable during the year				
Opening provision	-33	-25		
Receivables written off as customer losses	7	2		
Reversed, unutilised provisions	2	3		
Provision for the year for impaired trade accounts receivable	-11	-13		
Company acquisitions	-2	0		
Exchange rate differences	1	0		
Closing provision	-36	-33		

For a description of risks associated with the Company's trade accounts receivable, see note 2.

Note 21

Prepaid expenses and accrued income

	Group		Parent Company	
	2014	2013	2014	2013
Prepaid rents	14	12	-	-
Prepaid insurance premiums	10	8	0	0
Other prepaid expenses	60	51	3	4
Accrued income	7	11	-	-
Derivative instruments ¹⁾	-	3	-	-
Total	91	85	3	4

1) Starting in 2014 derivative instruments are reported in Other receivables.

Note 22

Non-current and current interest-bearing liabilities

	Group		Parent Company	
	2014	2013	2014	2013
Non-current				
Future leasing obligations for finance leases	45	44	1	0
SEK-denominated loans with terms longer than 1 year	504	1 304	500	1 300
EUR-denominated loans with terms longer than 1 year	213	433	209	429
Loans in other currencies with terms longer than 1 year	65	53	-	-
Contingent earn-out payments in SEK with payment due later than 1 year	35	110	33	110
Contingent earn-out payments in EUR with payment due later than 1 year	20	45	-	22
Contingent earn-out payments in other currencies with payment due later than 1 year	101	45	65	10
	983	2,034	808	1,871
Current				
Utilised bank overdraft facilities	113	276	86	252
Future leasing obligations for finance leases	32	32	0	0
SEK-denominated loans with terms shorter than 1 year	1,227 ¹⁾	0	1,227 ¹⁾	-
EUR-denominated loans with terms shorter than 1 year	173	1	162	-
Loans in other currencies with terms shorter than 1 year	5	4	-	-
Contingent earn-out payments in SEK with payment due less than 1 year	20	14	20	-
Contingent earn-out payments in EUR with payment due less than 1 year	31	40	24	22
Contingent earn-out payments in other currencies with payment due less than 1 year	34	14	31	8
	1,635	381	1,550	282
Total	2,618	2,415	2,358	2,153

1) Of which, commercial paper SEK 852 million (-)

Car leases are reported as finance leases in accordance with IFRS, entailing an increase in both assets and liabilities of SEK 78 million (76). Of the Group's long-term leasing obligations, SEK 24 million falls due for payment in 2016, SEK 20 million in 2017, and SEK 1 million in 2018 or later.

Externally granted bank overdraft facilities amount to SEK 733 million (742) for the Group and SEK 680 million (702) for the Parent Company.

Note 22

continued

Amounts in SEK million	Group		Parent Company	
	2014	2013	2014	2013
Maturity dates for long-term loans in SEK				
Maturity 2015	–	800	–	800
Maturity 2016	300	300	300	300
Maturity 2017	0	0	0	0
Maturity 2018	200	201	200	200
Maturity 2019 or later	3	3	–	–
Total long-term borrowings in SEK million	504	1,304	500	1,300

Long-term loans in SEK carry variable rates of interest. The carrying amount corresponds to fair value. The Parent Company has entered into contracts to hedge part of its borrowing that is at variable interest rates to fixed interest rates. See note 2.

Amounts in EUR million	Group		Parent Company	
	2014	2013	2014	2013
Maturity dates for long-term loans in EUR				
Maturity 2015	–	17.1	–	17.0
Maturity 2016	22.0	22.0	22.0	22.0
Maturity 2017	0.0	9.0	–	9.0
Maturity 2018	0.1	0.1	–	–
Maturity 2019 or later	0.3	0.3	–	–
Total long-term borrowings in EUR million	22.4	48.5	22.0	48.0
Corresponding amounts in SEK million	213	433	209	429

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

Amounts in SEK million	Group		Parent Company	
	2014	2013	2014	2013
Maturity dates for long-term loans in other currencies				
Maturity 2015	–	1	–	–
Maturity 2016	11	4	–	–
Maturity 2017	12	8	–	–
Maturity 2018	8	8	–	–
Maturity 2019 or later	34	32	–	–
Total long-term borrowings in other currencies	65	53	–	–

By other currencies is meant GBP, KRW, LKR and MYR. The loans have both variable and fixed rates of interest. The difference between fair value and the carrying amount is negligible.

Amounts in SEK million	Group		Parent Company	
	2014	2013	2014	2013
Payment due for long-term contingent earn-out payments in SEK				
Payable in 2015	–	19	–	19
Payable in 2016	35	91	33	91
Total long-term contingent earn-out payments in SEK million	35	110	33	110

The present value is calculated using an interest rate of 4%.

Amounts in EUR million	Group		Parent Company	
	2014	2013	2014	2013
Payment due for long-term contingent earn-out payments in EUR				
Payable in 2015	–	3.5	–	2.4
Payable in 2016	0.6	0.5	–	–
Payable in 2017	1.0	0.5	–	–
Payable in 2018	0.5	0.5	–	–
Total long-term contingent earn-out payments in EUR million	2.1	5.0	–	2.4
Corresponding amount in SEK million	20	45	–	22

The present value is calculated using an interest rate of 4% for payments of SEK 16 million and an interest rate of 3% for payments of SEK 4 million.

Amounts in SEK million	Group		Parent Company	
	2014	2013	2014	2013
Payment due for long-term contingent earn-out payments in other currencies				
Payable in 2015	–	15	–	10
Payable in 2016	101	30	65	–
Total long-term contingent earn-out payments in other currencies	101	45	65	10

By other currencies is meant GBP, CHF and KRW, of which GBP amounts to the equivalent of SEK 65 million and CHF to the equivalent of SEK 34 million. The present value is calculated using an interest rate of 4% for payments of SEK 65 million and an interest rate of 5% for payments of SEK 36 million.

Note 23

Pension obligations

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

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 Group has applied IAS 19 Employee Benefits (revised) since 2013.

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

Breakdown of net liability in SEK million

	2014	2013
PRI plan	113	101
Defined benefit plans, the Netherlands, Switzerland and the UK	105	53
Total defined benefit plans	218	154
Other pension obligations	15	13
Total	233	167

The Group's plan assets, totalling SEK 669 million (425), 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 2014 Indutrade does not have access to such information that would make it possible to report this plan as a defined benefit plan, which is why the plan is reported as a defined contribution plan. Premiums paid during the year for pension plans with Alecta amounted to approximately SEK 14 million (16). Premiums for 2015 are expected to be in line with 2014. Alecta's collective funding ratio was 143% (148%) in December 2014.

Assumptions used in actuarial computations

The discount rate for defined benefit plans in the Netherlands, Switzerland and the UK is based on the market return of high quality corporate bonds. For calculations of defined benefit pension obligations in Sweden, as from 2011 the discount rate is based on the yield of mortgage bonds with a term that corresponds to the average term for the obligations.

The duration of the pension obligation is estimated at 18 years in Sweden, 18 years in the Netherlands, 17 years in Switzerland, and 15 years in the UK.

Sensitivity analysis for changes in significant assumptions:

Impact on the defined benefit obligation, SEK million	Sweden	Netherlands	Switzerland	UK
Discount rate, increase by 1.00%	-16	-62	-35	-11
Discount rate, decrease by 1.00%	20	90	50	11
Salary increase of 1.00%	10	12	5	0

Actuarial gains and losses, including payroll taxes in Sweden, are recognised in other comprehensive income. At the end of the financial year, accumulated actuarial losses recognised in comprehensive income amounted to SEK 107 million (52).

Group

Assumptions in calculating pension obligations	2014			
	Sweden	Netherlands	Switzerland	UK
Discount rate, %	2.30	2.30	1.65	3.60
Future salary increases, %	2.75	2.50	1.00	-
Anticipated inflation, %	1.25	2.00	0.50	3.10
Future pension increases, %	1.25	1.80	0.00	2.40
Employee turnover, %	2.00	¹⁾	¹⁾	-

1) Age-related

Assumptions in calculating pension obligations	2013		
	Sweden	Netherlands	Switzerland
Discount rate, %	3.70	3.50	2.40
Future salary increases, %	3.50	2.50	1.00
Anticipated inflation, %	2.00	2.00	0.50
Future pension increases, %	2.00	1.80	0.00
Employee turnover, %	2.00	¹⁾	¹⁾

Note 23

continued

Amounts reported on the balance sheet	2014	2013		2014	2013
Present value of funded obligations	774	478	Present value of pension obligations at start of year	579	534
Fair value of plan assets	-669	-425	Pension costs	15	19
	105	53	Interest expenses	19	16
Present value of unfunded obligations	113	101	Employee contributions	7	6
	113	101	Pension payments	-23	-5
Net liability, defined benefit plans, on balance sheet	218	154	Company acquisitions	127	-
			Actuarial gains (-)/losses (+)	115	-6
			Exchange rate differences	48	15
Revaluation in other comprehensive income			Present value of pension obligations at year-end	887	579
Experience-based adjustments of defined benefit obligations	5	-1	Plan assets at start of year	425	378
Return on plan assets, excl. interest income	-64	-3	Interest income	15	12
Demographic adjustments of defined benefit obligations	1	0	Employee contributions	9	7
Financial adjustments of defined benefit obligations	109	-5	Company contributions	17	14
Total	51	-9	Pension payments	-20	-2
			Company acquisitions	116	-
			Return on plan assets, excl. interest income	64	3
			Exchange rate differences	43	13
			Plan assets at year-end	669	425
			Net liability at start of year	154	156
			Net cost reported in the income statement	19	23
			Pension payments	-5	-4
			Company contributions	-17	-14
			Company acquisitions	11	-
			Actuarial gains (-)/losses (+)	51	-9
			Exchange rate differences in foreign plans	5	2
			Net liability at year-end	218	154

Group	2014			2013		
	Defined benefit plans	Defined contribution plans	Total	Defined benefit plans	Defined contribution plans	Total
Amounts reported in income statement						
Current service cost	15	159	174	19	136	155
Interest on obligation	19	-	19	16	-	16
Interest income on plan assets	-15	-	-15	-12	-	-12
Net cost in income statement	19	159	178	23	136	159
Of which, included in selling costs	15	121	136	19	106	125
Of which, included in administrative expenses	0	38	38	0	30	30
Of which, included in financial items	4	-	4	4	-	4

Anticipated company contributions to defined benefit pension plans in 2015 amount to SEK 20 million (17).

Note 24

Other provisions

	Group		Parent Company	
	2014	2013	2014	2013
Guarantee commitments	8	9	–	–
Total long-term provisions	8	9	–	–
			Guarantee commitments	
Opening balance, 1 January 2014				9
Guarantee commitments in acquired companies				–
Change in guarantee commitments for the year				–1
Closing balance, 31 December 2014				8

Note 25

Accrued expenses and deferred income

	Group		Parent Company	
	2014	2013	2014	2013
Accrued personnel-related expenses	318	285	16	10
Derivative instruments ¹⁾	–	27	–	–
Interest	6	11	5	10
Other	121	142	1	2
Total	445	465	22	22

1) Starting in 2014, derivative instruments are reported in Other current liabilities.

Note 26

Pledged assets

	Group		Parent Company	
	2014	2013	2014	2013
For own liabilities:				
Real estate mortgages	119	76	–	–
Chattel mortgages	46	86	–	–
Assets subject to liens	78	76	–	–
Endowment insurance policies	10	8	8	6
Total	253	246	8	6

Car leases are reported as finance leases in accordance with IFRS, entailing an increase in assets, liabilities and pledged assets of SEK 78 million (76).

Note 27

Contingent liabilities

	Group		Parent Company	
	2014	2013	2014	2013
Contingent liabilities for subsidiaries' PRI liabilities	–	–	78	76
Guarantees pledged for the benefit of subsidiaries	–	–	36	36
Contingent liabilities for own PRI liabilities	2	2	–	–
Total	2	2	114	112

Note 28

Cash and cash equivalents

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

	2014	2013	2014	2013
	Cash and bank balances	351	258	–
Short-term investments	6	3	–	–
Total	357	261	–	7

Note 29

Acquisitions and divestments of subsidiaries

Acquisitions 2014

All of the shares were acquired in AP Tobler AG, Switzerland; Svenska Geotech AB, Sweden; Corrosion Resistant Products Ltd (CRP), Micro Spring and Presswork Ltd, Birmingham Specialities Ltd, ALH Systems Ltd and Bailey Morris Ltd, UK; BL Products AB, Winab Vikväggar AB and Gelins-KGK AB, Sweden; and Verbeeck Packaging Group B.V., the Netherlands.

Industrial Components

Svenska Geotech AB, with annual sales of SEK 40 million, imports and supplies building site preparation and civil engineering products to companies in the infrastructure segment. The company is consolidated in the Group as from 17 March 2014.

BL Products AB, with annual sales of SEK 20 million, sells and installs packaging machinery. The company is consolidated in the Group as from 22 September 2014.

Gelins-KGK AB, with annual sales of SEK 110 million, is a technology sales company that supplies industrial components to Swedish industry and farm equipment. The company is consolidated in the Group as from 20 October 2014.

Fluids & Mechanical Solutions

Winab Vikväggar AB, with annual sales of SEK 90 million, is a leading manufacturer of folding partitions and partition walls for customers in the private and public sectors. The company is consolidated in the Group as from 1 October 2014.

Note 29

continued

Special Products

AP Tobler AG, with annual sales of approximately SEK 37 million, specialises in surface treatment of stainless steel and aluminium equipment for the pharmaceutical industry. The company is consolidated in the Group as from 1 January 2014.

CRP Ltd, with annual sales of SEK 110 million, manufactures and supplies corrosion-resistant piping, valves and expansion bellows. The company is consolidated in the Group as from 13 May 2014.

Micro Spring and Presswork Ltd, with annual sales of SEK 40 million, manufactures industrial springs and stampings. The company is consolidated in the Group as from 17 June 2014.

Birmingham Specialities Ltd, with annual sales of SEK 60 million, is a specialist manufacturer of industrial components. The company is consolidated in the Group as from 18 June 2014.

ALH Systems Ltd, with annual sales of SEK 60 million, specialises in the manufacture and sale of encapsulants, sealants and adhesives. The company is consolidated in the Group as from 26 June 2014.

Bailey Morris Ltd, with annual sales of SEK 70 million, is a manufacturer of driveshafts, propshafts and specialist components. The company is consolidated in the Group as from 15 August 2014.

Verbeeck Packaging Group B.V., with annual sales of SEK 45 million, specialises in packaging solutions for the cosmetics, pharmaceutical, food and household sectors. The company is consolidated in the Group as from 10 December 2014.

Effects of acquisitions carried out in 2013 and 2014

Pertains to the impact on the 2014 income statement

SEK million	Jan–Dec	
	Net sales	EBITA
Business area		
Engineering & Equipment	–	–
Flow Technology	–	–
Fluids & Mechanical Solutions	21	3
Industrial Components	109	19
Special Products	468	92
Effect on Group	598	114
Acquisitions completed in 2013	251	44
Acquisitions completed in 2014	347	70
Effect on Group	598	114

If the acquired units had been consolidated as from 1 January 2014, net sales would have increased by SEK 389 million to SEK 10,135 million, and EBITA would have increased by SEK 54 million to SEK 1,188 million.

Acquired assets in AP Tobler AG, Svenska Geotech AB, Corrosion Resistant Products Ltd, Micro Spring and Presswork Ltd, Birmingham Specialities Ltd, ALH Systems Ltd, Bailey Morris Ltd, BL Products AB, Winab Vikväggar AB, Gelins KGK AB and Verbeeck Packaging Group B.V.

	SEK million		
Preliminary purchase price allocation			
Purchase price, incl. contingent earn-out payments totalling SEK 115 million			735
	Book value	Fair value adjustment	Fair value
Acquired assets			
Goodwill	–	247	247
Agencies, customer relationships, licences, etc.	1	257	258
Property, plant and equipment	70	5	75
Financial assets	0	–	0
Inventories	108	–	108
Other current assets ¹⁾	154	–	154
Cash and cash equivalents	108	–	108
Deferred tax liability	–10	–54	–64
Borrowings and pension obligations	–7	–	–7
Other operating liabilities	–144	–	–144
	280	455	735

1) Mainly trade accounts receivable.

Since disclosures about the individual acquisitions are insignificant, they are provided here in aggregate form. The cost of customer relationships and agencies has been valued at one-half to one year's gross margin and is reported on the balance sheet as agencies, customer relationships, licences, etc. They will be amortised over a period of 10 years. Goodwill is justified by the good profitability and personnel included in the acquired companies.

Indutrade normally uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. The contingent earn-out payments are based on the earnings of the acquired companies during the years immediately ahead. Initially, the contingent earn-out payments are valued at the present value of the likely outcome, which for the acquisitions made during the year amount to SEK 115 million. The contingent earn-out payments fall due for payment within 4 years and can amount to a maximum of SEK 123 million. If the conditions are not met, the outcome can be in the range of SEK 0–123 million.

Transaction costs for the acquisitions carried out during the year totalled SEK 5 million (6) and are included in Other operating expenses in the income statement. Contingent earn-out payments have been restated in the amount of SEK 101 million (89). The income is reported among Other operating income in the income statement in the amount of SEK 94 million and in net financial items in the amount of SEK 7 million. In connection with a new assessment of contingent earn-out payments, goodwill in these companies has also been tested for impairment. As a result of this impairment testing, an impairment loss of SEK 3 million has been recognised for goodwill in the Group. Performance is positive for most of these operations, but not at the level required for payment of the contingent consideration. This

Note 29

continued

charge is reported under Other operating expenses in the income statement.

The purchase price allocation calculations for Medexa Diagnostisk Service AB, Kin Pompentechniek B.V. and Verplas Ltd, which were acquired in October and November 2013, have now been finalised. No significant adjustments have been made in 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 accounts receivable.

Effect on cash flow, SEK million

Purchase price, incl. contingent earn-out payments	735
Purchase price not paid out	-115
Cash and cash equivalents in acquired companies	-108
Payments pertaining to previous years' acquisitions	73
Total effect on cash flow	585

Acquisitions 2013

All of the shares were acquired in Thermotech AS, Norway; ESI Technologies Ltd, Ireland; AMAB (Allen Myrin Aktiebolag), the operations of Micro Joining KB, and Medexa Diagnostisk Service AB, Sweden; Kin Pompentechniek B.V., the Netherlands; and Verplas Ltd, UK.

Industrial Components

Thermotech AS, with annual sales of SEK 70 million, sells products and services in the areas of heat treatment, machine service and bolt tension. The company is consolidated in the Group as from 1 January 2013.

AMAB, with annual sales of SEK 35 million, is one of the Swedish market's leading suppliers of medical alert systems, monitoring systems and security systems to the healthcare sector. The company is consolidated in the Group as from 1 July 2013.

The operations of Micro Joining KB were acquired and are consolidated in the Group as from 1 September 2013. Micro Joining sells adhesives, components and materials, with annual sales of SEK 15 million.

Medexa Diagnostisk Service AB, with annual sales of SEK 25 million, specialises in high-end technology for healthcare with a focus on foetal surveillance and ultrasound applications. The company is consolidated in the Group as from 8 October 2013.

Special Products

ESI Technologies Ltd, with annual sales of SEK 160 million, is a technology sales company specialising in flow technology. Business is conducted in Ireland and the UK. Customers are mainly in the pharmaceutical, chemical, and oil and gas industries. The company is consolidated in the Group as from 1 April 2013.

Kin Pompentechniek B.V., with annual sales of SEK 76 million, sells pumps from leading suppliers and is consolidated in the Group as from 1 November 2013.

Verplas Ltd, with annual sales of SEK 80 million, manufactures and distributes a range of rigid and flexible ventilation products, and is consolidated in the Group as from 22 November 2013.

Effects of acquisitions made in 2012 and 2013

Refers to impact on the income statement for 2013	Jan-Dec	
	Net sales	EBITA
SEK million		
Business area		
Engineering & Equipment	18	1
Flow Technology	24	3
Fluids & Mechanical Solutions	26	4
Industrial Components	159	38
Special Products	321	42
Effect on Group	548	88
Acquisitions completed in 2012	310	47
Acquisitions completed in 2013	238	41
Effect on Group	548	88

If the units acquired in 2013 had been consolidated as from 1 January 2013, net sales would have increased by SEK 210 million to SEK 9,041 million, and EBITA would have increased by SEK 32 million to SEK 1,022 million.

Acquired assets in Thermotech AS, ESI Technologies Ltd, AMAB, Micro Joining, Medexa Diagnostisk Service AB, Kin Pompentechniek B.V. and Verplas Ltd.

Preliminary purchase price allocation	SEK million		
	Book value	Fair value adjustment	Fair value
Purchase price including contingent earn-out payments of SEK 98 million			550
Acquired assets			
Goodwill	–	200	200
Agencies, trademarks, customer relationships, licences, etc.	–	196	196
Property, plant and equipment	27	–	27
Financial assets	0	–	0
Inventories	56	–	56
Other current assets ¹⁾	106	4	110
Cash and cash equivalents	117	–	117
Deferred tax liability	–4	–40	–44
Borrowings and pension obligations	–7	–	–7
Other operating liabilities	–105	–	–105
	190	360	550

1) Mainly trade accounts receivable.

Since disclosures about the individual acquisitions are insignificant, they are provided here in aggregate form. The cost of customer relationships and agencies has been valued at one-half to one year's gross margin and is reported on the balance sheet as

Note 29

continued

agencies, trademarks, customer relationships, licences, etc. They will be amortised over a period of 10-20 years, except for trademarks, which are assumed to have an indefinite life. Trademarks are included in the amount of SEK 8 million. Goodwill is justified by the good profitability and personnel included in the acquired companies.

Indutrade normally uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. The contingent earn-out payments are based on the earnings of the acquired companies during the years immediately ahead. Initially, the contingent earn-out payments are valued at the present value of the likely outcome, which for the acquisitions made during 2013 amount to SEK 98 million. The contingent earn-out payments fall due for payment within 1 to 5 years and can amount to a maximum of SEK 102 million. If the conditions are not met, the outcome may be in the range of SEK 0-102 million.

Transaction costs for the acquisitions carried out during 2013 totalled SEK 6 million (2) and are included in Other operating expenses in the income statement. Contingent earn-out payments have been revalued by SEK 89 million (9). The income is reported among Other operating income in the income statement. In connection with a new assessment of contingent earn-out payments, goodwill in these companies has also been tested for impairment. As a result of this impairment testing, an impairment loss of SEK 82 million has been recognised for goodwill in the Group. This charge is reported under Other operating expenses in the income statement.

Effect on cash flow

Purchase price, including contingent earn-out payments	550
Contingent earn-out payments not yet paid out	-98
Cash and cash equivalents in acquired companies	-117
Contingent earn-out payments pertaining to previous years' acquisitions	128
Total effect on cash flow	463

Divestment 2013

In December, parts of the operations of Gedevelop AB (in the Special Products business area) were divested, with net sales of SEK 10 million. The sale generated a capital gain of SEK 17 million.

Acquisitions after the end of the reporting period

In early January 2015 the acquisition of Flowtec Industrietechnik GmbH (Austria) was completed. Flowtec, with annual sales of SEK 80 million, is a technology sales company that sells industrial components in Austria and Eastern Europe. The company is included in the Special Products business area as from 1 January 2015.

On 9 January Indutrade acquired Adaero Precision Components Ltd (UK), with annual sales of SEK 50 million. The company manufactures customised high precision industrial components and is included in the Special Products business area.

On 9 January Indutrade also acquired Cepro International BV (Netherlands), with annual sales of SEK 70 million. Cepro manufactures products for welding and grinding work stations, and is included in the Special Products business area.

On 22 January Indutrade acquired Sepab Fordonsprodukter AB (Sweden), with annual sales of SEK 50 million. With focus on commercial vehicles, Sepab develops products for safety, national adaptation, efficiency and comfort. Sepab is included in the Measurement & Sensor Technology business area.

On 6 March Indutrade acquired Filtration Ltd (UK), with annual sales of SEK 30 million. Filtration Ltd supplies high quality filters from leading manufacturers. Filtration Ltd is included in the Special Products business area.

On 12 March Indutrade acquired Combilent A/S (Denmark), with annual sales of SEK 100 million. Combilent is a leading provider of combiners and filters for communication systems. Combilent is included in the Measurement & Sensor Technology business area.

On 18 March Indutrade acquired Milltech Precision Engineering Ltd (UK), with annual sales of SEK 45 million. Milltech is a specialist machining and assembly sub-contractor of high precision components. Milltech is included in the Special Products business area.

Preliminary purchase price allocation calculations will be presented in the first quarter interim report for 2015.

Note 30

Related party transactions

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

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

Note 31

Events after the balance sheet date

Effective 1 January 2015 the Indutrade Group is organised in six business areas, instead of five as previously. The change has been carried out by breaking away companies active in measurement and sensor technology from the Special Products business area into the newly formed Measurement & Sensor Technology business area. The aim of the change is to strengthen focus and thereby the conditions for continued growth in the Group. Pro forma figures for the 2014 and 2013 financial years according to the new structure are provided in note 3 and on page 15 of this report.

Seven company acquisitions were carried out, of which four in January and three in March. For further information on these acquisitions, see note 29.

On 1 January Patrik Stolpe took office as President of the new Measurement & Sensor Technology business area. He joins Indutrade from a position within the Xylem Group. Patrik Stolpe, together with Susann Nyberg, Head of Group Finance, are new members of Indutrade's executive management as from 1 January 2015.

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

Note 32

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. +46-8-703 03 00
Website: www.indutrade.se

The share capital of Indutrade AB as per 31 December 2013 and 2014 consisted of 40,000,000 shares with a share quota value of SEK 1.

At the Annual General Meeting on 29 April 2015, a dividend of SEK 7.75 per share will be proposed for the 2014 financial year, for a total of SEK 310 million. The proposed dividend has not been reported as a liability in these financial statements.

The Board's assurance

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

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

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

Stockholm, 20 March 2015

Fredrik Lundberg
Chairman of the Board

Bengt Kjell
Vice Chairman of the Board

Eva Färnstrand
Director

Martin Lindqvist
Director

Ulf Lundahl
Director

Krister Mellvé
Director

Lars Pettersson
Director

Johnny Alvarsson
President and CEO, Director

Our audit report was submitted on 23 March 2015
PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant

Audit Report

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF INDUTRADE AB (PUBL)
CORPORATE IDENTITY NUMBER 556017-9367

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Indutrade AB (publ) for the year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 19-73 and appendix to note 17 Shares and participations.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

Opinions

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 2014, and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and 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 2014, and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The directors' report and the corporate governance report are consistent with the other parts of the annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Indutrade AB (publ) for the year 2014.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

We recommend to the annual 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 President be discharged from liability for the financial year.

Stockholm, 23 March 2015
PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant

Annual General Meeting and reporting dates

Annual General Meeting

Time and place

The Annual General Meeting will be held at 4 p.m. on Wednesday, 29 April 2015, at IVA Konferenscenter, Wallenberg room, Grev Turegatan 16, Stockholm.

Who is entitled to participate?

To be entitled to participate in the Annual General Meeting, shareholders must be listed in the shareholder register maintained by Euroclear Sweden AB on Thursday, 23 April 2015, and have notified the Company of their intention to participate by Thursday, 23 April 2015, at the latest.

How to become registered in the shareholder register?

Shareholders who have registered their shares in their own name with Euroclear are automatically entered in the shareholder register. Shareholders whose shares are registered in the names of a trustee must have their shares re-registered temporarily in their own names well in advance of 23 April to be eligible to participate in the Annual General Meeting.

Notification of attendance

Notification of intention to attend the Meeting can be made using one of the following alternatives:

- On the Company's website: www.indutrade.se
- By e-mail to: info@indutrade.se
- By post to: Indutrade AB, Box 6044, SE-164 06 Kista
- By phone +46 (0)8 703 03 00

Upon notification, shareholders must indicate their:

- name
- personal identity number or corporate identity number
- address and phone number

Notification must be received by the Company no later than Friday 24 April 2015.

Proxies

Shareholders may exercise their right to participate in the Annual General Meeting through appointment of a proxy with power of attorney. Such power of attorney must be in writing and should be sent to the Company well in advance of the AGM at the above address. Proxies for legal entities must also submit a certified copy of a certificate of incorporation or corresponding authorisation document.

Dividend

The dividend will be paid to shareholders who on the record date, 4 May 2015, are registered in the shareholder register. Provided that the Annual General Meeting resolves in accordance with the Board's proposal, payment of the dividend is expected to be made via Euroclear Sweden on 7 May 2015.

Reporting dates

Interim report

1 January–31 March 2015	29 April 2015
1 January–30 June 2015	23 July 2015
1 January–30 September 2015	29 October 2015

CONTACT INFORMATION

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