

ANNUAL REPORT 2019

 Indutrade

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● SUSTAINABILITY INFORMATION

The statutory sustainability report in accordance with the Swedish Annual Accounts Act is included in the annual report (pages 4-9, 12-17 and 26-27).

● DIRECTORS' REPORT

The Board of Directors and CEO of Indutrade AB (publ), reg. no. 556017-9367, hereby submit the annual report for the 2019 financial year for the Parent Company and the Group, which consists of a Directors' Report on pages 10-11, 18-22, 25-38, 41-42 and 44-45, along with the financial statements and notes on pages 40-80. The consolidated income statement and balance sheet, along with the Parent Company's income statement and balance sheet will be presented for adoption at the AGM. The Corporate Governance Report, which was reviewed by the auditors is on pages 30-37. See the Audit Report on pages 81-84.

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

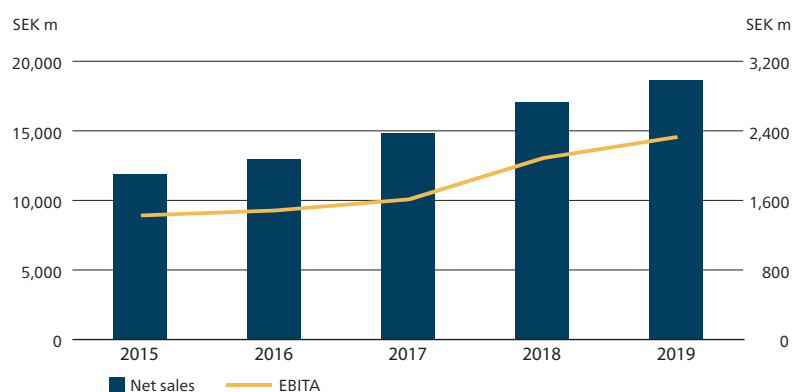
IMPORTANT EVENTS IN 2019

- Order intake rose 9% to SEK 18,653 million (17,073).
- Net sales rose 9% to SEK 18,411 million (16,848).
- EBITA increased by 12% to SEK 2,330 million (2,087), corresponding to an EBITA margin of 12.7% (12.4%).
- Profit after tax for the year rose 8% to SEK 1,483 million (1,368) and earnings per share were SEK 12.26 (11.31).
- Cash flow from operating activities amounted to SEK 1,922 million (1,360).
- In total, 15 acquisitions were carried out with combined annual sales of SEK 1,520 million.
- Indutrade has become a signatory of the UN Global Compact and is committed to actively promoting the principles on human rights, working conditions, environment and anti-corruption.
- The Board of Directors proposes a dividend of SEK 4.75 (4.50) per share for 2019.

KEY DATA

SEK million	2019	2018	Change, %
Net sales	18,411	16,848	9
Operating profit	2,016	1,825	10
EBITA	2,330	2,087	12
EBITA margin, %	12.7	12.4	
Profit before tax	1,892	1,750	8
Net profit for the year	1,483	1,368	8
Earnings per share before dilution, SEK	12.26	11.31	8
Dividend per share, SEK (proposed 2019)	4.75	4.50	6
Return on capital employed, %	19	21	
Cash flow from operating activities	1,922	1,360	41
Net debt/equity ratio, %	85	63	
Average number of employees	7,167	6,710	

NET SALES AND EARNINGS



BUSINESS CONCEPT

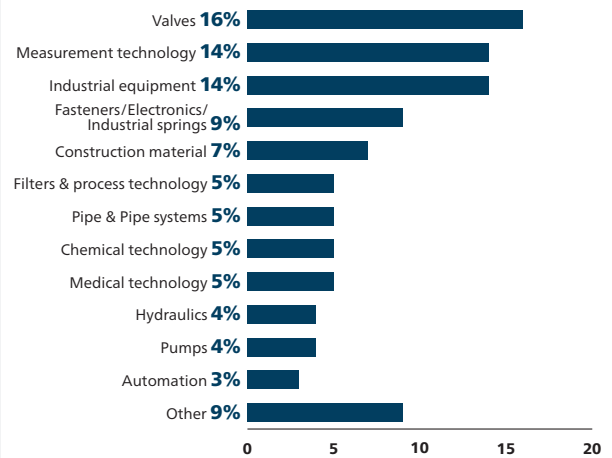
To provide sustainable profitable growth by developing and acquiring successful companies managed by passionate entrepreneurs in a decentralised way.

WHAT

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

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

Net sales per product area



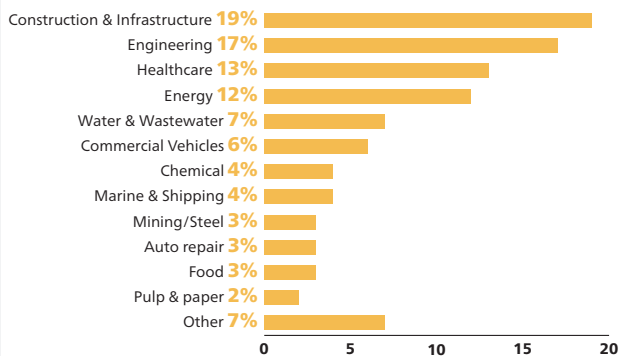
FOR WHOM

Customers can be found in a wide range of industries, including engineering, healthcare, energy, water/wastewater, transport, food and infrastructure.

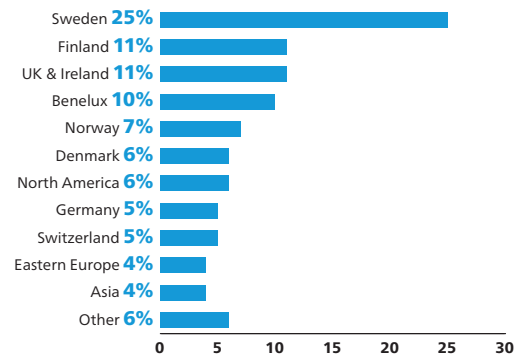
WHERE

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

Net sales per customer segment



Net sales per market¹⁾



¹⁾ Based on customers' residence.

CEO's message 2019

We are delighted to report another record year for Indutrade. Our success is based on our committed and customer-oriented employees who create value through focused work. We have a strong culture characterized by entrepreneurship, decentralisation and a long term view —the best possible platform to continue to create sustainable profitable growth.

Solid growth and profitability

In a time of fluctuating and more challenging market conditions, we have been able to continue generating sustainable, profitable growth by developing and acquiring stable and profitable companies in selected niches. Our companies experienced good demand in 2019, although demand levelled off somewhat and there were considerable variations between geographical markets and sectors. Order intake increased by 9%, of which 2% organically. Sales increased by 9%, generating net sales of SEK 18.4 billion.

Brexit concerns had a negative impact on the UK economy and on the business conditions faced by our companies on that market. We saw a decreased investment appetite and a lower demand, particularly towards the end of the year. The market conditions in Finland remained challenging and a slow-down was also noted in other major markets including Germany. The construction and automotive segments made weaker progress.

Order intake and invoicing of valves for power generation developed well in the second half-year. Strong progress by companies in the marine and medical technology segments made a positive contribution.

Indutrade is active on a global market, although many of our companies have a strong local presence and exports to countries outside the EU comprise a limited part of our sales. This means that tendencies towards increased protectionism and the associated potential obstacles to free trade have a relatively limited impact on our companies. Despite more challenging market conditions during the year, Indutrade continued to generate sustainable, profitable growth and posted a record high EBITA margin of 12.7% in 2019.

At the beginning of 2020, the covid-19 virus has had significant negative impact on people and the financial markets. We are carefully monitoring developments and safeguard the health and safety of our employees, customers and suppliers, and are focusing on measures aimed at limiting the spread of the virus by following the recommendations of the authorities in the respective countries. To support our subsidiaries in the best possible way, we are in close dialogue, and I have strong confidence in our committed and responsible entrepreneurs.

People make the difference

Indutrade's core values guide us in the way we work and act, internally and externally. These core values are based on the concept that

"people make the difference" and proceed from an entrepreneurial spirit, decentralisation and a long-term view.

Our new vision "An entrepreneurial world where people make the difference" is both inspiring and guides us in our daily work. Our employees are key to the Group's future success and our ambition is to show confidence in highly skilled people throughout the Group and encourage them to exchange best practices and successful local improvements. As a leader, it is important to trust your own leadership as well as other people's ability. Showing people trust by giving them responsibility helps them to grow – which in turn makes companies grow. I want to extend a big and heartfelt thank you to all employees – you inspire me every day!

During the year we have intensified the work with our strategic initiatives, relating to our employees. The initiatives include leadership and competence development, facilitating and promoting knowledge sharing within the Group and offer subsidiaries a "toolbox" of practical, concrete tools in several strategic areas that can ultimately contribute to improved profit and growth.

Sustainability—it's in our DNA

Indutrade works long term and sustainability is a natural part of our decentralised business model. During the year, we signed UN Global Compact and we actively promote the principles relating to human rights, labour, environment and anti-corruption. Our sustainability agenda also contributes to several of the UN's 17 sustainable development goals. We continued to improve our sustainability initiatives and carried out an extensive training program for all Group MDs in 2019. The goal was that all subsidiaries complete a materiality analysis and start to define relevant key performance indicators for their respective companies during the year—a goal that we achieved. Indutrade's Code of Conduct is an important cornerstone of our sustainability work. We launched a revised Code of Conduct in 2019, including further improved anti-corruption guidelines.

We're seeing increased demand for and expectation of responsible and sustainable products and solutions, which implies significant business development opportunities. Part of our positioning is based on uncovering added value from an environmental or social perspective. The Group includes many good examples of companies that have developed such solutions. One example is the UK com-

pany Datum Electronics that helps the ship owners and vessel operators improve the energy efficiency and fuel economy of their fleets with the help of accurate torque measurement. Another example is provided by Swedish company Pentronic, whose industrial temperature sensors help customers across a range of sectors increase productivity and efficiency by improving the precision of energy supply while minimising negative environmental impact.

Value creating acquisitions

Our origins date back to 1978 and our strong acquisition record, size and reputation provide us with the experience and the resources we need to complete value-creating acquisitions. Acquisition activity was high in 2019 and we welcomed 15 new companies to the Indutrade Group in the year, with total annual sales of just over SEK 1.5 billion. We have continued to deliver on our strategy by investing in successful, well managed, market leading niche companies with the potential to generate profitable growth. We pursue an opportunistic acquisition strategy where we continue to cherry pick the best companies.

Indutrade acquires companies with the aim of owning and developing them long term, and has no exit strategy. However, we made a number of divestments during the year, which should be viewed as an extraordinary activity that has now largely been completed. The divestments were completed in cases where we reached the conclusion that the company's development prospects would be better served with a different owner.

Indutrade stands strong

We can conclude that 2019 was a year of continued growth and strong profitability, which creates favourable conditions looking ahead. The effects of covid-19 are currently difficult to assess, although the Group's diversified structure with more than 200 companies active in different segments and countries means that we have a good risk spread which contributes to stability. In combination with our financial strength, the right conditions are in place for competitive value creation. We are determined, and I am highly confident, that Indutrade will continue delivering customer and shareholder value.



Stockholm, Sweden, March 2020

Bo Annvik

President and CEO



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Our new vision, “An entrepreneurial world where people make the difference”, is both inspiring and guides us in our daily work.

Goals and strategies

Overall goals

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

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

FINANCIAL TARGETS

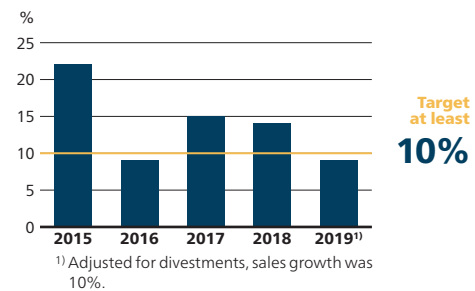
Sales growth

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

TARGET ACHIEVEMENT

During the last five-year period, average annual sales growth was 14%. Net sales rose 9% in 2019. Adjusted for divestments, sales growth was 10%. The increase for comparable units was 2%, acquisitions contributed 7%, and the effect of divestments was -2%. Currency movements had a positive effect on net sales of 2%.

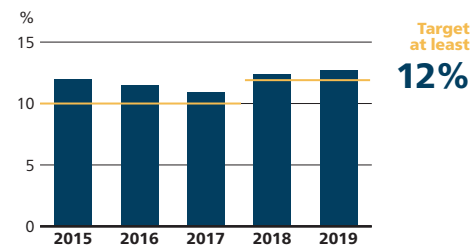
HISTORICAL ACHIEVEMENT



EBITA margin

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

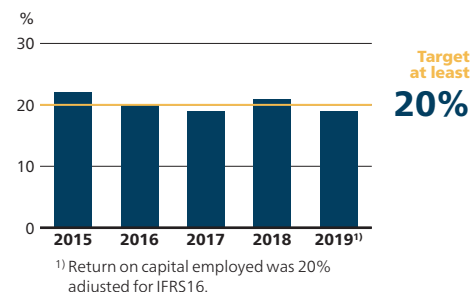
The EBITA margin has averaged 11.9% over the last five years. The EBITA margin in 2019 was 12.7%.



Return on capital employed

The return on capital employed (previously called operating capital) shall be a minimum of 20% per year on average over a business cycle.

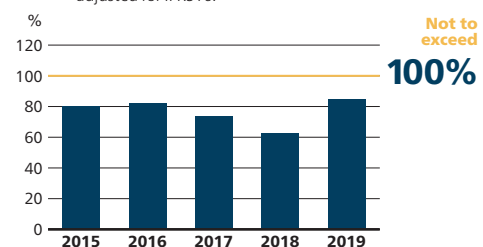
During the last five years the average return on operating capital was 20%. In 2019 the return was 19%. Adjusted for IFRS 16 Leases, the return on capital employed should have been 20%.



Net debt/equity ratio

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

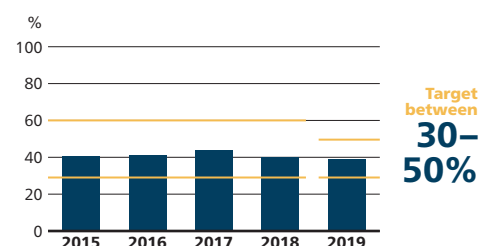
During the last five years, the net debt/equity ratio at the end of each year ranged from 63% to 85%. The net debt/equity ratio at year-end 2019 was 85%.



Dividend payout ratio

The dividend payout ratio shall range from 30% to 50% (previously 60%) of net profit.

During the last five years, the dividend payout ratio has been an average of 41%, including the proposed dividend. For 2019, a dividend of SEK 4.75 has been proposed, corresponding to 39%.



Strategies

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

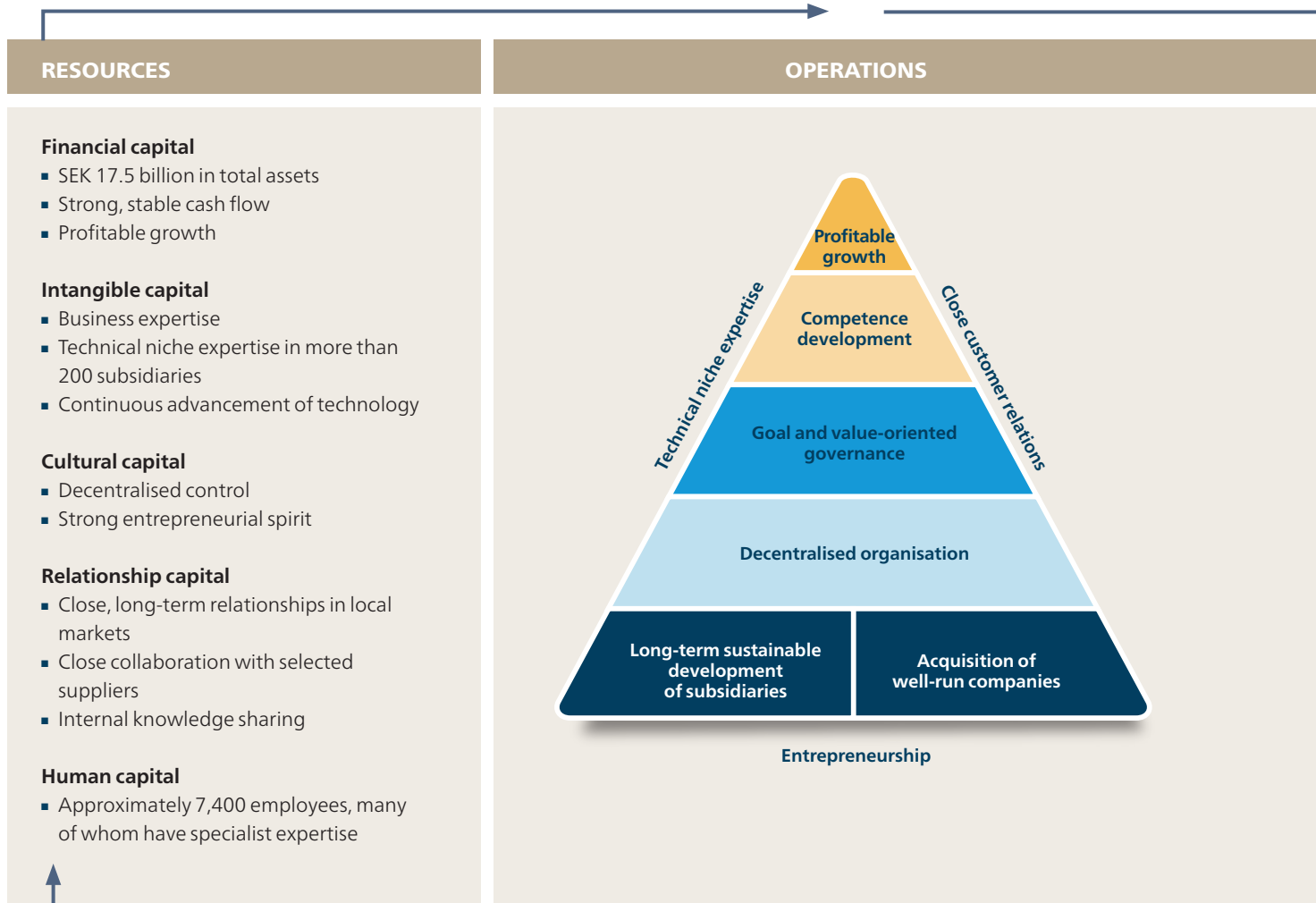
STRATEGY	EFFECT	PERFORMANCE IN 2019
<p>Growth with limited risk</p> <p>Growth will be achieved organically and through acquisitions:</p> <ul style="list-style-type: none"> ■ In existing and new technology areas ■ Through a broadened customer offering based on relevant knowledge, such as extended support, training and other aftermarket services ■ Via innovation and development of both products and offerings ■ Geographically in selected markets. 	→ Business development and growth are strategic tools for reducing the Group's risk.	→ Growth has occurred both organically and via acquisitions. Geographic spread of the year's acquisitions has been good, occurring primarily in both existing and new areas of technology.
<p>Acquisitions</p> <p>Indutrade acquires well-managed, successful and typically owner-led industrial companies whose management teams are eager to continue running and growing the business. The companies manufacture or sell products in distinct markets. We can also make smaller, add-on acquisitions through our existing companies to strengthen market positions. A central feature of the acquisition process is to ensure that there is a shared foundation of values and ethical principles. All subsidiaries are expected to follow our Code of Conduct.</p>	→ Indutrade acquires companies with the aim of developing them over the long term. We do not change the companies' names and neither do we merge companies. This assures the seller that the company will be able to, even over the long term, continue as a player in the market.	→ The acquired companies have a skilled management team with true entrepreneurial spirit and vast technical expertise. Several of the acquisitions made in 2019 were add-on acquisitions aimed at further strengthening our market position in attractive segments.
<p>Strong market positions</p> <p>Indutrade focuses on sales of products in niches in which it can attain a leading position.</p>	→ Strong market positions are often a prerequisite for good profitability and being able to attract the best suppliers, all of which further solidifies Indutrade's position.	→ Several of Indutrade's subsidiaries have leading positions within their niches. They were able to maintain those positions and many were even able to strengthen them in 2019.
<p>Long-term partnerships with leading suppliers</p> <p>Indutrade gives priority to suppliers who, through own product development, provide market-leading, high-quality products with a high-tech content. A partnership with an Indutrade company should be the most profitable way for suppliers to sell their products.</p>	→ A range of market-leading products from the best suppliers, coupled with Indutrade's technical and market know-how, makes us an attractive business partner for existing and potential customers.	→ Long-term relationships with existing suppliers of high-quality products were also prioritised in 2019. Simultaneously, we established collaboration with several new suppliers during the year.
<p>Companies with proprietary products and brands</p> <p>Indutrade has many companies with proprietary products and brands. The products should have a high-tech content, while the companies should have a strong market position and good growth potential.</p>	→ Companies with proprietary products and brands provide balance to the Group's technology sales companies. Since 2004 the share of companies with proprietary products has grown by 31 percentage points, and in 2019 they accounted for 40% of consolidated net sales.	→ A large portion of the companies acquired in 2019 have own brands, which is entirely in line with our strategy to increase the share of companies with proprietary products.
<p>High share of repetitive sales and focus on selected customer segments</p> <p>The Group's companies give priority to customers with a recurring need that are active in industries where the prospects are favourable for maintaining competitive production in their home markets. Many of these industries are characterised by a high degree of automation, high distribution costs and/or large start-up investments.</p>	→ This contributes to business stability and predictability of revenue flows.	→ During the year, we continued acquiring companies with repetitive sales. One example is the Finnish company, Finkova, which offers valve solutions to the process industry.
<p>Sales organisation with high level of technical expertise</p> <p>Indutrade's product and service offering, which is aimed at both end users and OEM customers (i.e. customers that integrate Indutrade's products in their own products), should have a high-tech content and incorporate a high level of service and qualified technical consulting. Indutrade's sales representatives must have a high level of technical expertise in their respective niches and a depth of knowledge about the customers' production processes.</p>	→ This makes Indutrade an attractive business partner that creates added-value for customers and suppliers alike.	→ The companies continuously strive to establish closer ties with customers and acquire more expertise in their areas of technology. During the year, several informal meetings for experts in a particular areas, such as exports, where they could exchange knowledge and experience aimed at strengthening the overall customer offering.
<p>Decentralised organisation with strong local ties</p> <p>Indutrade's governance model is characterised by decentralisation, as the best business decisions are made close to customers by people who have the best understanding of the customers' needs and processes.</p>	→ We raise customer value via subsidiaries that have the autonomy to run their own operations with a high level of flexibility and entrepreneurial employees who work close to the customer.	→ Our decentralised organisation has ensured that our companies can effectively adapt their businesses to changes in their own market.

Indutrade's business model

VISION

An entrepreneurial world where people make a difference

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



VALUES



People make the difference

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



Entrepreneurship

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



Decentralisation

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

**TRUSTED BY
ENTREPRENEURS**

VALUE CREATED

Customers

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

Suppliers and business partners

- Long-term business relationships
- Ethical business methods

Employees

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

Society

- Presence in the local society
- Offering that contributes to sustainable development
- R&D investments that lower environmental impact
- Job creation

Shareholders

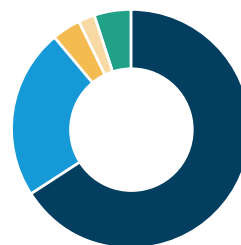
- Profitable growth
- Dividend

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

Our proven, decentralised business model is based on flexibility and customer-focused decision-making by passionate entrepreneurs. Indutrade is in the business of developing and acquiring well-managed, profitable technology and industrial companies with a focus on decentralisation.

Our business risk is limited by acquiring successful companies with established customer relationships and good profitability. We conduct a thorough assessment of potential acquisitions. We have clear expectations on sustainable, profitable growth targets and we support our companies during their continued journeys of growth.

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



Distribution of economic value

- Suppliers and business partners 66%
- Employees (including social security contributions) 23%
- Shareholders and other financiers 4%
- Society (corporate tax) 2%
- Remaining in the company 5%



Long-term perspective

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

Active ownership

Indutrade is a long-term and stable owner that is involved in and takes responsibility for its subsidiaries' development. Decentralised leadership based on clear values promotes entrepreneurial spirit. We help further develop leaders with strong business acumen who are given opportunities to continually improve the companies. When a company joins the Indutrade Group, it is able to maintain its original identity and keep its own name, culture and management team.

INDUTRADE AS OWNER

We exercise active ownership by participating on the Boards of Directors of our subsidiaries with the aim of developing them to generate long-term value and make a positive contribution to society. Examples of areas where we, in our role as active owner, can participate in and contribute to the companies' development are: leadership training, providing knowledge and injecting capital so that companies can invest in for example product development and enhance their customer offerings. It is of utmost importance that our companies continually strive to improve their social, environmental and economic impact. Responsible action and focus on sustainability creates long-term value and enhances competitiveness.

Value-based leadership

Indutrade's values guide us in how we act both externally and internally. Over the years, our values have been defined by our employees and their actions, grounded in the fact that it is people who make the difference. One important component of our approach is value-based leadership, where individuals have a great deal of freedom and decision autonomy. This mindset guides our efforts in all areas: from the acquisition phase to how we run, build and develop businesses in a responsible manner. It also serves as the foundation for our vision: an entrepreneurial world where people make a difference.

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

Decentralised organisation

Our highly decentralised organisation enables companies to make own decisions, thereby giving them freedom and flexibility. The best business decisions are made when there is close contact with customers based on their specific needs and processes. A great many of our subsidiaries work in smaller cities or towns, and our employees thereby become important local ambassadors who, through their work, contribute to our companies being perceived as reliable and responsible, such as by ensuring that the local environment is not negatively impacted by the company's operations. Our companies contribute to local growth and development by creating jobs and promoting entrepreneurship and local investments.

Benefits of joining Indutrade

Indutrade supports its subsidiaries by providing industrial and technical expertise and assisting with business development, financing and management by objectives. We offer support in many areas, including competence development and sustainability. The Group's financial strength facilitates the subsidiaries' expansion and it creates stability. As a stable owner, we take responsibility for the longevity of our subsidiaries.

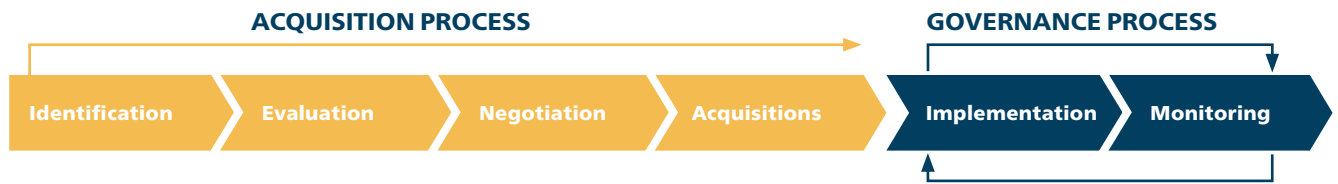
We hold network meetings and have a digital communications portal called Indutrade Portal, both of which facilitate knowledge-sharing and informal networking to exchange ideas and experiences between companies. Internal benchmarking is carried out each quarter by generating a ranking list. This clarifies the goals for our subsidiaries and enables MDs to see and compare the progress of other companies in the Group.

DEVELOP

When a company joins the Indutrade Group, it is able to maintain its original identity, while gaining access to the cumulative experience and knowledge that exists within the Group. Companies in the Group enrich each other and we obtain a knowledge sharing. Network meetings and internal benchmarking help us identify best practice, which can be spread throughout the Group. All Indutrade companies have distinct, decentralised responsibilities and authorities. Indutrade supports them with industrial know-how, financing, business development and management by objective.

ACQUIRE

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



ACQUISITION PROCESS

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

Our business philosophy builds upon entrepreneurship, decentralisation and profitable growth. We put high requirements on the companies we acquire. They are run by entrepreneurs who are passionate about their business concept, who want to further develop their company and who share our values on sustainable entrepreneurship. They also have technical niche expertise. They have well-working and motivated management teams that are characterised by entrepreneurship and which are eager to continue their involvement also after the acquisition.

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

In 2019, employees working with acquisitions received training on sustainability to ensure that all sustainability aspects are reviewed during the acquisition process. The goal is to verify that the acquired company has a long-term sustainable business strategy that generates long-term value. Running operations in a responsible way is of utmost importance and the key to long-term sustainable growth, development and profitability. In 2019, Indutrade acquired 15 new companies. All of them were subject to a sustainability review.

Identification

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

Evaluation

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

Thorough and tailored due diligence minimises the operational and financial risks associated with acquisitions. The acquisition process is never rushed because allowing time for getting to know each other increases the probability of a successful acquisition. Careful preparation is key to success. If a potential acquisition does not comply with relevant standards, does not pass the review process regarding such items as human rights or corruption risks, or is not deemed to be amenable to necessary improvements, Indutrade rejects the acquisition.

Negotiation

The negotiation stage is primarily about ensuring the following:

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

GOVERNANCE PROCESS

Implementation

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

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

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

Monitoring

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



One very important component of our approach is value-based leadership, where individuals have a great deal of freedom and decision autonomy.

Acquisitions in 2019

Growth via acquisition of successful, market-leading niche companies is a key component of Indutrade's business model. In 2019, Indutrade made 15 acquisitions and the total annual sales of these newly acquired companies amounts to just over SEK 1.5 billion.



Possession	Acquisitions	Business area	Sales SEK million ¹⁾	No. employees ¹⁾
March	Wholesale Welding Supplies Ltd (Weldability Sif)	UK	100	42
March	STRIHL Scandinavia AB	Fluids & Mechanical Solutions	60	18
April	Acumo AB	Industrial Components	60	10
April	QbiQ Group B.V.	Benelux	320	80
May	Adam Equipment Co Ltd	Measurement & Sensor Technology	150	180
May	Datum Electronics Ltd	Measurement & Sensor Technology	50	26
May	Starke Arvid AB	Fluids & Mechanical Solutions	90	35
May	Färber & Schmid AG	DACH	220	22
July	Finisterra AS	Industrial Components	50	8
July	Natgraph Ltd	UK	120	67
July	Sensor Groep BV	Benelux	90	32
September	Finkova Oy	Flow Technology	90	12
October	Uniska AG	DACH	50	9
October	Leiderdorp Instruments B.V.	Benelux	30	10
November	Intergate AB	Industrial Components	40	13
Total			1,520	564

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

MARCH

WHOLESALE WELDING SUPPLIES LTD (WELDABILITY SIF)

Weldability Sif (UK), which is the company's brand name, is a broad range supplier of equipment, consumables products and education services to the industrial welding market. Besides welding machines, consumables and accessories, the company also provides fume and dust extraction solutions, workplace environment monitoring and testing services.



STRIHL SCANDINAVIA AB

STRIHL (Sweden) is a leading supplier of outdoor light fixtures. Its offering comprises LED products for outdoor lighting of roads, streets, parks and sports venues. STRIHL is an innovative company characterised by high-technology products with a focus on energy efficiency and quality.



APRIL

ACUMO AB

Acumo is a Swedish supplier of automation solutions. It primarily sells customer-specific solutions in the machine and general manufacturing industry. The company is a leading supplier of automation solutions in the areas of positioning, measurement and detection. Products include rails, ball screws, servo solutions and pulse/absolute sensors.

Its sister company, Acumo Communication Solution Nordic (ACS) specialises in sales of alarm sounders and related products, such as strobes and sirens.



QBIQ GROUP B.V.

QbiQ Group (Netherlands) designs, develops and manufactures movable fire proof, sound reduction and normal partition walls solutions, with Cradle to Cradle certified products such as architectural glass fronts. The market includes both new buildings and renovation, and the company works in close cooperation with a network of architectures.



MAY

ADAM EQUIPMENT CO LTD

Adam Equipment (UK) develops, manufactures and sells a broad range of precision balances and scales for professional use. The company was founded in 1972 and the offering includes an extensive portfolio of weighing products and equipment. It has customers worldwide in many segments including research, healthcare, education, industry and retail. The broad product range consists of in-house developed products, which are often customised to specific end markets and application areas.



DATUM ELECTRONICS LTD

Datum Electronics (UK) develops, produces and sells innovative torque and shaft power measurement solutions such as shaft torque and power sensors, torque transducers and static strain gauge sensors. Applications areas include measuring and testing efficiency and performance of engines, pumps and motors.



STARKE ARVID AB

Starke Arvid (Sweden) develops and supplies material handling products and systems to the construction industry as well as products for the road maintenance equipment market. Through innovation and product development, the company works closely with its customers to make day-to-day work tasks easier, safer and more cost efficient.



FÄRBER & SCHMID AG

Färber & Schmid (Switzerland) specialises in environmental-friendly chemicals for industrial wastewater treatment and the surface treatment market. The products are based on environmentally friendly chemicals and most of them are mixed according to own recipes in the field of waste water treatment and special cleaning chemicals. With innovative solutions and custom made products adapted to the customers' specific needs and wastewater treatment requirements, the company strives to preserve and serve resources, both economically and environmentally.



JULY

FINISTERRA AS

Finisterra (Norway) is a niche technical trading business offering testing and measurement instruments from leading suppliers to customers in Norway and Sweden. The product offering is focused on moisture measurement instruments, but also includes other types of measurement equipment, as well as pumps. They also offer service, instrument calibration and training.



NATGRAPH LTD

Natgraph (UK) designs and manufactures an extensive range of drying and curing systems for industrial print applications. It offers customised solutions for products such as biosensors, labels, in-mould electronics and credit cards to the medical, electronic and automotive industries.



SENSOR GROEP BV

The Sensor Groep (Netherlands) is a technical trading company providing and supplying sensors for industrial automation applications. Sensor Groep assists its customers with both selection and implementation of sensors via its in-depth expertise in the fields of contactless detection, measuring, control, counting, monitoring and identification.



SEPTEMBER

FINKOVA OY

Finkova (Finland) is a niche technical trading business offering valve solutions to the process industry and boiler manufacturers. The product range consists of a wide variety of valves such as control valves, safety valves and on/off high-pressure valves.



OCTOBER

UNISKA AG

Uniska (Switzerland) is a supplier of a broad range of glass partition systems to customers in the Swiss market. With removable products and high-quality solutions for flexible interior design, the offering meets high requirements for sound insulation, sound absorption and fire protection.



LEIDERDORP INSTRUMENTS B.V.

Leiderdorp Instruments (Netherlands) is a niche manufacturer of sensors for geotechnical measurement solutions on the Dutch market. The proprietary product range focuses mainly on two product groups: groundwater level sensors and infrastructure vibration sensors.



NOVEMBER

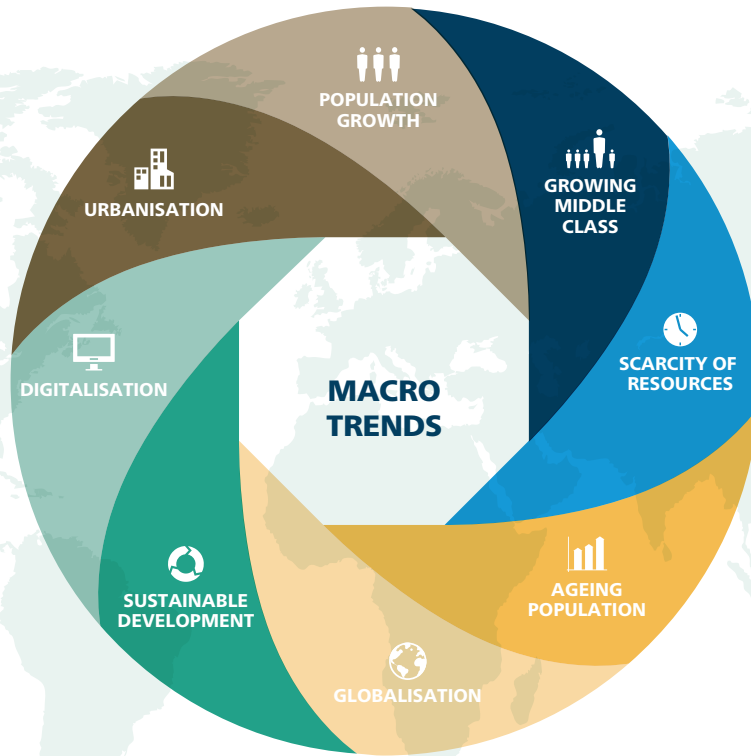
INTERGATE AB

Intergate (Sweden) is a supplier of security products such as boom barriers, entry gates, bollards, and security access controlled gates. The company offers customised installations of high quality products from European manufacturers ranging from boom barriers in parking garages to entrance control in office buildings.



Driving forces and business environment

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



While global trends pose challenges, they also represent major business opportunities.

Conducting active business intelligence in which the salient trends are identified, monitored and analysed is crucial for Indutrade in its ability to make well-grounded decisions and conduct long-term sustainable business. While global trends pose challenges, they also represent major business opportunities. Some of the specific challenges we have identified are political uncertainty and forces that would like to restrict free trade. Indutrade is an international Group that is active in markets in more than 30 countries on six continents. Accordingly, we have the prerequisites in place for being able to take advantage of business opportunities that arise both locally and globally, since many of Indutrade’s companies sell and produce components and products that are exported globally.

- Population growth and a growing middle class are leading to rising demand for capital – as well as consumer goods, at the same time that the need for healthcare is rising as people are living longer.
- Migration in large parts of the world is creating a need for expanded infrastructure.
- Greater uncertainty in the world increases the demand for security solutions.
- Limited natural resources are leading to greater demands for more efficient use of resources, recycling of material, and conservation of energy in industry.
- Climate change is leading to demands for greater use of renewable energy sources and a sustainable transport sector, with improved fuel economy and lower carbon emissions.
- This growing environmental awareness, coupled with demands for long-term sustainable development, is resulting in greater demand among consumers for locally produced goods.
- Awareness about climate change and the environment is also influencing where industrial production is established around the world.

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

Sustainable business

Sustainable business is about managing companies with an eye on the future. We strive to create long-term value and regard business opportunities linked to sustainability as a driving force for developing our companies and continuing to generate sustainable profitable growth.

Good progress with sustainability efforts

Indutrade made good progress with its work in the area of sustainability in 2019. Through active board work in the Group's subsidiaries, we strive to ensure that sustainability aspects are integrated into company business models and strategies. In 2019, sustainability was included as a standing item on the agenda at one of the three annual Board meetings in all companies within the Group. A major training initiative on sustainability was held for all of the Group's MDs at the start of the year. The goal of the training was to create higher awareness of how work with sustainability improves competitiveness and increases profitability. It was also aimed at helping companies identify strengths, weaknesses, opportunities and threats in environmental, social and economic areas, along with providing tools for identifying the essential areas that each company should focus on with their sustainability work. In 2019, our ambition was for all subsidiaries to conduct a materiality analysis and begin defining the relevant key figures for their company. At year-end 2019, approximately 85% of Indutrade's companies had done this and we are striving to ensure that the remainder complete these efforts during the first quarter of 2020. Approximately 95% of the Group's CEOs have participated in sustainability training.

At the annual CEO meeting for all of the Group's CEOs, the theme was "Sustainable, profitable growth". During the two-day event, participants gained inspiration while sharing and discussing their thoughts on such things as the business value of integrated sustainability work.

Indutrade becomes signatory of the UN Global Compact

In March 2019, Indutrade became a signatory of the UN Global Compact. Global Compact is the world's largest sustainability initiative for companies. The framework contains ten principles on corporate social responsibility. The principles are based on international conventions on human rights, labour rights, the environment and anti-corruption. We are proud to be affiliated with the UN Global Compact and are committed to adhering to the ten principles of sustainable business.

Our Code of Conduct – everyone's responsibility and right

Indutrade's Code of Conduct is our policy for sustainable entrepreneurship and it is an important component of our sustainability efforts. It provides guidance for who we aspire to be and how we would like to be perceived, and applies for all employees in the Indutrade Group, in all countries. In 2019, a revised Code of Conduct was launched, which has its starting point in the basic values expressed in the Global Compact's ten principles for corporate sustainability, the OECD Guidelines for Multinational Enterprises, and other internationally recognised norms. The Code of Conduct lays out guidelines for our daily conduct in a number of important areas, including care for the environment, health and safety, business ethics including anti-corruption, employee relations, human rights and community impacts.

The Code of Conduct has been adopted by Indutrade's Board of Directors and it is available to all of our employees via Indutrade Portal (our communications portal). It has also been translated from Swedish into eight other languages. The Code of Conduct is also available on our website: www.indutrade.com.

New Code of Conduct for Suppliers and Partners

A new Code of Conduct for Suppliers and Partners was implemented in 2019. The Code of Conduct for Suppliers and Partners can be used by Indutrade subsidiaries in their business relationships with suppliers and partners. Signing the Code of Conduct obligates suppliers and partners to act responsibly when it comes to the environment, working conditions, human rights and ethical entrepreneurship. A significant portion of Indutrade's impact on the environment and surrounding world occurs in the supply chains of our subsidiaries. A large portion of Indutrade's subsidiaries do not have any own production. The products that they sell are manufactured in countries where the working conditions, environmental regulations and business ethics (including anti-corruption) may vary. It is therefore crucial that we work with our suppliers and partners as a way of contributing to sustainable development.

Monitoring and evaluation

The Managing Directors of the respective subsidiaries are responsible for ensuring that the Code of Conduct is integrated in their own operations and organisations. It is also the responsibility of each subsidiary's MD to decide whether to implement and use the Code of Conduct for Suppliers and Partners in their business relationships. The Code of Conduct for Suppliers and Partners also encourages subcontractors to implement these principles and guidelines with their own partners, suppliers and subcontractors. Indutrade is looking into ways of monitoring and evaluating its suppliers' and partners' compliance with the Code.

Follow-up of the Code of Conduct is conducted yearly as part of the internal control process. Employees who notice any deviations from the Code of Conduct or suspect improprieties can report such via an external whistleblower function (anonymously, if they so prefer). The whistleblower function is also open to subsidiaries' suppliers, partners and subcontractors. A follow-up during the year showed that the vast majority implemented the Code of Conduct in their operations. During the year, Indutrade received four reports on suspected deviations from the Code. These were related to events that occurred in our subsidiaries. All of the reports were investigated and the matters were dealt with.

Web-based training was set up and offered to all of the Group's Managing Directors to support them with implementation of the revised, 2019 Code of Conduct. All of the MDs completed the training. Web-based training on the Code of Conduct will also be offered to all employees of the Group in 2020. The training is an effective tool for communicating the content of the Code of Conduct and helping employees understand how the guidelines should be applied when carrying out their daily tasks.

Risk assessment of Indutrade's subsidiaries

A risk assessment, from a sustainability perspective, was conducted of all subsidiaries in 2019. The purpose of this is to ensure the efficacy of our sustainability efforts and governance. The risk analysis covered the following items:

- market sector
- products
- suppliers
- environment and health
- safety



PENTRONIC HELPS CUSTOMERS LOWER THEIR ENERGY CONSUMPTION

Sustainability is a natural part of Pentronic’s operations. Pentronic is one of Europe’s leading manufacturers of industrial temperature sensors and equipment that helps customers in many sectors identify sustainable solutions that reduce the negative environmental impact.

Exact temperature measurement facilitates energy savings and more efficient use of resources which, in turn, help optimise and make customer processes more efficient. Pentronic’s customers work in a variety of sectors, including food processing and packaging, pharmaceuticals and the automotive industry.

Within its own operations, Pentronic also puts much focus on sustainability. Sustainability is one of the company’s business strategies and it is one of the key parameters used for evaluating new projects, investments, collaborations and other business opportunities. The company is continually striving to reduce its use of hazardous chemicals, create a safe and healthy work environment for employees and make more efficient use of resources in its own manufacturing operations. Pentronic has both ISO 9001 and ISO 14001 certification, along with ISO/IEC 17025 accreditation.



tance to Indutrade. In order to grow and develop, we must ensure that we have good business ethics and that there is full compliance at all levels with our requirements on anti-corruption. This ensures that we can retain the confidence that our stakeholders and the rest of the world have in Indutrade. The Code of Conduct contains guidelines for business ethics and in 2019 we expanded and explained the section on anti-corruption in more detail. In 2019, Indutrade’s Group Management participated in training on how to counteract corruption. No cases of corruption were reported to Indutrade during the year.

In 2019, we introduced a new Group-level policy for compliance with export controls and trade sanctions (Trade Compliance). The policy stipulates that all subsidiaries must comply with international trade rules as well as applicable import and export legislation in the countries where they operate. The policy also requires subsidiaries importing or exporting products and services outside the EEA and Switzerland to conduct an annual risk analysis, including sales to high-risk countries and controversial customer segments. Each business area manager is responsible for ensuring that the subsidiaries comply with the policy.

Acquisitions

Acquisition is a natural component of Indutrade’s operations and it is fundamental to our strategy for growth. More information on how we work with sustainability in conjunction with acquisitions is provided on pages 8-9. All of the 15 companies that Indutrade acquired during the year have been evaluated from a sustainability perspective.

Sustainability governance

Our sustainability governance efforts have been adapted to our decentralised organisation and they primarily occur via the Boards of Directors of our subsidiaries. In 2019 and for all companies in the Group, sustainability was included as a standing item on the agenda at one of their three annual Board meetings.

Indutrade comprises more than 200 companies in a wide variety of industries and markets. Accordingly, each of them faces different types of challenges and opportunities. It means that we cannot have Group-wide targets and focus areas for sustainability. Instead, they must be tailored to each company. However, from a long-term ownership perspective, our overall ambitions for sustainability are the same for all of our subsidiaries.

After having identified each company’s most important sustainability issues, the next step is for each subsidiary to, during 2020, identify relevant goals and key indicators linked to the identified sustainability issues, thereby enabling efficient and strategic improvement work within each company.

As part of the analysis, we conducted a risk survey of the countries where the subsidiaries’ suppliers are located. The analysis included the impact on human rights, risk of corruption and environmental impact. It was based on internationally accepted indices such as Transparency International and Global Rights Index (ITUC).

During 2020, we will follow up on subsidiaries that have been assessed as being exposed to high risk based on the parameters stated above. The aim is to ensure that the identified risks are being managed appropriately.

Indutrade’s materiality analysis

In 2018, we updated our materiality analysis to ensure that we are working with, and reporting on, the areas that are most important to Indutrade Group and our stakeholders. We did this based on qualitative interviews with our stakeholders. Stakeholders include owners, employees of Indutrade’s parent company and subsidiaries, investors

and analysts. Via engagement with stakeholders, business intelligence and analysis of industrial sectors, we identified our most important sustainability issues as the following: anti-corruption & business ethics, acquisitions, sustainability management, people, environmental and climate impact and sustainable products and services. In 2020, we will broaden the scope of our stakeholder engagement even further.

Sustainability work in 2019 was based on these issues and we have identified a number of measurable key figures to enable effective follow-up and evaluation of our sustainability efforts. Starting in 2020, our subsidiaries will report greenhouse gas emissions (Scope 1 and Scope 2 in accordance with the Greenhouse Gas Protocol), the percentage of renewable energy, staff turnover, sick leave and injury ratio.

Anti-corruption and business ethics

With operations in 30 countries around the world, business ethics is of utmost impor-

The managing director and senior executives of each subsidiary have operational responsibility for their own sustainability efforts. Each Board of Directors is ultimately responsible for ensuring that their company complies with its own, and Indutrade's, guidelines and policies.

Employees

Employees

Indutrade's most important resource is our employees, their well-being and expertise. Performance and high-quality work depends on this. Ensuring that each employee is thriving in the organisation is therefore one of our most important sustainability issues. We do this via competence development, health & safety and our working conditions.

Employees are recruited and promoted exclusively based on their work qualifications and without consideration of their gender, transgender identity or expression, ethnic origin, religion or other faith, functional variation, sexual preference, age or other categories protected by law.

Competence development

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

Indutrade's companies often work as problem-solvers for customers, which requires that the employees have a high level of business and technical expertise. Offering development opportunities for our employees is a way for us to be an attractive employer and thereby retain and attract key talent.

In 2019, several Group-wide activities were held to promote competence development. For example, we maintained our focus on succession planning and knowledge sharing. Through Indutrade Academy, we offer an in-house leadership programme that provides training in areas such as leadership and sales. These trainings have been tailored to

our specific views on business acumen.

Our aim is to ensure that our managers and employees are better equipped to meet business challenges and customer expectations. It also facilitates knowledge sharing and networking within the Group. During the year, we initiated efforts to, both internally and externally, increase the visibility of job opportunities at Indutrade companies. The aim of such efforts is to make more opportunities available for our employees to develop their skills, along with attracting new talent. A network was set up for the HR managers at Indutrade companies during the year, thereby creating a forum for knowledge sharing and competence development. It is aimed at promoting long-term development of our employees and the companies themselves.

We also documented and distributed several Best Practice cases on how companies in the Group are working with various aspects of sustainability. These cases have been made available to all subsidiaries via Indutrade Portal, which is our digital communications platform for promoting and



**HIGHER ENERGY EFFICIENCY
WITH ACCURATE SHAFT POWER METER DATA**

Datum Electronics helps ship owners and vessel operators improve the energy efficiency of their fleets and save fuel, with the help of accurate shaft power meter data. Aimed at addressing greenhouse gas emissions from shipping, IMO¹⁾ adopted two major energy efficiency measures: Energy Efficiency Design Index for new ships and Ship Energy Efficiency Management Plan for all ships.

“For the past 30 years Datum Electronics has been developing, manufacturing and supplying products aimed at improving maintenance programs, reducing unplanned downtime and complying with stringent regulations. Everything we do is aimed at helping our customers improve the energy efficiency of their products and services across many industries, including automotive, marine, offshore, civil engineering, and others”, says Malcolm Habens, Technical Director of Datum Electronics.

One of the products Datum Electronics offers for the marine market is a Shaft Power Meter. It is specifically designed to measure torque, speed, power and thrust in real time, providing ship owners and operators with accurate and reliable data for

verifying and validating new energy efficiency measures, implemented by IMO.

“Our shaft power meter has received a lot of positive feedback in the last decade and we’ve been honoured to work with several multinational companies, contributing to the environmentally friendly strategy for their vessels. We still want to achieve more, though. So, we are working to develop a new technology that helps optimise fuel consumption, reduce emissions and improve maintenance even more. We expect to launch this new product during Q1 of 2020 and we believe it will become a key component for monitoring vessel performance”, says Mark Gladdis, Marine Product Manager at Datum Electronics.

¹⁾IMO – the International Maritime Organization – is the United Nations specialised agency with responsibility for the safety and security of shipping and the prevention of marine and atmospheric pollution by ships.



The ambition is to continually reduce our environmental impact via systematic improvement efforts.



facilitating knowledge sharing and networking within the Group. In 2020, our goal is to highlight more subsidiaries that are working successfully with sustainability, thereby sharing good examples and helping inspire others.

A Group-wide sustainability network will be set up in 2020 that will serve as a forum for employees interested in sustainability issues and help them develop their expertise in this area. Network meetings will be held a number of times each year to exchange knowledge and experience between companies. There will also be opportunities to attend specific training in various aspects of sustainability. The goal is to create a global sustainability forum that inspires others by gathering and sharing knowledge and ideas throughout the Group.

Health & Safety

To ensure a safe and sound workplace for all employees in the Indutrade Group, health and safety is one of the areas that we address specifically in the Code of Conduct. Most of the subsidiaries have operations involving

lighter workshop and assembly work, which entails a relatively low risk for injury. Nevertheless, the Code of Conduct emphasises that companies shall work proactively to prevent obvious physical risks, along with monitoring safety work and the employees' work situation. Subsidiaries' investments in improved production environments are something that we prioritise, support and encourage. It creates the best conditions for a safe workplace with fewer risks and repetitive movements at the same time that it boosts productivity and creates conditions for high performance and growth at subsidiaries. The goal is zero injuries in the workplace.

Working conditions

We want to promote lasting, inclusive and productive employment with decent working conditions for everyone. Access to national, regional and global markets is critical to our companies' ability to fully develop their potential.

The new Code of Conduct for Suppliers and Partners states requirements on respect

for human rights throughout the supply chain, including subcontractors.

Environment and carbon footprint

Indutrade's environmental impact primarily occurs via our subsidiaries. Accordingly, most of our environmental initiatives are carried out there as well. The ambition is to continually reduce our environmental impact via systematic improvement efforts. Most of our subsidiaries are engaged in environmental work, such as more efficient use of energy and natural resources, implementing systems for reuse and recycling of materials and energy, along with preventing/limiting pollution. In order to motivate and promote sustainability efforts, our subsidiaries are encouraged to participate in Indutrade's sustainability network.

For example, being ISO-certified is often a prerequisite for customers and suppliers to even begin working with our companies. The majority of our companies report that they are continuously reducing their environmental impact and actively helping their cus-

tomers do the same. At the end of 2019, 67% of the manufacturing companies were working with environmental management systems and more than 50% of all the companies belonging to the Group had various types of ISO certification, such as ISO14001, ISO9001, ISO 13485 and OHSAS 18001.

Nine of our 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.

At the start of 2020, Indutrade initiated an extensive effort to calculate the Group's overall greenhouse gas emissions. Both direct emissions (Scope 1) and emissions from energy consumption (Scope 2) will be calculated. Emissions for 2020 will be calculated in accordance with the Greenhouse Gas Protocol (GHG) protocol. This protocol is considered to be the current best practice for reporting greenhouse gas emissions for companies and organisations. Our subsidiaries include both manufacturing and non-manufacturing companies. As such, there are variations as to

where the majority of emissions occur in their value chains. A significant portion of the Group's impact occurs in Scope 3 (in the supply chains of subsidiaries and from business trips). At present, however, this data is not available. We are striving to, over time, develop our calculations on greenhouse gasses such that we are able to obtain a full understanding of the Group's impact.

Sustainable products and solutions

Through active board work we support the Managing Directors of our subsidiaries in their efforts to meet the growing demands and expectations for responsible and sustainable solutions. The components, systems and services that our companies market, sell and produce often require technical and industrial know-how in order to be beneficial for the customer. By having good knowledge about customers' systems and processes, combined with a high level of technical expertise, we aim to improve the efficiency of our customers' operations and offer solutions that reduce environmental impacts and enhance efficiency. The goal is to

stimulate development and sales of sustainable products.

Indutrade AB's own operations

A natural starting point for our sustainability efforts is focusing on the processes where we can have the greatest impact, i.e. investment decisions and exercising active ownership via the Boards of Directors for our subsidiaries. Of equal importance is having a clear sustainability focus in Indutrade's Parent Company as well. Proactive sustainability efforts should be an integral part of the daily operations run by our 19 employees at the head office in Stockholm. Indutrade's direct environmental impact is limited. However, we must still actively strive to lower it. At present, air travel in conjunction with business trips is the Parent Company's largest source of emissions. During 2019, the work environment and IT were priority areas. We can use digital solutions to avoid travel.

Besides the Code of Conduct, Indutrade has several Group-wide internal guidelines which include such things as our tax, insurance and investment policies.

INDUTRADE CONTRIBUTES TO FULFILMENT OF THE UN SUSTAINABLE DEVELOPMENT GOALS

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

During 2019, Indutrade reviewed how its activities, primarily via its subsidiaries, can contribute to achievement of the SDGs. Below are some examples of the areas where Indutrade is able to contribute the most.



Many of Indutrade's companies provides solutions and products that help **customers** save energy, water, materials and reduce carbon dioxide emissions. As such, they contribute to fulfilment of SDG 6 (Clean water and sanitation), SDG 7 (Affordable and clean energy), SDG 12 (Responsible consumption and production) and SDG 13 (Climate action). Other companies provide solutions and products that contribute to a safer work environment and better health. As such, they contribute to fulfilment of SDG 8

(Decent work and economic growth) and SDG 3 (Good health and well-being). There are also companies supplying products and services for infrastructures and technology solutions, which contributes to SDG 9 (Industry, innovation and infrastructure).

We work systematically to ensure that our operations are run in a fair and ethical way in order to minimise the risk of corruption in the supply chain. This contributes to SDG 16 (Peace, justice and strong institutions). Many of our companies run

their operations in smaller cities and communities where they actively contribute to SDG 11 (Development of sustainable cities and **societies**) and SDG 8 (Decent work and economic growth).

Our **employees** benefit from competence enhancement and career development opportunities, along with the well-being derived from having a stable workplace. This contributes to SDG 4 (Quality education) and SDG 8 (Decent work and economic growth).

Operations

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

Business Areas

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

Performance during the year

2019 was a successful year for Indutrade. Compared to 2018, however, the market conditions were more varied and challenging. Overall, Indutrade continued generating sustainable, profitable growth and the demand in many industrial sectors and market segments was good. Sales increased 9%, of

which 2% for comparable units, resulting in net sales of SEK 18,411 million and a record-high EBITA margin of 12.7 percent. Performance remained strong for most of our companies, particularly in the marine and medical technology segments. However, the weaker economic situation for industrial companies in Europe affected the majority of our business areas and organic order intake was somewhat lower than before. The situation in the Finnish market has continued to be challenging and during the second half of the year we have seen some slowdown in several of the other major markets, including Germany, the Netherlands and the UK.

Acquisition activity was high in 2019 and Indutrade made 15 acquisitions, with total annual sales of SEK 1.5 billion.

New credit facility

In order to secure long-term financing, Indutrade signed an agreement in 2019 for a new revolving credit facility. The credit facility amounts to SEK 3,500 million and the agreement spans 5 years.

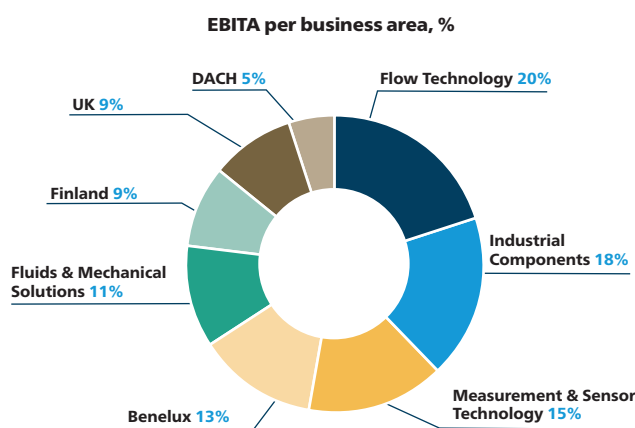
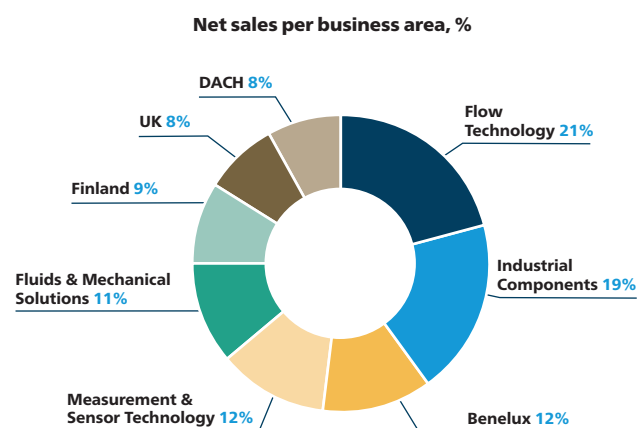
New financial targets.

The Board has decided to revise the target for the dividend payout ratio by setting it at between 30% and 50% of net profit (the prior target was 30% to 60% of net profit). As before, the Board's goal is to provide the shareholders an attractive dividend yield and high dividend growth. Acquisitions have been, and will continue to be, an important engine for growth. With the revised dividend policy, Indutrade will be able to increase its rate of acquisition, while maintaining a good financial position.

Key data per business area

	Benelux		DACH		Finland		Flow Technology		Fluids & Mechanical Solutions		Industrial Components		Measurement & Sensor Technology		UK	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net sales, SEK m	2,288	2,045	1,403	1,225	1,689	1,743	3,798	3,491	2,041	1,980	3,513	3,371	2,259	1,863	1,469	1,183
EBITA, SEK m	315	306	134	126	223	213	491	414	279	262	432	400	366	322	208	175
EBITA margin, %	13.8	15.0	9.6	10.3	13.2	12.2	12.9	11.9	13.7	13.2	12.3	11.9	16.2	17.3	14.2	14.8
Return on capital employed, %	16	19	12	15	33	39	26	25	17	19	21	22	15	18	15	17
Average number of employees	635	528	532	542	453	497	1,058	1,030	693	681	829	803	2,062	1,827	888	788

Lease liabilities and right-of-use assets in accordance with IFRS 16 are included in the key data as of 2019. Comparison figures have not been restated.



BENELUX

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



ROBERT TIMMER

DACH

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



MARKUS RÜEDIN

Share of sales **12%** | Share of EBITA **13%**

During the year, net sales increased by 12%, of which comparable units had a negative impact of 4%. Acquisitions contributed 13% and there was a positive impact from currency movements of 3%. The lower net sales for comparable units came from lower invoicing of power generation valves, which was also the reason for a slightly lower EBITA margin for the full year. During the fourth quarter, however, invoicing on valves for power generation improved significantly, which also had a positive impact on the EBITA margin.

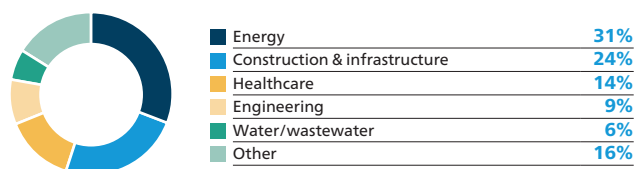
QbiQ Group B.V., Sensor Groep B.V. and Leiderdorp Instruments B.V. (Netherlands) were acquired during the year.

	2019	2018	Change, %
Net sales, SEK m	2,288	2,045	12
EBITA, SEK m	315	306	3
EBITA margin, %	13.8	15.0	
Return on capital employed, %	16	19	
Average number of employees	635	528	

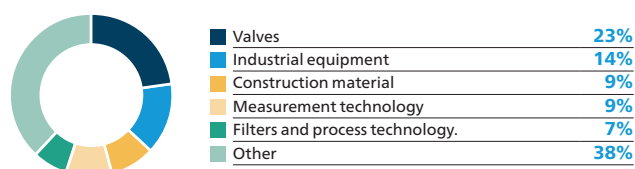
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Share of sales **8%** | Share of EBITA **5%**

During the year, net sales increased by 15%, of which the impact from comparable units was 5%. Acquisitions contributed 8%, divestments contributed -3% and there was a positive impact from currency movements of 5%. The growth for comparable units was mainly due to good demand from remodeling projects in the Swiss process industry. During the year, lower activity was noted in the German engineering industry, which contributed to the business area's lower EBITA margin.

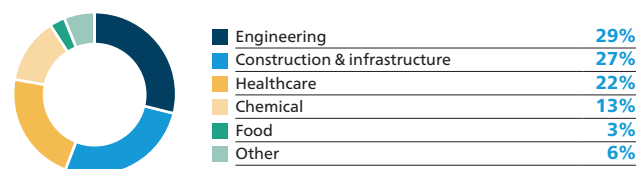
Färber & Schmid AG and Uniska AG (Switzerland) were acquired during the year.

	2019	2018	Change, %
Net sales, SEK m	1,403	1,225	15
EBITA, SEK m	134	126	6
EBITA margin, %	9.6	10.3	
Return on capital employed, %	12	15	
Average number of employees	532	542	

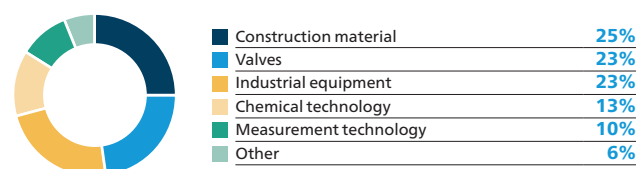
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



FINLAND

The Finland business area includes companies that offer sales of components as well as customisation, combinations and installations of products from various suppliers. Customers are in the construction & infrastructure, engineering, water/wastewater, energy and chemical industries. Products range from hydraulics and industrial equipment to measurement technology, valves, service, filters and process technology. The business area has a strong market position in Finland.



JUHA KUJALA

Share of sales **9%** | Share of EBITA **9%**

During the year, net sales decreased by 3%, of which comparable units had a marginal impact. Divestments contributed -6% and there was a positive impact from currency movements of 3%. Demand has remained at a relatively high level during the year, although it did decline somewhat.

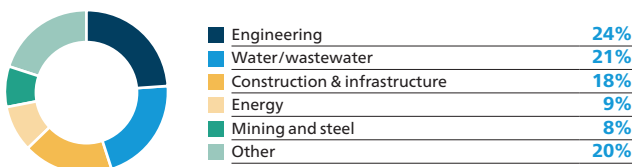
The improvement in EBITA margin was primarily attributable to good cost control, streamlining and divestments.

	2019	2018	Change, %
Net sales, SEK m	1,689	1,743	-3
EBITA, SEK m	223	213	5
EBITA margin, %	13.2	12.2	
Return on capital employed, %	33	39	
Average number of employees	453	497	

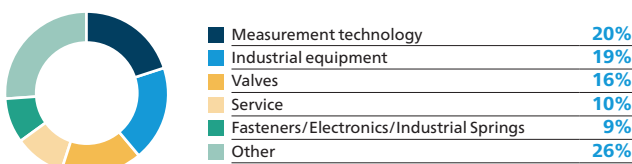
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



FLOW TECHNOLOGY

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



MORGAN O'BRIEN

Share of sales **21%** | Share of EBITA **20%**

During the year, net sales increased by 9%, of which the impact from comparable units was 5%. Acquisitions contributed 3%, divestments contributed -1% and there was a positive impact from currency movements of 2%. Demand remained strong for many of the companies in this business area, particularly those in the marine and medical technology segments. The improved EBITA margin is attributable to good organic sales growth and the divestments that were made.

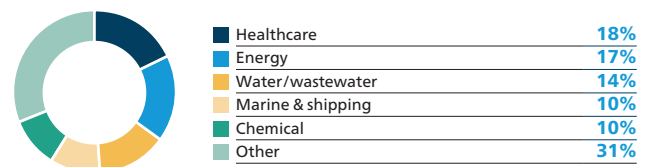
Finkova Oy (Finland) was acquired during the year. Wilhelm Sander Fertigung GmbH (Germany) was divested. The divestment was part of the restructuring of the Sander Meson Group that was begun in 2017. Rostfria VA-system i Storfors AB (Sweden) was also divested during the year.

	2019	2018	Change, %
Net sales, SEK m	3,798	3,491	9
EBITA, SEK m	491	414	19
EBITA margin, %	12.9	11.9	
Return on capital employed, %	26	25	
Average number of employees	1,058	1,030	

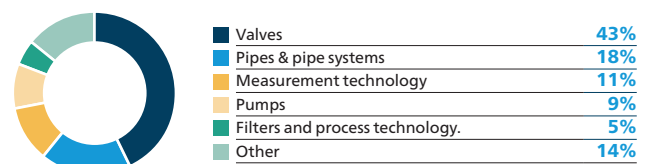
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



FLUIDS & MECHANICAL SOLUTIONS

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



GÖTE MATTSSON

INDUSTRIAL COMPONENTS

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



JOAKIM SKANTZE

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

During the year, net sales increased by 3%, of which the impact from comparable units was 1%. Acquisitions contributed 5%, divestments contributed -4% and there was a positive impact from currency movements of 1%. The market situation in 2019 was essentially the same as the year before. A slowdown was noted however towards the end of the year, primarily in the industrial, filter and hydraulic segments.

Improvement of the EBITA margin during the year was primarily fuelled by companies in the vehicle aftermarket segments, along with the acquisitions and divestments that were made.

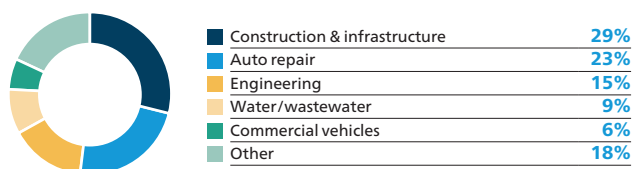
STRIHL Scandinavia AB and Starke Arvid AB (Sweden) were acquired during the year.

	2019	2018	Change, %
Net sales, SEK m	2,041	1,980	3
EBITA, SEK m	279	262	6
EBITA margin, %	13.7	13.2	
Return on capital employed, %	17	19	
Average number of employees	693	681	

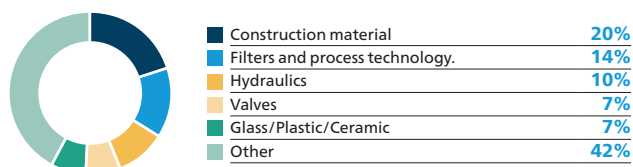
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Share of sales **19%** | Share of EBITA **18%**

During the year, net sales increased by 4%, of which the impact from comparable units was 2%. Acquisitions contributed 3%, divestments contributed -1% and there was a marginal impact from currency movements. Demand was good for most of the companies in this business area during the year, although there was a bit of a slowdown in the fourth quarter for some segments. Performance for companies in the medical technology segment was strong.

The improvement in EBITA margin was primarily attributable to the performance of companies in the medical technology segment, along with the acquisitions and divestments that were made.

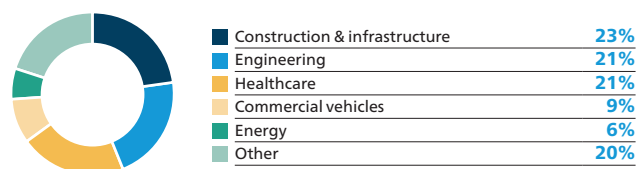
Acumo AB, Intergate AB (Sweden) and Finisterra AS (Norway) were acquired during the year. EssMed AB (Sweden), Brinch AS (Norway) and EssMed Oy (Finland) were divested during the year.

	2019	2018	Change, %
Net sales, SEK m	3,513	3,371	4
EBITA, SEK m	432	400	8
EBITA margin, %	12.3	11.9	
Return on capital employed, %	21	22	
Average number of employees	829	803	

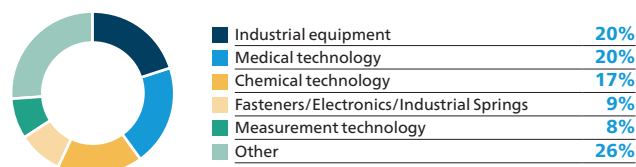
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



MEASUREMENT & SENSOR TECHNOLOGY

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



PATRIK STOLPE

Share of sales **12%** | Share of EBITA **15%**

During the year, net sales increased by 21%, of which comparable units had an impact of 2%. Acquisitions contributed 16% and there was a positive impact from currency movements of 3%. On the whole, the market situation was stable during the year for this business area, however, with relatively large variations between companies and quarters.

The EBITA margin was lower than last year, which was in part attributable to weaker demand for a couple companies, along with a somewhat lower margin in our newly acquired companies.

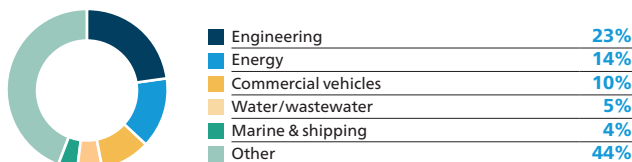
Adam Equipment Co Ltd and Datum Electronics Ltd (UK) were acquired during the year.

	2019	2018	Change, %
Net sales, SEK m	2,259	1,863	21
EBITA, SEK m	366	322	14
EBITA margin, %	16.2	17.3	
Return on capital employed, %	15	18	
Average number of employees	2,062	1,827	

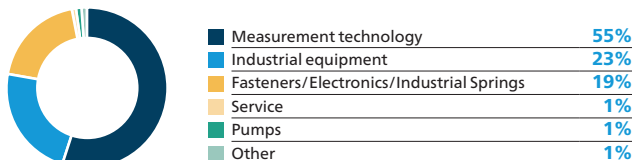
Net sales per geographic market, %



Net sales per customer segment, %

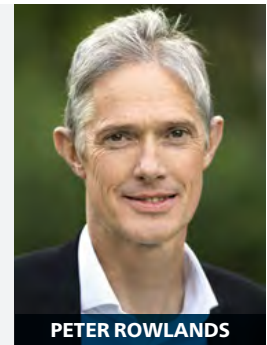


Net sales per product area, %



UK

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



PETER ROWLANDS

Share of sales **8%** | Share of EBITA **9%**

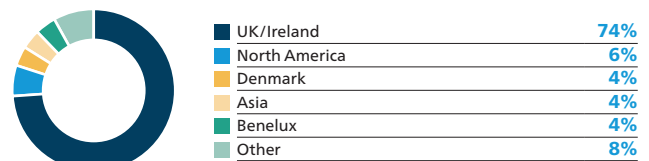
During the year, net sales increased by 24%, of which comparable units had an impact of 4%. Acquisitions contributed 16% and there was a positive impact from currency movements of 4%. For the majority of companies, demand during the year was good. However, growth slowed and variation increased between the companies during the second half of the year, partly because of the uncertainty surrounding Brexit.

The lower EBITA margin was primarily due to weaker organic sales at the end of the year and a less favourable product mix.

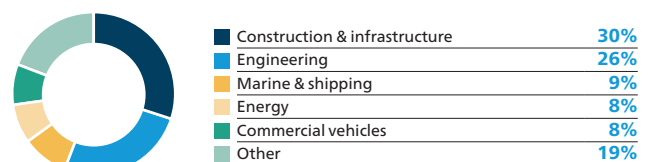
Wholesale Welding Supplies Ltd and Natgraph Ltd (UK) were acquired during the year.

	2019	2018	Change, %
Net sales, SEK m	1,469	1,183	24
EBITA, SEK m	208	175	19
EBITA margin, %	14.2	14.8	
Return on capital employed, %	15	17	
Average number of employees	888	788	

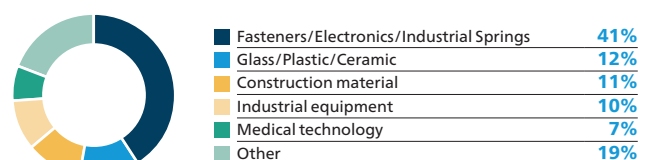
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Four reasons to invest in Indutrade

1

Sustainable growth

- Average annual sales growth of 12% since stock market listing in 2005
- 836% total return, including reinvested dividends, during last ten-year period
- Long record of experience in successful company acquisitions
- Opportunities to expand the product and service offering, along with geographic expansion

2

Stable profitability and strong cash flow

- Historically stable profitability
- Average EBITA margin of 11.9% during last five years
- Average return on capital employed of 20% during last five years
- Strong operating cash flow generated over the years
- High average dividend, 41% of net profit during last five years
- Equity ratio 41% at year-end 2019

3

Attractive market position and risk profile

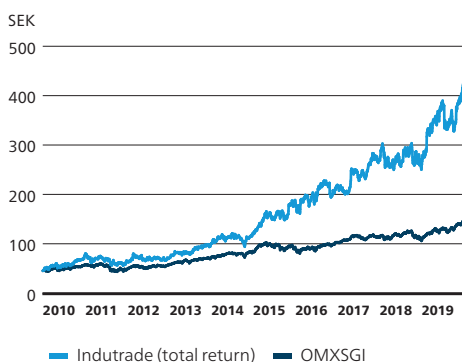
- Leading position in selected, niche segments
- Focus on high quality and technically advanced products for customers with recurring need
- Diversified and stable customer & supplier base
- Stable long-term relationships with leading suppliers

4

Strong culture and extensive expertise

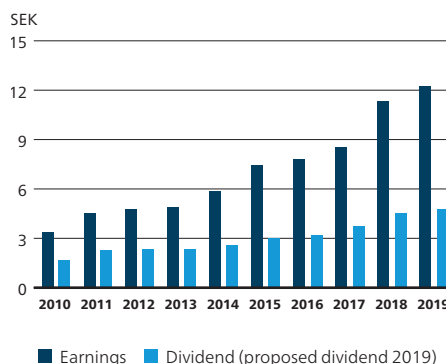
- Decentralised organisation
- Entrepreneurial spirit
- Strict income and cost control
- Sales force with extensive technical knowledge

Total return for Indutrade shares 2010-2019



Source: Monitor by Moular Finance AB

Earnings and dividend per share



Analyst firms that monitor Indutrade

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

Share data

Indutrade's shares are listed on Nasdaq Stockholm and included on the Large Cap list. Indutrade's market capitalisation on 31 December 2019 was SEK 40,511 million (24,848).



Indutrade's share price increased by 63% during the year, from SEK 205.60 to SEK 335.20. During the same period of time the Stockholm Stock Exchange gained 30%, while the OMX Industrials PI sector index rose 45%. Including reinvested dividends, the total return for Indutrade shares was 65.6%, compared with 34.6% for the OMXSGL Index.

The highest price paid in 2019 was SEK 338.40, on 27 December, and the lowest price paid was SEK 202.80, on 2 January. During the last ten-year period Indutrade's shares have delivered a total return of 836% including reinvested dividends. The OMXSGL Index showed a total return of 222% for the same period.

Trading volume

Total trading volume in Indutrade shares on all marketplaces during the year was 106.0 million (78.2) shares for a combined value of SEK 29.3 billion (17.4). This corresponds to a turnover rate of 88% (65%). Average daily trading volume was 423,840 shares (312,763), with 2,322 transactions (1,621). Trading volume on the Stockholm Stock Exchange was 51.0 million (40.4) shares, corresponding to a turnover rate of 42% (33%).

Since the adoption of the EU's Markets in Financial Instruments Directive (MiFID) in 2007, the structure for share trading in Europe has changed. Trading has become more fragmented and is now conducted to an increasing extent on other trading platforms outside the regulated marketplaces. One consequence of this is that a growing share of trading in shares of Swedish companies is being conducted outside the Stockholm Stock Exchange. During 2019 Indutrade's shares were traded in several different marketplaces, and the Stockholm Stock Exchange accounted for 42% (52%) of total trading volume.

Share capital

Indutrade's share capital amounted to SEK 242 (242) million on 31 December 2019, divided among 120,855,000 (120,855,000) shares with a share quota value of SEK 2 (2). All shares have equal voting power.

Ownership structure

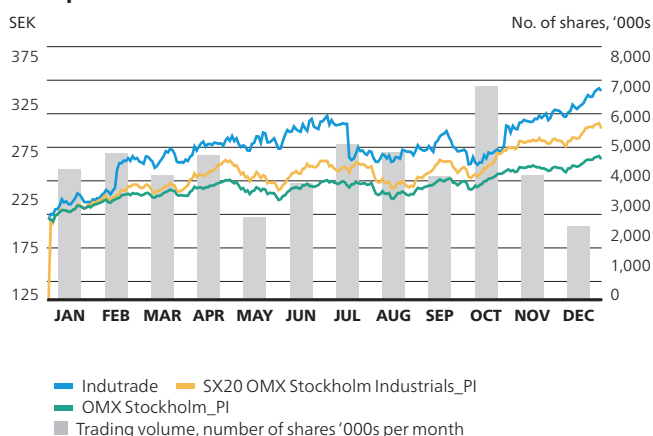
Indutrade had 10,287 (9,553) shareholders on 31 December 2019. At year-end the ten largest owners controlled 64% of the capital and votes (61%). Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 63% (64%) of the capital and votes at year-end. Foreign ownership of the Company was 31% (29%), with the largest holdings held by shareholders in USA, UK, Finland and France.

Dividend and dividend policy

The Board has decided to revise the target for the dividend payout ratio by setting it at between 30% and 50% of net profit (the prior target was 30% to 60% of net profit). As before, the Board's goal is to provide the shareholders an attractive dividend yield and high dividend growth. Acquisitions have been, and will continue to be, an important engine for growth. With the revised dividend policy, Indutrade will be able to increase its rate of acquisition, while maintaining a good financial position.

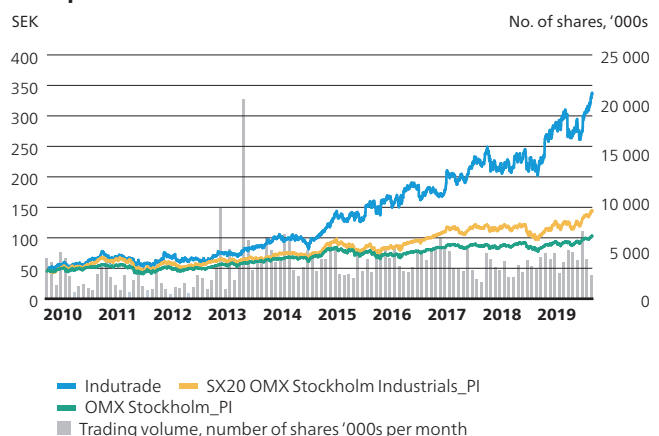
During the last five-year period, of Indutrade's aggregate profit after tax, totalling SEK 5,711 million, dividends of SEK 2,315 million were paid to the shareholders (including the proposed dividend for the year), which corresponds to a dividend payout ratio of 41%.

Share price trend 2019



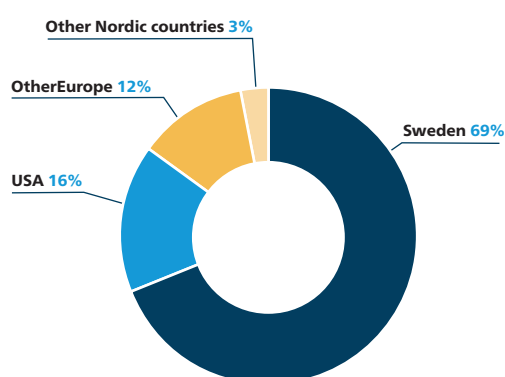
Source: Monitor by Moular Finance AB

Share price trend 2010-2019

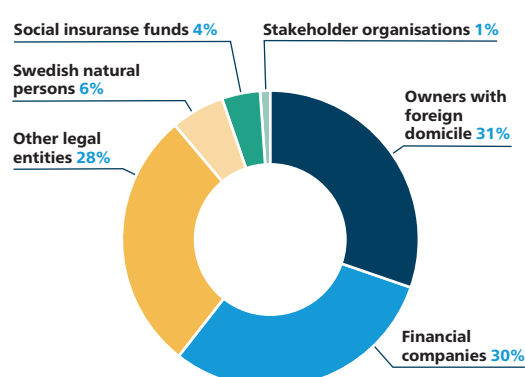


Source: Monitor by Moular Finance AB

Ownership by country, %



Owners by category, %



Key ratios per share

	2019	2018
Share price at 31 December, SEK	335.20	205.60
Market cap at 31 December, SEK million	40,511	24,848
Dividend, SEK	4.75 ¹⁾	4.50
Earnings before dilution, SEK	12.26	11.31
Earnings after dilution, SEK	12.26	11.31
Number of shares outstanding, '000s	120,855	120,855
Average number of shares before dilution, '000	120,855	120,832
Average number of shares after dilution, '000	120,918	120,843
Number of shareholders at 31 December	10,287	9,553
Highest price paid during the financial year, SEK	338.40	249.20
Lowest price paid during the financial year, SEK	202.80	202.00
Dividend yield ²⁾ , %	1.4	2.2
Shareholders' equity, SEK	59.22	51.34
Cash flow from operating activities, SEK	15.90	11.26

¹⁾ Proposed by the Board of Directors.

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

10 largest shareholders at 31 December 2019

	Number of shares	Share of capital and votes, %
L E Lundbergföretagen	32,280,000	26.7
Didner & Gerge funds	7,443,430	6.2
AMF – insurance and funds	6,139,533	5.1
State Street Bank and Trust Co, W9	6,112,876	5.1
JPM Chase NA	5,926,224	4.9
Alecta Pensionsförsäkring	5,473,302	4.5
First AP Fund	4,552,400	3.8
Skandia Mutual Life Insurance Company	3,417,197	2.8
Handelsbanken funds	3,340,519	2.8
Brown Brothers Harriman & Co., W9	3,184,532	2.6
Others	42,984,987	35.5

• Incentive programme

LTI 2017

In April 2017 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTI 2017) comprising a combined maximum of 704,000 warrants in two series for senior executives and other key persons in the Indutrade Group. Shares can be subscribed during specially stipulated subscription periods through Friday, 20 May 2022. For more information about LTI 2017, see Note 8.

Outstanding incentive programmes

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

Dilutive effects

	2019	2018
Average number of shares before dilution, '000	120,855	120,832
Number of shares that incur a dilutive effect due to incentive programme, '000	63	11
Average number of shares after dilution, '000	120,918	120,843
Dilutive effect, %	0.05	0.01
Number of shares at end of the period, '000	120,855	120,855



Risks and risk management

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

Many of the risks described here could affect the Company both positively and negatively. This means that in the event of a favourable risk development or if the Company is successful in mitigating the risk through its risk management activities, its goal achievement may be better than anticipated. In such way, risks also entail opportunities for Indutrade. Examples of this are the business climate, customer behaviours and variations in market prices.

At year-end 2019 Indutrade conducted business through more than 200 companies in 30 countries on six continents. This diversification of risk along with a large number of customers in a wide range of industries and a large number of suppliers in various technology areas limits the business risks.

RISK

RISK MANAGEMENT

CHANGES IN THE ECONOMY

Indutrade's business is dependent on customers' purchases and investments, and is affected by changes in the economy.



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

CHANGES AT THE SUPPLIER LEVEL

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



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. Because of the large overall number of agencies, no individual agency accounts for a predominant economic risk from the Group's perspective.

DIGITALISATION

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



Indutrade's companies have extensive knowledge of products and applications, thereby adding much value in the supplier chain. The aim is also to continue developing this expertise and offerings so that it is possible to retain competitive advantages.

FUNDING RISK

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



To mitigate funding risk, the Group strives to maintain a balanced maturity structure, a good liquidity reserve, and diversified borrowing. This creates a preparedness to take necessary alternative actions to raise capital, should this be necessary. Indutrade manages the Group's funding needs centrally. Essentially all external funding is conducted by the Parent Company, which then funds the Group's subsidiaries in local currency.

INTEREST RATE RISK

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



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

CHANGES IN GLOBAL TRADE REGULATIONS

Changes in domestic or international import/export regulations on various types of products could result in higher costs or other difficulties for Indutrade's companies.



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



RISK

RISK MANAGEMENT

COMPLIANCE WITH TRADE REGULATIONS

Corruption or other violations of trade regulations or international sanctions could result in Indutrade incurring fines or becoming subject to various types of sanctions. Indutrade's reputation and competitiveness could be damaged in such situations.

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

CURRENCY RISK

Currency risk is the risk of unfavourable movements in exchange rates affecting consolidated profit and equity measured in SEK:

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

→ The Indutrade Group's transaction exposure arises, for example, when subsidiaries import products for sale in the domestic market. Exchange rate effects are eliminated as far as possible through currency clauses in customer contracts and by buying and selling in the same currency. In certain cases, forward contracts are used.
The Group is exposed to a translation risk associated with translation of the accounts of foreign subsidiaries to the Group currency, SEK. This type of currency risk is not hedged at present.

SUSTAINABILITY GOVERNANCE

If companies do not identify significant sustainability risks or deficiencies in the management of identified risks, Indutrade may be subject to various forms of sanctions and risk damage to its reputation.

→ A shared framework is available to all companies as a tool for increasing their skills and ability to work with sustainability in a structured way. Training and workshops on sustainability are also offered on a regular basis. The companies' sustainability work and risks are monitored and discussed each year by their boards of directors.

ACQUISITION PROCESS

If the situation (regarding such things as earnings capacity or sustainability issues) for a particular company worsens, Indutrade's reputation or financial performance could be damaged.

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

IT INCIDENTS

An IT incident is the risk of critical data, or one or more of the IT systems in place, being breached such that they become unusable, locked, impaired or destroyed.

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

Other information

Employees

The number of employees was 7,357 at the end of the year, compared with 6,778 at the start of the year. A total of 564 employees have been added during the year through acquisitions. Furthermore, 37 employees left the Group in conjunction with divestments.

Research and development

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

Environment and carbon footprint

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

Future outlook

The levelling off that we have witnessed during parts of 2019, along with uncertainty about the macroeconomic and political situations, makes it difficult to assess the market. The rate of growth has slowed down in 2019, with significant variations between geographic areas and segments. The Group's diversified structure allows for good risk diversification and is a prerequisite for stability. We have had a good start in 2020 as regards acquisitions. During the first quarter in 2020, the outbreak of covid-19 occurred. Indutrade monitors the development of the covid-19 virus continuously and evaluates the possible impact on the business in the short and long term.

Events after the balance sheet date

During the period up until 18 March, six companies were acquired. More information is available in Note 32.

On 4 February, an extraordinary general meeting of shareholders was held, where a resolution was passed to approve the transfer of shares in Meson FT Rus LLC to the subsidiary's CEO and Sales Manager.

The framework amount of Indutrade's commercial paper programme has been increased from SEK 2 billion to SEK 3 billion.

The pandemic outbreak of covid-19 in 2020 has had a significant negative impact on both people and financial markets. Indutrade's executive management team and Board of Directors is carefully monitoring the situation and following the directives issued by government authorities in each country where it does business. Indutrade is maintaining a very close dialogue with its subsidiaries so that it can implement the necessary measures to support them in the best way possible. The overall impact of covid-19 is currently very difficult to predict. It is important to point out, however, that the Group has a diversified structure with more than 200 companies working in a variety of segments and countries. This offers good risk diversification and the prerequisites for stability. Indutrade's financial position is good. Given the high level of uncertainty however, it is not possible to, at present, estimate the overall potential impact on the Indutrade Group.

Guidelines for compensation of senior executives

The guidelines for compensation of senior executives that applied in 2019 are outlined in Note 8. The Company's auditors have performed a review to ensure adherence to the guidelines set by the Annual General Meeting. For the 2020 Annual General Meeting, the guidelines have been updated according to new rules in the Swedish Companies Act, and it is the Board's intention to propose guidelines for compensation of senior executives, in accordance with the following recommendation:

The Board of Directors proposes that the Annual General Meeting resolve to approve the following guidelines for compensation and other terms of employment for senior executives. After the guidelines have been approved at the 2020 AGM, the guidelines will apply to all new contractually agreed compensation, along with changes to compensation agreements already in place. The guidelines do not include compensation decided by the Annual General Meeting.

How the guidelines promote the company's business strategy, long-term interests and sustainability

Successful implementation of the company's business strategy and safeguarding of its long-term interests (including sustainability) requires that Indutrade can recruit and retain highly skilled senior executives. To do that, Indutrade must be able to offer competitive compensation packages and employment terms. These guidelines make that possible. The forms of compensation shall motivate members of the Group Management team to put their very best efforts into safeguarding the interests of shareholders. For more information on the company's business strategy, see the company's website <https://www.indutrade.se/om-indutrade/mal--strategi/>.

These guidelines apply to senior executives, which means the CEO and other members of the Group management team. For employment conditions that are governed by other rules than what apply in Sweden, appropriate adjustments may be made to comply with law or established local practice. In doing so, every effort must still be made to comply with these guidelines to the extent possible.

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

Compensation and its forms

Total compensation shall be competitive, simple, long-term and measurable. It may consist of the following: fixed cash salary, variable cash compensation, pension benefits and other benefits.

In addition and independent of these guidelines, the AGM may decide on such things as share-based and share-price-based remuneration (more information is available in the company's website at: <https://www.indutrade.se/om-indutrade/bolagsstyrning/ersattningar/>).

It shall be possible to set the measurement period for evaluating performance against the criteria for payment of variable salary at one year, or even several years. The maximum amount of variable cash compensation that may be awarded is 50% of the fixed annual salary.

Cash remuneration linked to senior executives' acquisition of shares or equity-related instruments within the framework of such incentive programs, as well as pensions and other benefits, may also be awarded. Such cash compensation shall not exceed 15% of the executive's fixed annual salary.

Pension terms for members of the Group Management shall be in line with the going rate in the market in respect of what applies for peer executives in the market in which the executive works, limited to a maximum of 40 percent of the fixed annual salary. Furthermore, it should be based on a defined contribution pension solution or a general pension plan (in Sweden, the ITP plan). Variable salary shall not be pensionable for members of the company's Group management team who are not covered by the ITP plan.

Other benefits may include life insurance, health insurance and car benefit. Premiums and other costs of such benefits may not exceed 15% of the annual fixed salary. Non-monetary benefits 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.

Termination of employment

Notice of termination for a member of the Group management team shall, if issued by the company, be a maximum of 12 months. For the reverse situation, notice of termination is 6 months. Severance pay for one member of the Group Management shall not exceed a total of 24 months' salary in the event the Company serves notice, and 6 months in the event the member of the Group Management gives notice.

Criteria for variable cash compensation

Variable compensation shall be designed such that it rewards the fulfilment of clear targets in schemes that are both simple and transparent. It shall also be linked to one or more defined and measurable financial targets, such as sales growth, EBITA margin, return on operating capital/capital employed. Any non-financial targets must be linked to sustainability. At least 75% of the goals must be financial targets.

An assessment of the outcome will be made once the measurement period for fulfilment of the criteria for payment of variable cash compensation has elapsed. The Remuneration Committee is responsible for making that assessment as regards the CEO. For the other members of the Group management team, the CEO makes the assessment. For financial targets, the assessment shall be based on the most recent financial information made public by the company along with any adjustments that the Board deems necessary or suitable.

The terms for variable compensation shall be designed such that, in extraordinary financial circumstance, the Board is able to limit, deny or demand repayment of the variable compensation of such measures are deemed reasonable.

In special cases, agreements can be made for variable one-off compensation, provided that it does not exceed an amount equal to 10% of the fixed annual salary. Furthermore, an employee may only receive it, at most, once per year. Such compensation shall not be pensionable unless that is required by mandatory collective agreement provisions. Decisions on such compensation for the CEO shall be made by the Board of Directors based on recommendations by the Remuneration Committee. For other senior executives, it shall be decided by the Remuneration Committee based on recommendations by the CEO. Otherwise, no variable cash compensation shall be awarded.

Salary and employment terms for employees

The Board of Directors' proposal for these remuneration guidelines has been made after having given consideration to the salary and employment terms for employees of the company, which has included their total remuneration package, the various components of that package and the rate of increase over time. The reasonableness of the guidelines and the limitations that follow have been based on that.

Decision process for establishing, evaluating and implementing the guidelines

The Remuneration Committee set up by the Board is responsible for preparing the material upon which the Board's decisions will be based and making proposals for guidelines on remuneration to senior executives. The Board must make proposals on new guidelines for remuneration every four years and present those proposals for decisions to the AGM.

The Remuneration Committee is also required to follow and evaluate the variable remuneration schemes for senior executives, application of the guidelines for remuneration to senior executives and applicable remuneration structures and levels. Member of the Group management team are not present when the Board discusses and decides on remuneration issues, if such matters affect them personally.

Deviation from the guidelines

The Board of Directors may decide on temporary deviations from the guidelines, either in part or fully, if there are special reasons for doing so in individual cases and it has been deemed necessary for meeting the long-term needs (including sustainability) of Indutrade or for safeguarding the company's economic viability. As stated above, the remuneration committee's tasks include preparing the material upon which the Board's decisions will be based, which includes decisions on deviating from the guidelines.

Corporate Governance Report

Indutrade applies the Swedish Corporate Governance Code (the Code) since 1 July 2006. The Code is a component of self-regulation in Swedish industry and is based on the “comply or explain” principle. This means that companies that adhere to the Code may depart from individual rules, provided that they give an explanation for each departure. Indutrade has no departures to report for the 2019 financial year. The Corporate Governance Report has been reviewed by the Company’s auditors.

Delegation of responsibilities

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

Share capital and shareholders

The share capital amounts to SEK 242 million, divided among 120,855,000 shares with a share quota value of SEK 2. All shares have equal voting power. Indutrade, which was previously a wholly owned subsidiary of AB Industrivärden, was introduced on the Stockholm Stock Exchange on 5 October 2005. At year-end 2019 Indutrade had 10,287 shareholders (9,553). The ten largest shareholders controlled 64% of the share capital at year-end. Swedish legal entities, including institutions such as insurance companies and mutual funds, held 63% of the share capital and votes at year-end. Foreign ownership accounted for 31% of the share capital and votes.

One shareholder, L E Lundbergföretagen AB, with 26.7% of the share capital and votes, controlled 10% or more of the share capital and votes at year-end.

Indutrade’s shares are listed on Nasdaq Stockholm and are included on the Large Cap list.

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

The Articles of Association

Indutrade is a public company whose business is to “on its own or through subsidiaries, pursue trade in connection with the import and export of machines, raw materials and finished and semi-

manufactured products as well as industrial necessities, including production, preferably within the plastics, mechanical and chemical industries, and activities compatible therewith.”

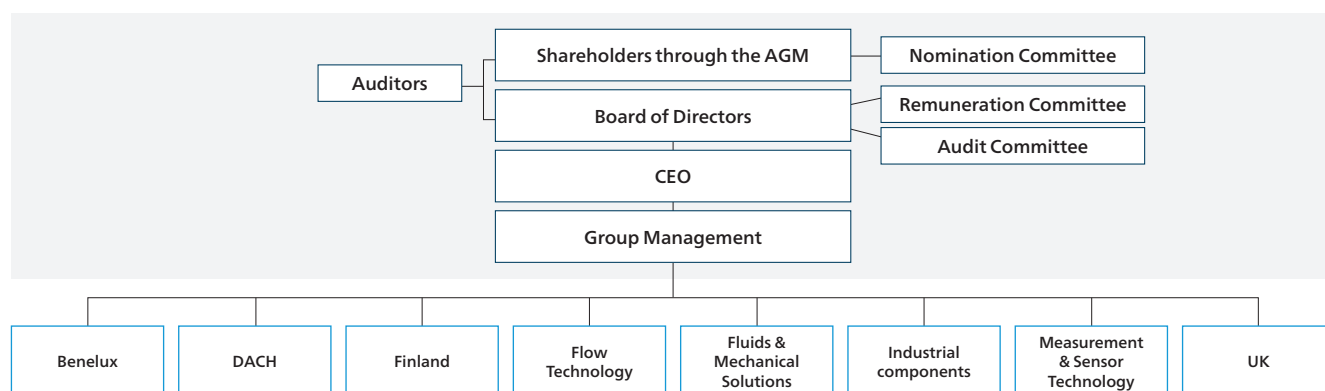
The Board shall consist of a minimum of three and a maximum of eight directors, who are elected each year at the Annual General Meeting. Notices of general meetings of shareholders shall be made through advertisement in the Official Swedish Gazette (Post- och Inrikes Tidningar) and on the Company’s website within the time frame prescribed by the Swedish Companies Act. An advertisement shall be posted in the Swedish daily newspaper Dagens Nyheter announcing that notice of the Annual General Meeting has been issued. In votes at general meetings of shareholders, there is no limitation to the number of votes for represented shares.

General meetings of shareholders

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

All shareholders who are registered in the shareholder register on a specified record date and who have notified the Company in due time of their intention to participate at the general meeting are entitled to attend the meeting and vote for the total number of shares they have. Shareholders may be represented by proxy. More information about the 2020 AGM is provided on page 89 of this Annual Report and on the Company’s website.

The notice of the AGM scheduled for 6 May 2020 is expected to be published on 1 April 2020 in the Official Swedish Gazette and on Indutrade’s website. The notice will include a proposed agenda including proposals for the dividend, election of directors, directors’ fees (broken down by the Chairman and other directors), election of the



External rules and regulations

Examples of external rules and regulations that affect governance of Indutrade

- The Swedish Companies Act
- Accounting laws, including the Bookkeeping Act, the Annual Accounts Act
- Nasdaq Stockholm’s Rulebook for Issuers
- Swedish Corporate Governance Code (www.bolagsstyrning.se/koden)

Internal rules

Examples of internal rules that affect governance of Indutrade

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

auditor, the auditor's fee, and proposed guidelines on compensation of the Company's senior executives.

Annual General Meeting 2019

At the AGM on 9 May 2019, shareholders representing 61.5% of the shares and votes were in attendance. Katarina Martinson was appointed to serve as AGM chairman. The annual report and audit report were presented to the AGM. Chairman of the Board Katarina Martinson provided information on the work of the Board and reported on the guidelines for compensation of the Group Management and on the work of the Audit and Remuneration Committees. In addition, CEO Bo Annvik gave an address reviewing Indutrade's operations in 2018 and the start of 2019.

The auditors reported on their audit of the Group and presented relevant parts of their audit report for 2018.

The 2019 AGM made the following resolutions:

- to adopt the financial statements for 2018
- to set the dividend at SEK 4.50 per share
- to discharge the members of the Board of Directors and the President from liability for the past financial year
- to reelect directors Bengt Kjell, Ulf Lundahl, Krister Mellvé, Lars Pettersson, Katarina Martinson, Bo Annvik, Susanna Campbell and Anders Jernhall.
- to elect Katarina Martinson as Chairman of the Board,
- and to reelect PricewaterhouseCoopers AB as the company's auditor.
- to approve a transfer of share in the subsidiary Rostfria VA-system to Storfors AB, and
- that Indutrade shall apply compensation levels for senior executives which mainly shall consist normally of a fixed and variable portion, shall be in line with the going rate in the market, and shall be commensurate with the executives' level of expertise, responsibility and performance.

Members of the Board of Directors

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

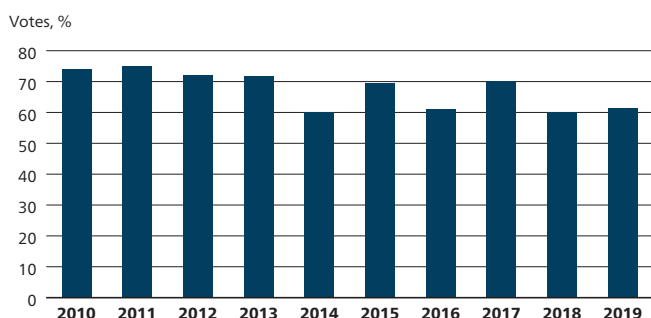
A presentation of the current assignments of the members of the Board can be found on pages 34-35 of this Annual Report. Mattias Karlsson, Mannheimer Swartling are the Board's secretaries. Other executives participate at board meetings in a reporting role.

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

The work of the Board of Directors

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

AGM attendance



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

The Board is responsible for the Company's organisation and for the administration of its affairs. This entails ensuring that the organisation is suited for its purpose and designed in such a way so as to ensure satisfactory control of its bookkeeping, treasury management and financial conditions in general. In addition, the Board is responsible for ensuring that the Company has satisfactory internal control and continuously evaluates the extent to which the Company's system for internal control works. The Board is also responsible for developing and monitoring the Company's strategies by drawing up plans and setting objectives. The Board oversees and evaluates the CEO's and operative management's work on a continuous basis. This particular matter is addressed yearly without any members of the Group Management 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 2019, the Board held a total of 14 meetings including the statutory meeting. The Board conducted its work during the year in accordance with the Board's work plan. Matters requiring special attention by the Board during the year pertained to strategy, finance, acquisitions and sustainability.

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

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

The Chairman's role

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

To ensure and improve the quality of the Board's work, an evaluation of the work it has done, along with the Board's composition, is carried out each year under the direction of the Chairman of the Board. In 2019, the evaluation was carried out via qualitative interviews with each member of the Board of Directors and via a survey. The results of the evaluation were reported in writing to the board members, who thereafter discussed it together at the board meeting in November. The Chairman of the Board also reported on the results of the evaluation at a meeting of the Nomination Committee.

The Chairman represents the Company on ownership matters.

Remuneration Committee

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

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

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

The committee held three meetings in 2019.

Audit Committee

The Audit Committee has an oversight role with respect to the Company's risk management, governance and control, and financial reporting. The committee maintains regular contact with the Company's auditor to ensure that the Company's internal and external reporting satisfies the requirements made on market-listed companies and to discuss the scope and focus of auditing work. The Audit Committee evaluates completed audit activities and informs the Company's nomination committee about the results of its evaluation and assists the Nomination Committee on drawing up recommendations for auditors and fees for their auditing work. In addition, the Audit Committee evaluates the efficiency of the internal control system and the Group's risk management activities. It also monitors the financial structure.

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

Directors' fees

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

Nomination Committee

At the AGM on 6 May 2013, the decision was made in favour of a standing instruction for Indutrade's nomination committee, which shall apply until further notice. According to this instruction, the Nomination Committee ahead of a forthcoming AGM shall consist of representatives of four of the largest shareholders in terms of votes, plus the Chairman of the Board, who shall also convene the first meeting of the Nomination Committee. The member representing the largest shareholder shall serve as committee chair. The composition of the Nomination Committee ahead of the AGM is to be based on ownership data as per 31 August each year and is to be publicly announced not later than six months prior to the AGM. The composition of the Nomination Committee ahead of the 2020 AGM was announced on 24 September 2019, based on ownership information as per 31 August 2019.

Nomination Committee composition

Representative	Shareholder	Share of votes as per 31 Aug 2019
Claes Boustedt	L E Lundbergföretagen, Committee Chair	26.7%
Henrik Didner	Didner & Gerge funds	5.8%
Dick Bergqvist	AMF insurance and funds	4.7%
Bo Selling	Alecta Pensionsförsäkring	4.0%
Katarina Martinson	Chairman of the Board	

The Nomination Committee held two meetings prior to the 2020 AGM, documented by minutes, at which the evaluation of the Board's work during the past year was presented and the Board's composition was discussed, among other items of business. The Nomination Committee is tasked with drawing up recommendations to be presented to the AGM for resolutions regarding a person to serve as AGM chairman,

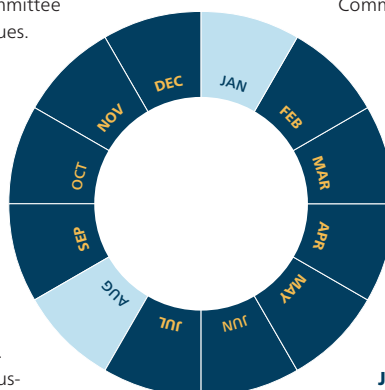
Board meetings 2019

DECEMBER Budget and targets for 2020. Report from the Audit Committee, auditors' follow-up of internal controls. Evaluation of the CEO and senior executives. Report from the Remuneration Committee HR, acquisition and divestment issues.

NOVEMBER Report from Audit Committee and Remuneration Committee. Risk management issues, acquisition issues, review and policy decisions. Evaluation of the work done by the Board. Expansion of the framework for the certificate programme.

OCTOBER Interim report January-September. Report from the Audit Committee regarding the review of the interim report for third quarter.

SEPTEMBER Visit to companies in Switzerland. The Group's strategy, including acquisition, HR and sustainability issues. Financing and investing issues. Evaluation of acquisitions.



the Chairman of the Board and other directors, directors' fees, the auditor's fee and election of the auditor, and the principles for the appointment of a new Nomination Committee.

The Nomination Committee has used Rule 4.1 of the Code as its diversity policy, entailing that the Board shall have a composition appropriate to the Company's operations, phase of development and other relevant circumstances, the AGM-elected directors shall exhibit diversity and breadth of qualifications, experience and backgrounds, and the Company shall strive for gender balance on the Board. The 2019 AGM resolved in favour of the Nomination Committee's recommendations.

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

The Nomination Committee proposes that Katarina Martinson be elected as Chairman of the Board at the 2020 Annual General Meeting. The Committee also proposes the re-election of directors Susanna Campbell, Bengt Kjell, Ulf Lundahl, Krister Mellvé, Lars Pettersson, Anders Jernhall and Bo Annvik.

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

A more detailed presentation of the members of the Board is provided on pages 34-35 of this Annual Report.

Operating activities

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

CEO

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

Bo Annvik owns 0 shares and 140,000 warrants.

External auditor

At the 2019 AGM, the chartered accounting firm PricewaterhouseCoopers AB ("PwC") was elected as auditor for a term extending through the 2020 Annual General Meeting. The auditors maintain regular contact with the Audit Committee and the Group Management.

The chief auditor since 2013 is Michael Bengtsson, Authorised Public Accountant. The auditor's fee is reported in Note 11 of this Annual Report.

Indutrade's nine-month interim report for the 2019 financial year was reviewed by the Company's auditors.

FEBRUARY Year-end report, matters to be discussed at the Annual General Meeting, report from the auditors, Audit Committee, Remuneration Committee, acquisitions and HR issues.

MARCH Decisions on the annual report. Acquisition issues.

APRIL Financing issues, Interim report January – March 2019, acquisition issues, report from the audit committee.

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

JUNE Financing, acquisition and IT issues.

JULY Interim report January – June 2019, acquisition and investment issues.

Internal control over financial reporting

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

Control environment

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

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

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

Risk assessment

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



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

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

Control activities

The Indutrade Group was organised in eight business areas in 2019. In addition to a business area director, the respective business area management teams include a controller. The controller plays a central role in analysing and monitoring the business area's financial reporting and in ensuring compliance by the companies in the business area with Group policies. The Parent Company has additional functions for continuous analysis and monitoring of financial reporting by the Group, the business areas and subsidiaries. The Parent Company's finance department also initiates work on the annual self assessment routine regarding internal control over financial reporting.

At the start of 2019, all companies owned by Indutrade were required to respond to a questionnaire designed to evaluate internal control based on the risk analysis. The responses were compiled and evaluated. As a complement to this work, the auditors validated parts of the respective companies' completed questionnaires. In addition to this, the controllers of the business areas and Parent Company monitor internal control through visits to a number of companies each year. Both the evaluation performed by the Company and the result of the auditors' validation were reported and discussed with the Audit Committee. Feedback is provided to the companies in the Group where a need for improved routines has been identified. The audit committee also presented the results to the Board. The evaluation of internal control over the Group's financial reporting will serve as documentation for the subsequent years' self assessment and work on further strengthening internal control.

Information and communication

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

Monitoring

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

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

Internal audit

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

Board of Directors and auditors



Katarina Martinson



Bengt Kjell



Susanna Campbell



Anders Jernhall

Position	Chairman since 2018 Director since 2015 Chairman of the Remuneration Committee, member of the Audit Committee	Vice Chairman since 2013 Director since 2002 Member of the Remuneration Committee	Director since 2017	Director since 2018 Member of the Audit Committee
	Works with asset management for Lundberg family, among others.	Own investment business	Own investment business	Executive Vice President and CFO of Holmen AB.
Born	1981	1954	1973	1970
Citizenship	Swedish	Swedish	Swedish	Swedish
Education	M. Sc. Economics, Stockholm School of Economics	MBA, Stockholm School of Economics	M. Sc. Economics, Stockholm School of Economics	M. Sc. Economics, Stockholm School of Economics
Professional experience	Analyst at Handelsbanken Capital Markets, Vice President of Strategas Research Partners LLC, New York, Analysis of investment strategies investment research at ISA, International Strategy & Investment Group, New York.	Acting President and CEO of Industrivärden, President and CEO of Handel och Industri AB, Executive Vice President and Head of Investment Operations at Industrivärden, Head of Corporate Finance at Securum, Senior Partner and founder of Navet, Authorised Public Accountant.	President and CEO of Ratos. Various positions with McKinsey and Company, and Alfred Berg Fondkommission.	Various positions at Holmen and Citibank.
Other directorships	Director of L E Lundbergföretagen, Fastighets AB L E Lundberg, Fidelio Capital, Husqvarna, Förvaltnings AB Lunden and L E Lundberg Kapitalförvaltning.	Chairman of SSAB. Vice Chairman of Pandox. Director of Industrivärden, Amasten Fastighets AB and others.	Chairman of Babyshop Group, Röhnisch Sportswear and Ljung & Sjöberg. Director of Nalka Invest, Kinnevik and Northvolt.	Director of L E Lundberg Kapitalförvaltning.
Attendance at Board meetings	14/14	9/14	13/14	14/14
Attendance at Audit Committee meetings	5/5			5/5
Attendance at Remuneration Committee meetings	3/3	3/3		
Independent of Indutrade and its management	Yes	Yes	Yes	Yes
Independent in relation to major shareholders	No	Yes	Yes	No
Shareholding in Indutrade ¹⁾	32,280,000 (via L E Lundbergföretagen)	60,000	2,000	1,000

1) Holdings of shares in Indutrade AB are stated as of 31 December 2019 and they include the holdings of related parties (both individuals and legal entities).



Ulf Lundahl



Krister Mellvé



Lars Pettersson



Bo Annvik

Position	Director since 2006 Chairman of the Audit Committee	Director since 2012	Director since 2013 Member of the Remuneration Committee	Director since 2017 President and CEO
Born	1952	1949	1954	1965
Citizenship	Swedish	Swedish	Swedish	Swedish
Education	LL.B. and B. Sc. Economics	B. Sc. Economics	M. Sc. Engineering, Uppsala University, PhD h.c., Uppsala University	M. Sc. Economics
Professional experience	Executive Vice President and Deputy CEO of LE Lundbergföretagen, President of Östgöta Enskilda Bank, Head of Swedish operations of Danske Bank, CEO of Danske Securities.	Various executive positions at Robert Bosch Group.	President and CEO of Sandvik AB, Sandvik Materials Technology, Sandvik Tooling and Sandvik Coromant.	President and CEO of Haldex, executive positions with Volvo Cars, SKF and Outokumpu.
Other directorships	Chairman of Fidelio Capital, Attendo and SHB Regionbank Stockholm. Director of Holmen, Eitel and Nordstjernan Kredit AB.	Director of Modular Management.	Chairman of KP Komponenter A/S. Director of Husqvarna, Industrivärden, LE Lundbergföretagen and Festo AG	Director of SSAB.
Attendance at Board meetings	13/14	13/14	13/14	14/14
Attendance at Audit Committee meetings	5/5			
Attendance at Remuneration Committee meetings			3/3	
Independent of Indutrade and its management	Yes	Yes	Yes	No
Independent in relation to major shareholders	Yes	Yes	No	Yes
Shareholding in Indutrade ¹⁾	12,000	47,500	2,100	140,000 warrants

Auditors

**PricewaterhouseCoopers AB
Michael Bengtsson**

Authorised Public Accountant
Born 1959
Chief Auditor of Indutrade since 2013

Other auditing assignments for listed companies:
Sweco, Nobina and Eniro.
Other auditing assignments for major unlisted companies:
Perstorp and Bonnier Group.

Group Management



BO ANNVIK

President and CEO
 Born 1965
 Citizenship Swedish
 Employed since 2017
 Education M. Sc. Economics
 Professional experience President and CEO of Haldex, executive positions with Volvo Cars, SKF and Outokumpu.
 Number of shares 0
 Number of warrants 140,000



PATRIK JOHNSON

CFO
 Born 1970
 Citizenship Swedish
 Employed since 2018
 Education B. Sc. Economics
 Professional experience CFO Sandvik Machining Solutions and Seco Tools. Various management positions as controller and in accounting/finance at ABB Sweden.
 Number of shares 0
 Number of warrants 24,000



FRIDA ADRIAN

Vice President Communications, Sustainability and IR
 Born 1977
 Citizenship Swedish
 Employed since 2017
 Education M. Sc. Economics
 Professional experience Head of IR at Mr Green & Co, various positions in IR, communications and finance at Investor, LF Bank and Svensk Exportkredit.
 Number of shares 500
 Number of warrants 3,000



JUHA KUJALA

Senior Vice President Finland
 Born 1967
 Citizenship Finnish
 Employed since 2006
 Education MBA, Technical college engineer
 Professional experience CEO of Kontram Oy, CEO of Maansähkö Oy, COO and Sales Manager Kontram Oy, Export Manager Kalmar Industries Oy
 Number of shares 10,020
 Number of warrants 12,000



PETER ERIKSSON

Adviser to the CEO
 Born 1953
 Citizenship Swedish
 Employed since 1995
 Education Technical college engineer, B. Sc. Market Economics, IFL
 Professional experience President and partner of Alnab, Sales Manager at Alnab.
 Number of shares 44,150
 Number of warrants 12,000



GÖTE MATTSSON

Senior Vice President Fluids & Mechanical Solutions
 Born 1955
 Citizenship Swedish
 Employed since 1999
 Education B. Sc. Economics, Management studies
 Professional experience President and Partner Industri Belos, President JSörling, Group Controller Transventor, Vice President Parator
 Number of shares 16,200
 Number of warrants 24,000



JONAS HALVORD

Head of Acquisitions and Business Development
 Born 1961
 Citizenship Swedish
 Employed since 2018
 Education B. Sc. Economics, Technical college engineer
 Professional experience Director Mergers & Acquisitions SKF Group, CEO Provexa AB, CEO Svenska Skumsläcknings AB
 Number of shares 0
 Number of warrants 12,000



SUSANN NYBERG

Head of Group Finance
 Born 1963
 Citizenship Swedish
 Employed since 2012
 Education M. Sc. Business Administration and Economics
 Professional experience Group Controller Addtech, Management Consultant KPMG, Financial Manager position at Telia, Financial Manager and Controller positions at SKF
 Number of shares 5,938
 Number of warrants 12,000



Senior Vice President
Flow Technology
Born 1961
Citizenship Irish
Employed since 1992
Education Dip. Applied Science /
Instrument Physics
Professional experience Managing
Director ESI Technologies Ltd
Number of shares 741
Number of warrants 12,000

MORGAN O'BRIEN



Senior Vice President
Measurement & Sensor Technology
Born 1965
Citizenship Swedish
Employed since 2015
Education B. Sc. Electronics, Industrial
Marketing
Professional experience Global
Segment Manager Xylem, President
and CEO Lorentzen & Wettre.
Number of shares 5,521
Number of warrants 12,000

PATRIK STOLPE



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

PETER ROWLANDS



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

ROBERT TIMMER



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

MARKUS RÜEDIN



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

ÅSA WIRSENIUS



Senior Vice President
Industrial Components
Born 1967
Citizenship Swedish
Employed since 2016
Education M. Sc. Electronics, economics
and management studies
Professional experience Venture
Manager Traction, President Gnosjö
Plast, Business Area Manager and Partner
Schneider Grafiska, Senior Consultant
Accenture.
Number of shares 0
Number of warrants 12,000

JOAKIM SKANTZE

Proposed distribution of earnings

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

Share premium reserve	112
Reserve for fair value	-3
Retained earnings	4,137
Net profit for the year	1,371
Total	5,617

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

Dividend of SEK 4.75 per share	574
To be carried forward	5,043
Total	5,617

The dividend proposed by the Board of Directors corresponds to 10% of the Parent Company's equity and 8% of the Group's equity. Indutrade's dividend policy is that the dividend shall, over time, amount to between 30% and 50% of net profit.

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

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

The Board's assurance

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

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

Stockholm March 18, 2020

Katarina Martinson
Chairman of the Board

Bengt Kjell
Vice Chairman of the Board

Susanna Campbell
Director

Anders Jernhall
Director

Ulf Lundahl
Director

Krister Mellvé
Director

Lars Pettersson
Director

Bo Annvik
President and CEO, Director

Our audit report was submitted on 20 March 2020

PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant

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Consolidated income statement

SEK million	Note	2019	2018
Net sales	3, 4	18,411	16,848
Cost of goods sold		-12,126	-11,099
Gross profit		6,285	5,749
Development costs		-217	-204
Selling costs		-2,990	-2,737
Administrative expenses		-1,103	-991
Other operating income	6	153	124
Other operating expenses	6	-112	-116
Operating profit	5, 8, 9, 10, 11	2,016	1,825
Financial income	12	145	79
Financial expenses	13	-269	-154
Profit after financial items		1,892	1,750
Tax	15	-409	-382
Net profit for the year		1,483	1,368
Profit attributable to			
Equity holders of the parent company		1,482	1,367
Non-controlling interests		1	1
Earnings per share attributable to equity holders of the parent, SEK		12.26	11.31
Earnings per share after dilution, attributable to equity holders of the parent, SEK		12.26	11.31
Average number of shares before dilution, '000		120,855	120,832
Average number of shares after dilution, '000		120,918	120,843
Proposed dividend per share, SEK		4.75	4.50

For information about dilution, see Directors' report page 25.

Consolidated statement of comprehensive income

SEK million	Note	2019	2018
Net profit for the year		1,483	1,368
Other comprehensive income			
<i>Items that can be reversed into income statement</i>			
Fair value adjustment of hedge instruments	2	-2	-3
Tax attributable to fair value adjustments	15	0	1
Exchange rate differences		109	134
<i>Items that cannot be reversed into income statement</i>			
Actuarial gains/losses	25	-79	3
Tax on actuarial gains/losses	15	16	-1
Other comprehensive income, net of tax		44	134
Total comprehensive income for the period		1,527	1,502
Comprehensive income attributable to			
Equity holders of the parent company		1,526	1,501
Non-controlling interests		1	1

Comments on the consolidated income statement

Order intake

Order intake totalled SEK 18,653 million (17,073) for the full year, which is an increase of 9%. The increase for comparable units was 2%, acquisitions contributed 7%, and the effect of divestments was –2%. Currency movements had a positive effect on order intake of 2%.

Net sales

Net sales increased by 9% during the year to SEK 18,411 million (16,848). The increase for comparable units was 2%, acquisitions contributed 7%, and the effect of divestments was –2%. Currency movements had a positive effect on net sales of 2%.

Operating profit, EBITA

For the full year, operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 2,330 million (2,087), an increase of 12%. Comparable units increased by 2%, acquisitions contributed with 8% and currency movements contributed 2%. The effect of divestments was marginal. The EBITA margin increased to 12.7% (12.4%). The gross margin amounted to 34.1% (34.1%).

During the year, operating margin improved for four of Indutrade's business areas. The biggest increases were in the Finland and Flow Technology business areas and they were primarily attributable to good cost control, divestments that were made, and good organic sales growth in Flow Technology.

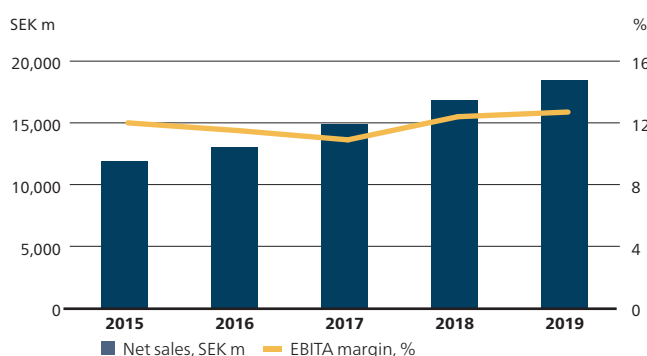
Net financial items and net profit for the year

Net financial items for the full year amounted to SEK –124 million (–75). Tax on profit for the period was SEK –409 million (–382), corresponding to a tax charge of 22% (22%). Profit for the period grew 8% to SEK 1,483 million (1,368). Earnings per share before dilution grew 8% to SEK 12.26 (11.31).

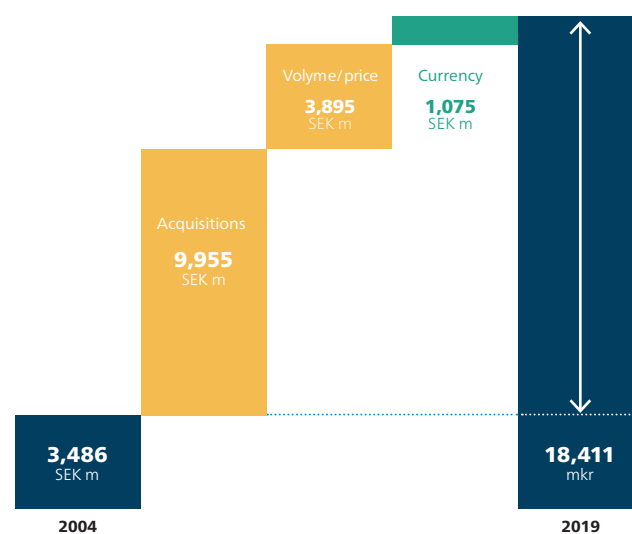
Values for each quarter

SEK million	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Net sales	4,366	4,587	4,595	4,863
EBITA	537	574	588	631
EBITA margin, %	12.3	12.5	12.8	13.0
Profit after tax	350	365	369	399
Earnings per share, SEK	2.90	3.02	3.05	3.29

Net sales and EBITA margin



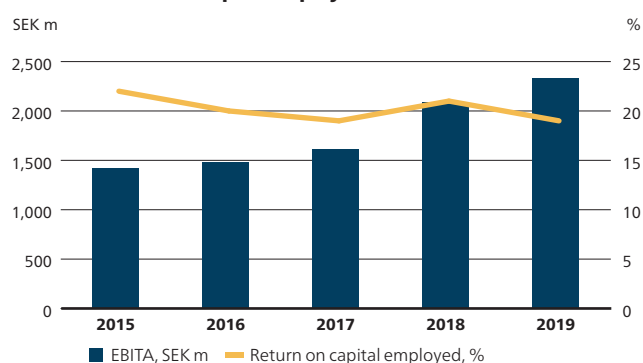
Sales growth, SEK m



Consolidated balance sheet

SEK million	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Goodwill		4,031	3,170
Agencies, customer relationships, etc.		2,189	1,723
Trademarks		303	270
Software, licences, etc.		72	71
Other intangible assets		108	105
Total intangible assets	16	6,703	5,339
<i>Property, plant and equipment</i>			
Land and buildings	17	1,091	885
Machinery	17	609	477
Equipment	17	266	342
Construction-in-progress and advances for property, plant and equipment	17	54	32
Use-of-rights assets	18	982	–
Total property, plant and equipment		3,002	1,736
<i>Financial assets</i>			
Holdings of shares and participation in unlisted companies	19	14	13
Available-for-sale financial assets	19	–	–
Non-current receivables	20	34	26
Deferred tax assets	15	134	119
Total financial assets		182	158
Total non-current assets		9,887	7,233
Current assets			
Inventories	21	3,400	2,834
Trade receivables	22	3,025	2,877
Contract assets	4	110	99
Current tax assets		30	20
Other current receivables		183	145
Prepaid expenses	23	190	154
Cash and cash equivalents	30, 31	719	708
Total current assets		7,657	6,837
TOTAL ASSETS		17,544	14,070

EBITA and return on capital employed



SEK million	Note	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Equity			
Share capital		242	242
Reserves		397	290
Retained earnings incl. net profit for the year		6,518	5,673
Total equity attributable to owners of the parent		7,157	6,205
Non-controlling interests		13	13
Total equity		7,170	6,218
Non-current liabilities			
Non-current interest-bearing liabilities	18, 24, 31	4,330	2,515
Other non-current liabilities		2	–
Pension obligations	25	377	296
Deferred tax liabilities	15	706	606
Other provisions	26	12	13
Total non-current liabilities		5,427	3,430
Current liabilities			
Current interest-bearing liabilities	18, 24, 31	2,142	1,806
Trade payables		1,237	1,168
Contract liabilities	4	150	148
Current tax liabilities		159	163
Other current liabilities		400	362
Accrued expenses and deferred income	27	859	775
Total current liabilities		4,947	4,422
TOTAL EQUITY AND LIABILITIES		17,544	14,070

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

Profitability and financial position

The return on capital employed was 19% (21%), and the return on equity was 22% (24%).

Shareholders' equity amounted to SEK 7,170 million (6,218) and the equity ratio was 41% (44%). Cash and cash equivalents amounted to SEK 719 million (708). In addition to this, the Group had unutilised credit commitments of SEK 3,258 million (2,880). Interest-bearing net debt at the end of the period was SEK 6,130 million (3,909). The increase compared to the prior year is attributable in part to implementation of IFRS 16, which increased liabilities by SEK 902 million. The remainder is primarily attributable to increased borrowing for the purpose of financing acquisitions that have been made.

The net debt/equity ratio was 85% (63%) at year end. Not including the effect of IFRS 16, the net debt/equity ratio was 73%.

Consolidated statement of changes in equity

SEK million	Attributable to equity holders of the parent company				Non-controlling interests	Total equity
	Share capital	Reserves	Retained earnings	Total		
OPENING BALANCE, 1 JANUARY 2018	242	158	4,751	5,151	17	5,168
Comprehensive income						
Net profit for the year	–	–	1,367	1,367	1	1,368
Other comprehensive income						
Fair value adjustment of hedge instruments	–	–3	–	–3	–	–3
Tax attributable to fair value adjustments	–	1	–	1	–	1
Actuarial gains/losses	–	–	3	3	–	3
Tax on actuarial gains/losses	–	–	–1	–1	–	–1
Exchange rate differences	–	134	–	134	0	134
Total comprehensive income	–	132	1,369	1,501	1	1,502
Transactions with shareholders						
Acquisitions of non-controlling interests	–	–	–1	–1	–4	–5
Sale of shares with non-controlling interests	–	–	–	–	–1	–1
Dividend paid for 2017	–	–	–453 ¹⁾	–453	0	–453
New issues	0	–	7	7	–	7
Total transactions with shareholders	0	–	–447	–447	–5	–452
OPENING BALANCE, 1 JANUARY 2019	242	290	5,673	6,205	13	6,218
ADJUSTED OPENING BALANCE DUE TO CHANGED ACCOUNTING POLICY IFRS 16			–28	–28		–28
ADJUSTED OPENING BALANCE	242	290	5,645	6,177	13	6,190
Comprehensive income						
Net profit for the year	–	–	1,482	1,482	1	1,483
Other comprehensive income						
Fair value adjustment of hedge instruments	–	–2	–	–2	–	–2
Tax attributable to fair value adjustments	–	0	–	0	–	0
Actuarial gains/losses	–	–	–79	–79	–	–79
Tax on actuarial gains/losses	–	–	16	16	–	16
Exchange rate differences	–	109	–	109	0	109
Total comprehensive income	–	107	1,419	1,526	1	1,527
Transactions with shareholders						
Acquisitions of non-controlling interests	–	–	–2	–2	0	–2
Sale of shares with non-controlling interests	–	–	–	–	0	0
Dividend paid for 2018	–	–	–544 ²⁾	–544	–1	–545
New issues	–	–	–	–	–	–
Total transactions with shareholders	–	–	–546	–546	–1	–547
CLOSING BALANCE, 31 DECEMBER 2019	242	397	6,518	7,157	13	7,170

¹⁾ The dividend per share for 2017 was SEK 3.75.

²⁾ The dividend per share for 2018 was SEK 4.50. The proposed dividend per share for 2019 is SEK 4.75.

Consolidated statement of cash flows

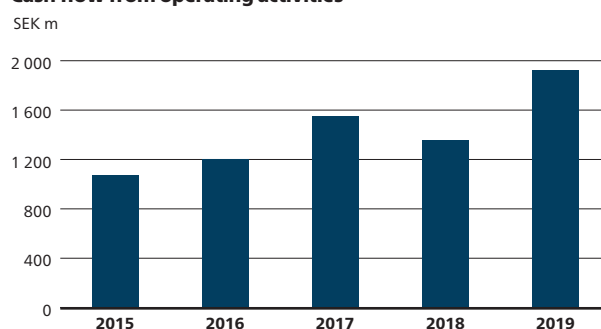
SEK million	Note	2019	2018
Operating activities			
Operating profit		2,016	1,825
<i>Adjustment for</i>			
Depreciation, amortisation and impairment losses	9, 16, 17	899	524
Adjustment of contingent consideration	32	-30	-6
Net profit from sale of operations, property, plant and equipment, intangible assets and shares		7	10
Other non-cash items		19	17
Paid tax		-512	-452
<i>Change in working capital</i>			
Inventories		-291	-216
Trade receivables		123	-269
Trade payables		-43	38
Other operating assets and liabilities, net		-138	-14
Interest received		13	9
Interest paid		-97	-58
Other financial items		-44	-48
Cash flow from operating activities		1,922	1,360
Investing activities			
Acquisitions of subsidiaries and operations	32	-1,513	-664
Sales of subsidiaries and operations	32	29	78
Acquisitions of property, plant and equipment	17	-386	-292
Sales of property, plant and equipment	17	20	22
Acquisitions of intangible non-current assets	16	-37	-29
Decrease in financial assets		4	3
Increase in financial assets		-1	-3
Cash flow from investing activities		-1,884	-885
Financing activities			
Borrowings	31	5,082	6,153
Repayment of debt	31	-4,201	-5,928
Amortisation leasing	18	-340	-
Dividend paid out		-544	-453
New issues		-	7
Payment for issued warrants		-	0
Cash flow from financing activities		-3	-221
Cash flow for the year		35	254
Cash and cash equivalents at start of year		708	464
Exchange rate differences in cash and cash equivalents		-24	-10
Cash and cash equivalents at end of year	30, 31	719	708

Cash flow from operating activities amounted to SEK 1,922 million (1,360) for the full year. Cash flow after net capital expenditures in intangible non-current assets and in property, plant and equipment (excluding company acquisitions) was SEK 1,519 million (1,061).

The Group's net capital expenditures, excluding company acquisitions, totalled SEK 403 million (299). Depreciation of property, plant and equipment totalled SEK 550 million (229). The increase is primarily attributable to IFRS 16.

Investments in company acquisitions amounted to SEK 1,415 million (566). In addition, earn-out payments for previous years' acquisitions totalled SEK 97 million (98). Divestments amounted to SEK 28 million (78).

Cash flow from operating activities



Parent Company

The main functions of Indutrade AB are to take responsibility for business development, acquisitions, financing, business control, analysis and communication. The Parent Company's net sales, which consist entirely of internal invoicing of services, amounted to SEK 7 million (6) during the year. The Parent Company's financial assets consist mainly of shares in subsidiaries. During the

year, the Parent Company acquired shares in four new companies. The Parent Company has not made any major investments in intangible assets or in property, plant and equipment. The number of employees on 31 December was 19 (15). Receivables and payables to Group companies primarily consist of loans granted and received to and from subsidiaries.

Income statement Parent Company

SEK million	Note	2019	2018
Net sales		7	6
Gross profit		7	6
Administrative expenses	5	-120	-107
Other operating income and expenses	6	-	7
Operating profit	8, 9, 10, 11	-113	-94
Financial income	12	214	115
Financial expenses	13	-231	-155
Profit from participations in Group companies	14	981	736
Profit after financial items		851	602
Group contributions received		741	724
Group contributions rendered		-87	-72
Change in tax allocation reserve		-26	-58
Excess depreciation of equipment		0	0
Profit before tax		1,479	1,196
Tax	15	-108	-103
Net profit for the year		1,371	1,093

Statement of comprehensive income Parent Company

SEK million	Note	2019	2018
Net profit for the year		1,371	1,093
Other comprehensive income			
<i>Items that can be reversed into income statement</i>			
Fair value adjustment of hedge instruments	2	0	0
Tax attributable to fair value adjustments	15	0	0
Other comprehensive income, net of tax		0	0
Total comprehensive income for the period		1,371	1,093

Balance sheet Parent Company

SEK million	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Software and licences	16	0	0
<i>Property, plant and equipment</i>			
Equipment	17	1	2
<i>Financial assets</i>			
Participations in Group companies	19	5,919	5,485
Non-current receivables	20	13	13
Deferred tax assets	15	4	4
Total financial assets		5,936	5,502
Total non-current assets		5,937	5,504
Current assets			
<i>Current receivables</i>			
Receivables from Group companies		6,804	5,194
Other receivables		35	28
Prepaid expenses and accrued income	23	22	5
Total current receivables		6,861	5,227
Cash and cash equivalents	30	0	200
Total current assets		6,861	5,427
TOTAL ASSETS		12,798	10,931

SEK million	Note	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	35	242	242
Statutory reserve		5	5
		247	247
<i>Unrestricted equity</i>			
Share premium reserve		112	112
Reserve for fair value		-3	-3
Retained earnings		4,137	3,588
Net profit for the year		1,371	1,093
		5,617	4,790
Total equity		5,864	5,037
Untaxed reserves			
Tax allocation reserve	36	673	647
Excess depreciation of equipment		0	0
Total untaxed reserves		673	647
Non-current liabilities			
Non-current interest-bearing liabilities	24	3,257	2,307
Pension obligations	25	17	16
Deferred tax liabilities	15	5	5
Total non-current liabilities		3,279	2,328
Current liabilities			
Current interest-bearing liabilities	24	1,629	1,668
Trade payables		5	4
Liabilities to Group companies		1,301	1,150
Other current liabilities		12	7
Current tax liabilities		0	59
Accrued expenses and deferred income	27	35	31
Total current liabilities		2,982	2,919
TOTAL EQUITY AND LIABILITIES		12,798	10,931

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

Parent Company statement of changes in equity

SEK million	Share capital	Reserves	Share premium reserve	Reserve for fair value	Retained earnings	Total
OPENING BALANCE, 1 JANUARY 2018	242	5	105	-3	4,041	4,390
Comprehensive income						
Net profit for the year	-	-	-	-	1,093	1,093
Other comprehensive income						
Fair value adjustment of hedge instruments	-	-	-	0	-	0
Tax attributable to fair value adjustments	-	-	-	0	-	0
Total comprehensive income	-	-	-	0	1,093	1,093
Transactions with shareholders						
Dividend paid for 2017	-	-	-	-	-453 ¹⁾	-453
New issues	0	-	7	-	-	7
Total transactions with shareholders	0	-	7	-	-453	-446
OPENING BALANCE, 1 JANUARY 2019	242	5	112	-3	4,681	5,037
Comprehensive income						
Net profit for the year	-	-	-	-	1,371	1,371
Other comprehensive income						
Fair value adjustment of hedge instruments	-	-	-	0	-	0
Tax attributable to fair value adjustments	-	-	-	0	-	0
Total comprehensive income	-	-	-	0	1,371	1,371
Transactions with shareholders						
Dividend paid for 2018	-	-	-	-	-544 ²⁾	-544
New issues	-	-	-	-	-	-
Total transactions with shareholders	-	-	-	-	-544	-544
CLOSING BALANCE, 31 DECEMBER 2019	242	5	112	-3	5,508	5,864

¹⁾ The dividend per share for 2017 was SEK 3.75.

²⁾ The dividend per share for 2018 was SEK 4.50. The proposed dividend per share for 2019 is SEK 4.75.

Cash flow statement Parent Company

SEK million	Note	2019	2018
Operating activities			
Operating profit		-113	-94
<i>Adjustment for</i>			
Depreciation, amortisation and impairment losses	9, 16, 17	0	0
Net profit for sale of operations		0	-7
Other non-cash items		4	4
Paid tax		-169	-124
<i>Change in working capital</i>			
Trade receivables		0	0
Trade payables		2	-2
Other operating assets and liabilities, net		-1,477	-713
Interest received		90	61
Interest paid		-74	-46
Group contributions received and dividend income		1,644	1,401
Other financial items		-33	-47
Cash flow from operating activities		-126	433
Investing activities			
Acquisitions of subsidiaries	19	-418	-166
Divestment of subsidiaries		0	8
Acquisitions of non-current intangible assets and property, plant and equipment	16, 17	0	0
Cash flow from investing activities		-418	-158
Financing activities			
Borrowings		5,073	6,149
Repayment of debt		-4,185	-5,778
Dividend paid out		-544	-453
New issues		-	7
Cash flow from financing activities		344	-75
Cash flow for the year		-200	200
Cash and cash equivalents at start of year		200	0
Cash and cash equivalents at end of year	30	0	200

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

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

01

Accounting and valuation principles

General information

The Indutrade Group markets and sells components, systems and services with a high-tech content to industrial companies in selected niches. Business is conducted via more than 200 subsidiaries in 30 countries. Indutrade's shares have been listed on Nasdaq Stockholm since 2005.

The Group is structured into eight business areas.

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

This annual report was approved by the Board of Directors for publication on 18 March 2020. The consolidated and parent company income statements and balance sheets will be presented for adoption by the Annual General Meeting on 6 May 2020.

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

Basis of preparation

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

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

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

The Indutrade Group began applying IFRS 16 Leases, which replaced IAS 17 Leases, on 1 January 2019.

The standard has entailed changes primarily for lessees in that the breakdown of leases into operating and finance leases has been removed. With a few exceptions, assets and liabilities attributable to all leases are now recognised on the balance sheet. In the income statement, interest and depreciation are to be reported instead of leasing costs.

The accounting principles are reported in connection with Note 18 Leases. Comparison figures have not been restated.

Standards, amendments and interpretations that apply as from 1 January 2020

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

No newly issued IFRSs or interpretations have been applied prospectively.

Basis of consolidation

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

The purchase method is used for reporting of the Group's business acquisitions. The consideration for acquisition of a subsidiary is comprised of the fair value of what has been paid in cash and the fair value of liabilities arising from contingent consideration, i.e. the fair value of acquired assets and liabilities, along with goodwill arising from the acquisition. Transaction costs in connection with acquisitions are recognised directly in profit for the year as other operating expenses. In cases where contingent consideration is remeasured at fair value, this is recognised in operating profit. Identifiable, acquired assets and liabilities taken over in a business acquisition are initially measured at fair value as per the acquisition date.

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

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

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

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

Classification

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

Translation of foreign currency

Items that are included in the financial statements for the Group's various units have been valued in the currency that is used in the economic environment in which the respective company mainly operates (the functional currency). In the consolidated accounts, Swedish kronor (SEK) is used, which is the Parent Company's functional and reporting currency. The earnings and financial position of all Group companies that have a different functional currency than their reporting currency are translated to the Group's reporting currency in accordance with the following:

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

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

Financial statements

Note 1 continued

Transactions and balance sheet items in foreign currency

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

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

Important estimations and assumptions for accounting purposes

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

Parent Company

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

Participations in Group companies are reported in the Parent Company using the cost method. In the Parent Company, a change in the liability for contingent 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.

02

Risks and risk management

Accounting principles

Financial instruments

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

Trade payables

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

Derivative instruments

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

For other derivatives, realised and unrealised gains and losses arising from changes in fair value are included in the income statement during the period in which they arise. The costs and earnings impact of forward contracts used to hedge loans are reported as part of financial income and expenses.

Cash flow hedging

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

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

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

Holdings of shares and participation in unlisted companies

This category includes financial assets that are not derivatives and that have been designated to this category at the time of acquisition or have not been classified in any other category. These are included in non-current assets unless the Group has the intention of selling the asset within 12 months after the balance sheet date. The Group has only negligible holdings of such assets. The difference between the carrying amount and fair value is considered to be insignificant.

Financial risks

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

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

Finance policy

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

Note 2 continued

Funding risk and liquidity risk

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

Indutrade manages the Group's funding needs centrally. Nearly all external funding is conducted by the Parent Company, which then funds the Group's subsidiaries, both in and outside Sweden, in local currency. Cash pools are established in Sweden, Finland, Norway, Denmark, Germany, the Netherlands and the UK.

In order to secure its long-term financing, Indutrade signed an agreement during the year for a new revolving credit facility. It amounts to SEK 3,500 million and the agreement spans 5 years. At year-end SEK 2,811 million of the facility were unutilised.

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

Indutrade has had a commercial paper programme in place since 2014. As of the end of the financial year, the framework of the programme was SEK 2,000 million.

Indutrade also has a Medium Term Note programme (MTN) with a framework amount of SEK 3,000 billion. During the year, Indutrade issued an unsecured bond totalling SEK 500 million.

The Group's interest-bearing net debt was SEK 6,130 million (3,909) at year-end. Implementation of IFRS 16 has resulted in an increase in liabilities of SEK 902 million.

At year-end, the Group had SEK 719 million (708) in cash and cash equivalents and SEK 3,258 million (2,880) in unutilised overdraft facilities. Of the Group's interest-bearing loans, 66% of the total principal falls due for payment after 31 December 2020. For a more detailed maturity analysis, see the description of the Group's borrowings in Note 24.

The Group strives to maintain a reasonable balance between equity, debt financing and liquidity, to enable the Group to secure funding at a reasonable capital cost. The Group's goal is that the net debt/equity ratio, defined as interest-bearing liabilities less cash and cash equivalents in relation to equity, normally should not exceed 100%. At year-end the debt/equity ratio was 85% (63%). Not including the effect of IFRS 16, the net debt/equity ratio was 73%.

Interest rate risk

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

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

Based on the loan structure at year-end, a 1% rise in the interest rate on an annualised basis would result in a higher interest expense of approximately SEK 43 million (34), taking into account the loans' fixed interest periods. Taking into account the existing interest rate swaps, the effect would be approximately SEK -41 million (-32). Profit after tax would be affected by SEK -32 million (-25).

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

For information on the utilisation of bank overdraft facilities and granted credit limits, see Note 24.

Maturity dates for loans and contingent consideration, incl. interest:

	Group		Parent Company	
	2019	2018	2019	2018
Maturity in 2019	–	1,741	–	1,694
Maturity in 2020	1,846	409	1,677	325
Maturity in 2021	883	539	585	513
Maturity in 2022	576	513	557	510
Maturity in 2023	1,083	1,007	1,023	1,006
Maturity in 2024 or later	1,255	12	1,200	–
Total borrowings incl. interest, SEK million	5,643	4,221	5,042	4,048

For leasing liabilities, see note 18.

Currency risk

Currency risk is the risk of unfavourable movements in exchange rates affecting consolidated profit and equity measured in SEK:

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

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

The consolidated income statement includes SEK 3 million (-7), net, in exchange rate differences in operating profit and SEK -5 million (2), net, in financial items.

With respect to operational transaction exposure, at 31 December 2019 Indutrade had net exposure of SEK 179 million (102) in foreign currency. See the breakdown of currencies in the following table.

Net exposure at year-end

Group SEK million	2019		2018	
	local currency	SEK	local currency	SEK
EUR	12.0	125	3.9	40
USD	7.7	72	8.0	72
DKK	9.8	14	4.3	6
GBP	-1.6	-19	0.4	5
CHF	-1.4	-13	-1.4	-13
Other currencies		0		-8
Total		179		102

At year-end, the Group had outstanding forward contracts to reduce the currency risk associated with future cash flows. All of the contracts mature within 14 months. Market valuation of outstanding forward contracts as per 31 December 2019 resulted in an unrealised loss of SEK -2 million (-3) before tax, which is recognised in other comprehensive income.

Financial statements

Note 2 continued

Forward contracts

Group SEK million	2019	2018
USD	125	155
SEK	30	18
SGD	28	23
GBP	13	10
EUR	9	44
AUD	6	4
NOK	–	18
Total	211	272

In addition, the Parent Company has hedged outstanding receivables from and liabilities to subsidiaries, contingent consideration and the major part of anticipated dividends, as shown in the table below. Receivables from subsidiaries increased during the year.

Forward contracts

Parent Company SEK million	2019	2018
GBP	1,902	1,225
EUR	1,364	1,665
CHF	395	148
DKK	216	204
USD	179	170
NOK	53	53
PLN	24	29
RUB	–	9
SGD	3	3
Total	4,136	3,506

All contracts mature within 12 months.

The Group is exposed to a translation risk associated with translation of the accounts of foreign subsidiaries to the Group currency, SEK. This type of currency risk is not hedged. Net investments in foreign subsidiaries at year-end are shown in the table below. Indutrade also had net investments in other currencies in both 2019 and 2018, but the amounts were insignificant.

Net investments in foreign subsidiaries

Group Net exposure in millions	2019		2018	
	local currency	SEK	local currency	SEK
EUR	261	2,727	221	2,275
GBP	144	1,758	102	1,160
DKK	522	729	533	733
NOK	591	625	560	574
CHF	40	380	30	273
Total		6,219		5,015

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 133 million (121) on net sales and approximately SEK 11 million (11) on net profit. The effect on equity of a 1% change would be SEK 65 million (52).

Customer and counterparty risks

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

The risk of the Group's customers failing to meet their obligations, i.e., of payment not being received from customers, constitutes a customer credit risk. Assessment of Indutrade's credit risk in commercial transactions is handled by the respective subsidiaries. The Indutrade Group does business in many countries, which entails a spread of credit risk exposure over several geographic areas. For information on sales per geographic area, see Note 4.

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

Financial assets and liabilities

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

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

No reclassifications between Level 2 and Level 3 were made during the year. Contingent earn-out payments have been discounted to present value using an interest rate that is judged to be in line with the market rate at the time of acquisition. Adjustments are not made on a regular basis for changes in the market interest rate, since the effects of these are judged to be negligible. For further information about contingent consideration and loans, see Note 24.

Contingent earn-out payments

	2019	2018
Opening book value	215	185
Acquisitions during the year	465	119
Consideration paid	–93	–93
Reclassified via income statement	–32	–6
Interest expenses	7	4
Exchange rate differences	3	6
Closing book value	565	215

Note 2 continued

The Group's financial assets and liabilities in 2019

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

The Group's financial assets and liabilities in 2018

	Interest rate swaps and currency derivatives in hedge accounting	Amortised cost	Holdings of shares and participation in unlisted companies	Contingent earn-out payments	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Fair value hierarchy classification	Level 2		Level 3	Level 3			
Other shares and participations	–	–	14	–	–	14	14
Trade receivables	–	2,877	–	–	–	2,877	2,877
Other receivables	1	11	–	–	–	12	12
Cash and cash equivalents	–	708	–	–	–	708	708
Total	1	3,596	14	–	–	3,611	3,611
Non-current interest-bearing liabilities	–	–	–	96	2,419	2,515	2,513
Current interest-bearing liabilities	–	–	–	119	1,687	1,806	1,806
Trade payables	–	–	–	–	1,168	1,168	1,168
Other liabilities	4	–	–	–	–	4	4
Total	4	–	–	215	5,274	5,493	5,491

Segment reporting

Accounting principles

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

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

Comparison figures have not been restated, in accordance with IFRS 16.

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

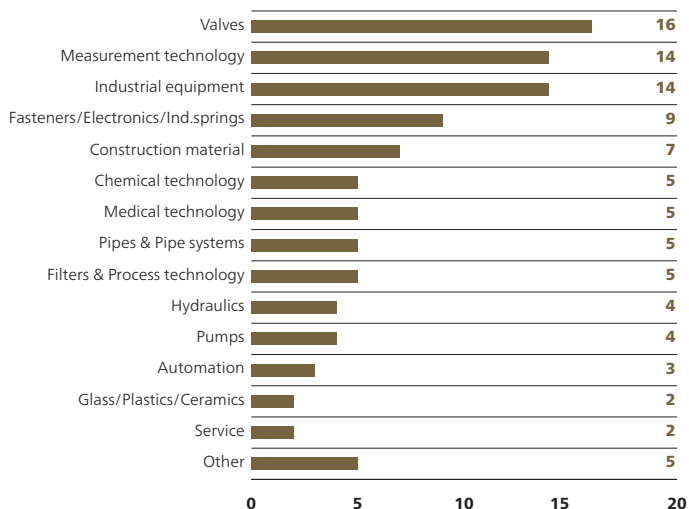
The Group’s business areas conduct business primarily in the Nordic countries and in central and northern Europe. See the Directors’ Report for a description of each business area.

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

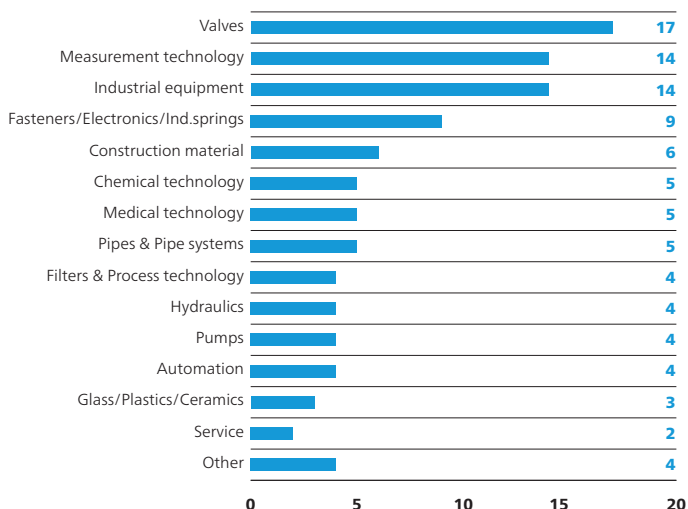
The operating segments are monitored through “Net sales”, which include both external and internal sales. However, the scope of internal sales between the subsidiaries is very limited, which is shown in the eliminations column in the table below.

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

Sales per product area 2019, %



Sales per product area 2018, %



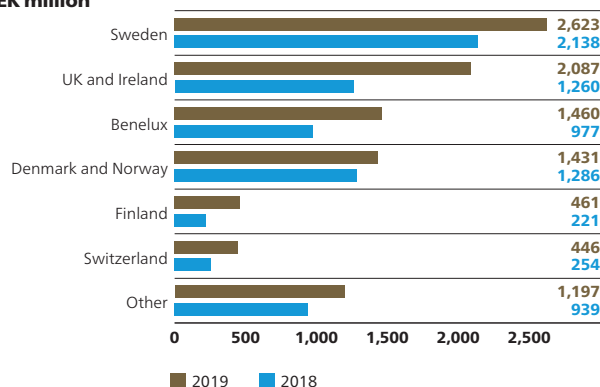
Note 3 continued

2019	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	PC	Elim. ¹⁾	Total
Net sales	2,288	1,403	1,689	3,798	2,041	3,513	2,259	1,469	7	-56	18,411
Operating profit	267	104	217	460	240	371	304	171	-113	-5	2,016
Net financial items											-124
Income Tax											-409
Net profit for the period											1,483
EBITA	315	134	223	491	279	432	366	208	-113	-5	2,330
EBITA margin, %	13.8	9.6	13.2	12.9	13.7	12.3	16.2	14.2			12.7
Amortisation of intangible assets	-50	-31	-15	-34	-42	-68	-72	-37	0	-	-349
<i>of which attributable to acquisitions</i>	-48	-30	-6	-31	-39	-61	-62	-37	-	-	-314
Depreciation of property, plant and equipment	-77	-69	-69	-78	-70	-77	-58	-51	-1	-	-550
Investments in non-current assets	42	90	23	46	66	43	52	58	0	-	420
2018	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	PC	Elim.¹⁾	Total
Net sales	2,045	1,225	1,743	3,491	1,980	3,371	1,863	1,183	6	-59	16,848
Operating profit	269	103	205	388	230	343	272	146	-94	-37	1,825
Net financial items											-75
Income Tax											-382
Net profit for the period											1,368
EBITA	306	126	213	414	262	400	322	175	-94	-37	2,087
EBITA margin, %	15.0	10.3	12.2	11.9	13.2	11.9	17.3	14.8			12.4
Amortisation of intangible assets	-39	-24	-15	-31	-35	-65	-57	-29	0	-	-295
<i>of which attributable to acquisitions</i>	-37	-23	-8	-26	-32	-57	-50	-29	-	-	-262
Depreciation of property, plant and equipment	-36	-24	-11	-34	-32	-31	-33	-28	0	-	-229
Investments in non-current assets	28	52	31	51	44	56	66	44	2	-	374

¹⁾ Primarily pertains to the elimination of intra-Group sales and intra-Group profit on inventory.
 FT – Flow Technology FMS – Fluids & Mechanical Solutions IC – Industrial Components
 Items

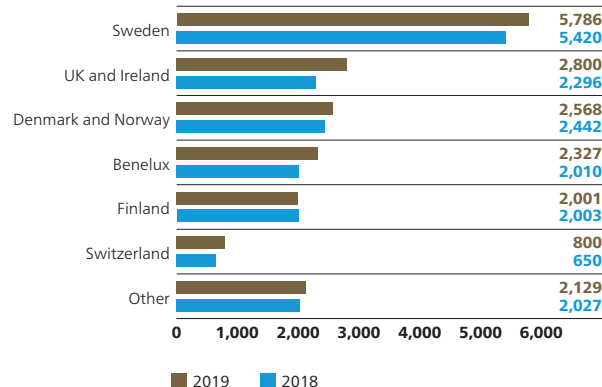
MST – Measurement & Sensor Technology PC – Parent Company & Group

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



Based on where the Group's legal companies have their registered offices, excluding financial assets. For 2019 right-of-use assets according to IFRS 16 have been included.

The Group's revenue per geographic area, SEK million



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

Revenue from Contracts with Customers

Accounting principles

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

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

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

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

A few companies work with larger projects where performance does not result in creation of an asset with alternative use and where it is also entitled to payment for services rendered to date, such as

manufacturing of a customized product. This revenue is recognised over time. Increases or decreases in estimated revenue or expenses that are attributable to changed estimations are recognised in the income statement in the period in which the circumstances that gave rise to the change became known.

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

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

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

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

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

2019	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	27	10	1,560	2,271	1,430	3,104	495	102	-19	8,980
Other Europe	1,856	1,330	110	1,276	494	353	837	1,202	-16	7,442
Americas	190	41	10	34	81	32	652	90	-6	1,124
Asia	197	15	7	179	29	21	216	60	-5	719
Other	18	7	2	38	7	3	59	15	-3	146
IS	2,288	1,403	1,689	3,798	2,041	3,513	2,259	1,469	-49	18,411
When revenue is recognised										
- Over time	48	264	0	185	0	151	191	7	-4	842
- At a specific time	2,240	1,139	1,689	3,613	2,041	3,362	2,068	1,462	-45	17,569
IS	2,288	1,403	1,689	3,798	2,041	3,513	2,259	1,469	-49	18,411
2018	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	18	11	1,611	2,106	1,296	2,947	466	76	-23	8,508
Other Europe	1,622	1,152	109	1,173	543	371	680	974	-20	6,604
Americas	221	44	12	28	99	27	526	76	-5	1,028
Asia	141	16	9	164	32	24	162	45	-3	590
Other	43	2	2	20	10	2	29	12	-2	118
IS	2,045	1,225	1,743	3,491	1,980	3,371	1,863	1,183	-53	16,848
When revenue is recognised										
- Over time	66	281	0	31	1	96	200	0	-2	673
- At a specific time	1,979	944	1,743	3,460	1,979	3,275	1,663	1,183	-51	16,175
IS	2,045	1,225	1,743	3,491	1,980	3,371	1,863	1,183	-53	16,848

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

Note 4 continued

	Group	
	2019	2018
Contract assets		
Opening book value	99	84
New contracts and increase in existing contracts	81	136
Reclassification of contract asset to accounts receivable	-75	-124
Exchange rate differences	5	3
BS Closing book value	110	99
Contract liabilities	2019	2018
Opening book value	148	123
Company acquisition and divestment	-5	-5
Increase in contract liabilities during the year	74	47
Contracts for which revenue has been recognised that were included in contract liabilities at the beginning of the period	-68	-22
Impairment losses	-3	-1
Exchange rate differences	5	6
BS Closing book value	151	148

During 2019 and 2018, the Group did not have any significant revenue from performance obligations that were not fulfilled in prior periods. This type of revenue could consist of customer bonuses that did not need to be paid and changes in the estimated revenue or costs of major products based on changed assumptions.

Remaining long-term customer contracts not yet fulfilled or partially fulfilled as of 31 December 2019 amount to SEK 59 million. Of that amount, SEK 56 million is expected to be recognised as revenue during the 2020 financial year and the remainder, SEK 3 million in 2021.

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

05

Income statements classified by type of cost

	Group		Parent Company	
	2019	2018	2019	2018
Goods for resale, raw materials and consumables	-9,526	-8,845	-	-
Costs for employee benefits	-4,286	-3,850	-69	-65
Depreciation/amortisation, Notes 9,16,17	-899	-524	-1	0
Transport costs	-364	-380	-1	0
Marketing costs	-161	-158	-1	-1
Property-related costs	-517	-665	-11	-11
Other costs	-683	-609	-37	-30
IS Total	-16,436	-15,031	-120	-107

06

Other operating income/expenses

	Group		Parent Company	
	2019	2018	2019	2018
Other operating income				
Exchange rate gains	86	75	-	-
Revaluation of liabilities pertaining to contingent consideration, Note 2	31	6	-	-
Gain on sale of subsidiaries/operations	6	11	-	7
Insurance benefits and similar benefits	29	32	-	-
Other	1	-	-	-
IS Total	153	124	-	7
Other operating expenses				
Exchange rate losses	-83	-82	-	-
Revaluation of liabilities pertaining to contingent consideration, Note 2	-1	-	-	-
Transaction costs associated with acquisitions, Note 31	-14	-3	-	-
Loss on sale of subsidiaries/operations	-14	-16	-	-
Impairment losses on intangible assets, Note 16	-	-	-	-
Other	-	-15	-	-
IS Total	-112	-116	-	-
Other operating income/expenses, net	41	8	-	7

07

Average number of employees

	2019		2018	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	17	10	15	8
Subsidiaries in Sweden	1,589	341	1,557	337
Total Sweden	1,606	351	1,572	345
Subsidiaries outside Sweden	5,561	1,728	5,138	1,221
Total	7,167	2,079	6,710	1,566

The Parent Company's board is composed of 2 women and 6 men (same as in preceding year). The subsidiaries' boards and senior executives include 20 (24) women. The Group Management consisted of 3 (3) woman and 12 (11) men through 31 December 2019.

Wages, salaries and other remuneration, and social security costs

Accounting principles**Termination benefits**

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

Profit-sharing and bonus plans

The Parent Company and most of the subsidiaries have bonus or profit-sharing systems based on the earnings performance of each unit. The Group reports a liability and an expense for these programmes when it has a formal or constructive obligation to make such payments in exchange for services performed by employees and the amount of such obligations can be calculated in a reliable manner. Reporting is done in the period the cost pertains to.

Wages, salaries and other remuneration, and social security costs

	2019			2018		
	Wages, salaries and other remuneration	Social security costs	Of which, pension costs	Wages, salaries and other remuneration	Social security costs	Of which, pension costs
Parent Company	43	23	8	41	21	7
Subsidiaries in Sweden	879	394	98	839	387	97
Total Sweden	922	417	106	880	408	104
Subsidiaries outside Sweden	2,435	407	187	2,169	371	174
Total	3,357	824	293	3,049	779	278

Of the Parent Company's pension costs, SEK 3 million (3) pertains to the Board of Directors and the CEO. The corresponding amount for the Group is SEK 47 million (44).

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

	2019			2018		
	Company management ¹⁾	Of which, bonuses and similar	Other employees	Company management ¹⁾	Of which, bonuses and similar	Other employees
Parent Company	15	3	28	15	4	26
Subsidiaries in Sweden	111	15	768	103	15	736
Total Sweden	126	18	796	118	19	762
Subsidiaries outside Sweden	215	29	2,220	207	32	1,962
Total	341	47	3,016	325	51	2,724

¹⁾ Pertains to Board of Directors and Presidents.

Wages, salaries and remuneration of senior executives

The Chairman and members of the Board of Directors are paid a fee in accordance with a resolution by the Annual General Meeting. At the AGM in May 2019, it was decided that a fee of SEK 600,000 would be paid to the Chairman, and a fee of SEK 450,000 to the Vice Chairman. Other Board members are paid a fee of SEK 300,000 each. The Audit Committee chair is paid an additional fee of SEK 80,000, and the other members receive SEK 40,000 each. A fee of SEK 30,000 is paid to the chair and each of other members of the Remuneration Committee.

Remuneration to the CEO and other senior executives consists of a base salary, variable compensation, other benefits and pension. "Other senior executives" are members of the Group management team. 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 two to seven months' salaries, or 17% 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 must also pay pension premiums – excluding premiums for disability insurance and waiver of premium protection – corresponding to 35% of the 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. Other senior executive are entitled to pension benefits in accordance with the going market rate in the market where they work. The pension age is 65-67 years, depending on the country where the senior executive lives. Earned pension benefits are not conditional upon future employment by Indutrade.

Terms of notice

In the event of the Company serves notice, the President is entitled to a 24-month notice period with retained employment benefits. For notice given by the 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.

Note 8 continued

Incentive programmes**LTI 2017**

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

The President acquired 40,000 warrants, and other members of Group Management together acquired 145,000 warrants. In addition to this programme, the President acquired 100,000 warrants via L E Lundbergföretagen. A cash subsidy corresponding to a total of 120% of the price that the participants paid for the warrants will be paid out on two occasions and in equal portions under the condition that the participants do not sell any warrants and continue to be employed by the Group on the payment dates. Half of the subsidy will be paid out in 2019 and half in 2020. The subsidy will be paid for the number of warrants the individual is granted and not for any oversubscription. The subsidy will be expensed over the vesting period. The total cost is SEK 10 million, of which SEK 3 million in 2019.

For further details on the incentive programmes, see page 25 of the Directors' Report.

Guidelines for compensation and other terms of employment for senior executives adopted by the 2019 Annual General Meeting

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

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

clearly set goals regarding the Company's and the respective business areas' earnings performance as well as the Group's growth in simple, transparent structures. The variable compensation component for members of the executive management shall normally not exceed seven months' salary and can amount to a maximum of SEK 20 million.

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

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

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

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

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

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

Financial statements

Note 8 continued

Compensation and other benefits, 2019

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

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

Compensation and other benefits, 2018

SEK thousand	Base salary/ Directors' fees	Variable compensation ¹⁾	Other benefits	Pension cost	Total
Fredrik Lundberg, Chairman of the Board, Chairman of the Remuneration Committee until the 2018 AGM	284				284
Katarina Martinson, Chairman of the Board, Chairman of the Remuneration Committee as of the 2018 AGM.	424				424
Bengt Kjell, Vice Chairman of the Board, Member of the Remuneration Committee	438				438
Susanna Campbell, Board member	274				274
Anders Jernhall, Director as of the 2018 AGM	138				138
Ulf Lundahl, Director, Chairman of the Audit Committee	335				335
Krister Mellvé, Director	274				274
Lars Pettersson, Director, Member of the Remuneration Committee	301				301
Bo Annvik, CEO	8,033	4,050	586	2,730	15,399
Other senior executives (14 persons)	29,120	13,530	1,522	8,039	52,211
Total	39,621	17,580	2,108	10,769	70,078

¹⁾ Including compensation (the year's subsidy cost) for the senior executives who participate in the incentive programmes described above. For the CEO, the cost is SEK 150 thousand for other senior executives it is SEK 840 thousand.

09

Depreciation and amortisation

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

	Group		Parent Company	
	2019	2018	2019	2018
Cost of goods sold	549	376	–	–
Development costs	14	11	–	–
Selling costs	197	86	–	–
Administrative expenses	139	51	1	0
Total	899	524	1	0

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Operating leases

	Group		Parent Company	
	2019	2018	2019	2018
Lease payments expensed during the year	–	278	–	2
<i>Future contracted lease payments</i>				
Maturity year 1	–	258	–	3
Maturity in 2	–	206	–	3
Maturity in 3	–	136	–	3
Maturity in 4	–	102	–	3
Maturity in 5	–	88	–	3
Maturity year 6–	–	158	–	9
Total future lease payments	–	948	–	24

Operating leases in the Parent Company and Group were primarily for rented premises. On 1 January 2019, the new leasing standard, IFRS 16 entered into force, replacing the prior standard, IAS 17. Change in the new standard means, above all, that the breakdown of leases into operating and finance leases for the lessee has been removed. For more information on leases in accordance with IFRS 16, please see Note 18, Leases.

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Auditors' fees

	Group		Parent Company	
	2019	2018	2019	2018
PricewaterhouseCoopers				
Audit assignment	16	15	1	1
Auditing activities in addition to audit assignment	1	1	–	–
Tax consulting	1	2	–	–
Other services	0	0	0	0
Total fees, PricewaterhouseCooper	18	18	1	1
Other auditing firms				
Auditing fees	6	5	–	–

Other auditing firms refers to several auditing firms where none account for a significant amount in 2019 or the preceding year.

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

Fees paid to PWC Sweden for their auditing assignment amounted to SEK 7 million during the year. Fees for auditing services in addition to the audit assignment amounted to SEK 0 million, and fees for tax consulting and other services totalled SEK 1 million.

12

Financial income

Accounting principles

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

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

	Group		Parent Company	
	2019	2018	2019	2018
Interest	15	9	90	61
Exchange rate differences	130	70	124	54
Other	0	–	–	–
15 Total financial income	145	79	214	115
<i>Of which, pertaining to Group companies:</i>				
Interest	–	–	81	59

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Financial expenses

Accounting principles

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

	Group		Parent Company	
	2019	2018	2019	2018
Interest expenses, bank loans	–80	–64	–72	–51
Interest expenses, pension liability	–5	–3	–	–
Interest expenses, leases	–26	–2	0	0
Interest expenses, contingent consideration	–7	–4	–1	–2
Total interest expenses	–118	–73	–73	–53
Exchange rate differences	–135	–68	–144	–91
Other	–16	–13	–14	–11
15 Total financial expenses	–269	–154	–231	–155
<i>Of which, pertaining to Group companies:</i>				
Interest	–	–	–2	–2

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Profit from participations in Group companies

Parent Company	2019	2018
Dividends from subsidiaries	991	771
Impairment of shares in subsidiaries	–	–35
Liquidation loss	–10	–
IS Total	981	736

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Taxes

Accounting principles

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

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

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

	Group		Parent Company	
	2019	2018	2019	2018
<i>Tax expense</i>				
Current tax	–467	–430	–108	–103
Deferred tax	60	49	0	0
Other tax	–2	–1	0	0
Total	–409	–382	–108	–103

The Group's tax expense amounts to 21.6% (21.8%) of consolidated profit before tax. The difference between the reported tax expense and anticipated tax expense (weighted average tax based on national tax rates) is explained below.

	Group		Parent Company	
	2019	2018	2019	2018
Profit before tax	1,892	1,750	1,479	1,196
Weighted average tax based on national tax rates (Group 21.1% and 21.3%, respectively, and Parent Company 21.4% and 22.0%, respectively)	–400	–372	–316	–263
Tax effect of:				
Non-deductible interest expenses on discounted contingent consideration	–1	–1	0	0
Non-deductible transaction costs for acquisitions	–3	–1	–	–
Tax-exempt contingent consideration recognised as income	7	1	–	–
Other non-deductible expenses/tax-exempt income	–8	–3	208 ¹⁾	160 ¹⁾
Losses, for which loss carryforward is not recognised	–14	–12	–	–
Utilisation of loss-carryforward where tax was not previously reported	2	0	–	–
Adjustment pertaining to previous years' current tax	–3	1	0	0
Change in tax rate	13	6	0	0
Other items	–2	–1	0	0
IS Total	–409	–382	–108	–103
	21.6%	21.8%	7.3%	8.6%

1) Pertains mainly to dividends from subsidiaries.

Note 15 continued

Group, 1 Jan. – 31 Dec. 2019		Intangible assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
Deferred tax, net							
Opening book value		-388	-69	-143	46	67	-487
Change in accounting principles		-	-	-	-	7	7
Deferred tax as per income statement		65	-1	-7	-1	-9	47
Change in tax rate affecting income statement		14	1	0	-2	0	13
Deferred tax recognised in other comprehensive income		-	-	-	16	0	16
Deferred tax attributable to acquisitions		-147	-12	-5	0	4	-160
Exchange rate differences		-9	-2	0	1	2	-8
Closing book value		-465	-83	-155	60	71	-572
As per 31 Dec. 2019							
BS	Deferred tax asset	0	4	0	60	70	134
BS	Deferred tax liability	-465	-87	-155	0	1	-706
Deferred tax, net		-465	-83	-155	60	71	-572
Group, 1 Jan. – 31 Dec. 2018		Intangible assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
Deferred tax, net							
Opening book value		-394	-64	-131	44	61	-484
Deferred tax as per income statement		53	-3	-12	2	3	43
Change in tax rate affecting income statement		6	1	0	-1	0	6
Deferred tax recognised in other comprehensive income		-	-	-	-1	1	0
Deferred tax attributable to acquisitions		-43	-1	-	-	0	-44
Exchange rate differences		-10	-2	0	2	2	-8
Closing book value		-388	-69	-143	46	67	-487
As per 31 Dec. 2018							
BS	Deferred tax asset	4	2	-	46	67	119
BS	Deferred tax liability	-392	-71	-143	0	0	-606
Deferred tax, net		-388	-69	-143	46	67	-487

The loss-carryforward, in which deferred tax has been capitalised, amounts to SEK 165 million (172), corresponding to a tax asset of SEK 54 million (52). The tax that has been capitalised on loss-carryforwards pertains mainly to German companies. The loss-carryforward is not limited in time. Uncapitalised loss-carryforwards amount to SEK 119 million (67), corresponding to a tax asset of SEK 29 million (19). The amount is primarily attributable to companies in Germany, USA, South

Korea and Brazil. The remainder is made up of other items, which are not significant each on their own, and pertains to several countries.

Substantial dividends may be recognised without withholding tax. Of the deferred tax liabilities, SEK 51 million is estimated to be dissolved in 2020. The calculation is based on estimated depreciation of acquisition calculations in the coming years.

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

Parent Company, 1 Jan. – 31 Dec. 2018		Pension obligations	Other items	Total tax
Deferred tax, net				
Opening book value		3	-4	-1
Deferred tax as per income statement		0	0	0
Change in tax rate affecting income statement		0	0	0
Deferred tax recognised in other comprehensive income		-	0	0
Closing book value		3	-4	-1
As per 31 Dec. 2018				
BS	Deferred tax asset	3	1	4
BS	Deferred tax liability	-	-5	-5
Deferred tax, net		3	-4	-1

Intangible assets

Accounting principles**Goodwill**

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

Agencies, trademarks, customer relationships, etc.

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

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

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

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

Development costs

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

Impairment testing of non-financial assets

Goodwill and most of the trademarks have been assessed as having an indefinite useful life and are not amortised, but are instead tested at least annually for impairment. Impairment is judged on the basis of a decline in value whenever events or changes in conditions indicate that the carrying amount may not be recoverable. Impairment is recognised in the amount in which the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less selling costs and its value in use. In calculations of value in use, future cash flows are discounted using a discount factor that takes into account risk-free interest and the risk associated with the specific asset. When determining any need to recognise impairment, assets are grouped at the lowest levels in which there are separate, identifiable cash flows (cash-generating units). For Indutrade this normally entails that such determination is normally done at the segment level, which corresponds to Indutrade's business areas. For assets other than financial assets and goodwill for which an impairment loss has previously been recognised, a test is performed as per each balance sheet date to determine if any reversals should be made.

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

Group, 1 Jan. – 31 Dec. 2019	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
Opening book value	3,170	1,723	270	71	105	5,339
Exchange rate differences	72	42	4	1	0	120
Investments during the year	–	–	0	26	11	37
Company acquisitions	810	733	31	2	5	1,581
Reclassification	–	0	–	0	–1	–1
Sales and disposals	–	0	–	0	–	0
Adjustment of preliminary purchase price allocation	0	0	0	0	0	0
Depreciation/amortisation	–	–309	–2	–26	–12	–349
Company divestment	–21	–	–	–2	–	–23
BS Closing book value	4,031	2,189	303	72	108	6,704
As per 31 Dec. 2018						
Cost	4,158	4,238	365	232	201	9,195
Accumulated depreciation/amortisation and impairment	–127	–2049	–62	–160	–93	–2,491
BS Book value	4,031	2,189	303	73	108	6,704

Note 16 continued

Group, 1 Jan. – 31 Dec. 2018	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
Opening book value	2,845	1,683	251	60	108	4,947
Exchange rate differences	65	41	6	2	1	115
Investments during the year	–	–	–	19	10	29
Company acquisitions	268	257	14	17	–	556
Reclassification	–	0	–	1	0	1
Sales and disposals	–	0	–	–1	–1	–2
Adjustment of preliminary purchase price allocation	–2	1	0	–1	–	–2
Depreciation/amortisation	–	–259	–1	–22	–13	–295
Impairment losses	–6	–	–	–4	–	–10
BS Closing book value	3,170	1,723	270	71	105	5,339
As per 31 Dec. 2018						
Cost	3,296	3,495	330	223	180	7,524
Accumulated depreciation/amortisation and impairment	–126	–1,772	–60	–152	–75	–2,185
BS Book value	3,170	1,723	270	71	105	5,339

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 2019.

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

The recoverable value has been calculated according to value in use and is based on the current estimation of cash flows for the next five years. Assumptions have been made on the gross margin, level of overheads, need for working capital and investment need. The parameters have been set to correspond to budgeted earnings for the 2020 financial year. During the rest of the five-year period, an annual growth rate of 2% (2%) has been assumed. Where greater changes are expected, the assumptions have been adapted to better correspond to these expectations. For cash flows beyond the five-year period, the rate of growth has been assumed to correspond to the growth rate during the fifth year, ordinarily 2%. The cash flows have been discounted with a weighted cost of capital that corresponds to approximately 9% (10%) before tax. The weighted cost of capital has been adapted to the prevailing level of interest rates.

Operating segments have operations in more than one country. Operational risk in cash flows is considered to be similar among the segments, and thus the same discount rate (WACC) has been used for all segments. With respect to financial risk, the segments are active in related sectors, and the segments' financing structures are therefore considered to be similar.

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

Other impairment testing

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

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

Group breakdown of goodwill at segmental level

	2019	2018
Benelux	547	344
DACH	359	252
Finland	140	138
Flow Technology	515	449
Fluids & Mechanical Solutions	550	443
Industrial Components	689	630
Measurement & Sensor Technology	816	609
UK	415	305
Total	4,031	3,170

Group breakdown of trademarks at segmental level

	2019	2018
Benelux	15	–
DACH	78	76
Finland	0	0
Flow Technology	11	10
Fluids & Mechanical Solutions	19	18
Industrial Components	6	7
Measurement & Sensor Technology	174	159
UK	0	0
Total	303	270

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Note 16 continued

Parent Company	2019	2018
Opening cost	2	2
Investments during the year	0	–
Closing accumulated cost	2	2
Opening depreciation/amortisation	–2	–2
Depreciation for the year	0	0
Closing accumulated depreciation	–2	–2
BS Planned residual value	0	0

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Property, plant and equipment

Accounting principles

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

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

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

No depreciation is calculated for land.

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

Impairment testing of non-financial assets

Land is judged to have indefinite useful life and is not depreciated, but is instead tested at least annually for impairment. Impairment is judged on the basis of a decline in value whenever events or changes in conditions indicate that the carrying amount may not be recoverable. Impairment is recognised in the amount in which the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less selling costs and its value in use. In calculations of value in use, future cash flows are discounted using a discount factor that takes into account risk-free interest and the risk associated with the specific asset. When determining any need to recognise impairment, assets are grouped at the lowest levels in which there are separate, identifiable cash flows (cash-generating units). For Indutrade this normally entails that such determination is normally done at the segment level, which corresponds to Indutrade's business areas. For assets other than financial assets and goodwill for which an impairment loss has previously been recognised, a test is performed as per each balance sheet date to determine if any reversals should be made.

Note 17 continued

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

Group, 1 Jan – 31 Dec 2018	Land and buildings	Machinery	Equipment	Construction-in-progress	Total property, plant and equipment
Opening book value	884	403	320	11	1,618
Exchange rate differences	26	14	7	0	47
Investments during the year ¹⁾	16	130	159	40	345
Company acquisitions	5	23	6	–	34
Sales and disposals ¹⁾	–	–6	–39	–3	–48
Reclassification	6	15	–6	–16	–1
Adjustment of preliminary purchase price allocation	–	–	1	–	1
Depreciation/amortisation	–33	–94	–102	–	–229
Company divestment	–19	–8	–4	–	–31
BS Closing book value	885	477	342	32	1,736
As per 31 Dec. 2018					
Cost	1,303	1,646	1,115	32	4,096
Accumulated depreciation/amortisation and impairment	–418	–1,169	–773	–	–2,360
BS Book value	885	477	342	32	1,736

¹⁾ Of net investments in property, plant and equipment, SEK 270 million had an effect on cash flow, while SEK 53 million pertain to investments financed via finance leases.

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

	2019	2018
Cost – capitalised finance leases	–	179
Accumulated depreciation	–	–65
Book value	–	114

Leased assets consist primarily of cars. Since implementation of IFRS 16, these are reported as right-of-use assets. See Note 18.

Parent Company	2019	2018
Opening cost	4	4
Investments during the year	0	2
Sales and disposals	–1	–2
Closing accumulated cost	3	4
Opening depreciation/amortisation	–2	–3
Depreciation for the year	–1	0
Sales and disposals	1	1
Closing accumulated depreciation	–2	–2
BS Planned residual value	1	2

Accounting principles**Leases**

The new leasing standard IFRS 16, which has been endorsed by the EU, replaced IAS 17 on 1 January 2019. The standard entails changes primarily for lessees in that the breakdown of leases into operating and finance leases has been removed. The lessee reports a right-of-use asset (representing its right to use the underlying asset) along with a lease liability that represents its obligation to make lease payments in accordance with the lease agreement. In the income statement, interest and depreciation are to be reported instead of leasing costs.

Indutrade has decided to report the transition using the simplified method, which means that it is not necessary to recalculate comparison figures. Valuation of the right-of-use asset is based on the actual start date of the contract.

It has been assessed that the standard has had the following effects on the balance sheet as of 1 January 2019: right-of-use assets (reported among property, plant and equipment) increased by SEK 807 million, lease liabilities (reported among current and non-current interest-bearing liabilities) increased by SEK 842 million, equity decreased by SEK 28 million and deferred tax asset increased by SEK 7 million.

The Group's leasing activity and reporting of such

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

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

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

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

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

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

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

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

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

with non-identifiable assets are reported directly in the income statement.

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

Interest

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

Fees pertaining to the guaranteed residual value

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

Important estimates and assumptions regarding the duration of the lease

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

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

Operating leases as of 31 December 2018 in accordance with disclosures in the annual report	948
Discounted using the Group's marginal interest rates at 1 January 2019	–36
Added:	
Financial lease liabilities recognised at 31 December 2018	108
Deducted:	
– Short-term leases expensed on a straight-line basis	–3
– Leases where the underlying asset has a low value that are expensed on a straight-line basis	–27
Lease liability, 1 January 2019	990
Deducted based on changes in the accounting principle for lease liability, guaranteed residual values	–40
Total	950

The lease liability for leases previously classified as finance leases has, in accordance with the transition rules for IFRS 16, in the initial amount for 2019 stated above, been recognised at the same amount reported at year-end 2018. In later reporting, the principles stated in IFRS 16 have been applied, which means that amounts for guaranteed residual values (previously included in the lease liability) have been deducted from the liability and a corresponding reduction has been made to the right-of-use asset. The amounts stated above for lease liabilities and right-of-use assets have thus been reduced by SEK 40 million. For the transition to IFRS 16, the following was used: a weighted-average marginal interest rate of 2%.

Note 18 continued

Right-of-use assets

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

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

Amount recognised in the income statement

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

Contractual duration for financial liabilities

	2019
Maturity in 2020	325
Maturity in 2021	224
Maturity in 2022	171
Maturity in 2023	126
Maturity in 2024 or later	222
Total contractual cash flows	1,068
Carrying amount of lease liability	1,011

Cash flow disclosures

Cash flow from operating activities

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

Cash flow from financing activities

Amortisation of lease liabilities attributable to leases	–340
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Shares and participations

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

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

Holdings of shares and participation in unlisted companies

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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	
	2019	2018	2019	2018
Opening cost	13	15	6,156	6,028
External acquisitions	1	–	348	48
External divestiture/liquidations	0	0	–10	–1
Shareholder contribution	0	0	85	81
Internal restructuring	–	–	25	–
Adjustment of estimated contingent consideration	–	–	–14	–
Increase through company acquisitions	0	0	–	–
Decrease through company divestiture	–	–2	–	–
Exchange rate differences	0	0	–	–
Closing accumulated cost	14	13	6,590	6,156
Opening revaluations	–	–	8	8
Closing acc. revaluations	–	–	8	8
Opening impairment	–	–	–679	–644
Impairment for the year	0	0	–	–35
Closing acc. impairment	0	0	–679	–679
BS Book value	14	13	5,919	5,485
Effect on cash flow				
Purchase price, external acquisitions			–344	–48
Purchase price not paid out			90	5
Reversal of contingent consideration			–	–
Internal restructuring			–25	–
Purchase price paid for previous years' acquisitions			–59	–7
Shareholder contribution paid out			–80	–116
Total			–418	–166

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

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Non-current receivables

	Group		Parent Company	
	2019	2018	2019	2018
Opening balance	26	22	13	12
Additional receivables	9	4	–	–
Repaid deposits/amortisation	–2	–3	–	–
Company acquisitions	1	–	–	–
Change in value of pensions	1	1	1	1
Reported net against pension obligations	–1	2	–1	0
Exchange rate differences	0	0	–	–
BS Total	34	26	13	13

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

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

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Inventories

Accounting principles

Inventories

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

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

Inventories are broken down into the following items:

Group	2019	2018
Raw materials and consumables	704	513
Products-in-process	308	264
Finished products and goods for resale	2,388	2,057
BS Total	3,400	2,834

The cost of goods sold for the Group includes impairment of inventory, totalling SEK 25 million (28). No significant reversals of previous impairment charges were made in 2019 or 2018.

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Trade receivables

Accounting principles**Trade receivables**

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

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

Age breakdown of trade receivables and provisions for impaired trade receivables

Group	2019	2018
Trade receivables		
Trade receivables not yet due	2,187	2,027
Trade receivables 0-3 months past due	740	678
Trade receivables 3-6 months past due	57	119
Trade receivables more than 6 months past due	105	118
Provision for doubtful debts	-64	-65
BS Total	3,025	2,877
Provision for doubtful debts		
Provision for doubtful debts, 0-3 months past due	-6	-6
Provision for doubtful debts, 3-6 months past due	-6	-3
Provision for doubtful debts, older than 6 months	-52	-56
Total	-64	-65
Change in provision for doubtful debts during the year		
Opening provision	-65	-64
Receivables written off as bad debt losses	6	15
Reversed, unutilised provisions	10	10
Provision for doubtful debts for the year	-12	-18
Company acquisitions	-1	-7
Exchange rate differences	-2	-1
Closing provision	-64	-65

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

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Prepaid expenses

	Group		Parent Company	
	2019	2018	2019	2018
Prepaid material costs	57	51	-	-
Prepaid rents	26	24	-	-
Prepaid IT/telecom costs	21	17	1	0
Prepaid insurance premiums	15	13	0	0
Prepaid property costs	12	12	-	-
Other prepaid expenses	59	37	21	5
BS Total	190	154	22	5

Non-current and current interest-bearing liabilities

Accounting principles

Borrowings

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

Contingent earn-out payments

Indutrade typically uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. Contingent consideration is typically based on the projected earnings of the acquired company over the next few years. As per the date of the transaction, the contingent 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/expenses". Contingent consideration is reported as a current liability if it is payable within 12 months from the balance sheet date.

Leases

IAS 17, which was in effect through 31 December 2018 and then replaced by IFRS 16, defined a lease as an agreement whereby the lessor conveyed to the lessee, in return for payment, the right to use an asset for an agreed period of time.

Leases in which the Group, in all essential respects, accepted the financial risks and benefits associated with ownership were classified as finance leases. Otherwise, the lease was classified as an operating lease. The Group leases certain non-current assets, mainly premises and cars.

At the start of the lease period, finance leases were reported in 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 were 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, were reported in the balance sheet under non-current and current liabilities. Non-current assets that were held under finance leases were depreciated over the asset's useful life or lease period, whichever were shorter.

Assets held under operating leases were not reported as assets in the consolidated balance sheet, and neither did operating leases give rise to a liability. Lease payments were expensed on a linear basis over the lease period as operating expenses. See also Note 10.

The new leasing standard, IFRS 16, replaced IAS 17 on 1 January 2019. The standard entailed changes primarily for lessees in that the breakdown of leases into operating and finance leases was removed. The lessee reports a right-of-use asset (representing its right to use the underlying asset) along with a lease liability. For a more detailed description, please see Note 18 Leases.

	Group		Parent Company	
	2019	2018	2019	2018
Non-current liabilities				
Lease liability	694	64	0	2
SEK-denominated loans with terms longer than 1 year	1,183	802	1,178	800
MTN loans	2,000	1,500	2,000	1,500
EUR-denominated loans with terms longer than 1 year	16	39	–	–
Loans in other currencies with terms longer than 1 year	26	14	–	–
Contingent consideration in SEK with payment due later than 1 year	115	–	79	–
Contingent consideration in EUR with payment due later than 1 year	78	37	–	–
Contingent consideration in other currencies with payment due later than 1 year	218	59	–	5
BS Total	4,330	2,515	3,257	2,307
Current liabilities				
Utilised bank overdraft facilities	255	15	232	0
Lease liability	317	44	0	0
SEK-denominated loans with terms shorter than 1 year	299	500	297	500
Commercial paper	1,082	1,100	1,082	1,100
EUR-denominated loans with terms shorter than 1 year	3	0	–	–
Loans in other currencies with terms shorter than 1 year	32	28	–	–
Contingent consideration in SEK with payment due less than 1 year	12	15	12	15
Contingent consideration in EUR with payment due less than 1 year	29	40	–	25
Contingent consideration in other currencies with payment due less than 1 year	113	64	6	28
BS Total	2,142	1,806	1,629	1,668

Externally granted bank overdraft facilities amount to SEK 740 million (745) for the Group and SEK 680 million (680) for the Parent Company.

Maturity dates leases, non-current portion	Group	
	2019	2018
Maturity in 2020	–	38
Maturity in 2021	215	23
Maturity in 2022	161	2
Maturity in 2023	117	1
Maturity in 2024 or later	201	–
Total	694	64

IFRS 16 entered into force on 1 January 2019. The comparison figures have not been restated.

Note 24 continued

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

2018	Group			Parent Company
	SEK	EUR	KRW	SEK
Maturity dates for long-term loans, SEK million				
Maturity year 2020	300	22	9	300
Maturity in 2021	500	3	5	500
Maturity in 2022	500	3	–	500
Maturity in 2023 or later	1,002	11	–	1,000
Total	2,302	39	14	2,300
Variable (V)/Fixed (F) interest	R&F	V&F	V	V&F

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

2018	Group			Parent Company
	EUR	GBP	NOK	NOK
Maturity dates for long-term contingent consideration, SEK million				
Maturity year 2020	20	54	5	5
Maturity in 2021	17	–	–	–
Total	37	54	5	5
Present value discounting rate, %	2-3	2	2	2

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Pension obligations

Accounting principles

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

The liability carried on the balance sheet pertaining to defined benefit pension plans consists of the present value of the defined benefit obligations on the balance sheet date, less the fair value of the plan assets. The defined benefit obligation is calculated annu-

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

For calculations of defined benefit pension obligations in Sweden, the discount rate has been set in reference to the interest rate for mortgage bonds with a duration that corresponds to the average duration of the obligations. Indutrade has determined that a deep market for high quality corporate bonds exists in Sweden. Indutrade is of the opinion that Swedish mortgage

Financial statements

Note 25 continued

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

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

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

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

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

Valuation of pension obligations

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

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

Defined benefit plans

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

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

Breakdown of net liability in SEK million

	2019	2018
PRI plan	155	139
Defined benefit plans, Netherlands, Switzerland and the UK	192	128
Total defined benefit plans	347	267
Other pension obligations	30	29
BS Total	377	296

The Group's plan assets, totalling SEK 978 million (810), consist of 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 2019 Indutrade does not have access to such information that would make it possible to report this plan as a defined benefit plan, which is why the plan is reported as a defined contribution plan. Premiums paid during the year for pension plans with Alecta amounted to SEK 28 million (26). Premiums for 2020 are expected to be in line with 2019. Alecta's collective funding ratio was 148% (142%) in December 2019.

Assumptions used in actuarial computations

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

¹⁾ Age-related.

Assumptions used in actuarial computations

Group, 2018	Sweden	Netherlands	Switzerland	Great Britain
Assumptions in calculating pension obligations				
Discount rate, %	2.25	1.83	1.15	3.00
Future salary increases, %	3.75	1.80	1.00	–
Anticipated inflation, %	1.75	1.80	1.00	3.50
Future pension increases, %	1.75	1.80	0.00	2.50
Employee turnover, %	2.00	¹⁾	¹⁾	–

¹⁾ Age-related.

Duration

Duration, years	2019	2018
Sweden	20	20
Netherlands	20	20
Switzerland	17	16
Great Britain	13	13

Note 25 continued

Sensitivity analysis for changes in significant assumptions

Impact on defined benefit obligation, SEK million	Sweden	Netherlands	Switzerland	Great Britain
Discount rate, increase by 1.00%	-24	-98	-74	-10
Discount rate, decrease by 1.00%	33	131	100	10
Salary increase of 1.00%	21	1	8	-

Amounts reported in the balance sheet

	2019	2018
Present value of funded obligations	1,170	938
Fair value of plan assets	-978	-810
	192	128
Present value of unfunded obligations	155	139
	155	139
Net liability, defined benefit plans, in the balance sheet	347	267

Revaluation in the liability and other comprehensive income

	2019	2018
Experience-based adjustments of defined benefit obligations	5	13
Return on plan assets, excl. interest income	-102	-4
Demographic adjustments of defined benefit obligations	0	-4
Financial adjustments of defined benefit obligations	176	-7
Total	79	-2

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 212 million (130).

	2019	2018
Present value of pension obligations at start of year	1,077	1,029
Pension costs	35	29
Change of pension terms	-12	1
Interest expenses	19	15
Employee contributions	10	9
Pension payments	-18	-30
Redemption of pension liability	-	-30
Actuarial gains (-)/losses (+)	181	2
Exchange rate differences	33	52
Present value of pension obligations at year-end	1,325	1,077
Plan assets at start of year	810	774
Interest income	14	12
Employee contributions	12	11
Company contributions	26	22
Pension payments	-14	-26
Redemption of pension liability	-	-30
Return on plan assets, excl. interest income	102	5
Exchange rate differences	28	42
Plan assets at year-end	978	810
Net liability at start of year	267	255
Net cost reported in the income statement	28	33
Pension payments	-6	-6
Company contributions	-26	-22
Actuarial gains (-)/losses (+)	79	-3
Exchange rate differences in foreign plans	5	10
Net liability at year-end	347	267

Amounts reported in income statement	2019			2018		
	Defined benefit plans	Defined contribution plans	Total	Defined benefit plans	Defined contribution plans	Total
Costs relating to service in current and past periods	23	265	288	30	245	275
Interest on obligation	19	-	19	15	-	15
Return on plan assets	-14	-	-14	-12	-	-12
Net cost in income statement	28	265	293	33	245	278
of which, included in selling costs	23	194	217	30	180	210
of which, included in administrative expenses	0	71	71	0	65	65
of which, included in financial items	5	-	5	3	-	3

Anticipated company contributions to defined benefit pension plans in 2020 amount to SEK 18 million.

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Other provisions

Accounting principles

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

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

	Group		Parent Company	
	2019	2018	2019	2018
Guarantee commitments	12	13	-	-
Total long-term provisions	12	13	-	-
			Guarantee commitments	
Opening balance, 1 January 2019				13
Guarantee commitments in acquired companies				0
Change in guarantee commitments for the year				-1
BS Closing balance, 31 December 2019				12

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Accrued expenses and deferred income

	Group		Parent Company	
	2019	2018	2019	2018
Accrued vacation pay	235	220	6	5
Other payroll costs	268	227	11	11
Accrued social security costs	96	87	6	6
Accrued expenses for purchase of materials	99	78	-	-
Customer bonuses and discounts	61	40	-	-
Accrued audit and consulting fees	31	29	2	2
Accrued financial expenses	9	7	9	7
Other	60	87	1	0
BS Total	859	775	35	31

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Pledged assets

	Group		Parent Company	
	2019	2018	2019	2018
For own liabilities:				
Real estate mortgages	103	98	-	-
Chattel mortgages	38	31	-	-
Assets subject to liens ¹⁾	191	114	-	-
Blocked funds	1	0	-	-
Total	333	243	-	-

¹⁾ Primarily leases on cars.

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Contingent liabilities

Accounting principles

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

	Group		Parent Company	
	2019	2018	2019	2018
Guarantees pledged for subsidiaries' PRI liabilities	-	-	79	79
Guarantees pledged for the benefit of subsidiaries	-	-	38	39
Contingent liabilities for own PRI liabilities	2	2	-	-
Other contingent liabilities	1	1	-	-
Total	3	3	117	118

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Cash and cash equivalents

Accounting principles

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

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

	Group		Parent Company	
	2019	2018	2019	2018
Cash and bank balances	716	705	0	200
Short-term investments	3	3	0	-
BS Total	719	708	0	200

Cash flow

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

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

²⁾ For liabilities reported in financing activities.

	Non-cash changes											31 Dec 2018
	1 Jan 2018	Items affecting cash flow	Acquisitions	Divestments	Interest	Transfer from non-current to current	Translation difference	Adjustment in income statement	New loans raised	Fair value		
Current interest-bearing liabilities	2,582	-1,467	16	-	-	510	1	-	-	-	-	1,642
Non-current interest-bearing liabilities	1,127	1,735	-	-1	-	-510	5	-	-	-	-	2,356
Finance lease liabilities	115	-43	3	-	2	0	0	-	31	-	-	108
Total, excl. contingent consideration	3,824	225	19	-1	2	0	6	-	31	-	-	4,106
Contingent consideration ¹⁾	185	-93	-	-	4	-	6	-6	119	0	0	215
Total interest-bearing liabilities	4,009	132	19	-1	6	0	12	-6	150	0	0	4,321
Financial assets used for hedging purposes ²⁾	7	-	-	-	-	-	-	-	-1	0	0	6
Short-term investments	3	0	-	-	-	-	0	-	-	-	-	3
Cash and bank balances	461	254	-	-	-	-	-10	-	-	-	-	705
Total cash and bank balances	464	254	-	-	-	-	-10	-	-	-	-	708

²⁾ For liabilities reported in financing activities.

Acquisitions and divestments of subsidiaries

Acquisitions in 2019

All of the shares have been required in the following companies: Wholesale Welding Supplies Ltd (UK), STRIHL Scandinavia AB (Sweden), Acumo AB (Sweden), QbiQ Group B.V. (Netherlands), Adam Equipment Co Ltd (UK), Datum Electronics Ltd (UK), Starke Arvid AB (Sweden), Färber & Schmid AG (Switzerland), Finisterra AS (Norway), Natgraph Ltd (UK), Sensor Groep B.V. (Netherlands), Finkova Oy (Finland), Uniska AG (Switzerland), Leiderdorp Instruments BV (Netherlands) and Intergate AB (Sweden).

Benelux

On 26 April, QbiQ Group B.V. (Netherlands) was acquired, with annual sales of SEK 320 million. The company designs, develops and manufactures movable fire proof, sound reduction and normal partition walls solutions.

On 24 July, Sensor Groep B.V. (Netherlands) was acquired, with annual sales of SEK 90 million. The company offers sensors for industrial automation.

On 8 October, Leiderdorp Instruments B.V. (Netherlands) was acquired, with annual sales of SEK 30 million. The company is a niche manufacturer of sensors for geotechnical measurement solutions for such things as groundwater level and infrastructure vibrations.

DACH

On 31 May, Färber & Schmid AG (Switzerland) was acquired with annual sales of SEK 220 million. The company specialises in environmental-friendly chemicals for industrial waste water treatment and the surface treatment market.

On 1 October, Uniska AG (Switzerland) was acquired, with annual sales of SEK 50 million. It offers a broad range of glass partition systems to customers in the Swiss market.

Flow Technology

On 2 September, Finkova Oy (Finland) was acquired, with annual sales of SEK 90 million. It is a niche technical trading business offering valve solutions to the process industry and boiler manufacturers.

Fluids & Mechanical Solutions

On 4 March, STRIHL Scandinavia AB (Sweden) was acquired, with annual sales of SEK 60 million. The company is a leading supplier of outdoor light fixtures. Its offering comprises LED products for outdoor lighting of roads, streets, parks and sports venues.

On 17 May, STRIHL Starke Arvid AB (Sweden) was acquired, with annual sales of SEK 90 million. The company develops and supplies material handling products and systems to the construction industry as well as products for the road maintenance equipment market.

Industrial Components

On 1 April, Acumo AB and Acumo Communication Solution Nordic AB (Sweden) were acquired with annual sales of SEK 60 million. The company is a leading supplier of automation solutions in the areas of positioning, measurement and detection.

On 1 July, Finisterra AS (Norway) was acquired, with annual sales of SEK 50 million. The company offers test and measurement instruments to customers in Norway and Sweden.

On 22 November, Intergate AB (Sweden) was acquired, with annual sales of SEK 40 million. The company is a supplier of security products such as boom barriers, entry gates, bollards, and security access controlled gates.

Effects of acquisitions carried out in 2019 and 2018

SEK million	2019		2018	
	Net sales	EBITA	Net sales	EBITA
Business area				
Benelux	272	28	252	60
DACH	95	17	300	39
Finland	–	–	–	–
Flow Technology	116	18	125	22
Fluids & Mechanical Solutions	92	17	–	–
Industrial Components	87	17	195	22
Measurement & Sensor Technology	297	43	69	8
UK	183	26	97	12
Effect on Group	1,142	166	1,038	163
Acquisitions carried out in 2017	–	–	685	100
Acquisitions carried out in 2018	333	50	353	63
Acquisitions carried out in 2019	809	116	–	–
Effect on Group	1,142	166	1,038	163

The table above shows the net sales and EBITA that the acquired companies have had since the acquisition date and which are included in the Group's earnings for each period. If all acquired units had been consolidated as from 1 January 2019, net sales for the year would have amounted to SEK 19,030 million, and EBITA would have totalled SEK 2,415 million.

Note 32 continued

Acquired assets

Preliminary purchase price allocation

SEK million	2019	2018
Purchase price, incl. contingent consideration	2,091	756
of which contingent consideration	465	119

Acquired assets	2019			2018		
	Book value	Fair value adjustment	Fair value	Book value	Fair value adjustment	Fair value
Goodwill	–	810	810	–	266	266
Agencies, trademarks, customer relationships, licences, etc.	9	763	772	3	285	288
Property, plant and equipment	247	–	247	31	4	35
Financial assets	1	–	1	2	–	2
Inventories	241	–	241	83	–	83
Other current assets ¹⁾	271	–	271	151	–	151
Cash and cash equivalents	202	–	202	71	–	71
Deferred tax liability	–10	–152	–162	–1	–45	–46
Provisions including pension liabilities	0	–	0	–1	–	–1
Other operating liabilities	–291	–	–291	–93	–	–93
Non-controlling interests	0	–	0	–	–	–
	670	1,421	2,091	246	510	756

¹⁾ Primarily trade receivables.

Measurement & Sensor Technology

On 2 May, Adam Equipment Co Ltd (UK) was acquired, with annual sales of SEK 150 million. The company develops, manufactures and sells an extensive portfolio of weighing products and equipment for professional use.

On 3 May, Datum Electronics Ltd, (UK) was acquired, with annual sales of SEK 50 million. The company develops, produces and sells innovative torque and shaft power measurement solutions.

UK

On 1 March, Wholesale Welding Supplies Ltd (UK) was acquired, with annual sales of SEK 100 million. The company is a broad range supplier of equipment, consumables products and education services to the industrial welding market.

On 3 July, Natgraph Ltd (UK) was acquired, with annual sales of SEK 120 million. The company designs and manufactures an extensive range of drying and curing systems for industrial print applications.

Divestments

Early in February, an agreement was signed on divestment of the operations in Wilhelm Sander Fertigung GmbH in Germany. Annual sales amounted to SEK 60 million. The divestment was part of the restructuring of the Sander Meson Group that was begun in 2017.

On 10 May, Rostfria VA-system i Storfors AB was sold. Annual sales amounted to SEK 30 million. The divestment resulted in a marginal capital gain.

On 3 June, EssMed AB, Brinch AS and EssMed Oy were sold. Annual sales amounted to SEK 40 million. The divestments resulted in a capital loss of SEK 14 million.

Since disclosures about the individual acquisitions are insignificant, they are provided here in aggregate form. The cost amount of the value of customer relationships and agencies has been measured at one-half to one year's gross margin and is reported on the balance sheet as agencies, trademarks, customer relationships, licences, etc. They will be amortised over a period of 10 to 20 years, with the exception of trademarks, which are assumed to have indefinite useful life. Trademarks are included at a value of SEK 31 million (14). Goodwill is justified by the good profitability and personnel included in the acquired companies.

Indutrade typically uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. Initially, the contingent consideration is measured at the present value of the likely outcome, which for the acquisitions made during the year amounts to SEK 465 million (119). The contingent consideration falls due for payment within three years and can amount to a maximum of SEK 487 million (124). If the conditions are not met, the outcome can be in the range of SEK 0-487 million (0-124).

Transaction costs for the acquisitions carried out during the year totalled SEK 14 million (3) and are included in "Other operating expenses" in the income statement. Contingent earn-out payments have been restated in the amount of SEK 30 million (6). Income recognised as a result of this restatement is reported under "Other operating income" in the amount of SEK 30 million (6) and under Net financial items in the amount of SEK 0 million (0).

The purchase price allocation calculations for the companies acquired through December 2018 have now been finalised. No significant adjustments have been made to the calculations. For other acquisitions, the purchase price allocation calculations are preliminary. Indutrade regards the calculations as preliminary during the time that uncertainty exists with respect to, for example, the outcome of guarantees in the acquisition agreements concerning inventories and accounts receivable, trade.

Financial statements

Note 32 continued

Cash flow impact

SEK million	2019	2018
Purchase price, incl. contingent consideration	2,091	756
Purchase price not paid out	-474	-119
Cash and cash equivalents in acquired companies	-202	-71
Payments pertaining to previous years' acquisitions	97	98
Total cash flow impact	1,512	664

Acquisitions and divestments after the end of the reporting period

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

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

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

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

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

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

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Related party transactions

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

The Indutrade Group's related parties consist mainly of senior executives. Disclosures of transactions with these related parties are provided in Note 8, Wages, salaries and other remuneration, and social security costs.

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Events after the balance sheet date

During January-March 2020, six company acquisitions were made. For further information, see Note 32.

On 4 February, an extraordinary general meeting of shareholders was held, where a resolution was passed to approve the transfer of shares in Meson FT Rus LLC to the subsidiary's CEO and Sales Manager.

The framework amount of Indutrade's commercial paper programme has been increased from SEK 2 billion to SEK 3 billion.

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

The pandemic outbreak of COVID-19 in 2020 has had a significant negative impact on both people and financial markets. Indutrade's executive management team and Board of Directors is carefully monitoring the situation and following the directives issued by government authorities in each country where it does business. Indutrade is maintaining a very close dialogue with its subsidiaries so that it can implement the necessary measures to support them in the best way possible. The overall impact of COVID-19 is currently very difficult to predict. It is important to point out, however, that the Group has a diversified structure with more than 200 companies working in a variety of segments and countries. This offers good risk diversification and the prerequisites for stability. Indutrade's financial position is good. Given the high level of uncertainty however, it not possible to, at present, estimate the overall potential impact on the Indutrade Group.

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Disclosures about Parent Company

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

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

The share capital of Indutrade AB as per 31 December 2019 consisted of 120,855,000 shares with a share quota value of SEK 2, for a total of SEK 242 million.

At the Annual General Meeting on 6 May 2020, a dividend of SEK 4.75 per share will be proposed for the 2019 financial year, for a total of SEK 574 million. The proposed dividend has not been reported as a liability in these financial statements.

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Tax allocation reserves

	Parent Company	
	2019	2018
Provision 2013	-	94
Provision 2014	73	73
Provision 2015	110	110
Provision 2016	108	108
Provision 2017	142	142
Provision 2018	120	120
Provision 2019	120	-
BS Total	673	647

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Indutrade AB (publ) for the year 2019, with the exception of the Corporate Governance Report on pages 30-37. The annual accounts and consolidated accounts of the company are included on pages 10-11, 18-22, 25-38 and 40-80 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not cover the Corporate Governance Report on pages 30-37. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Our audit approach

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

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

Indutrade markets and sells components, systems and services with high-tech content in selected niches to the industry. The Group consists of more than 200 companies in 30 countries and has a clearly defined

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

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

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

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

Our audit is carried out continuously during the year. In 2019, with respect to the interim reports for the third quarter and year-end, we reported our main observations to Group management, audit committee and the Board of Directors. For the third quarter, we issued a public review report.

Materiality

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

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

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
<p>Valuation of inventories</p> <p>Inventories is a significant item in the consolidated balance sheet. As per December 31 2019 inventory amounts to SEK 3,4 billion. The existence and valuation of inventories are important factors to consider. The obsolescence provisions are to some extent affected by management's judgments.</p> <p><i>Refer to the Annual Report Note 21 Inventories</i></p>	<p>In our audit we have mapped and assessed the companies' inventory processes including routines for valuation and assessment of obsolescence in order to gain an understanding of risks and controls. We have also participated in stocktaking and performed audit procedures of pricing of articles in stock.</p> <p>Considering the company's operations, system support, inventory turnover and other relevant factors we have tested the obsolescence models in the subsidiaries against Indutrade's general accounting principles considering.</p>
<p>Valuation of trade receivables</p> <p>Accounts receivable amount to SEK 3 billion as of December 31, 2019 which constitutes a significant balance sheet item. Key audit areas to consider when auditing accounts receivable are existence and valuation. Accounts receivables also are affected by elements of management's judgments in terms of impaired accounts receivable and assessment of credit risk.</p> <p><i>Refer to the Annual Report Not 2 – Risk and risk management and note 22 – Trade accounts receivable</i></p>	<p>The sales process, covering controls related to credit assessment, follow-up and monitoring of receivables past due and valuation of impaired accounts receivable, is an important process to focus on in our audit. In connection with the year-end audit we have had a specific focus in our audit on provisions for impaired trade accounts receivable, where we need to assess the chosen model for provisioning and management's judgment with respect to significant credit risks or customers with payment difficulties. We have also performed tests over subsequent payments in order to confirm existence of accounts receivable. Based on our work, we had no material observations for the overall audit on Indutrade's valuation of accounts receivable.</p>

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-9, 12-17, 23-24, 39 and page 85-89. Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Indutrade AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

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

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

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

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

The auditor's examination of the corporate governance report

The Board of Directors is responsible for that the Corporate Governance Report on pages 30-37 has been prepared in accordance with the Annual Accounts Act.

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

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

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Indutrade AB (publ) by the general meeting of the shareholders on May 9, 2019 and has been the company's auditor since before 1994.

Stockholm 20 March 2020

PricewaterhouseCoopers AB

Michael Bengtsson
Authorized Public Accountant

Auditor's report on the statutory sustainability report

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

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2019 on pages 4-9, 12-17 and 26-27, and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the

statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinion

A statutory sustainability report has been prepared.

Stockholm March 20, 2020

PricewaterhouseCoopers AB

Michael Bengtsson

Authorised Public Accountant

Multi-year overview and definitions

Condensed income statements

SEK million	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Net sales	18,411	16,848	14,847	12,955	11,881	9,746	8,831	8,384	7,994	6,745
Cost of goods sold	-12,126	-11,099	-9,881	-8,607	-7,847	-6,464	-5,833	-5,545	-5,268	-4,480
Development costs	-217	-204	-178	-156	-133	-107	-110	-95	-74	-48
Selling costs	-2,990	-2,737	-2,463	-2,179	-2,044	-1,708	-1,601	-1,527	-1,430	-1,224
Administrative expenses	-1,103	-991	-893	-791	-635	-535	-449	-426	-398	-376
Other operating income/expenses	41	8	-52	50	13	49	18	6	-2	-3
Operating profit	2,016	1,825	1,380	1,272	1,235	981	856	797	822	614
Financial income/expenses	-124	-75	-70	-78	-98	-86	-100	-83	-93	-61
Profit after financial items	1,892	1,750	1,310	1,194	1,137	895	756	714	729	553
Income Tax	-409	-382	-280	-258	-243	-192	-169	-145	-189	-148
Net profit for the year	1,483	1,368	1,030	936	894	703	587	569	540	405
EBITA	2,330	2,087	1,613	1,484	1,427	1,134	990	905	917	703
EBITA margin, %	12.7	12.4	10.9	11.5	12.0	11.6	11.2	10.8	11.5	10.4

Condensed balance sheets

SEK million	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Assets										
Goodwill	4,031	3,170	2,845	2,388	1,942	1,572	1,308	1,188	822	712
Other intangible assets	2,672	2,169	2,102	1,879	1,636	1,445	1,286	1,215	888	761
Property, plant and equipment	3,002	1,736	1,618	1,451	1,117	971	849	741	706	657
Financial assets	182	158	139	117	101	87	61	59	45	50
Inventories	3,400	2,834	2,517	2,249	1,931	1,617	1,546	1,472	1,328	1,183
Trade receivables	3,025	2,877	2,469	2,292	1,995	1,702	1,435	1,411	1,263	1,047
Other receivables	513	418	412	345	300	336	208	204	149	164
Cash and cash equivalents	719	708	464	332	339	357	261	243	264	219
Total assets	17,544	14,070	12,566	11,053	9,361	8,087	6,954	6,533	5,465	4,793
Liabilities and equity										
Equity	7,170	6,218	5,168	4,399	3,707	3,162	2,626	2,290	2,064	1,744
Non-current interest-bearing liabilities, incl. pension liabilities	4,707	2,811	1,569	2,274	1,260	1,216	2,201	1,158	837	939
Other non-current liabilities and provisions	720	619	600	563	480	412	353	333	255	231
Current interest-bearing liabilities	2,142	1,806	2,724	1,686	2,028	1,635	381	1,424	1,083	841
Trade payables	1,237	1,168	1,081	968	848	763	602	586	556	493
Other current liabilities	1,568	1,448	1,424	1,163	1,038	899	791	742	670	545
Total liabilities and equity	17,544	14,070	12,566	11,053	9,361	8,087	6,954	6,533	5,465	4,793

Lease liabilities and right-of-use assets in accordance with IFRS 16 are included in the key data as of 2019. Comparison figures have not been restated.

Condensed cash flow statements

SEK million	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Cash flow from operating activities before changes in working capital	2,271	1,821	1,514	1,318	1,315	970	790	720	764	616
Changes in working capital	-349	-461	40	-111	-239	-66	69	-201	-55	40
Cash flow from operating activities	1,922	1,360	1,554	1,207	1,076	904	859	519	709	656
Net capital expenditures in non-current assets	-403	-299	-236	-320	-221	-124	-206	-127	-139	-111
Company acquisitions and divestments	-1,484	-586	-1,007	-1,164	-878	-585	-444	-572	-467	-684
Change in other financial assets	3	0	1	8	-1	3	1	-5	13	0
Cash flow from investing activities	-1,884	-885	-1,242	-1,476	-1,100	-706	-649	-704	-593	-795
Net borrowing	541	225	116	620	303	165	88	442	134	321
Dividend paid out	-544	-453	-384	-360	-310	-282	-282	-270	-204	-172
Payment for issued warrants	-	0	8	-	-	-	-	-	-	-
New issues	-	7	95	-	-	-	-	-	-	-
Cash flow from financing activities	-3	-221	-165	260	-7	-117	-194	172	-70	149
Cash flow for the period	35	254	147	-9	-31	81	16	-13	46	10
Cash and cash equivalents at start of year	708	464	332	339	357	261	243	264	219	229
Exchange rate differences	-24	-10	-15	2	13	15	2	-8	-1	-20
Cash and cash equivalents at end of year	719	708	464	332	339	357	261	243	264	219

Financial metrics

SEK million	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Non-current interest-bearing liabilities	4,707	2,811	1,569	2,274	1,260	1,216	2,201	1,158	837	939
Current interest-bearing liabilities	2,142	1,806	2,724	1,686	2,028	1,635	381	1,424	1,083	841
Cash and cash equivalents	-719	-708	-464	-332	-339	-357	-261	-243	-264	-219
Interest-bearing net debt	6,130	3,909	3,829	3,628	2,949	2,494	2,321	2,339	1,656	1,561
Net debt/equity ratio, %	85	63	74	82	80	79	88	102	80	90
Interest coverage ratio, times	17.2	25.1	21.1	16.5	14.6	12.2	8.9	9.0	8.9	9.4
Equity ratio, %	41	44	41	40	40	39	38	35	38	36
Net debt/EBITDA, times	2.1	1.7	2.1	2.2	1.8	1.9	2.1	2.3	1.6	2.0
Return measures										
Average capital employed, SEK million	12,416	9,839	8,444	7,491	6,537	5,324	4,894	4,078	3,680	3,605
Return on capital employed, %	19	21	19	20	22	21	20	22	25	19
Equity, average, SEK million	6,715	5,715	4,746	3,976	3,440	2,818	2,377	2,113	1,849	1,672
Return on equity, %	22	24	22	24	26	25	25	27	29	24
Number of employees										
Average number of employees	7,167	6,710	6,156	5,495	4,978	4,418	4,151	3,939	3,778	3,420
Number of employees at year-end	7,357	6,778	6,545	5,705	5,107	4,578	4,218	4,086	3,807	3,444

Lease liabilities and right-of-use assets in accordance with IFRS 16 are included in the key data as of 2019. Comparison figures have not been restated.

Key ratios per share

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Share price at 31 December, SEK	335.20	205.60	223.60	183.00	160.17	104.00	89.50	65.67	61.00	77.33
Market cap at 31 December, SEK million	40,511	24,848	27,011	21,960	19,220	12,480	10,740	7,880	7,320	9,280
Dividend, SEK	4.75 ¹⁾	4.50	3.75	3.20	3.00	2.58	2.35	2.35	2.25	1.70
Earnings before dilution, SEK	12.26	11.31	8.54	7.80	7.44	5.87	4.89	4.74	4.50	3.39
Earnings after dilution, SEK	12.26	11.31	8.53	7.78	7.44	5.87	4.89	4.74	4.50	3.39
Number of shares outstanding, 000s	120,855	120,855	120,799	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Average number of shares before dilution, '000	120,855	120,832	120,457	120,000	120,000	120,000	120,000	120,000	120,000	120,000
Average number of shares after dilution, '000	120,918	120,843	120,617	120,251	120,094	120,000	120,000	120,000	120,000	120,000
Number of shareholders at 31 December	10,287	9,553	9,816	10,518	7,965	5,970	6,038	5,721	5,025	5,388
Highest price paid during the financial year, SEK	338.40	249.20	233.10	191.00	162.77	106.50	90.83	76.50	79.67	78.00
Lowest price paid during the financial year, SEK	202.80	202.00	167.10	136.23	103.50	80.33	66.00	58.33	51.17	44.83
Dividend yield ²⁾ , %	1.4	2.2	1.7	1.7	1.9	2.5	2.6	3.6	3.7	2.2
Equity, SEK	59.22	51.34	42.64	36.58	30.86	26.33	21.86	19.07	17.18	14.52
Cash flow from operating activities, SEK	15.90	11.26	12.90	10.06	8.97	7.53	7.16	4.33	5.91	5.47

¹⁾ Proposed for 2019 by the Board of Directors.

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

Definitions

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

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

Capital employed (previously called operating capital)

Shareholders' equity plus interest-bearing net debt.

Earnings per share after dilution

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

Earnings per share before dilution

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

EBITA

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

EBITA margin

EBITA divided by net sales.

EBITDA

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

Equity per share

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

Equity ratio

Shareholders' equity divided by total assets.

Gross margin

Gross profit divided by net sales.

Interest coverage ratio

Operating profit before interest income divided by interest expenses.

Interest-bearing net debt

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

Net capital expenditures

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

Net debt/EBITDA

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

Return on capital employed (previously called operating capital)

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

Return on equity

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

Definition according to IFRS.

Quarterly overview

Net sales

SEK million	2019					2018				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	2,288	704	569	543	472	2,045	517	492	556	480
DACH	1,403	374	375	349	305	1,225	312	301	316	296
Finland	1,689	436	419	416	418	1,743	443	420	483	397
Flow Technology	3,798	997	946	965	890	3,491	914	909	898	770
Fluids & Mechanical Solutions	2,041	503	501	532	505	1,980	499	485	519	477
Industrial Components	3,513	917	823	883	890	3,371	932	756	895	788
Measurement & Sensor Technology	2,259	597	584	536	542	1,863	558	452	435	418
UK	1,469	349	387	374	359	1,183	287	315	301	280
Parent company and Group items	-49	-14	-9	-11	-15	-53	-16	-15	-13	-9
	18,411	4,863	4,595	4,587	4,366	16,848	4,446	4,115	4,390	3,897

EBITA

SEK million	2019					2018				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	315	116	71	67	61	306	76	68	85	77
DACH	134	36	36	33	29	126	35	32	29	30
Finland	223	61	68	51	43	213	61	61	53	38
Flow Technology	491	134	122	130	105	414	119	118	103	74
Fluids & Mechanical Solutions	279	64	67	73	75	262	69	58	70	65
Industrial Components	432	115	101	108	108	400	108	93	114	85
Measurement & Sensor Technology	366	95	98	83	90	322	96	88	73	65
UK	208	36	59	62	51	175	38	51	44	42
Parent company and Group items	-118	-26	-34	-33	-25	-131	-34	-44	-28	-25
	2,330	631	588	574	537	2,087	568	525	543	451

EBITA margin

SEK million	2019					2018				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	13.8	16.5	12.5	12.3	12.9	15.0	14.7	13.8	15.3	16.0
DACH	9.6	9.6	9.6	9.5	9.5	10.3	11.2	10.6	9.2	10.1
Finland	13.2	14.0	16.2	12.3	10.3	12.2	13.8	14.5	11.0	9.6
Flow Technology	12.9	13.4	12.9	13.5	11.8	11.9	13.0	13.0	11.5	9.6
Fluids & Mechanical Solutions	13.7	12.7	13.4	13.7	14.9	13.2	13.8	12.0	13.5	13.6
Industrial Components	12.3	12.5	12.3	12.2	12.1	11.9	11.6	12.3	12.7	10.8
Measurement & Sensor Technology	16.2	15.9	16.8	15.5	16.6	17.3	17.2	19.5	16.8	15.6
UK	14.2	10.3	15.2	16.6	14.2	14.8	13.2	16.2	14.6	15.0
	12.7	13.0	12.8	12.5	12.3	12.4	12.8	12.8	12.4	11.6

Annual General Meeting and reporting dates

Annual General Meeting

Time and place

The Annual General Meeting (AGM) will be held at 4 p.m. on Thursday, 6 May 2020, at City Conference Center, Norra Latin, Drottninggatan 71B, Stockholm.

Who is entitled to participate?

To be entitled to participate in the AGM, shareholders must be listed in the shareholder register maintained by Euroclear Sweden AB on Wednesday, 29 April 2020, and have notified the Company of their intention to participate by Wednesday, 29 April 2020 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 29 April 2020 to be eligible to participate in the AGM.

Notification of attendance

Notification of intention to attend the AGM can be made:

- on the Company's website: www.indutrade.se
- by regular mail to: Indutrade AB, Årsstämma, c/o Euroclear Sweden AB, Box 191, 101 23 Stockholm
- by phone: + 46 (0) 8 401 43 12

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 Wednesday, 29 April 2020.

Proxies

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

Dividend

The dividend will be paid to shareholders who on the record date, 8 May, are registered in the shareholder register. Provided that the AGM resolves in accordance with the Board's proposal, payment of the dividend is expected to be made via Euroclear Sweden on 13 May 2020.

Reporting dates

Interim reports

1 January – 31 March 2020	27 April 2020
1 January – 30 June 2020	17 July 2020
1 January – 30 September 2020	20 October 2020

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