

# 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.

## RESOURCES AND INPUT

### Financial resources

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

### Intangible resources

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

### Cultural capital

- Strong entrepreneurial spirit
- Decentralised control

### Relationship capital

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

### Human capital

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

### Environmental resources

- Energy consumption 92 GwH, of which 24% from renewable energy
- 19,924 tCO<sub>2</sub>e emissions (scope 1 & 2)

## OPERATIONS



## VALUES



### People make the difference

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



### Entrepreneurship

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



### Decentralisation

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

**TRUSTED BY  
ENTREPRENEURS**

**VALUE CREATED**

**Customers**

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

**Suppliers and business partners**

- Ethical business methods
- Long-term business relationships

**Employees**

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

**Society**

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

**Shareholders**

- Profitable growth
- Dividend

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

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

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

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



**Distribution of economic value**

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



**Long-term perspective**

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

# Goals and strategies

## Overall goals

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

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

### FINANCIAL TARGETS

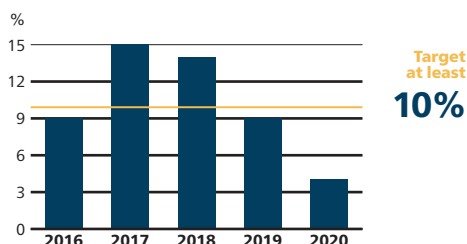
#### Sales growth

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

### TARGET ACHIEVEMENT

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

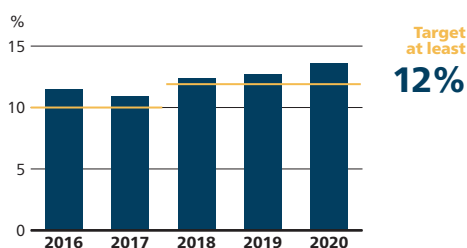
### HISTORICAL ACHIEVEMENT



#### EBITA-margin

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

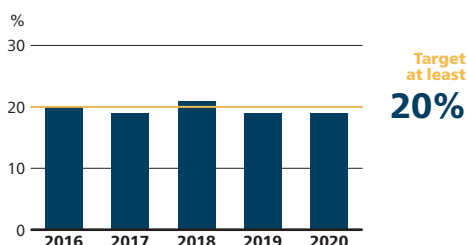
The EBITA margin has averaged 12.3% over the last five years. The EBITA margin in 2020 was 13.6%.



#### Return on capital employed

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

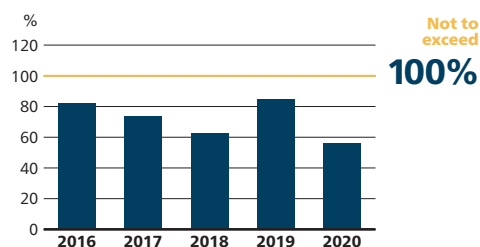
During the last five years the average return on operating capital was 20%. In 2020 the return was 19%.



#### Net debt/equity ratio

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

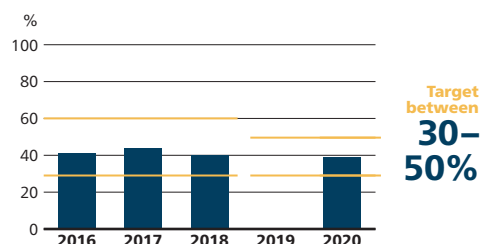
During the last five years, the net debt/equity ratio at the end of each year ranged from 56% to 85%. The net debt/equity ratio at year-end 2020 was 56%.



#### Dividend payout ratio

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

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



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

## SUSTAINABILITY OBJECTIVES

### People

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

### Environment

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

### Profitable growth

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

## ENABLERS

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

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

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

## 2030 OBJECTIVES

**100%**  
engaged people

**CO<sub>2</sub>  
neutral**  
scope 1 and 2 (GHG)

**100%**  
of Indutrade's companies contributing to sustainable development

# Strategies

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

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

<p><b>Long-term partnerships with leading suppliers</b></p> <p>Indutrade gives priority to suppliers who, through own product development, provide market-leading and high-quality products with a high-tech content. A partnership with an Indutrade company should be the most profitable way for suppliers to sell their products.</p>	<p>→ A range of market-leading products from the best suppliers, coupled with Indutrade's technical and market know-how, makes Indutrade an attractive business partner for existing and potential customers.</p>	<p>→ Long-term relationships with existing suppliers of high-quality products were also prioritised in 2020. Simultaneously, we established collaboration with several new suppliers during the year.</p>
<p><b>STRATEGY</b></p>	<p><b>EFFECT</b></p>	<p><b>PROGRESS 2020</b></p>
<p><b>Companies with proprietary products and brands</b></p> <p>Indutrade has many companies with proprietary products and brands. The products should have a high-tech content, while the companies should have a strong market position and good growth potential.</p>	<p>→ Companies with proprietary products and brands provide balance to the Group's technology sales companies. Since 2004 the share of companies with proprietary products has grown by 31 percentage points, and in 2020 they accounted for 40% of consolidated net sales.</p>	<p>→ In line with the long-term goal of increasing the percentage of companies with own products, a large portion of the companies acquired in 2020 have their own brands and production. One example is the German company X-RAY WorX GmbH, a leading niche manufacturer of X-ray tubes for industrial applications in non-destructive testing.</p>
<p><b>High share of repetitive sales and focus on selected customer segments</b></p> <p>The Group's companies give priority to customers with a recurring need that are active in industries where the prospects are favourable for maintaining competitive production in their home markets. Many of these industries are characterised by a high degree of automation, high distribution costs and/or large start-up investments.</p>	<p>→ This contributes to business stability and predictability of revenue flows.</p>	<p>→ During the year, we continued acquiring companies with repetitive sales and one example is the Dutch company Holland Fasteners, which is a supplier of customised, high-quality items such as bolts, screws, nuts and rivets.</p>
<p><b>Sales organisation with high level of technical expertise</b></p> <p>Indutrade's product and service offering, which is aimed at both end users and OEM customers (i.e. customers that integrate Indutrade's products in their own products), should have a high-tech content and incorporate a high level of service and qualified technical consulting. Indutrade's sales representatives must have a high level of technical expertise in their respective niches and a depth of knowledge about the customers' production processes.</p>	<p>→ This makes Indutrade an attractive business partner that creates added-value for customers and suppliers alike.</p>	<p>→ The companies have strengthened their offerings by establishing deeper customer relations and continuous competence development within their particular area of technology. Network meetings to exchange experience and knowledge were held on digital platforms during the year due to the COVID-19 pandemic.</p>
<p><b>Decentralised organisation with strong local ties</b></p> <p>Indutrade's governance model is characterised by decentralisation, as the best business decisions are made close to customers by people who have the best understanding of the customers' needs and processes.</p>	<p>→ We raise customer value via subsidiaries that have the autonomy to run their own operations with a high level of flexibility and entrepreneurial employees who work close to the customer.</p>	<p>→ Our decentralised business model with entrepreneurial MDs who make independent and quick business decisions that are adapted to the current challenges and opportunities in each market has proven to be a strength.</p>

# Active ownership

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

## INDUTRADE AS OWNER

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

### Value-based leadership

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

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

### Decentralised organisation

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

## WHAT WE OFFER

### Business as usual

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

### Professional Board of Directors

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

### Expertise

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

### Financial strength

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

### Network

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

### Competence development

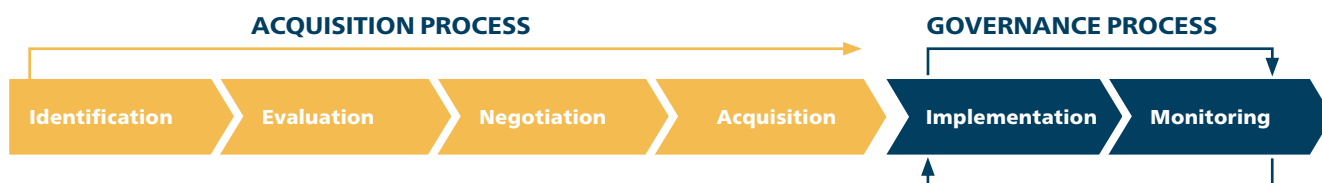
We hold network meetings and have a digital communications portal called Indutrade Portal, both of which facilitate knowledge-sharing and informal networking to exchange ideas and experiences between companies.

## DEVELOP

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

## ACQUIRE

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



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

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

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

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

### Identification

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

### Evaluation

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

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

### Negotiation

The negotiation stage is primarily about ensuring the following:

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

### GOVERNANCE PROCESS

#### Implementation

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

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

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

#### Monitoring

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



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



# Acquisitions in 2020

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

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

<sup>1)</sup> Estimated annual sales and number of employees at the time of acquisition.

## JANUARY

### STEIN AUTOMATION GMBH & CO. KG

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



### VARIODRIVE B.V.

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



### AVA MONITORING AB

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

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

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



## FEBRUARY

### SVERRE HELLUM & SØNN AS

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



### JOUKA OY

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



## MARCH

### NORTRONIC AS

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



## JULY

### HOLLAND FASTENERS B.V. (HOFA)

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



## SEPTEMBER

### UK GAS TECHNOLOGIES LTD

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

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



## OCTOBER

### CHEIRÓN A.S.

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



## DECEMBER

### X-RAY WORX GMBH

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



# Driving forces and business environment

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

Trend	Examples of how Indutrade meets trends
<p><b>Greater needs within healthcare</b></p>	<p>Within the Indutrade Group, there are several companies active in the medical technology segment. Examples are Rubin Medical, which offers diabetes therapy in Sweden, Denmark and Norway. Biameditek and Cheiron are specialised in equipment used for healthcare applications in surgery rooms, intensive care wards, emergency wards, and cardio units in Poland and the Czech Republic. Ultra Pure International manufactures single-use systems used within the pharmaceutical industry.</p> <p>Indutrade is positive about acquiring additional companies operating in the medical technology segment.</p>
<p><b>Greater needs to expand infrastructure and water &amp; wastewater systems</b></p>	<p>A majority of the companies within the Group conduct trading in industrial components for water &amp; wastewater systems. Examples are Belos, Oy Lining and GPA Flowsystem. Another is Torell Pump, which markets and sells valves, pumps, compressors and equipment for cleaning wastewater. Ventim, another Indutrade subsidiary, supplies control valves and various other measuring instruments. AVA Monitoring offers automated measurement systems used in connection with infrastructure projects to measure ground vibrations and noise aimed at lowering the risks in the area.</p> <p>Indutrade is positive about acquiring additional companies operating in the infrastructure and water &amp; wastewater segments.</p>
<p><b>Higher requirements for more efficient use of resources and recycling of material, and conservation of energy in industry.</b></p>	<p>Several Indutrade companies manufacture, develop and sell components, systems and services that help industries to comply with environmental standards. For example, Svenska Geotech offers sustainable environmental products used in, for example, building site preparation and civil engineering projects, while Flow Tec focuses on industrial valves, systems and components for the pulp and paper industry. Colly Filtreringsteknik offers efficient industrial filters that reduce the customer's environmental impact and contribute to increased productivity and reduced costs. Lyma delivers valves, pumps and instruments to waste incineration stations.</p> <p>Within the Group, systematic sustainability efforts are being pursued, which include measurement and monitoring of resource and energy efficiency.</p>
<p><b>Higher requirements on sustainable development due to climate change concerns.</b> Because of this, the use of renewable energy sources is increasing and there is pressure to create a sustainable transport sector, with improved fuel efficiency and lower carbon emissions. As environmental awareness among consumers rises, so too does their demand for locally produced goods. Awareness about climate change and the environment is also influencing where industrial production is established around the world.</p>	<p>Färber &amp; Schmid is a company that specialises in environmental-friendly chemicals for industrial wastewater treatment and the surface treatment market. HP Valves and BVT Sweden are companies that manufacture valves used in, among others, solar energy plants and which improve efficiency of energy production.</p> <p>The majority of Indutrade companies work in smaller cities or towns and through them, Indutrade contributes to local growth and development by creating jobs and promoting entrepreneurship and local investments.</p> <p>Within the Group, systematic sustainability efforts are being pursued, which includes increasing the percentage of renewable energy, reducing CO<sub>2</sub> emissions and increasing sales from sustainable products and/or solutions.</p>
<p><b>Digitalisation is creating many opportunities and contributing to more efficient use of resources.</b></p>	<p>Making customers' energy and resource use more efficient by connecting machines, systems and processes is something that many of the companies in the Group are working with. For example, Sepab offers its IoT platform, ExyPro, that is used by companies to monitor, streamline and analyse such things as environmental impact and the electronic driving records of their vehicle fleets. Another example is Dasa, which is specialised in intelligent systems for control, information management and communication for heavy vehicles used in forestry, contracting and transport. Datum Hawk is a solution that helps customers monitor and analyse engine performance in ships to reduce wear and fuel consumption. The solutions are connected and customers can monitor and analyse data in real time to save money. Some business areas have shared resources working with information and training on digitalisation.</p>

# Sustainable business

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

## Strengthens sustainability efforts

Indutrade works systematically with sustainability based on the materiality analysis where we have identified the most important areas for us to focus on. In 2020, long-term objectives were established for 2030 to enhance business opportunities, drive sustainable profitable growth, and support the UN Sustainable Development Goals (SDGs).

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

## Impact of the COVID-19 pandemic

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

## Deeper engagement with stakeholders and our material issues

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

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

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

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

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

## Material issue:

### Anti-corruption and business ethics

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

### Our Code of Conduct – everyone's responsibility and right

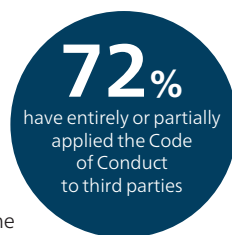
Indutrade's Code of Conduct is our policy for sustainable entrepreneurship and it is an important component of sustainability efforts. It provides guidance for who we aspire to be and how we would like to be perceived, and applies for all employees in the Indutrade Group, in all countries. The Code of Conduct lays out guidelines in a number of important areas, including care for the environment, health and safety, business ethics including anti-corruption, employee relations, human rights and community impacts.

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

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

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

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



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

## Code of Conduct for Suppliers and Partners

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

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

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

**Material issue:**

**Acquisition**

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

**Material issue:**

**Employees**

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

**Competence development and knowledge sharing**

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

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

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

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

**Our employees**

We believe in giving people freedom and trust. It creates job satisfaction, pride and commitment. Being able to attract, develop and retain the right employees is a prerequisite for Indutrade's long-term profitability. Employees are recruited and promoted exclusively based on their work qualifications and without consideration of their gender, transgender identity or expression, ethnic origin, religion or other faith, functional variation, sexual preference, age or other categories protected by law.

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

**Health & Safety**

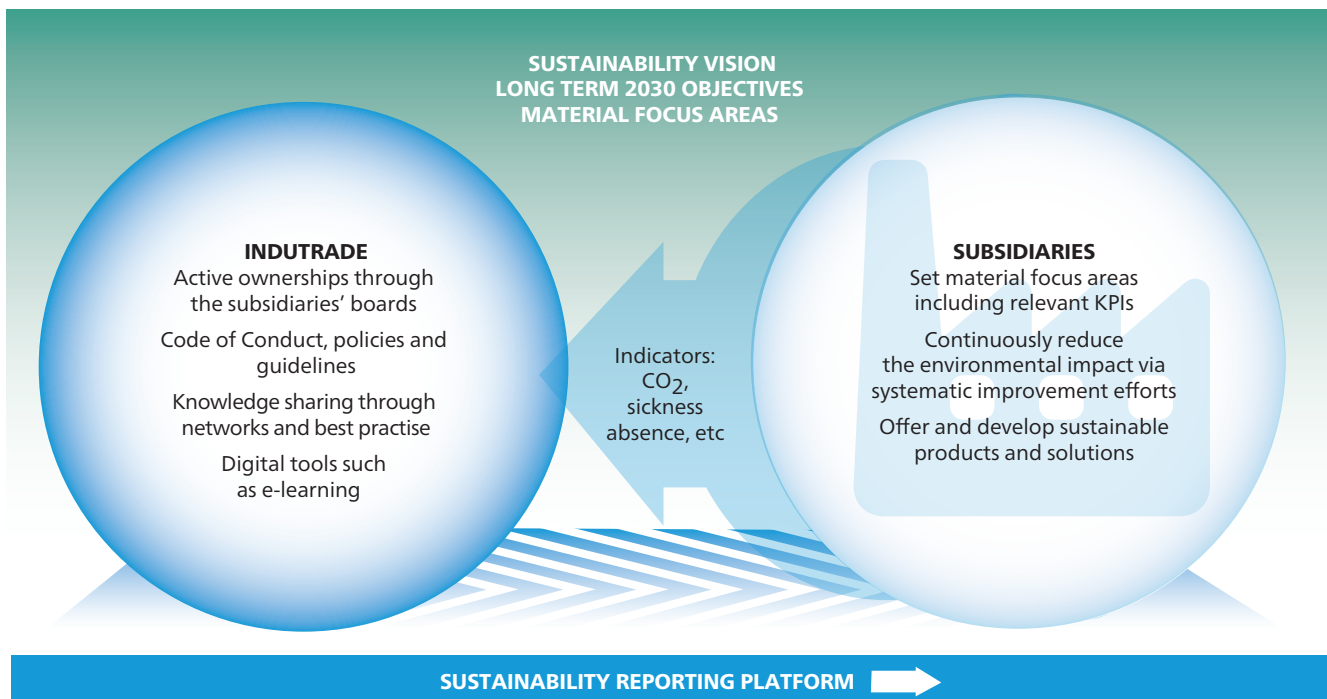
Health and safety in the workplace is fundamental for Indutrade. Investing in improved work and production environments is something that we prioritise, support and encourage. It creates the best conditions for a safe workplace with fewer risk factors at the same time that it boosts productivity and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

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

**Material issue:**

**Sustainability governance**

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



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

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

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

#### **Decentralised sustainability governance**

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

#### **Material issue:**

##### **Environment and carbon footprint**

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

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

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

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

#### **Material issue:**

##### **Sustainable products and solutions**

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

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

#### **Indutrade AB's own operations**

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

## ACTIVITIES IN 2020

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



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

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



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

## INDUTRADE CONTRIBUTES TO FULFILMENT OF THE UN SUSTAINABLE DEVELOPMENT GOALS



### SDG 4 – Quality education

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



### SDG 8 – Decent work and economic growth

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

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



### SDG 9 – Industry, innovation and infrastructure

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



### SDG 13 – Climate action

Many of Indutrade's companies deliver solutions and products that help customers save energy, water, materials and reduce CO<sub>2</sub> emissions.



Furthermore, many Indutrade companies deliver solutions and products that help customers save energy, water, materials and CO<sub>2</sub>. That contributes to fulfilment of SDG 6 (Clean water and sanitation), SDG 7 (Affordable and clean energy), SDG 12 (Responsible consumption and production) and SDG 13 (Climate action) and indirectly to SDG 14 (Life below water) and SDG 15 (Life on land).

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

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

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



# Operations

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

## Business Areas

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

## Performance during the year and the COVID-19 pandemic

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

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

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

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

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

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

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

## New sustainability vision and new sustainability goals

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

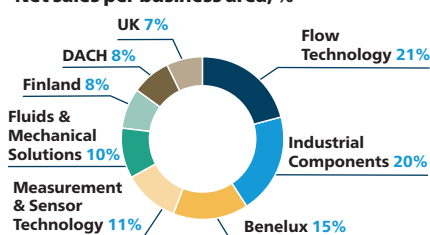
The sustainability vision is based on Indutrade's shared commitment that the businesses within the Group continuously develop and improve in ways that are economically, environmentally and socially responsible. The objectives are based on three main areas: employees, the environment and profitable growth.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

## Extension of loans and increase in credit commitments

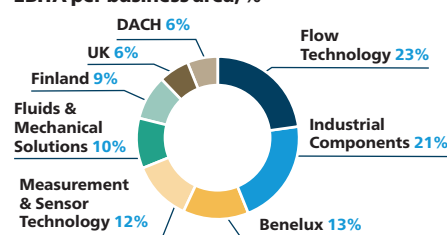
Indutrade's financing, nearly all of which is managed by the Parent Company, consists of loans from financial institutions, corporate bonds and certificate programmes.

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

Net sales per business area, %



EBITA per business area, %



## Key data per business area

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

## BENELUX

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



ROBERT TIMMER

## DACH

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



MARKUS RÜEDIN

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

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

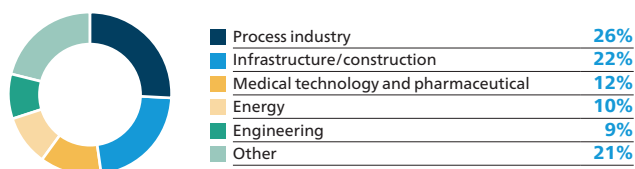
VarioDrive B.V. and Hofa B.V. (Holland Fasteners, the Netherlands), was acquired during the year.

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

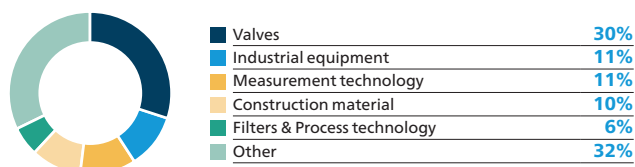
### Net sales per geographic market, %



### Net sales per customer segment, %



### Net sales per product area, %



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

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

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

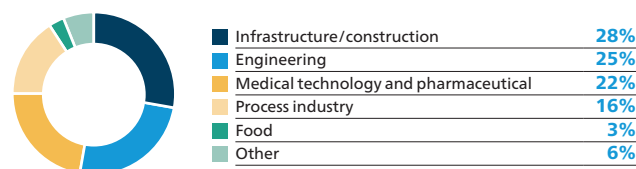
Stein Automation GmbH Co. KG (Germany) was acquired during the year.

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

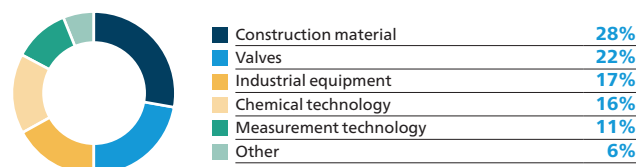
### Net sales per geographic market, %



### Net sales per customer segment, %



### Net sales per product area, %



## FINLAND

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

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



JUHA KUJALA

Share of sales **8%**

Share of EBITA **9%**

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

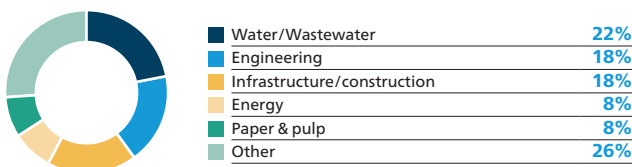
Jouka Oy (Finland) was acquired during the year.

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

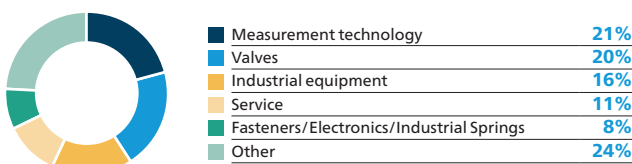
### Net sales per geographic market, %



### Net sales per customer segment, %



### Net sales per product area, %



## FLOW TECHNOLOGY

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



MORGAN O'BRIEN

Share of sales **21%**

Share of EBITA **23%**

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

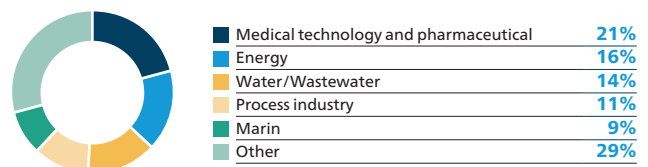
UK Gas Technologies Ltd (UK) was acquired during the year and Meson FT Rus LLC (Russia) was divested.

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

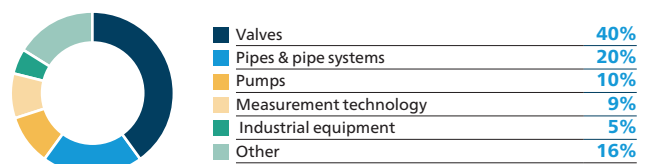
### Net sales per geographic market, %



### Net sales per customer segment, %



### Net sales per product area, %



## FLUIDS & MECHANICAL SOLUTIONS

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



GÖTE MATTSSON

## INDUSTRIAL COMPONENTS

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



JOAKIM SKANTZE

Share of sales **10%**

Share of EBITA **10%**

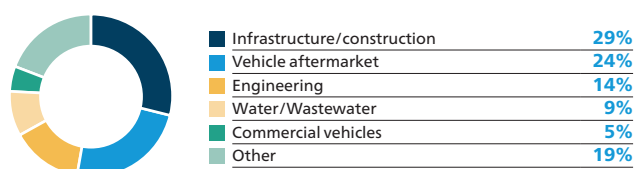
During the year, net sales decreased by 3%, of which comparable units had an effect of -3%, acquisitions contributed 1% and currency movements had an effect of -1%. The slowdown for comparable units pertained to several of the business area's segments, but was largest for the industrial segment. The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

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

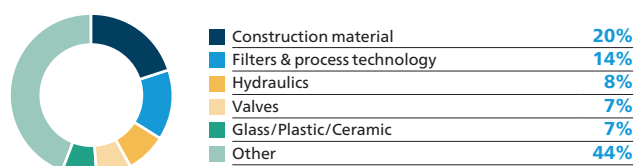
### Net sales per geographic market, %



### Net sales per customer segment, %



### Net sales per product area, %



Share of sales **20%**

Share of EBITA **21%**

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

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

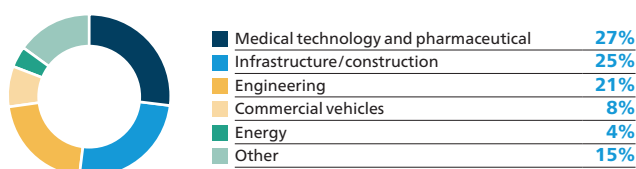
Sverre Hellum and Sønn AS, Nortronic AS (Norway) and Cheirón A.S., (Czech Republic) were acquired during the year.

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

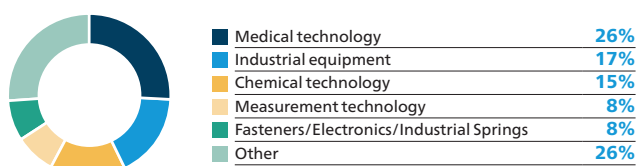
### Net sales per geographic market, %



### Net sales per customer segment, %



### Net sales per product area, %



## MEASUREMENT & SENSOR TECHNOLOGY

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



PATRIK STOLPE

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

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

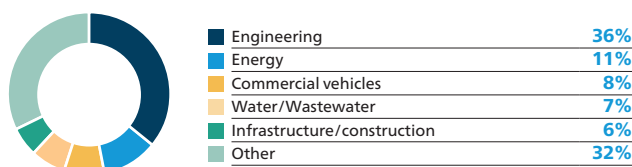
AVA Monitoring AB (Sweden) and X-RAY WorX GmbH (Germany) were acquired during the year.

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

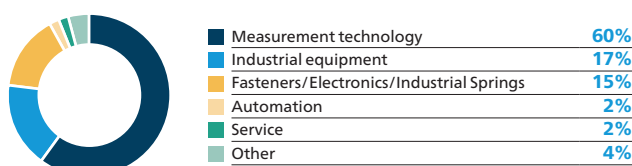
### Net sales per geographic market, %



### Net sales per customer segment, %



### Net sales per product area, %



## UK

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



PETER ROWLANDS

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

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

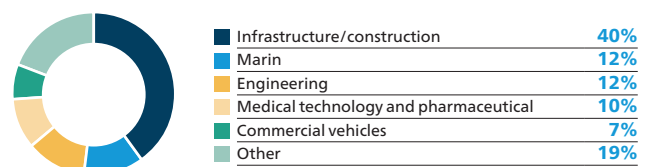
The weaker EBITA margin primarily results from lower net sales and unfavourable product mix. To some extent, however, it was offset by cost savings. Government assistance for temporary lay-offs amounted to 1.7% of net sales for the year.

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

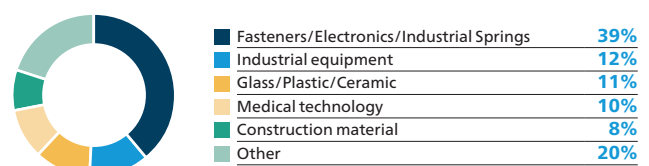
### Net sales per geographic market, %



### Net sales per customer segment, %



### Net sales per product area, %



# Four reasons to invest in Indutrade

1

## Sustainable growth

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

2

## Stable profitability and strong cash flow

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

3

## Attractive market position and risk profile

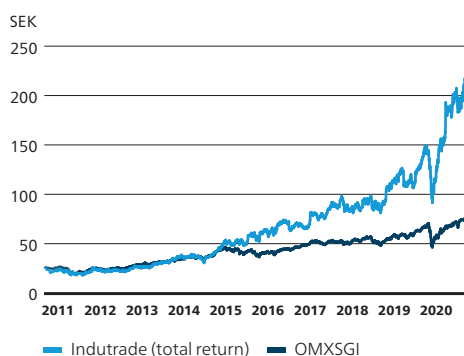
- Leading position in selected, niche segments
- Focus on high quality and technically advanced products for customers with recurring need
- Diversified and stable customer & supplier base
- Stable long-term relationships with leading suppliers

4

## Strong culture and extensive expertise

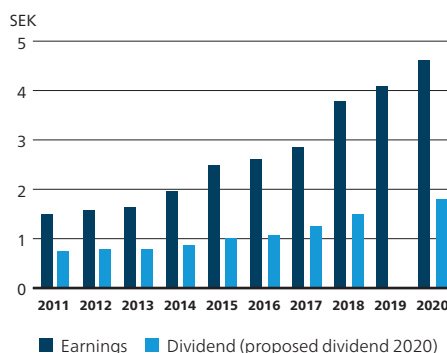
- Entrepreneurial spirit
- Decentralised organisation
- Sales force with high technical know-how
- Strict income and cost control

Total return of Indutrade shares 2011–2020



Source: Monitor by Modular Finance AB

Earnings and dividend per share

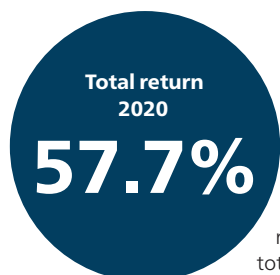


Analyst firms that monitor Indutrade

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

# Share data

Indutrade's shares are listed on Nasdaq Stockholm and included on the Large Cap list. Indutrade's market capitalisation on 31 December 2020 was SEK 64,069 million (40,511).



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

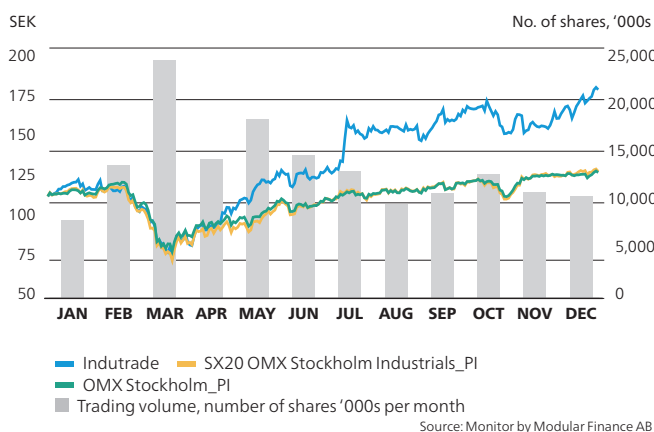
The highest price paid in 2020 was SEK 179.90, on 17 December, and the lowest price paid was SEK 73.73, on 23 March. The share prices have been restated after the bonus issue in December 2020. During the last ten-year period Indutrade's shares have delivered a total return of 737% including reinvested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

## Trading volume

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

Since the adoption of the EU's Markets in Financial Instruments Directive (MiFID) in 2007, the structure for share trading in Europe has changed. Trading has become more fragmented and is now conducted to an increasing extent on other trading platforms outside the regulated marketplaces. One consequence of this is that a growing share of trading in shares of Swedish companies is being conducted outside the Stockholm Stock Exchange. During 2020 Indutrade's shares were traded in several different marketplaces, and the Stockholm Stock Exchange accounted for 47% (42%) of total trading volume.

## Share price trend 2020



## Share capital

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

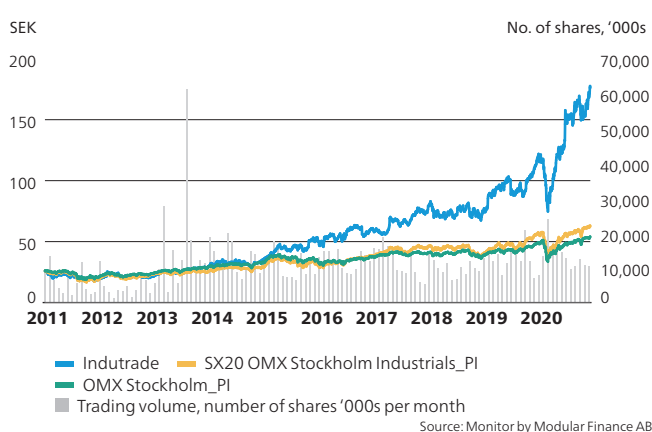
## Ownership structure

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

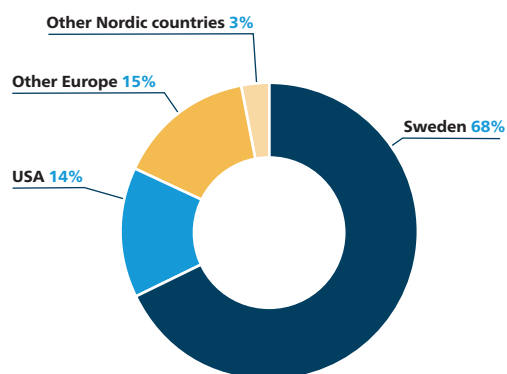
## Dividend and dividend policy

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

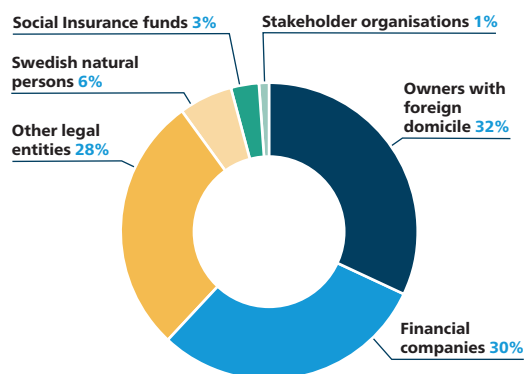
## Share price trend 2011-2020



Ownership by country, %



Owners by category, %



Key ratios per share <sup>1)</sup>

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

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

<sup>2)</sup> Proposed by the Board of Directors.

<sup>3)</sup> Dividend divided by the share price on 31 December.

• 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.

10 largest shareholders at 31 December 2020

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

Outstanding incentive programmes

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

Dilutive effects

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





# Risks and risk management

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

Indutrade works continuously with assessment and evaluation of the risks that the Group is exposed to and could be exposed to. Many of the risks described here could affect the Company both positively and negatively. This means that in the event of a favourable risk development or if the Company is successful in mitigating the risk through its risk management activities, its goal achievement may be better than anticipated. In such way, risks also entail opportunities for Indutrade.

Examples of this are the business climate, customer behaviours and variations in market prices.

At year-end 2020 Indutrade conducted business through more than 200 companies in 30 countries on six continents. This diversification of risk along with a large number of customers in a wide range of industries and a large number of suppliers in various technology areas limits the business risks.

## RISK

### CHANGES IN THE ECONOMY

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

### CHANGES AT THE SUPPLIER LEVEL

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

### DIGITALISATION

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

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

### FUNDING RISK

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

### INTEREST RATE RISK

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

### CHANGES IN GLOBAL TRADE REGULATIONS

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

## RISK MANAGEMENT

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

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

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

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

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

To mitigate funding risk, the Group strives to maintain a balanced maturity structure, a good liquidity reserve, and diversified borrowing.

This creates a preparedness to take necessary alternative actions to raise capital, should this be necessary. Indutrade manages the Group's funding needs centrally. Essentially all external funding is conducted by the Parent Company, which then funds the Group's subsidiaries in local currency.

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

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

## RISK

### COMPLIANCE WITH TRADE REGULATIONS

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

### CURRENCY RISK

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

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

### SUSTAINABILITY GOVERNANCE

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

### ACQUISITION PROCESS

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

### IT INCIDENTS

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

### CLIMATE AND ENVIRONMENTAL CHANGES

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

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

### BUSINESS ETHICS

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

### PANDEMICS

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

## RISK MANAGEMENT

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

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

The Group is exposed to a translation risk associated with translation of the accounts of foreign subsidiaries to the Group currency, SEK. This type of currency risk is not hedged at present.

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

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

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

Indutrade has a negative impact on the climate through CO<sub>2</sub> emissions from the Group's companies. In 2020, Indutrade started calculating the Group's total carbon dioxide emissions. We are striving to lower our environmental impact by continuously monitoring sustainability data and environmental risks. The level of awareness and demands of customers, suppliers and employees as regards sustainability and the environment are rising and Indutrade's subsidiaries are actively striving to satisfy the growing requirements and expectations on responsible and sustainable solutions. Stimulating and supporting the development and sale of sustainable products is a focus area for the Group.

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

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

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

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