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ANNUAL REPORT  
**2015**

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 **Indutrade**



# Year in brief



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

- Order intake rose 19% to SEK 11,939 million (10 000).
- Net sales rose 22% to SEK 11,881 million (9 746).
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) rose 26% to SEK 1,427 million (1,134).
- Earnings per share before dilution were SEK 22.33 (17.60).
- 13 acquisitions were carried out, with combined annual sales of SEK 1,155 million.
- The Board of Directors proposes a dividend of SEK 9.00 (7.75) per share.
- The Board of Directors proposes a 2:1 bonus issue.

Key data	2015	2014
Net sales, SEK m	11,881	9,746
EBITA, SEK m	1,427	1,134
EBITA margin, %	12.0	11.6
Profit for the year after tax, SEK m	894	703
Earnings per share before dilution, SEK	22.33	17.60
Return on operating capital, %	22	21
Average number of employees	4,978	4,418

## Net sales and earnings



## » Business concept

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

Sales growth, %

22

Number of acquisitions

13

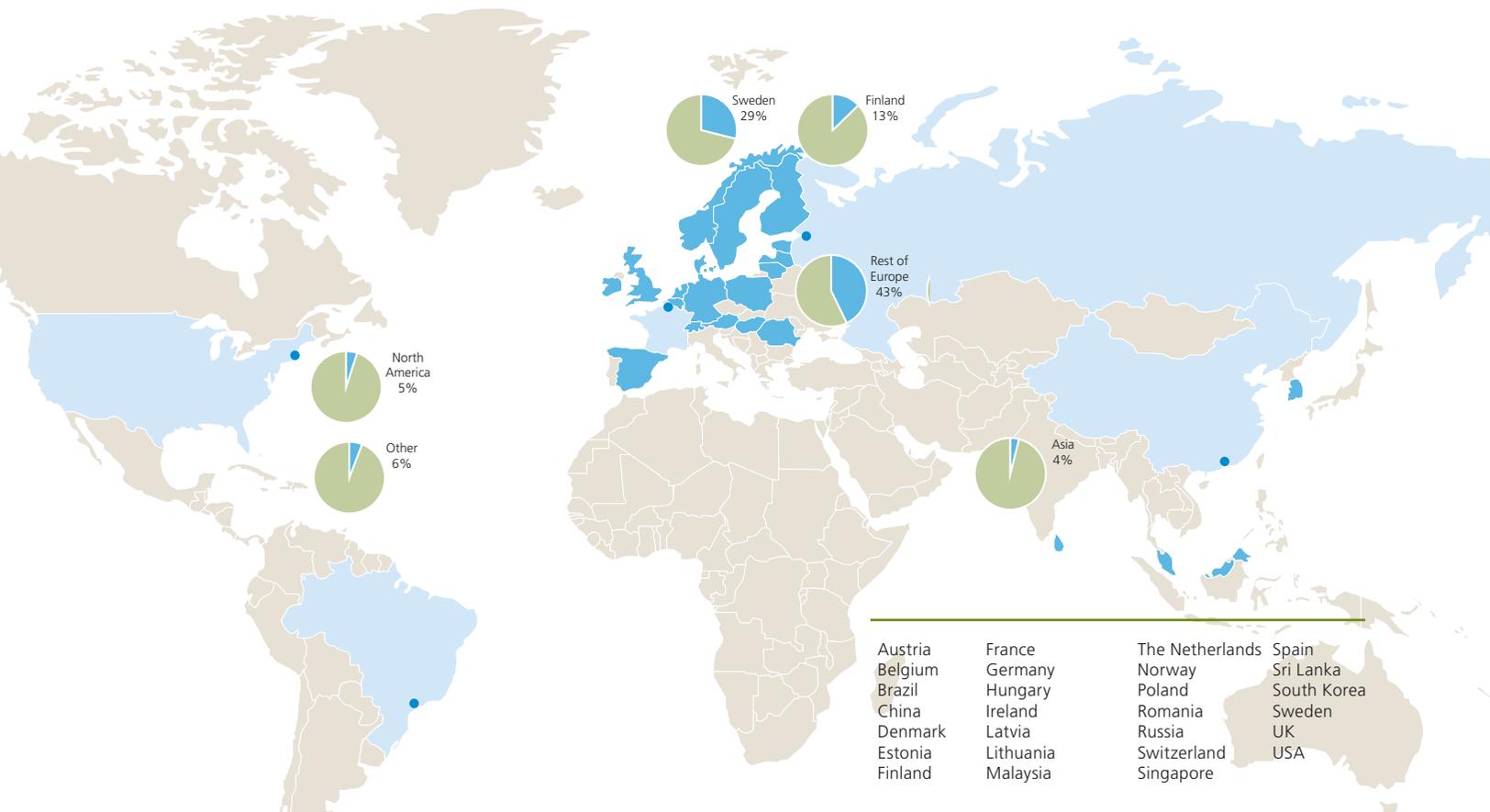
EBITA margin, %

12.0

Proposed dividend, SEK

9.00

## Share of sales



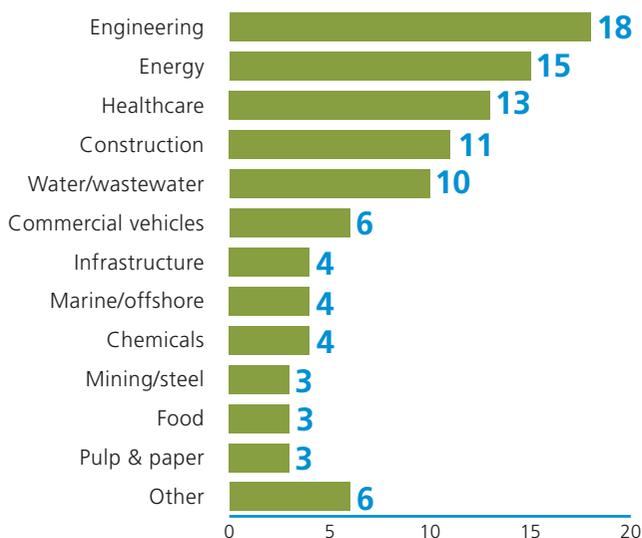
# Indutrade in brief

» Since the stock market introduction in 2005 we have grown by an average of 12% per year and our sales now amount to nearly SEK 12 billion. Indutrade today comprises 200 companies in 27 countries on four continents. Our companies are characterised by high-tech know-how and an ability to build enduring, close relationships with customers and suppliers.

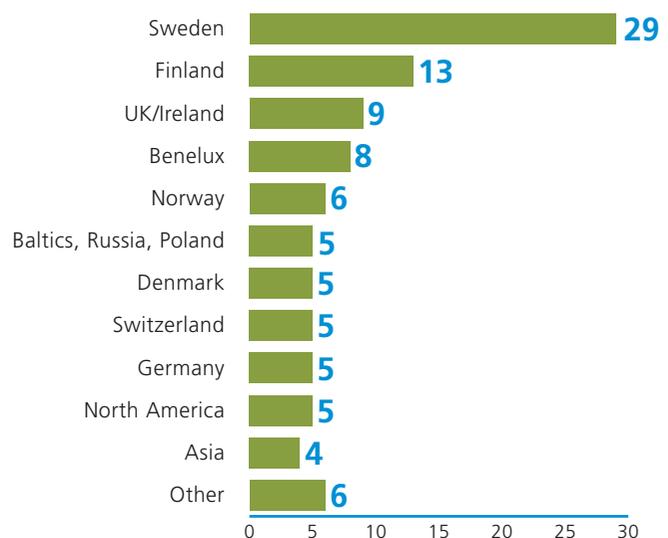
» Our business philosophy is based on entrepreneurship, self determination and customer-adapted leadership.

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

Net sales per customer segment, %



Net sales per market, %



# Acquire



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

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

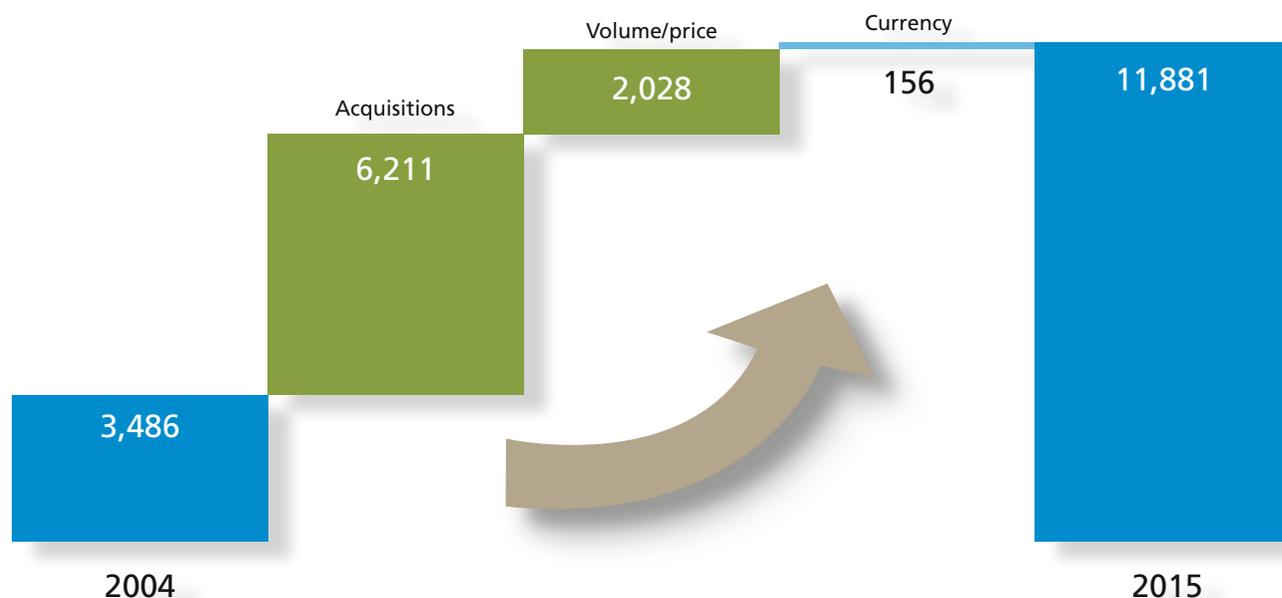
# Develop



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

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

## Sales growth, SEK m



# 2015 - A record year



Once again Indutrade has managed to present a record year. Despite weak performance in global markets in 2015, Indutrade was able to achieve very strong growth and record earnings. Sales rose 22% to nearly SEK 12 billion, while profit before tax grew by a full 27%. Organic growth accounted for as much as 7% of the sales increase, which is extra gratifying since last year I mentioned organic growth as one of our greatest challenges. In 2015 we increased our focus on organic growth, and the outcome for the year – despite the weak global growth – is proof that this work has been successful.

Order intake also remained strong, and I view the Group's favourable performance as proof that we are doing the right things – we are active in the right segments, we focus on the right type of customers, and we offer and deliver high-class products and services.

Looking at the individual markets that we work in, I can report that business in Benelux, the UK and Sweden did very well, while development in Finland remained weak. A few of the sub-segments that performed particularly well during the year were valves for power generation in the energy segment, products for the pharmaceutical industry in Ireland, chemicals – where we also made a large acquisition in Norway during the year – and infrastructure, where we strengthened our positions across the board.

## **Continued high pace of acquisition**

The fact that we had extra focus on organic growth during the year does not mean that we dialled down our pace of acquisition – on the contrary. We have a well grounded acquisition strategy that we are continuously fine-tuning and adapting to changes in the world around us. Apart from the fact that the companies we acquire must be well-run and technology-oriented, it is also important that they serve customers in sectors that we believe have long-term growth potential.

During the past year we carried out 13 acquisitions in Sweden, Denmark, Norway, Austria, the UK and the Netherlands. The acquired companies do business in a wide range of industries and are niche actors in their respective segments. The majority of them have own brands, which is in line with our long-term goal to increase the share of proprietary products.

## **Decentralised organisation**

Decentralisation is a highly significant component in our business philosophy. We have a distinctive reliance on management by objective: the companies that achieve their objectives can invest in continued growth, while those that have problems must make changes – but the business decisions are made by each individual company. This gives our companies a great deal of flexibility. Operations can always be adapted to the prevailing situation and local market. Customer orientation and customer support, as well as delivery reliability and quality, are decisive. Our way of organising operations allows us to maintain the flexibility, dedication and responsibility of a small business, at the same time that we are backed by the stability and financial strength of a large corporation.

## **Overcapacity in industry**

The falling price of oil has clearly affected the level of investment across the globe. A few years ago, the oil producing countries were earning large profits, but now



the low price of oil and these countries' strong dependence on the oil industry have had a negative impact on the economy, which has lowered their demand for investment, products and services. As a result, we are currently in a situation of industrial overcapacity in the Western world.

#### **Potential in infrastructure**

Even though the general scenario is relatively uncertain, there are always individual segments and markets with growth. Infrastructure is one example. From a global perspective, infrastructure investments are overdue, plus they are investments that must be made locally. In this regard, at Indutrade we have the potential to further strengthen our positions, and we see great opportunities throughout Europe, where the recent migration along with urbanisation is creating new needs for housing, roads, water, electricity and transports.

#### **Future acquisitions**

The challenge for Indutrade going forward is to continue making successful acquisitions – both within and outside the Nordic region. We must maintain a presence in the right niches in which cutting-edge technological expertise

**“We have a distinctive reliance on management by objective: the companies that achieve their objectives can invest in continued growth, while those that have problems must make changes – but the business decisions are made by each individual company.”**

is required, because such expertise will always be needed, regardless of automation or digitalisation. Even though industrial production in the Western world has declined, opportunities still exist in special areas in industry; but when making acquisitions in this sector we must be extra selective.

Despite this challenge, I believe that we have favourable prospects to continue buying the right companies at the right price. Currently we are seeing a good stream of acquisition candidates, and we have a very good reputation as an owner.

#### **Good opportunities for continued growth**

While the general business climate is challenging in many respects, the major trends in the world around us – such as demographic changes, major technology shifts, climate change, sustainable development and the need for more efficient production – also entail major opportunities. The products and services we offer help our customers conduct their business in a more efficient, environment-friendly and safe manner.

Indutrade's growth in recent years also entails that our model – acquiring and developing well-run and profitable companies with technological niche expertise and driven management teams – has proved its strength regardless of the general state of the economy. Our breadth – both with respect to products and geographic markets – dampens our sensitivity to movements in the economy, as does our highly conscious focus on market segments which we believe have favourable growth opportunities in the longer perspective. By holding fast to this successful concept, I am confident that we can generate profitable growth also in the future.

Johnny Alvarsson  
President and CEO, Indutrade

# Share data

*Indutrade's shares are listed on Nasdaq Stockholm. From 1 January 2015 the shares are listed on the Large Cap list. Indutrade's market capitalisation on 31 December 2015 was SEK 19,220 million (12,480).*

Indutrade's share price rose from SEK 312.00 to SEK 480.50 during the year, an increase of 54%. The Stockholm Stock Exchange gained 10% for the year, and the OMX Industrials PI index rose 14%. Including reinvested dividends, the total return for Indutrade shares was 57%. The highest price paid in 2015 was on 17 December, SEK 488.30, and the lowest price paid was on 7 January, SEK 310.50. Since the stock market introduction on 5 October 2005 until 31 December 2015, Indutrade's shares have delivered a total return of 788% including reinvested dividends, while the SIX Return Index, which measures the total return of the market as a whole, showed a total return of 167% during the same period.

## Trading volume

A total of 14.3 million (17.5) Indutrade shares were traded in 2015, for a combined value of SEK 5.6 billion (5.1). This corresponds to a turnover rate of 36% (44%). Average daily trading volume was 56,914 Indutrade shares (70,328), with 559 transactions (355).

## Share capital

Indutrade's share capital amounted to SEK 40 million on 31 December 2015 (40), divided among 40,000,000 shares (40,000,000) with a share quota value of SEK 1. All shares have equal voting power.

## 10 largest shareholders at 31 December 2015

	No. shares	Share of capital and votes, %
L E Lundbergföretagen	10,230,000	25.6
AMF Insurance and funds	4,003,312	10.0
Didner & Gerge funds	3,450,198	8.6
Handelsbanken funds	2,418,593	6.0
SEB Investment Management	1,803,211	4.5
Lannebo funds	1,390,001	3.5
Odin Norden	876,401	2.2
SSB Client Omnibus AC OM07	689,439	1.7
JPM Chase NA	636,640	1.6
Länsförsäkringar fund management	631,282	1.6
Other	13,870,923	34.7

The Board of Directors has proposed a 2-for-1 bonus issue to the Annual General Meeting on 27 April 2016, whereby each existing share will carry entitlement to two new shares. In total this would increase the Company's share capital by SEK 200 million, to a total of SEK 240 million. The share quota value would increase from SEK 1 to SEK 2. The number of shares would increase by 80,000,000 to a total of 120,000,000.

## Ownership structure

Indutrade had 7,965 shareholders on 31 December 2015 (5,970). At year-end the ten largest owners controlled 65% of the capital and votes (69%). Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 67% of the capital and votes at year-end (72%). Foreign ownership of the Company was 26% (21%).

## Incentive programmes

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

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

## Shareholders grouped by size

Size class	No. shareholders	Share of capital and votes, %
1 – 500	6,272	2.4
501 – 1,000	821	1.7
1,001 – 2,000	362	1.4
2,001 – 5,000	253	2.1
5,001 – 10,000	89	1.7
10,001 – 20,000	42	1.6
20,001 – 50,000	50	4.3
50,001 – 100,000	30	5.4
100,001 – 500,000	32	18.3
500,001 – 1,000,000	9	15.3
1,000,001 – 5,000,000	4	20.2
5,000,001 – 10,000,000	0	0
10,000,001 –	1	25.6

the market price. The subscription price for this series was set at SEK 350.00 per share.

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

During the reporting period January-December, there was a marginal dilutive effect of 0.08% (-).

### Dividend and dividend policy

The Board's goal is to provide the shareholders an attractive dividend yield and high dividend growth. The goal is that over time, the dividend shall range from 30% to 60% of net profit. During the last five-year period, of Indutrade's aggregate profit after tax, totalling SEK 3,293 million, dividends of SEK 1,504 million have been paid to the shareholders (including the proposed dividend for the year), which corresponds to 46% of net profit.

### Contacts with investors and analysts

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

For more information about IR activities and the analysts who monitor Indutrade, visit [www.indutrade.se](http://www.indutrade.se).

### Key data per share

	2015	2014
Share price per 31 December, SEK	480.50	312.00
Market cap per 31 December, SEK m	19,220	12,480
Dividend, SEK	9.00 <sup>1)</sup>	7.75
Earnings before dilution, SEK <sup>2)</sup>	22.33	17.60
Earnings after dilution, SEK <sup>3)</sup>	22.31	17.60
No. of shares outstanding, thousands	40,000	40,000
No. of shareholders per 31 December	7,965	5,970
Highest price paid during the financial year, SEK	488.30	319.50
Lowest price paid during the financial year, SEK	310.50	241.00
Dividend yield <sup>4)</sup> , %	1.9	2.5
Shareholders' equity, SEK	92.58	79.00
Cash flow from operating activities, SEK	26.90	22.60

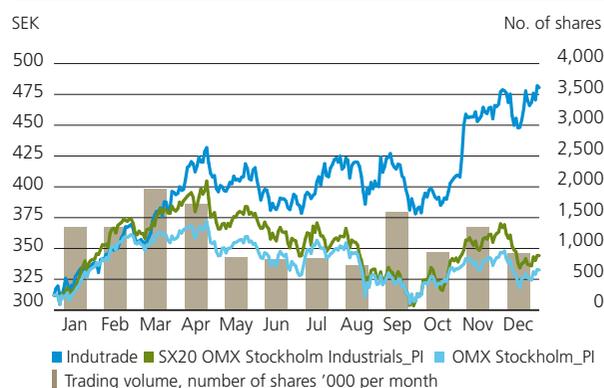
1) Proposed by the Board of Directors.

2) Based on 40,000,000 shares for both 2015 and 2014.

3) Based on 40,031,342 shares for 2015 and 40,000,000 for 2014.

4) Dividend divided by share price on 31 December.

### Share price trend 2015



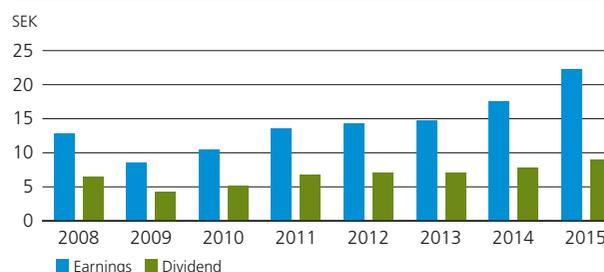
### Share price trend October 2005-2015



### Total return for Indutrade shares October 2005-2015



### Earnings and dividend per share



# Goals and strategies

## Overall goals

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

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

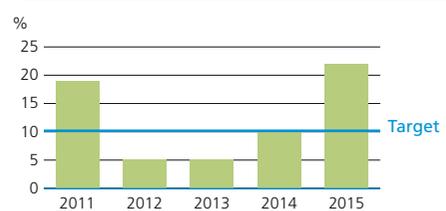
### Financial targets

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

### Target achievement

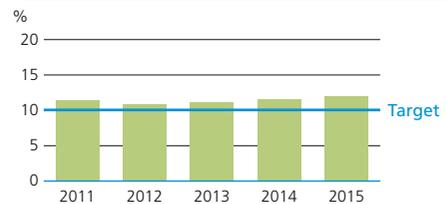
During the last five year period, average annual sales growth was 12%. Net sales increased by 22% in 2015. For comparable units, the increase was 7%, while acquired growth was 12%. The currency effect in 2015 was 3%.

### Historical achievement



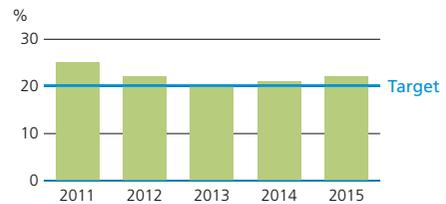
The target EBITA margin is a minimum of 10% per year over a business cycle.

The average EBITA margin during the last five years was 11.5%. The EBITA margin in 2015 was 12.0%.



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

During the last five years, the average return on operating capital was 22%. In 2015 the return was 22%.



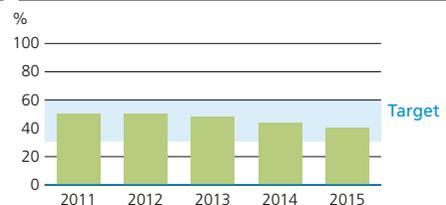
Net debt/equity ratio should normally not exceed 100%.

During the last five years, the net debt/equity ratio at year-end ranged from 79% to 102%. The net debt/equity ratio at year-end 2015 was 80%.



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

During the last five years, the dividend payout ratio was 46% including the proposed dividend. For 2015 a dividend of SEK 9.00 has been proposed, corresponding to 40% of net profit.



# Strategies

Indutrade pursues the following strategies to achieve its goals.

## Growth with limited business risk

Growth will be pursued in three dimensions:

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

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

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

## Acquisitions

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

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

## Strong market positions

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

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

## Long-term partnerships with leading suppliers

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

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

## Companies with proprietary products and brands

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

- » Proprietary products and brands balance the Group's technology sales companies. Since 2004 the share of sales of proprietary products has grown by 31 percentage points, and in 2015 they accounted for 40% of consolidated net sales.

## High share of repetitive sales and focus on selected customer segments

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

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

## Sales organisation with high level of technical expertise

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

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

## Decentralised organisation with strong local ties

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

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

# Driving forces and business environment



*Global macro-trends such as climate change, demographic changes and increased globalisation present our customers with a steady progression of new challenges. More efficient production and renewal are in constant focus. Indutrade is an important partner that contributes to its customers' ability to develop.*

Conducting active business intelligence in which the salient trends are identified, monitored and analysed is crucial for Indutrade in its ability to make well-grounded decisions regarding its business. While global trends entail challenges, they also represent major business opportunities.

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

## More efficient production with Indutrade

Indutrade offers components, systems and services that improve our customers' ability to manage change and thereby effectively meet the challenges presented by a changing world.

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

## Diversification of risk

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

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

# Business philosophy and acquisition process

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

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



## The benefit of being part of Indutrade

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

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

## Acquisition process

### Identification

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

### Evaluation

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

### Negotiation

The main purpose of the negotiation phase is to ensure:

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

## Governance process

### Implementation

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

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

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

### Follow-up

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



# Sustainable business

*Acquiring companies is one of the cornerstones of Indutrade's business model. In our acquisition process it is therefore of utmost importance that we ensure shared values and principles with respect to sustainable business. Our ambition is to conduct our business in close dialogue with the stakeholders that affect and are affected by our business decisions to a large extent. Staying abreast of developments in the world around us and advocating for a sustainable value chain gives us conditions to offer our customers innovative solutions to the challenges of today and tomorrow.*

## **Our contribution as an owner**

Indutrade's most important duty is to create sustainable value through our subsidiaries – both for ourselves and for the communities we work in. We acquire well run and profitable companies which share our values from day one. One of the most important reasons for Indutrade being considered to acquire a company is that the owners want to see their life's work continue to thrive and develop. To uphold and develop a subsidiary's business culture, sustainability issues are included as a recurring topic in discussions surrounding the subsidiary's strategic direction and financial objectives. For our part, being a responsible owner requires that we make careful considerations in the demands we set and the support we lend to our subsidiaries on sustainability issues. Our ambition is to develop and strengthen our companies in this dimension as well.

## **Values-steered acquisitions**

We are steadfast in our belief that clearly formulated values form a foundation for good business ethics, which are crucial for upholding the trust of customers and employees as well as of other stakeholders. In our acquisition process, ensuring that we have a shared set of values and principles is therefore a key consideration. Discussions and reasoning

### **Activities carried out in 2015**

- Adopted and introduced the Code of Conduct
- Conducted sustainability screening of operations
- Began a mapping of sustainability among suppliers
- Conducted a review of sustainability reporting

### **Planned activities for 2016**

- Follow up implementation of the Code of Conduct
- Perform a risk assessment of sustainability risks in operations
- Map sustainability risks among suppliers
- Develop sustainability reporting

surrounding our decentralised governance model and our fundamental values are conducted as early as possible in the acquisition process. We therefore put major emphasis on getting to know the company and its management, employees and owners during the acquisition process in order to ensure they will be a good fit with Indutrade.

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

The Code of Conduct that we introduced in 2015 lays out a number of overarching principles and guidelines that codify how we want to act and be perceived. The Code of Conduct, which covers environmental concerns, health and safety, business ethics, employee relations, human rights and community impacts, applies for all employees.

The Code of Conduct serves as a foundation for our daily work with sustainability issues. Indutrade's subsidiaries have been instructed to implement the Code of Conduct in a way that is suited to their respective operations. Follow-up will be conducted as part of the annual monitoring of internal control. Employees can choose to report, anonymously if they so desire, deviations from the Code of Conduct or suspicions of improprieties via an established whistleblower function.

## **Greater knowledge about risks and opportunities in the subsidiaries**

One prerequisite for us in our ability as owners to strengthen our subsidiaries with respect to sustainability is that we increase our own knowledge about related risks and opportunities in the respective companies. We also believe that we can better support an informal sharing of knowledge and experience between subsidiaries on these matters. In 2015 we commissioned a sustainability screening of our subsidiaries with respect to their business focus and sector affiliation, geographic presence, production patterns and supply chains. The challenges and opportunities that are unique to each company are being addressed as part of the respective companies' ordinary business development. In short, the screening indicated that Indutrade can take responsibility as owner by helping to develop and strengthen the companies with respect to sustainability in the supply chain. In view of this screening, we have decided to move forward and have begun a thorough analysis of the supply chain for all subsidiaries.

## **Doing business in the interest of individuals and communities**

The business conducted by Indutrade's companies is based on long-term, strong relationships with customers and suppliers, but also with the local communities in which the companies are located and operate. Our companies

contribute to local development through their long-term presence and profitable business. Each and every one of our employees plays a role in upholding the public's trust in Indutrade's companies as reliable and responsible companies that live up to their obligations in all respects.

### **Sustainable customer offerings**

Indutrade's greatest potential in the area of sustainability lies in helping customers meet growing demands and expectations for responsible and sustainable solutions. In addition to being a responsible business partner, this entails that – in developing our customer offerings and positioning our subsidiaries – we demonstrate that we provide value-added, such as from environmental or social perspectives. Indutrade's companies can point to many good examples of environmentally adapted solutions or solutions that contribute to improved efficiency, safety and productivity for customers. In connection with our internal meetings, such as the Group's annual presidents meeting, the monthly Group Management meetings and internal board meetings, we highlight successful examples of sustainable customer offerings that can serve as inspiration for all the Indutrade companies.

### **Implementation of the Code of Conduct**

The presidents of the respective subsidiaries are responsible for ensuring that the employees in their respective organisations are familiarised with the recently adopted Code of Conduct. It is also the respective subsidiary presidents who determine if there are other actors in the company's value chain that should be covered by the Code of Conduct, such as suppliers, contractors or consultants.

### **Attractive workplace for everyone**

We believe that diversity and the rejection of all forms of discrimination are prerequisites for maintaining the competitiveness and dynamism in our organisation as well as for upholding our reputation as an attractive employer. All of our employees are to be given equal opportunities for career development regardless of gender, ethnicity,

religion or faith, functional disability, sexual orientation or age. Employees' rights to organise in the union of their choice and to collective bargaining shall be respected. Indutrade's subsidiaries typically serve as problem solvers for customers, which requires our people have a high level of business and technical expertise. We therefore put great emphasis on continuous competence development in our companies, which also helps us attract and retain talented people.

### **Safe and secure workplace**

All Indutrade employees shall have a safe and healthy workplace. Proactively eliminating obvious physical risks and following up safety work and the employees' work situations are a matter of course for us. In general, the operations of Indutrade's subsidiaries involve lighter workshop and assembly work. We want to give our subsidiaries the absolute best conditions to grow, among other things by continuously investing in their production environments. Apart from contributing to higher productivity, this also leads to safer workplaces with fewer risk areas and repetitive movements.

### **Environmental work across the value chain**

Indutrade's direct environmental impacts are relatively limited and arise primarily in the subsidiaries in connection with transports of finished products, business travel, and handling of waste. This notwithstanding, the goal is to reduce our environmental impact through systematic improvement work across the entire value chain. A number of subsidiaries are certified according to ISO 14001, but even companies that are not certified conduct systematic environmental work aimed at achieving continuous improvements that are followed up with targets and action plans within the subsidiaries' respective frameworks. Priority areas of focus include efficient use of energy and natural resources, established systems for reusing and recycling material and energy, and prevention of environmental pollution.



» **Relekta Group**, a Norwegian technology sales company, was acquired by Indutrade in April 2015 to strengthen the Group's position in the construction, repair and maintenance market. Relekta's business concept revolves around extending the useful life of customers' existing products, and the company works actively on developing and increasing the share of products that create long-term environmental and health benefits for customers.

Relekta has worked for several years to be one of the most highly certified companies in the Nordic region in quality and the environment. Indutrade's ownership strengthens Relekta in its ambition to offer customers improved safety and profitability over the long term by, among other things, being a step ahead of a market that is making ever-greater demands in the environmental area.

The company's core philosophy is that a solid and long-term owner like Indutrade creates the right conditions for a well-run company that has the capacity to develop and focus on sustainability, such as the environment and collaboration with business partners. Indutrade's new Code of Conduct serves as an important foundation for the owner's values, both in connection with the acquisition process and as a springboard for a long-term relationship and future growth plans.

"With Indutrade as owner we are assured a long-term focus and stability for Relekta's development going forward. More importantly, Indutrade's ownership philosophy allows us to preserve our special culture, which has played a key role in Relekta's success and also made us the best working place in Norway (Number 1 in Great Place to Work 2016). We have ambitious future plans and will continue to grow organically and through acquisitions - both here in Norway and throughout the Nordic region - together with Indutrade and their network".

Olle Petter Andersen  
President of Relekta Group



» **Gustaf Fagerberg AB** which offers the largest assortment of valves and instruments for the Swedish process industry, has been part of the Indutrade Group since 2001. Its employees' expertise and ability to offer advice on where, how and which products should be used in various processes is a central part of the offering. Gustaf Fagerberg AB and Indutrade's shared values have been instrumental in the company's success, where long-term solutions and customer relationships play a key role in the business model.

The company appreciates how Indutrade has entrusted it to develop and uphold its own, successful business culture and unique business model. Indutrade's strength is its conviction that smart business decisions are made by individuals who work most closely with the business. Indutrade has been a vital force behind the company's development through the valuable support it provides on management and business issues. The individual and the company as drivers of change are also focal points in Indutrade's newly adopted Code of Conduct. At the same time, the people at Gustaf Fagerberg AB appreciate the long-term focus, expertise and network of a stable owner that puts a premium on continuous development.

"Embracing a long-term approach requires courage – to dare look beyond short-term rewards. Courage is also needed in our business relationships – to dare question customers and their proposed solutions. Finally, courage is needed to stand behind your offering and justify the price you charge. We want our customers and partners to know that we care. Indutrade's values and its new Code of Conduct go hand-in-hand with our own values surrounding professionalism, cooperation and long-termism. At Fagerberg we live and grow according to these values, both as company and as individuals".

Peter Fredriksson  
President of Gustaf Fagerberg AB

# Quarterly overview

Net sales, SEK million	2015					2014				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	1,283	326	328	325	304	1,274	329	319	332	294
Flow Technology	2,234	612	545	593	484	2,073	541	533	547	452
Fluids & Mechanical Solutions	1,249	339	316	307	287	1,058	289	252	266	251
Industrial Components	2,446	678	602	635	531	1,925	546	437	495	447
Measurement & Sensor Technology	938	246	227	246	219	753	207	190	193	163
Special Products	3,772	1,029	1,030	928	785	2,710	753	697	609	651
Parent company & Group items	-41	-11	-12	-9	-9	-47	-11	-16	-12	-8
	<b>11,881</b>	<b>3,219</b>	<b>3,036</b>	<b>3,025</b>	<b>2,601</b>	<b>9,746</b>	<b>2,654</b>	<b>2,412</b>	<b>2,430</b>	<b>2,250</b>
<b>EBITA, SEK million</b>	<b>Total</b>	<b>Oct-Dec</b>	<b>Jul-Sep</b>	<b>Apr-Jun</b>	<b>Jan-Mar</b>	<b>Total</b>	<b>Oct-Dec</b>	<b>Jul-Sep</b>	<b>Apr-Jun</b>	<b>Jan-Mar</b>
Engineering & Equipment	112	25	38	28	21	93	22	31	25	15
Flow Technology	217	59	52	63	43	176	50	47	52	27
Fluids & Mechanical Solutions	163	41	43	40	39	127	33	29	34	31
Industrial Components	262	68	75	72	47	226	56	52	69	49
Measurement & Sensor Technology	164	43	42	38	41	135	40	43	32	20
Special Products	564	166	154	140	104	418	133	107	81	97
Parent company & Group items	-55	-4	-17	-19	-15	-41	0	-15	-11	-15
	<b>1,427</b>	<b>398</b>	<b>387</b>	<b>362</b>	<b>280</b>	<b>1,134</b>	<b>334</b>	<b>294</b>	<b>282</b>	<b>224</b>
<b>EBITA-margin, %</b>	<b>Total</b>	<b>Oct-Dec</b>	<b>Jul-Sep</b>	<b>Apr-Jun</b>	<b>Jan-Mar</b>	<b>Total</b>	<b>Oct-Dec</b>	<b>Jul-Sep</b>	<b>Apr-Jun</b>	<b>Jan-Mar</b>
Engineering & Equipment	8.7	7.7	11.6	8.6	6.9	7.3	6.7	9.7	7.5	5.1
Flow Technology	9.7	9.6	9.5	10.6	8.9	8.5	9.2	8.8	9.5	6.0
Fluids & Mechanical Solutions	13.1	12.1	13.6	13.0	13.6	12.0	11.4	11.5	12.8	12.4
Industrial Components	10.7	10.0	12.5	11.3	8.9	11.7	10.3	11.9	13.9	11.0
Measurement & Sensor Technology	17.5	17.5	18.5	15.4	18.7	17.9	19.3	22.6	16.6	12.3
Special Products	15.0	16.1	15.0	15.1	13.2	15.4	17.7	15.4	13.3	14.9
	<b>12.0</b>	<b>12.4</b>	<b>12.7</b>	<b>12.0</b>	<b>10.8</b>	<b>11.6</b>	<b>12.6</b>	<b>12.2</b>	<b>11.6</b>	<b>10.0</b>

# Quarterly overview pro forma

Net sales, SEK million	2015					2014				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Engineering & Equipment	1,466	376	373	371	346	1,449	372	365	376	336
Flow Technology	2,234	612	545	593	484	2,073	541	533	547	452
Fluids & Mechanical Solutions	1,249	339	316	307	287	1,058	289	252	266	251
Industrial Components	2,263	628	557	589	489	1,750	503	391	451	405
Measurement & Sensor Technology	938	246	227	246	219	753	207	190	193	163
Special Products	3,772	1,029	1,030	928	785	2,710	753	697	609	651
Parent company & Group items	-41	-11	-12	-9	-9	-47	-11	-16	-12	-8
	<b>11,881</b>	<b>3,219</b>	<b>3,036</b>	<b>3,025</b>	<b>2,601</b>	<b>9,746</b>	<b>2,654</b>	<b>2,412</b>	<b>2,430</b>	<b>2,250</b>
<b>EBITA, SEK million</b>	<b>Total</b>	<b>Oct-Dec</b>	<b>Jul-Sep</b>	<b>Apr-Jun</b>	<b>Jan-Mar</b>	<b>Total</b>	<b>Oct-Dec</b>	<b>Jul-Sep</b>	<b>Apr-Jun</b>	<b>Jan-Mar</b>
Engineering & Equipment	125	29	41	32	23	105	23	35	30	17
Flow Technology	217	59	52	63	43	176	50	47	52	27
Fluids & Mechanical Solutions	163	41	43	40	39	127	33	29	34	31
Industrial Components	249	64	72	68	45	214	55	48	64	47
Measurement & Sensor Technology	164	43	42	38	41	135	40	43	32	20
Special Products	564	166	154	140	104	418	133	107	81	97
Parent company & Group items	-55	-4	-17	-19	-15	-41	0	-15	-11	-15
	<b>1,427</b>	<b>398</b>	<b>387</b>	<b>362</b>	<b>280</b>	<b>1,134</b>	<b>334</b>	<b>294</b>	<b>282</b>	<b>224</b>
<b>EBITA-margin, %</b>	<b>Total</b>	<b>Oct-Dec</b>	<b>Jul-Sep</b>	<b>Apr-Jun</b>	<b>Jan-Mar</b>	<b>Total</b>	<b>Oct-Dec</b>	<b>Jul-Sep</b>	<b>Apr-Jun</b>	<b>Jan-Mar</b>
Engineering & Equipment	8.5	7.7	11.0	8.6	6.6	7.2	6.2	9.6	8.0	5.1
Flow Technology	9.7	9.6	9.5	10.6	8.9	8.5	9.2	8.8	9.5	6.0
Fluids & Mechanical Solutions	13.1	12.1	13.6	13.0	13.6	12.0	11.4	11.5	12.8	12.4
Industrial Components	11.0	10.2	12.9	11.5	9.2	12.2	10.9	12.3	14.2	11.6
Measurement & Sensor Technology	17.5	17.5	18.5	15.4	18.7	17.9	19.3	22.6	16.6	12.3
Special Products	15.0	16.1	15.0	15.1	13.2	15.4	17.7	15.4	13.3	14.9
	<b>12.0</b>	<b>12.4</b>	<b>12.7</b>	<b>12.0</b>	<b>10.8</b>	<b>11.6</b>	<b>12.6</b>	<b>12.2</b>	<b>11.6</b>	<b>10.0</b>

Effective 1 January 2016 the Indutrade Group transferred four companies from the Industrial Components business area to the Engineering & Equipment business area. The motivation for the change was to strengthen focus and thus the conditions for continued growth in the Group.

# Several-year overview

Condensed income statement (SEK million)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Net sales	11,881	9,746	8,831	8,384	7,994	6,745	6,271	6,778	5,673	4,516
Cost of goods sold	-7,847	-6,464	-5,833	-5,545	-5,268	-4,480	-4,207	-4,520	-3,826	-3,027
Development costs	-133	-107	-110	-95	-74	-48	-44	-32	-20	-15
Selling costs	-2,044	-1,708	-1,601	-1,527	-1,430	-1,224	-1,169	-1,169	-972	-835
Administrative expenses	-635	-535	-449	-426	-398	-376	-323	-299	-250	-205
Other operating income/expenses	13	49	18	6	-2	-3	-3	2	4	2
Operating profit	1,235	981	856	797	822	614	525	760	609	436
Financial income and expenses	-98	-86	-100	-83	-93	-61	-64	-68	-31	-20
Profit after financial items	1,137	895	756	714	729	553	461	692	578	416
Tax	-243	-192	-169	-145	-189	-148	-120	-182	-159	-116
Net profit for the year	894	703	587	569	540	405	341	510	419	300
EBITA	1,427	1,134	990	905	917	703	594	820	650	460
EBITA margin, %	12.0	11.6	11.2	10.8	11.5	10.4	9.5	12.1	11.5	10.2

Condensed balance sheets (SEK million)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Assets</b>										
Goodwill	1,942	1,572	1,308	1,188	822	712	514	574	378	265
Other intangible assets	1,636	1,445	1,286	1,215	888	761	555	599	364	183
Property, plant and equipment	1,117	971	849	741	706	657	563	554	388	327
Financial assets	101	87	61	59	45	50	48	52	43	25
Inventories	1,931	1,617	1,546	1,472	1,328	1,183	1,064	1,207	936	719
Accounts receivable - trade	1,995	1,702	1,435	1,411	1,263	1,047	901	1,102	859	679
Current receivables	300	336	208	204	149	164	125	100	100	69
Cash and cash equivalents	339	357	261	243	264	219	229	223	203	119
<b>Total assets</b>	<b>9,361</b>	<b>8,087</b>	<b>6,954</b>	<b>6,533</b>	<b>5,465</b>	<b>4,793</b>	<b>3,999</b>	<b>4,411</b>	<b>3,271</b>	<b>2,386</b>
<b>Liabilities and equity</b>										
Equity	3,707	3,162	2,626	2,290	2,064	1,744	1,644	1,597	1,189	892
Non-current interest-bearing liabilities and pension liabilities	1,260	1,216	2,201	1,158	837	939	886	930	431	406
Other non-current liabilities and provisions	480	412	353	333	255	231	132	148	237	73
Current interest-bearing liabilities	2,028	1,635	381	1,424	1,083	841	462	622	393	236
Accounts payable – trade	848	763	602	586	556	493	424	584	470	398
Other current liabilities	1,038	899	791	742	670	545	451	530	551	381
<b>Total liabilities and equity</b>	<b>9,361</b>	<b>8,087</b>	<b>6,954</b>	<b>6,533</b>	<b>5,465</b>	<b>4,793</b>	<b>3,999</b>	<b>4,411</b>	<b>3,271</b>	<b>2,386</b>

Condensed cash flow statements (SEK million)	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Cash flow from operating activities before changes in working capital	1,315	970	790	720	764	616	438	619	526	369
Changes in working capital	-239	-66	69	-201	-55	40	120	-129	-127	-104
<b>Cash flow from operating activities</b>	<b>1,076</b>	<b>904</b>	<b>859</b>	<b>519</b>	<b>709</b>	<b>656</b>	<b>558</b>	<b>490</b>	<b>399</b>	<b>265</b>
Net investment in non-current assets	-221	-124	-206	-127	-139	-111	-90	-130	-67	-41
Company acquisitions and divestments	-878	-585	-444	-572	-467	-684	-188	-276	-307	-157
Change in other financial assets	-1	3	1	-5	13	0	0	0	1	-16
<b>Cash flow from investing activities</b>	<b>-1,100</b>	<b>-706</b>	<b>-649</b>	<b>-704</b>	<b>-593</b>	<b>-795</b>	<b>-278</b>	<b>-406</b>	<b>-373</b>	<b>-214</b>
Net borrowing	303	165	88	442	134	321	-12	131	203	65
Dividend payout	-310	-282	-282	-270	-204	-172	-256	-210	-150	-110
<b>Cash from financing activities</b>	<b>-7</b>	<b>-117</b>	<b>-194</b>	<b>172</b>	<b>-70</b>	<b>149</b>	<b>-268</b>	<b>-79</b>	<b>53</b>	<b>-45</b>
<b>Cash flow for the year</b>	<b>-31</b>	<b>81</b>	<b>16</b>	<b>-13</b>	<b>46</b>	<b>10</b>	<b>12</b>	<b>5</b>	<b>79</b>	<b>6</b>
Cash and cash equivalents at start of year	357	261	243	264	219	229	223	203	119	117
Exchange rate differences	13	15	2	-8	-1	-20	-6	15	5	-4
<b>Cash and cash equivalents at end of year</b>	<b>339</b>	<b>357</b>	<b>261</b>	<b>243</b>	<b>264</b>	<b>219</b>	<b>229</b>	<b>223</b>	<b>203</b>	<b>119</b>
<b>Financial metrics (SEK million)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Non-current interest-bearing liabilities	1,260	1,216	2,201	1,158	837	939	886	930	431	406
Current interest-bearing liabilities	2,028	1,635	381	1,424	1,083	841	462	622	393	236
Cash and cash equivalents	339	-357	-261	-243	-264	-219	-229	-223	-203	-119
<b>Group net debt</b>	<b>3,627</b>	<b>2,494</b>	<b>2,321</b>	<b>2,339</b>	<b>1,656</b>	<b>1,561</b>	<b>1,119</b>	<b>1,329</b>	<b>621</b>	<b>523</b>
Net debt/equity ratio, %	80	79	88	102	80	90	68	83	52	59
Interest coverage ratio, times		12.2	8.9	9.0	8.9	9.4	7.6	10.4	15.8	18.4
Equity ratio, %	40	39	38	35	38	36	41	36	36	37
Net debt/EBITDA, times	1.8	1.9	2.1	2.3	1.6	2.0	1.6	1.5	0.9	1.0
<b>Return ratios</b>										
Return on equity, %	26	25	25	27	29	24	21	38	41	39
Return on working capital, %	22	21	20	22	25	19	18	33	38	35
<b>Key data per employee</b>										
Average number of employees	4,978	4,418	4,151	3,939	3,778	3,420	3,122	2,728	1,929	1,673
Net sales, SEK 000	2,387	2,206	2,127	2,128	2,116	1,972	2,009	2,485	2,941	2,699
Pre-tax profit, SEK 000	228	203	182	180	193	162	148	254	300	249

Key data per share	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Share price per 31 December, SEK	480.50	312.00	268.50	197.00	183.00	232.00	135.00	66.25	123.75	135.00
Market cap per 31 December, SEK m	19,220	12,480	10,740	7,880	7,320	9,280	5,400	2,650	4,930	5,400
Dividend, SEK	9.00 <sup>1)</sup>	7.75	7.05	7.05	6.75	5.10	4.30	6.40	5.25	3.75
Earnings before dilution, SEK <sup>2)</sup>	22.33	17.60	14.68	14.23	13.50	10.18	8.53	12.75	10.48	7.50
Earnings after dilution, SEK <sup>3)</sup>	22.31	17.60	14.68	14.23	13.50	10.18	8.53	12.75	10.48	7.50
Number of outstanding shares, thousands	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
Number of shareholders per 31 December	7,965	5,970	6,038	5,721	5,025	5,388	5,369	4,577	4,739	5,230
Highest price paid during the financial year, SEK	488.30	319.50	272.50	229.50	239.00	234.00	153.00	149.00	172.00	139.00
Lowest price paid during the financial year, SEK	310.50	241.00	198.00	175.00	153.50	134.50	69.50	63.75	117.00	80.50
Dividend yield <sup>4)</sup> , %	1.9	2.5	2.6	3.6	3.7	2.2	3.2	9.7	4.3	2.8
Shareholders' equity, SEK	92.58	79.00	65.58	57.20	51.55	43.55	41.10	39.93	29.73	22.30
Cash flow from operating activities, SEK	26.90	22.60	21.48	12.98	17.73	16.40	13.95	12.25	9.98	6.63

1) Proposed for 2015 by the Board of Directors.

2) Based on 40,000,000 shares during all periods in the table.

3) Based on 40,031,342 shares for 2015. Other periods 40,000,000 shares.

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

## Definitions

### Earnings per share before dilution

Net profit for the period attributable to equity holders of the parent company divided by the average number of shares outstanding.

### Earnings per share after dilution

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

### EBITA

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

### EBITA margin

EBITA divided by net sales for the period.

### EBITDA

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

### Equity per share

Equity divided by the number of shares outstanding.

### Equity ratio

Shareholders' equity divided by total assets.

### Gross margin

Gross profit divided by net sales.

### Interest-bearing net debt

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

### Interest coverage ratio

Gross profit plus financial income divided by financial expenses.

### Net capital expenditure

Purchases less sales of intangible assets, and of property, plant and equipment, excluding those included in acquisitions and divestments of subsidiaries and operations.

### Net debt/equity ratio

Interest-bearing net debt divided by shareholders' equity.

### Operating capital

Interest-bearing net debt and shareholders' equity.

### Return on equity

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

### Return on operating capital

EBITA divided by average operating capital per month.

# Directors' report

*The Board of Directors and President of Indutrade AB (publ), reg. no. 556017-9367, herewith submit the annual report for the 2015 financial year.*

## Operations

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

The Group was organised in six business areas during the year: Engineering & Equipment, Flow Technology, Fluids & Mechanical Solutions, Industrial Components, Measurement & Sensor Technology and Special Products. Operations in 2015 were conducted through nearly 200 subsidiaries in 27 countries on four continents. Indutrade's shares are listed on Nasdaq Stockholm, and have been included on the Large Cap list since January 2015.

## Performance during the year

The demand situation improved for Indutrade's companies in 2015. This, together with completed acquisitions, led to new record levels for order intake as well as net sales. At the same time, the variation among the Group's companies remained large between markets, segments and countries.

## Order intake, net sales and earnings

Order intake for the year totalled SEK 11,939 million (10,000), an increase of 19%. For comparable units, order intake increased by 4%, while acquired growth was 12%. Currency movements had a positive effect on order intake, by 3%. For all business areas, except Engineering & Equipment, like-for-like order intake increased during the year. For Engineering & Equipment, like-for-like order intake decreased marginally during the year.

Net sales for the year totalled SEK 11,881 million (9,746), an increase of 22%. For comparable units the increase was 7% and acquired growth was 12%, while currency movements had a positive impact on net sales, by 3%.

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) was SEK 1,427 million (1,134) for the year, an increase of 26%, of which comparable units accounted for 7%, acquisitions for 15%, and currency effects for 4%. The EBITA margin was 12.0% (11.6%). The gross margin for the Group as a whole was level with the preceding year, at 34.0% (33.7%). The earnings improvement and strengthening of the EBITA margin were attributable to strong performance for comparable companies combined with the contribution made by completed acquisitions. During the year, four of the Group's six business areas achieved the Group's target of an EBITA margin in excess of 10%.

Net financial items amounted to SEK -98 million (-86), of which net interest expense was SEK -78 million (-75). Net interest expense was favourably affected by a lower average interest rate. Tax on profit for the year was SEK -243 million (-192), corresponding to a tax charge of 21% (21%). Profit after tax rose 27% to SEK 894 million (703). Earnings per share before dilution increased to SEK 22.33 (17.60).

## Profitability, financial position and cash flow

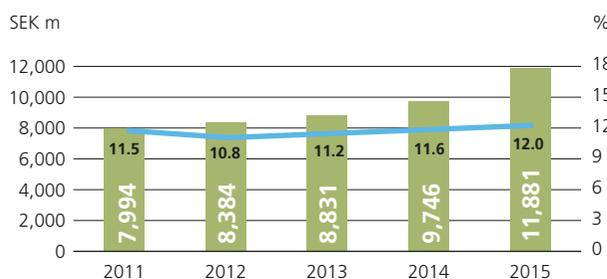
The return on operating capital was 22% (21%), and the return on equity was 26% (25%).

Shareholders' equity amounted to SEK 3,707 million (3,162), and the equity ratio was 40% (39%).

Cash and cash equivalents amounted to SEK 339 million (357). In addition to this, the Group had unutilised credit promises of SEK 2,580 million (1,858). Interest-bearing net debt amounted to SEK 2,949 million (2,494). The net debt/equity ratio was 80% at year-end (79%).

Cash flow from operating activities was SEK 1,076 million (904). Cash flow after net capital expenditures in intangi-

### Net sales SEK m, EBITA margin, %



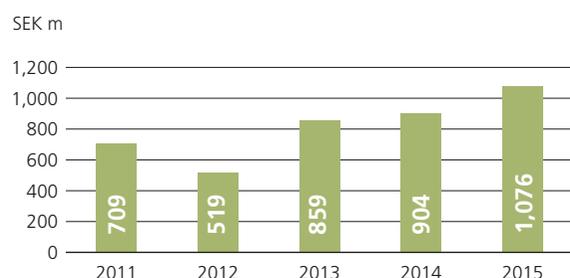
### EBITA SEK m, Return on operating capital, %



ble non-current assets and property, plant and equipment (excluding company acquisitions) was SEK 855 million (780).

The Group's net capital expenditures, excluding company acquisitions, amounted to SEK 221 million (124). Depreciation of property, plant and equipment amounted to SEK 156 million (127). Company acquisitions amounted to SEK 774 million (512). In addition, contingent earn-out payments for previous years' acquisitions amounted to SEK 106 million (73).

### Cash flow from operating activities, SEK m



## Business Areas

### » Engineering & Equipment

Share of order intake 2015 .....	<b>11%</b>
Share of net sales 2015 .....	<b>11%</b>

Net sales rose 1% during the year to SEK 1,283 million (1,274). For comparable units, net sales decreased by 2%, while currency movements had a positive impact on net sales, by 3%.

Most of the business area's sales are in Finland, and the demand situation was challenging throughout the year. The business area was affected by low industrial activity, continued weak development in the construction sector and general investment restraint in Finland. Cost adjustments have been carried out in some of the business area's companies to counter the effects of low demand.

EBITA increased by 20% to SEK 112 million (93), corresponding to an EBITA margin of 8.7% (7.3%).

The earnings increase and improved margin were mainly attributable to an improved gross margin combined with a changed mix.

### Engineering & Equipment

Net sales per customer segment, %		Net sales per product area, %	
Water/Wastewater	23	Hydraulics & Industrial equipment	29
Engineering	20	Measurement technology	23
Construction	11	Valves	15
Infrastructure	9	Service	11
Energy	7	Pumps	9
Mining/Steel	6	Filter & Process technology	4
Chemicals	5	Automation	4
Commercial vehicles	5	Pipes & Pipe systems	2
Pulp & Paper	5	Fasteners/Electronics/Industrial springs	2
Marine/Offshore	3	Chemical technology	1
Food	1		
Other	5		

## » Flow Technology

Share of order intake 2015 .....	<b>19%</b>
Share of net sales 2015 .....	<b>19%</b>

Net sales amounted to SEK 2,234 million for the year (2,073 ), an increase of 8%. The increase for comparable units was 8%. Currency effects on net sales were marginal.

The demand situation was favourable for most of the business area's companies during the year. Major investments in the chemical, nuclear power, and paper and pulp industries contributed to the favourable growth and compensated for lower demand in parts of the marine and offshore segment.

EBITA increased by 23% to SEK 217 million (176), and the EBITA margin reached 9.7% (8.5%). The higher earnings and improved margin were mainly attributable to the increase in sales combined with a changed mix.

## » Fluids & Mechanical Solutions

Share of order intake 2015 .....	<b>11%</b>
Share of net sales 2015 .....	<b>10%</b>

Net sales rose 18% during the year, to SEK 1,249 million (1,058). The increase for comparable units was 3%, while acquisitions accounted for 14% and currency movements for 1% of the increase.

Demand was stable during the year, and most companies in the business area managed to strengthen their positions in their respective niches, with higher sales and profitability as a result. The improvement was spread relatively evenly across the various segments.

EBITA increased by 28% to SEK 163 million (127), and the EBITA margin reached 13.1% (12.0%). The earnings improvement is mainly attributable to completed acquisitions combined with stronger profitability for comparable units.

### Flow Technology

Net sales per customer segment, %		Net sales per product area, %	
Energy	24	Valves	46
Water/Wastewater	20	Pipes & Pipe systems	15
Marine/Offshore	10	Measurement technology	14
Chemicals	9	Pumps	11
Pulp & Paper	7	Hydraulics & Industrial equipment	7
Healthcare	7	Service	2
Engineering	6	Medical technology	2
Mining/Steel	5	Fasteners/Electronics/Industrial springs	1
Food	5	Glass/Plastics/Ceramics	1
Construction	4	Other	1
Infrastructure	1		
Other	2		

### Fluids & Mechanical Solutions

Net sales per customer segment, %		Net sales per product area, %	
Engineering	22	Hydraulics & Industrial equipment	23
Construction	21	Filter & Process technology	20
Water/Wastewater	17	Glass/Plastics/Ceramics	16
Commercial vehicles	8	Valves	9
Food	7	Fasteners/Electronics/Industrial springs	9
Mining/Steel	4	Pipes & Pipe systems	5
Infrastructure	4	Chemical technology	5
Healthcare	3	Automation	4
Energy	2	Pumps	2
Marine/Offshore	2	Other	7
Chemicals	1		
Pulp & Paper	1		
Other	8		

## » Industrial Components

Share of order intake 2015 .....	<b>20%</b>
Share of net sales 2015 .....	<b>20%</b>

Net sales rose 27% during the year, to SEK 2,446 million (1,925). The increase for comparable units was 6%, and acquisitions contributed 21%.

Overall, the business area experienced stronger demand during the year, even though the variation between companies and segments remains large. For the business area as whole, which has a relatively high share of sales in Sweden and Norway, the weaker Swedish and Norwegian krona vs. the U.S. dollar and euro had a negative impact on gross margins during the start of the year, as high purchasing prices could not be fully compensated for. During the year, med-tech and chemical products companies, for example, showed favourable performance in sales and earnings, which was countered by a downturn for companies exposed to the steel, mining and offshore industries.

EBITA increased by 16% to SEK 262 million (226), corresponding to an EBITA margin of 10.7% (11.7%). The earnings improvement, which can be credited mainly to acquisitions, was countered by a changed mix and narrower gross margins for some of the business area's companies.

### Industrial Components

Net sales per customer segment, %		Net sales per product area, %	
Engineering	28	Hydraulics & Industrial equipment	30
Healthcare	23	Medical technology	22
Commercial vehicles	9	Chemical technology	20
Construction	8	Fasteners/Electronics/Industrial springs	14
Infrastructure	6	Automation	7
Food	4	Filter & Process technology	5
Pulp & Paper	3	Pumps	1
Energy	3	Service	1
Marine/Offshore	3		
Mining/Steel	3		
Chemicals	1		
Other	9		

## » Measurement & Sensor Technology

Share of order intake 2015 .....	<b>8%</b>
Share of sales 2015 .....	<b>8%</b>

Net sales rose 25% during the year, to SEK 938 million (753). The increase for comparable units was 6%, acquisitions contributed 14%, and currency movements had a positive impact on net sales, by 5%.

The business area includes companies with own manufacturing and proprietary products along with a relatively high share of project-related business, and as a result order intake and invoicing vary between months and quarters. Demand was generally strong for the business area's companies during the year, and both sales and earnings developed in a positive direction for most companies on a like-for-like basis.

EBITA increased by 21% to SEK 164 million (135), corresponding to an EBITA margin of 17.5% (17.9%). The earnings improvement is mainly attributable to like-for-like companies.

### Measurement & Sensor Technology

Net sales per customer segment, %		Net sales per product area, %	
Engineering	46	Measurement technology	68
Commercial vehicles	11	Fasteners/Electronics/Industrial springs	17
Energy	10	Hydraulics & Industrial equipment	13
Healthcare	5	Pumps	1
Food	3	Service	1
Construction	3		
Pulp & Paper	2		
Marine/Offshore	2		
Mining/Steel	2		
Water/Wastewater	1		
Infrastructure	1		
Other	14		

## » Special Products

Share of order intake 2015 .....	<b>31%</b>
Share of net sales 2015 .....	<b>32%</b>

Net sales rose 39% during the year, to SEK 3,772 million (2,710). The increase for comparable units as 11%, acquired growth was 20%, and currency movements had a positive impact on net sales, by 8%.

The business area, whose companies are outside of the Nordic region, noted a large variation in order intake and invoicing in all segments and countries. Special Products is also a business area with a relatively high share of companies with project-related business, resulting in a large variation in order intake and invoicing between months and quarters. Overall, however, growth in demand was very strong, and the increase in net sales was both organic and attributable to completed acquisitions. In the energy segment, order intake and invoicing related to valves for power generation were very strong during the year. For companies in Benelux, the UK and Ireland, the business climate was favourable during the year, even though a slight slowing of growth was noted for the companies in the UK in the final months of the year. The sharp strengthening of

the Swiss franc in January 2015 has created major challenges for Indutrade's companies in Switzerland, and both sales and earnings have been negatively affected.

EBITA increased by 35% to SEK 564 million (418), and the EBITA margin was 15.0% (15.4%). The earnings increase is attributable to acquisitions and overall positive performance for like-for-like companies, even though the variation in earnings and margins between the business area's companies is great.

## Special Products

Net sales per customer segment, %		Net sales per product area, %	
Energy	24	Valves	41
Healthcare	19	Glass/Plastics/Ceramics	12
Construction	16	Hydraulics & Industrial equipment	8
Engineering	13	Measurement technology	5
Commercial vehicles	8	Automation	5
Water/Wastewater	6	Filter & Process technology	5
Chemicals	5	Fasteners/Electronics/Industrial springs	4
Food	3	Pipe & Pipe systems	4
Marine/Offshore	3	Service	3
Mining/Steel	1	Pumps	3
Other	2	Chemical technology	3
		Medical technology	2
		Other	5

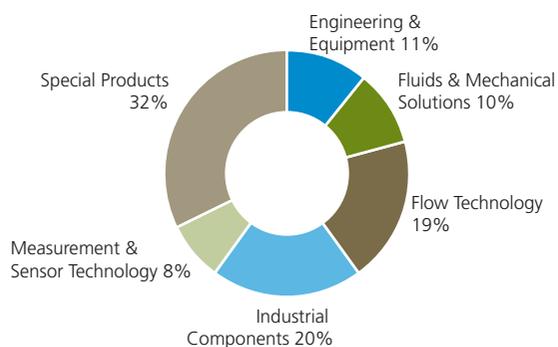
## Geographical distribution of net sales per business area, %

Country	Engineering & Equipment	Flow Technology	Fluids & Mechanical Solutions	Industrial Components	Measurement & Sensor Technology	Special Products
Asia	1	3	1		15	8
Baltics/Russia/Poland	2	6	18	5	2	1
Benelux	1		1	1	2	23
Denmark		14	13	4	2	1
Finland	89	7	1	11	2	
North America			3		19	8
Norway		10	9	14	1	
Switzerland					1	14
UK & Ireland	1	8	2		3	22
Sweden	1	49	46	63	30	
Germany	3	2	2	1	11	10
Other	2	1	4	1	12	13

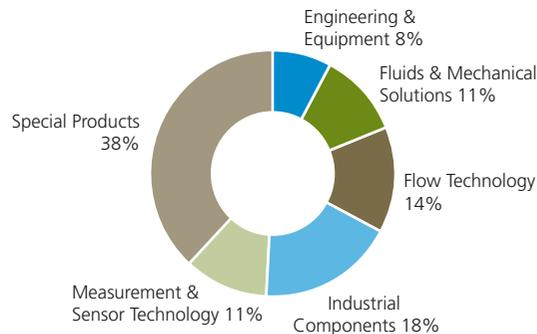
## Key data per business area

	Engineering & Equipment		Flow Technology		Fluids & Mechanical Solutions		Industrial Components		Measurement & Sensor Technology		Special Products	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Net sales, SEK million	1,283	1,274	2,234	2,073	1,249	1,058	2,446	1,925	938	753	3,772	2,710
EBITA, SEK million	112	93	217	176	163	127	262	226	164	135	564	418
EBITA margin, %	8.7	7.3	9.7	8.5	13.1	12.0	10.7	11.7	17.5	17.9	15.0	15.4
Return on operating capital, %	21	20	23	18	21	20	22	25	14	14	24	24
Average number of employees	452	442	670	663	513	486	710	574	1,176	1,149	1,447	1,104

### Net sales per business area, %



### EBITA per business area, %



## Acquisitions 2015

Possession	Acquisition	Country	Business area	Sales, SEK million <sup>1)</sup>	No. employees
January	Flowtec Industrietechnik GmbH	Austria	Special Products	80	23
January	Adaero Precision Components Ltd	UK	Special Products	50	59
January	Cepro International BV	Netherlands	Special Products	70	28
January	Sepab Fordonsprodukter AB	Sweden	Measurement & Sensor Technology	50	23
March	Filtration Ltd	UK	Special Products	30	12
March	Combilent A/S	Denmark	Measurement & Sensor Technology	100	24
March	Milltech Precision Engineering Ltd	UK	Special Products	45	41
April	Geomek Stockholms Geomekaniska AB	Sweden	Industrial Components	140	15
April	Relekta-gruppen	Norway	Industrial Components	270	105
June	Professional Parts Sweden AB	Sweden	Fluids & Mechanical Solutions	130	31
July	Trelawny SPT Ltd	UK	Special Products	60	47
September	Fergin Sverige AB	Sweden	Fluids & Mechanical Solutions	50	9
October	EPE-Goldman BV	Netherlands	Special Products	80	16
<b>Total</b>				<b>1,155</b>	<b>433</b>

1) Estimated annual sales at the time of acquisition.

**Flowtec Industrietechnik GmbH**, is a technical sales company that sells industrial components to companies in Austria and Eastern Europe. The company has annual sales of SEK 80 million and is included in the Group as from 1 January 2015.

**Adaero Precision Components Ltd**, is a specialist manufacturer of high precision industrial components, primarily for optical, laser, medical, and leak detection applications. The company has annual sales of SEK 50 million and is included in the Group as from 9 January 2015.

**Cepro International BV**, manufactures work station products for welding and grinding workshops. The company has annual sales of SEK 70 million and is included in the Group as from 9 January 2015.

**Sepab Fordonsprodukter AB**, develops unique products for safety, national adaptation, efficiency and comfort, with primary focus on commercial vehicles. The company has annual sales of SEK 50 million and is included in the Group as from 22 January 2015.

**Filtration Ltd** supplies high quality filters from leading manufacturers. The company has annual sales of SEK 30 million and is included in the Group as from 6 March 2015.

**Combilent A/S**, is a leading manufacturer of combiners and filters for communication systems. The company has annual sales of SEK 100 million and is included in the Group as from 12 March 2015.

**Milltech Precision Engineering Ltd**, is a specialist machining and sub-assembly/assembly sub-contractor of high precision components. The company has annual sales of SEK 45 million and is included in the Group as from 18 March 2015.

**Geomek Stockholms Geomekaniska AB**, markets and sells solutions, products and services in geotechnical surveying and the foundation drilling industry. The company has annual sales of SEK 140 million and is included in the Group as from 14 April 2015.

**Relekta Group**, (Relekta AS, Norsk Industrielje AS and Relekta Service AS) was acquired on 24 April 2015. Relekta is a Norwegian technology

sales company that supplies products for construction, repair and maintenance. The companies have combined annual sales of SEK 270 million.

**Professional Parts Sweden AB**, is a technology sales company that supplies replacement parts to the automobile aftermarket. The company has annual sales of SEK 130 million and is included in the Group as from 16 June 2015.

**Trelawny SPT Ltd**, manufactures and installs pneumatic tools and equipment for the surface treatment of concrete, steel and stone. The company has annual sales of SEK 60 million and is included in the Group as from 1 July 2015.

**Fergin Sverige AB**, sells a wide range of encapsulated lighting fixtures for lighting in demanding environments. The company has annual sales of SEK 50 million and is included in the Group as from 9 September 2015.

**EPE-Goldman BV**, supplies hydraulic products from leading manufacturers to industrial customers. The company has annual sales of SEK 80 million and is included in the Group as from 2 October 2015.

## Risks and risk management

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

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

ment 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 2015 Indutrade conducted business through 200 companies in 27 countries on four continents. This diversification of risk along with a large number of customers in a wide range of industries and a large number of suppliers in various technology areas limits the business risks.

### Risk

### Risk management

#### Changes in the economy

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



The effect of economic fluctuations in specific sectors and geographic markets is mitigated by the Company's involvement in many different sectors and geographic markets. In addition, the diversification of sales among OEM components, consumables, maintenance products, investment goods and service has a balancing effect.

#### Outsourcing of operations

Outsourcing of industrial production to low-cost countries takes place in markets in which Indutrade is active.



Outsourcing has had a limited impact on Indutrade, since the Group has chosen to focus on customers with a recurring need in industries with a high degree of automation and/or large initial investments, which tend to not outsource.

#### Competition from low-cost countries

An increase in products from low-cost countries can be seen in Indutrade's markets.



To counter the effects of this competition, Indutrade offers products and services with a high-tech content, a high level of service and qualified technical advice. In addition, Indutrade strives to establish close partnerships with customers by becoming involved early in the planning and development stages, where Indutrade employees can contribute their expertise about various processes.

#### Operational risk

The Group's operations are conducted with two main focuses: trading companies with industrial technology sales, and companies that manufacture their own products. For the companies involved in trading, there is the risk of an agency relationship being terminated. This could occur, for example, in connection with a structural change at the supplier level.



Termination of an agency relationship is a natural occurrence in an agency company's operations, and the organisation has experience in dealing with this. Indutrade has some 100 trading companies with a few main agencies per company, complemented by a number of smaller agencies. Because of the large number of agencies, no individual agency accounts for a predominant economic risk from the Group's perspective. The risk associated with major customers deciding to bypass the agency level and trade directly with producers is limited, since customers place great value on the technical expertise, availability and delivery reliability provided by an inventory-holding local technology sales company such as Indutrade. Indutrade's companies are also active in aftermarket sales, such as in servicing.

## Risk

### Changes at the supplier level

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



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

### Key person dependence

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



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

### Funding risk

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



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

### Interest rate risk

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



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

### Currency risk

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

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



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

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

## Environmental matters

Eight of Indutrade's 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. None of the Group's companies are involved in any environment-related disputes.

## Implementation of Code of Conduct

In 2015 Indutrade adopted a Code of Conduct covering environmental concerns, health and safety, business

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

Follow-up of the Code of Conduct will be conducted in 2016.

## Employees

At year-end the Group had 5,107 employees (4,578), and the average number of employees during the year was 4,978 (4,418). A total of 433 employees were added through acquisitions.

## Incentive programmes

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

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

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

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

## Guidelines for compensation of senior executives

The guidelines for compensation of senior executives that applied in 2015 are outlined in Note 7. The Company's auditors have performed a review to ensure adherence to the guidelines set by the Annual General Meeting. Ahead of the 2016 Annual General Meeting, it is the Board's intention to propose essentially unchanged guidelines for compensation of senior executives, in accordance with the following recommendation:

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

and performance. The variable portion shall reward the achievement of clear goals regarding the company's and business area's earnings as well as the Group's growth in simple, transparent structures. Variable compensation for members of the executive management shall normally not exceed 7 months' salary and may amount to a maximum of SEK 14 million in the aggregate.

- Incentive programmes in the Company shall mainly be share price-related and include persons in senior positions in the Company who have a significant influence over the Company's earnings and growth, and shall be based on the achievement of set targets. An incentive programme shall ensure long-term commitment to the Company's development and shall be implemented on market terms. The Company shall be able to pay cash compensation coupled to purchases of shares or share-based instruments. Such cash compensation shall normally not exceed 15% of the executive's fixed salary.
- Non-monetary benefits for members of the executive management shall facilitate the individuals in the execution of their duties and correspond to what can be considered to be reasonable in respect of practice in the market in which the respective executive is active.
- Pension terms for members of the executive management shall be in line with the going rate in the market in respect of what applies for peer executives in the market in which the executive works and should be based on a defined contribution pension solution or a general pension plan (in Sweden, the ITP plan).
- Severance pay for members of the executive management shall not exceed a total of 24 months' salary in the event the Company serves notice, and 6 months in the event a member of the executive management gives notice.
- By executive management is meant in this context the President and CEO, the Chief Financial Officer, the Business Area presidents, the Head of Group Finance and the Head of Business Development.
- The Board's Remuneration Committee deals with and conducts drafting work for decisions on the terms of employment for the CEO, and the Board evaluates the CEO's performance once a year. The Remuneration Committee also prepares and conducts drafting work concerning guidelines for remuneration of members of the executive management, for decision by the Board. The CEO consults with the Remuneration Committee on terms of employment for other members of the executive management.
- The Board shall have the right to depart from these guidelines for compensation of members of the executive management if there are special reasons in a particular case.

## Research and development

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

## Parent Company

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

## Events after the balance sheet date

Effective 1 January 2016 the Indutrade Group transferred four companies from the Industrial Components business area to the Engineering & Equipment business area. The motivation for the change was to strengthen the companies' focus and thus their conditions for continued growth in the Group. For pro forma information, see page 17 and Note 3.

In January 2016 Joakim Skantze assumed the position as President of Indutrade's Industrial Components business area. He succeeded Olof Paulsson, who will retire this year. Joakim Skantze served most recently as Venture Manager at AB Traction.

During the period January–March 2016, a total of three companies were acquired, with total annual sales of SEK 220 million: PECO Select Fasteners B.V. (Netherlands), Industri Verktøy AS (Norway) and Senmatic A/S (Denmark). For further information on acquisitions, see Note 29.

## Future outlook

Indutrade's view is that the market volatility will continue, which will put high demands on the companies' ability to adapt to prevailing opportunities and challenges. The decentralised business model, in which the managements of Indutrade's 200 companies can make quick decisions in close proximity to their operations, inspires commitment and responsibility. This Indutrade model creates favourable conditions for continued profitable growth

## Corporate Governance Report

Indutrade applies the Swedish Corporate Governance Code (the Code) since 1 July 2006. The Code is a component of self-regulation in Swedish industry and is based on the "comply or explain" principle. This means that companies that adhere to the Code may depart from individual rules, provided that they give an explanation for

each departure. Indutrade has no departures to report for the 2015 financial year. The Corporate Governance Report has been reviewed by the Company's auditors.

## Delegation of responsibilities

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



## Share capital and shareholders

The share capital amounts to SEK 40 million, divided among 40,000,000 shares with a share quota value of SEK 1. All shares have equal voting power. Indutrade, which was previously a wholly owned subsidiary of AB Industrivärden, was introduced on the Stockholm Stock Exchange on 5 October 2005. At year-end 2015 Indutrade had 7,965 shareholders (5,970). The ten largest shareholders controlled 65% of the share capital at year-end. Swedish legal entities, including institutions such as insurance companies and mutual funds, held 67% of the share capital and votes at year-end. Foreign investors owned 26% of the share capital and votes.

One shareholder, L E Lundbergföretagen AB, with 25.6% of the share capital and votes, controlled 10% or more of the share capital and votes at year-end.

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

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

## Articles of Association

Indutrade is a public company whose business is to "on its own or through subsidiaries, pursue trade in connection with the import and export of machines, raw materials and finished and semi-manufactured products as well as industrial necessities, including production, preferably within the plastics, mechanical and chemical industries, and activities compatible therewith." The Board shall

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

### **General meetings of shareholders**

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

All shareholders who are registered in the shareholder register on a specified record date and who have notified the Company in due time of their intention to participate at the general meeting are entitled to attend the meeting and vote for the total number of shares they have. Shareholders may be represented by proxy. More information about the 2016 AGM is provided on page 79 of this Annual Report and on the Company's website.

The notice of the AGM scheduled for 27 April 2016 is expected to be published on 23 March 2016 in the Official Swedish Gazette and on Indutrade's website. The notice will include a proposed agenda including proposals for the dividend, the election of directors, directors' fees (broken down by the Chairman and other directors), the election of the auditor, the auditor's fee, and proposed guidelines on compensation of the Company's senior executives.

### **Annual General Meeting 2015**

At the AGM on 29 April 2015, shareholders representing 69.5% of the shares and votes were in attendance. Fredrik Lundberg was appointed to serve as AGM chairman. At the AGM, the annual report and audit report were presented. In connection with this, Chairman of the Board Fredrik Lundberg provided information on the work of the Board and reported on the guidelines for compensation of the executive management and on the work of the Audit and Remuneration Committees. In addition, CEO Johnny Alvarsson gave an address reviewing Indutrade's operations in 2014 and the start of 2015.

The auditors reported on their audit of the Group and presented relevant parts of their audit report for 2014.

The 2015 AGM made the following resolutions:

- to adopt the financial statements for 2014
- to set the dividend at SEK 7.75 per share
- to discharge the members of the Board of Directors and the President from liability for the past financial year
- to re-elect directors Fredrik Lundberg, Eva Färnstrand, Bengt Kjell, Ulf Lundahl, Krister Mellvé, Lars Pettersson and Johnny Alvarsson, and to elect Katarina Martinson as a new director
- to re-elect Fredrik Lundberg as Chairman of the Board
- that Indutrade shall apply compensation levels for senior executives which mainly shall consist normally of a fixed and variable portion, shall be in line with the going rate in the market, and shall be commensurate with the executives' level of expertise, responsibility and performance.

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

### **Members of the Board of Directors**

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

The Chairman of the Board, Fredrik Lundberg, is President and CEO of L E Lundbergföretagen. The Vice Chairman, Bengt Kjell, is a former Executive Vice President of Industrivärden and former CEO of AB Handel och Industri. Eva Färnstrand is a former Site Manager at Södra Cell Mönsterås and is currently Chairman of Infranord. Ulf Lundahl is a former Executive Vice President of L E Lundbergföretagen. Krister Mellvé has held leading positions in the Robert Bosch Group. Lars Pettersson is a former President and CEO of Sandvik. Katarina Martinson works with asset management for the Lundberg family. Johnny Alvarsson is President and CEO of Indutrade.

A presentation of the current assignments of the members of the Board can be found on page 37 of this Annual Report. The Company's CFO serves as company secretary. Other executives participate at board meetings in a reporting role.

All of the directors, except for Johnny Alvarsson, are independent in relation to Indutrade. Johnny Alvarsson, Eva Färnstrand, Bengt Kjell, Krister Mellvé and Ulf Lundahl are independent in relation to Indutrade's major shareholders. The Board thereby meets the requirement that at least two of the directors who are independent in relation to the Company shall also be independent in rela-

## Attendance at board meetings in 2015

Board member	Year elected	Board meetings	Independent in relation to Company	Independent in relation to major shareholders <sup>1)</sup>
Johnny Alvarsson	2004	9/9	No	Yes
Eva Färnstrand	1998	9/9	Yes	Yes
Bengt Kjell (Vice Chairman)	2002	9/9	Yes	Yes
Martin Lindqvist	2011	3/9	Yes	Yes
Ulf Lundahl	2006	9/9	Yes	Yes
Fredrik Lundberg (Chairman)	2013	9/9	Yes	No
Krister Mellvé	2012	9/9	Yes	Yes
Lars Pettersson	2013	8/9	Yes	No
Katarina Martinson	2015	6/9	Yes	No

1) Pertains to the situation 2015.

tion to the major shareholders. Only one director, Johnny Alvarsson, has an operational role in the Company.

### **The work of the Board of Directors**

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

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

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

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

In 2015 the Board held a total of nine meetings including statutory meetings. The Board conducted its work in 2015 in accordance with the Board's work plan. Matters

requiring special attention by the Board during the year pertained to strategy, finance, acquisitions and sustainability.

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

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

### **The Chairman's role**

The Chairman organises and leads the work of the Board to ensure that it is carried out in compliance with the Swedish Companies Act, other laws and regulations, applicable rules for listed companies (including the Code), and the Board's internal governance documents. The Chairman monitors business activities through regular contact with the CEO and ensures that the other directors are provided with adequate information and decision-making documentation. The Chairman is also responsible for making sure that an annual evaluation is conducted of the Board's and the CEO's work and that the results of this evaluation are presented to the Nomination Committee. The Chairman represents the Company on ownership matters.

### **Remuneration Committee**

The Board has appointed a remuneration committee consisting of the Chairman of the Board, Fredrik Lundberg, the Vice Chairman, Bengt Kjell, and board member Lars Pettersson. The Remuneration Committee draws up a recommendation for decision regarding the terms of employment for the CEO. The Remuneration Committee also draws up the Board's proposed guidelines for compensation of senior executives, which is submitted to the AGM for approval.

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

The Remuneration Committee held two meetings in 2015, at which all of the committee members were present.

### **Audit Committee**

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

The Audit Committee has an oversight role with respect to the Company's risk management, governance and control, and financial reporting. The committee maintains regular contact with the Company's auditor to ensure that the Company's internal and external reporting satisfies the requirements made on market-listed companies and to discuss the scope and focus of auditing work. The Audit Committee evaluates completed audit activities and informs the Company's nomination committee about the results of its evaluation and assists the Nomination Committee on drawing up recommendations for auditors and fees for their auditing work. The Audit Committee held three meetings in 2015, at which all of the members were present. On three occasions in 2015 the committee conducted reviews with and received reports from the Company's external auditors.

### **Directors' fees**

Fees are payable to the Chairman of the Board and directors in accordance with an AGM resolution. The Chairman receives a fee of SEK 520,000, the Vice Chairman receives a fee of SEK 390,000, and the other directors receive a fee of SEK 260,000 each. However, no fee is payable to directors who are employed by a company within the Indutrade Group. The Audit Committee chair is paid a fee of SEK 52,000, and the members of the Remuneration Committee each receive a fee of SEK 26,000. The total yearly fees thus amount to SEK 2,340,000.

### **Nomination Committee**

At the AGM on 6 May 2013, the decision was made in favour of a standing instruction for Indutrade's nomination committee, which applies until further notice. According to this instruction, the Nomination Committee ahead of a forthcoming AGM shall consist of representatives of four of the largest shareholders in terms of votes, plus the Chairman of the Board, who shall also convene the first meeting of the Nomination Committee. The member representing the largest shareholder shall be appointed as committee chair. The composition of the Nomination Committee ahead of the Annual General Meeting is to be based on ownership data as per 31 August every year and is to be publicly announced not later than six months prior to the AGM. The composition of the Nomination Committee ahead of the 2016 AGM was announced on 1 October 2015 based on ownership data as per 31 August 2015.

Ahead of the 2016 AGM, the Nomination Committee was composed of the following members:

### **Nomination Committee composition**

Representative	Shareholder	Share of votes
Claes Boustedt	L E Lundbergföretagen, Nomination Committee chair	25.6%
Anders Oscarsson	AMF Insurance and funds	13.1%
Henrik Didner	Didner & Gerge funds	8.5%
Jonathan Mårtensson	Handelsbanken funds	5.7%
Fredrik Lundberg	Chairman of the Board	

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

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

Ahead of the 2016 AGM, the Nomination Committee has proposed the re-election of board members Fredrik Lundberg, Bengt Kjell, Johnny Alvarsson, Ulf Lundahl, Katarina Martinson, Krister Mellvé and Lars Pettersson. Eva Färnstrand has informed the Company that she is not available for re-election. Annica Bresky has been nominated as a new director on Indutrade's board.

Annica Bresky (b. 1975), M.Sc. Civil Engineering and Executive MBA, is CEO and Business Area Manager at Iggesund Paperboard AB, a subsidiary of Holmen AB. Prior to this she served as CEO of BillerudKorsnäs Karlsborg AB and Production Manager at Stora Enso Kvarnsveden AB.

Fredrik Lundberg has been proposed for re-election as Chairman of the Board. The Nomination Committee's proposal entails that the number of directors on the Board will be unchanged during the coming mandate period and that the Board will thereby have a total of eight members. A more detailed presentation of the members of the Board is provided on page 37 of this Annual Report.

### **Operating activities**

The CEO is responsible for the administration of Indutrade's day-to-day affairs, which are managed by the Company's executive management team. The CEO's

decision-making authority regarding investments and financing matters is governed by rules set by the Board.

### **President and CEO**

Indutrade's President and CEO, Johnny Alvarsson, has been employed by Indutrade since 2004. He was CEO of Elektronikgruppen from 2001 to 2004, CEO of Zeteco AB from 1988 to 2000, and held various management positions at Ericsson from 1975 to 1987. Johnny Alvarsson owns 8,050 shares of Indutrade stock and 15,000 warrants.

### **Auditors**

At the 2015 Annual General Meeting, the chartered accounting firm PricewaterhouseCoopers AB ("PwC") was appointed as auditor for a term extending through the 2016 Annual General Meeting.

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

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

### **Quarterly review by the auditors**

During the 2015 financial year, Indutrade's nine-month interim report was reviewed by the external auditors.

### **Internal control over financial reporting**

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

### **Control environment**

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

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

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

### **Risk assessment**

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

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

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

### **Control activities**

Since 1 January 2015 the Group's companies have been organised in six business areas. In addition to a business area president, the respective business area management teams include a controller. The controller plays a central role in analysing and monitoring the business area's financial reporting and in ensuring compliance by the companies in the business area with Group policies. The Parent Company has additional functions for continuous analysis and monitoring of financial reporting by the Group, the business areas and subsidiaries. The Parent Company's finance department also initiates work on the annual self assessment routine regarding the internal control over financial reporting.

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

All companies owned by Indutrade at the start of 2015 were required to respond to the evaluation questionnaire. The responses were compiled and evaluated per group of companies and for the Group as a whole. As a complement to this work, the auditors validated parts of the respective companies' completed questionnaires. In addition to this, the controllers of the business areas and Parent Company monitor internal control through visits to a number of companies each year. Both the evaluation performed by the Company and the result of the auditors' validation were reported and discussed with the Audit Committee. Feedback is provided to the companies in the Group where a need for improved routines has been identified. The overall evaluation of internal control over the Group's financial reporting will serve as documentation for the subsequent years' self assessment and work on further strengthening internal control.

### Information and communication

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

### Monitoring

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

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

### Internal audit

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

### Proposed distribution of earnings

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

Surplus reserve	4
Fair value reserve	-20
Retained earnings	2,029
Net profit for the year	824
<b>Total</b>	<b>2,837</b>

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

Dividend of SEK 9.00 per share	360
To be carried forward	2,477
<b>Total</b>	<b>2,837</b>

The dividend proposed by the Board of Directors corresponds to 12% of the Parent Company's equity and 10% of the Group's equity. Indutrade's dividend policy is that the dividend shall, over time, amount to between 30% and 60% of net profit.

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

If the dividend had been paid out at year-end, the Group's equity ratio would have been 36%. After payment of the proposed dividend, it is judged that Indutrade will continue to have a favourable financial position.

### Proposal for decision on bonus issue

In order to attain a suitable number of shares and facilitate trading in the Company's stock on Nasdaq Stockholm, the Board of Directors proposes a 2-for-1 bonus issue, whereby each existing share carries entitlement to two new shares. In connection with this, the share quota value will increase from SEK 1 to SEK 2. The number of shares will increase by 80,000,000 to 120,000,000. In total the Company's share capital will increase by SEK 200 million to SEK 240 million.

# Board of Directors and auditors



Name/ Position	Born	Education	Professional experience	Other directorships	No. of shares
<b>Fredrik Lundberg</b> Chairman since 2013 President and CEO of L E Lundbergföretagen	1951	B.Sc., MBA, Hon. PhD in Economics and Hon. PhD in Technology	President and CEO of L E Lundbergföretagen	Chairman of Holmen, Hufvudstaden and Industrivärden, vice chairman of Svenska Handelsbanken. Director of Industrivärden, Skanska and L E Lundbergföretagen	10,230,000 (via Lundberg- företagen)
<b>Bengt Kjell</b> Vice chairman since 2013 Director since 2002 Own investment business	1954	MBA, Stockholm School of Eco- nomics	Acting President and CEO of Industrivärden, President and CEO of Handel och Industri, Executive Vice President and Head of Investment Indus- trivärden, Head of Corporate Finance Securum, Senior Partner and founder Navet, Authorised public accountant	Chairman of Hemfosa Fastigheter and SSAB. Director of Industrivärden, ICA Group and Pandox among others	20,000
<b>Eva Färnstrand</b> Director since 1998	1951	M. Sc. in Chemistry, Royal Institute of Tech- nology	Site Manager Södra Cell Mönsterås, Pres- ident of Tidningstryckarna Aftonbladet Svenska Dagbladet, Newsprint Business Area Manager SCA Graphic Sundsvall	Chairman of Infranord and Inlandsinnovation. Director of Sveaskog	500
<b>Katarina Martinson</b> Director since 2015 Works with asset management for the Lundberg family	1981	B. Sc. Economics	Analyst at Handelsbanken Capital Mar- kets, Vice President Strategas Research Partners LLC, New York, Analysis of in- vestment strategies investment research, International Strategy & Investment Group, New York	Director of L E Lundbergföretagen, Fastighets AB L E Lundberg, Fidelio Capital, Husqvarna, Karlsson & Wingesjö, Lundbergs Kapitalförvalt- ning, AniCura, Lyko and Greenfood	10,230,000 (via Lundberg- företagen)
<b>Ulf Lundahl</b> Director since 2006	1952	LL.B. and B. Sc. Econ.	Executive Vice President and Deputy CEO of L E Lundbergföretagen, President of Östgöta Enskilda Bank, Head of Swedish operations for Danske Bank, CEO of Danske Securities	Chairman of Fidelio Capital and Ramirent. Director of Holmen, Eltel, Attendo and SHB Regionbank Stockholm	4,000
<b>Krister Mellvé</b> Director since 2012	1949	B. Sc. Econ.	Leading positions within Robert Bosch Group	Chairman of PSM International, China, DeltaNordic and Giganse. Director of Modern Metal, China, Modular Management and Mannerheim Invest Holding, Sweden	14,000
<b>Lars Pettersson</b> Director since 2013	1954	M. Sc. PhD h.c. Uppsala University	President and CEO of Sandvik AB, Sandvik Materials Technology, Sandvik Tooling and Sandvik Coromant	Chairman of KP Komponenter A/S. Director of Husqvarna, Industrivärden, L E Lundbergföretagen, LKAB, Festo AG and Uppsala University Consistory	700
<b>Johnny Alvarsson</b> President and CEO Director since 2004	1950	See further on page 38		Chairman of FM Mattsson Mora Group. Director of VBG Group	

#### Auditors PricewaterhouseCoopers AB

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

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

# Management Group



Johnny Alvarsson



Peter Eriksson



Claes Hjalmarson



Juha Kujala



Göte Mattsson



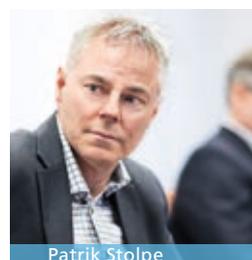
Susann Nyberg



Olof Paulsson



Joakim Skantze



Patrik Stolpe



Jan Öhman

Name/ Position	Born	Employed since	Education	Professional experience	No. of shares	No. of warrants
<b>Johnny Alvarsson</b> President and CEO, President of Special Products business area	1950	2004	M. Sc. Eng., Management studies	President and CEO Elektronikgruppen, President and CEO Zeteco, various positions at Ericsson	8,050	15,000
<b>Peter Eriksson</b> President of Flow Technology business area	1953	1995	Technical college engineer, B.Sc. Market economics, IFL	President and Partner Alnab, Sales Manager Alnab	13,450	10,000
<b>Claes Hjalmarson</b> Head of Business develop- ment	1954	1984	B. Sc. Economics	CFO Colly Group, CFO G A Lindberg Group, Auditor Ernst & Young	4,200	10,000
<b>Juha Kujala</b> President of Engineering & Equipment business area	1967	2006	eMBA, Technical college engineer	President Kontram Oy, President Maan- sähkö Oy, Sales Manager Kontram Oy, Export Manager Kalmar Industries Oy	1,000	10,000
<b>Göte Mattsson</b> President of Fluids & Mechanical Solutions business area	1955	1999	B. Sc. Economics, Management studies	President and Partner Industri Belos, President J Sörling, Group Controller Transventor, Vice President Parator	5,400	10,000
<b>Susann Nyberg</b> Head of Group Finance	1963	2012	B. Sc. Economics	Group Controller Addtech, Management- consultant KPMG, Financial Manager position at Telia, Financial Manager and Controller positions at SKF	146	3,500
<b>Olof Paulsson</b> President of Industrial Components business area	1949	1983	Technical college engineer, B. Sc. Market econ., IFL	President Colly Company, Colly Filteringsteknik and Colly Components, Division Manager Colly Company	3,200	0
<b>Joakim Skantze</b> President of Industrial Components business area effective 1 January 2016	1967	2016	M. Sc. Electronics, studies in economics and management	Venture Manager Traction, President Gnosjö Plast, Business Area manager and partner Schneider Grafiska, Senior consultant Accenture	0	0
<b>Patrik Stolpe</b> President of Measurement & Sensor Technology business area	1965	2015	B. Sc. Electronics, Industrial marketing	Global Segment Manager Xylem, President and CEO Lorentzen & Wettre	187	10,000
<b>Jan Öhman</b> CFO	1960	2014	Senior High School, Business economics	CFO Sandvik Venture, CFO and Vice President Sandvik Materials Technology, General Manager Boliden Aitik Mining Operation	3,000	20,000

## Consolidated income statement

SEK million	Note	2015	2014
Net sales	3	11,881	9,746
Cost of goods sold		-7,847	-6,464
<b>Gross profit</b>		<b>4,034</b>	<b>3,282</b>
Development costs		-133	-107
Selling costs		-2,044	-1,708
Administrative costs		-635	-535
Other operating income	5	117	146
Other operating expenses	5	-104	-97
<b>Operating profit</b>	4, 6, 7, 8, 9, 10	<b>1,235</b>	<b>981</b>
Financial income	11	46	16
Financial expenses	12	-144	-102
<b>Profit after financial items</b>		<b>1,137</b>	<b>895</b>
Tax	14	-243	-192
<b>Net profit for the year</b>		<b>894</b>	<b>703</b>
<b>Profit attributable to</b>			
Equity holders of the parent		893	704
Non-controlling interests		1	-1
Earnings per share attributable to equity holders of the parent, SEK		22.33	17.60
Earnings per share after dilution, attributable to equity holders of the parent, SEK		22.31	17.60
Average number of shares before dilution '000		40,000	40,000
Average number of shares after dilution '000		40,031	40,000
Proposed dividend per share, SEK		9.00	7.75

## Consolidated statement of comprehensive income

SEK million	Note	2015	2014
<b>Net profit for the year</b>		<b>894</b>	<b>703</b>
<b>Other comprehensive income</b>			
<b>Items that subsequently can be reversed into income statement</b>			
Fair value adjustment of hedge instruments	2	16	-27
Tax attributable to fair value adjustment		-3	7
Exchange rate differences		-50	172
<b>Items that cannot be reversed into income statement</b>			
Actuarial gains/losses	23	-5	-51
Tax attributable to actuarial gains/losses		2	11
<b>Other comprehensive income, net after tax</b>		<b>-40</b>	<b>112</b>
<b>Total comprehensive income for the year</b>		<b>854</b>	<b>815</b>
<b>Comprehensive income attributable to</b>			
Equity holders of the parent		853	816
Non-controlling interests		1	-1

## Consolidated balance sheet

SEK million	Note	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill		1,942	1,572
Agencies, customer relationships, etc.		1,254	1,089
Trademarks		259	252
Software, licences, etc.		52	46
Other intangible assets		71	58
<b>Total intangible assets</b>	15	<b>3,578</b>	<b>3,017</b>
<b>Property, plant and equipment</b>			
Land and buildings		559	524
Machinery		280	214
Equipment		258	226
Construction in progress and advances for property, plant and equipment		20	7
<b>Total property, plant and equipment</b>	16	<b>1,117</b>	<b>971</b>
<b>Financial assets</b>			
Financial assets available for sale	17	5	4
Non-current receivables	18	19	15
Deferred tax assets	14	77	68
<b>Total financial assets</b>		<b>101</b>	<b>87</b>
<b>Total non-current assets</b>		<b>4,796</b>	<b>4,075</b>
<b>Current assets</b>			
Inventories	19	1,931	1,617
Accounts receivable - trade	20	1,995	1,702
Current tax assets		17	75
Other current receivables		172	170
Prepaid expenses and accrued income	21	111	91
Cash and cash equivalents	28	339	357
<b>Total current assets</b>		<b>4,565</b>	<b>4,012</b>
<b>TOTAL ASSETS</b>		<b>9,361</b>	<b>8,087</b>

SEK million	Note	31 Dec 2015	31 Dec 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		40	40
Reserves		20	57
Profit brought forward incl. net profit for the year		3,643	3,063
<b>Total equity attributable to owners of the parent</b>		<b>3,703</b>	<b>3,160</b>
Non-controlling interests		4	2
<b>Total equity</b>		<b>3,707</b>	<b>3,162</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	22	1,005	983
Other non-current liabilities		-	0
Pension obligations	23	255	233
Deferred tax liabilities	14	472	404
Other provisions	24	8	8
<b>Total non-current liabilities</b>		<b>1,740</b>	<b>1,628</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	22	2,028	1,635
Accounts payable – trade		848	763
Current tax liabilities		106	82
Other current liabilities		437	372
Accrued expenses and deferred income	25	495	445
<b>Total current liabilities</b>		<b>3,914</b>	<b>3,297</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,361</b>	<b>8,087</b>
Pledged assets	26	317	253
Contingent liabilities	27	3	2

## Consolidated statement of changes in equity

SEK million	Attributable to owners of the parent				Non-controlling interests	Total equity
	Share capital	Reserves	Profit brought forward	Total		
<b>OPENING BALANCE, 1 JANUARY 2014</b>	<b>40</b>	<b>-95</b>	<b>2,678</b>	<b>2,623</b>	<b>3</b>	<b>2,626</b>
<b>Comprehensive income</b>						
Net profit for the year	-	-	704	704	-1	703
<b>Other comprehensive income</b>						
Fair value adjustment of hedge instruments	-	-27	-	-27	-	-27
Tax attributable to fair value adjustment	-	7	-	7	-	7
Actuarial gains/losses	-	-	-51	-51	-	-51
Tax attributable to actuarial gains/losses	-	-	11	11	-	11
Exchange rate differences	-	172	-	172	0	172
<b>Total comprehensive income</b>	<b>-</b>	<b>152</b>	<b>664</b>	<b>816</b>	<b>-1</b>	<b>815</b>
<b>Transactions with shareholders</b>						
Payment for issued warrants	-	-	4	4	-	4
Acquisitions of non-controlling interests	-	-	-1	-1	-	-1
Dividend paid for 2013	-	-	-282 <sup>1)</sup>	-282	-	-282
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-279</b>	<b>-279</b>	<b>-</b>	<b>-279</b>
<b>OPENING BALANCE, 1 JANUARY 2015</b>	<b>40</b>	<b>57</b>	<b>3,063</b>	<b>3,160</b>	<b>2</b>	<b>3,162</b>
<b>Comprehensive income</b>						
Net profit for the year	-	-	893	893	1	894
<b>Other comprehensive income</b>						
Fair value adjustment of hedge instruments	-	16	-	16	-	16
Tax attributable to fair value adjustment	-	-3	-	-3	-	-3
Actuarial gains/losses	-	-	-5	-5	-	-5
Tax attributable to actuarial gains/losses	-	-	2	2	-	2
Exchange rate differences	-	-50	-	-50	-	-50
<b>Total comprehensive income</b>	<b>-</b>	<b>-37</b>	<b>890</b>	<b>853</b>	<b>1</b>	<b>854</b>
<b>Transactions with shareholders</b>						
Acquisitions of non-controlling interests	-	-	-	-	1	1
Dividend paid for 2014	-	-	-310 <sup>2)</sup>	-310	-	-310
<b>Total transactions with shareholders</b>	<b>-</b>	<b>-</b>	<b>-310</b>	<b>-310</b>	<b>1</b>	<b>-310</b>
<b>CLOSING BALANCE, 31 DECEMBER 2015</b>	<b>40</b>	<b>20</b>	<b>3,643</b>	<b>3,703</b>	<b>4</b>	<b>3,707</b>

1) The dividend per share in 2013 was SEK 7.05.

2) The dividend per share in 2014 was SEK 7.75. The proposed dividend per share for 2015 is SEK 9.00.

## Consolidated statement of cash flows

SEK million	Note	2015	2014
<b>Operating activities</b>			
Operating profit		1,235	981
Adjustment for			
Depreciation, amortisation and impairment losses	8, 15, 16	365	389
Adjustment of contingent consideration	29	-7	-94
Net profit from sale of operations, property, plant and equipment, and shares		1	1
Other non-cash items		24	-3
Paid tax		-215	-228
Change in working capital			
Inventories		-149	42
Accounts receivable - trade		-160	-84
Accounts payable - trade		20	89
Other operating assets and liabilities, net		50	-113
Interest received		6	6
Interest paid		-66	-65
Other financial items		-28	-17
<b>Cash flow from operating activities</b>		<b>1,076</b>	<b>904</b>
<b>Investing activities</b>			
Acquisitions of subsidiaries and operations	29	-880	-585
Sales of subsidiaries and operations	29	2	0
Acquisitions of property, plant and equipment	16	-199	-112
Sales of property, plant and equipment	16	11	19
Acquisitions of intangible non-current assets	15	-33	-31
Decrease/increase in financial assets		-1	3
<b>Cash flow from investing activities</b>		<b>-1,100</b>	<b>-706</b>
<b>Financing activities</b>			
Borrowings		4,221	2,585
Repayment of debt		-3,918	-2,424
Dividend		-310	-282
Payment for issued warrants		-	4
<b>Cash flow from financing activities</b>		<b>-7</b>	<b>-117</b>
<b>Cash flow for the year</b>		<b>-31</b>	<b>81</b>
Cash and cash equivalents at start of year		357	261
Exchange rate differences in cash and cash equivalents		13	15
<b>Cash and cash equivalents at end of year</b>	28	<b>339</b>	<b>357</b>

## Income statement Parent Company

SEK million	Note	2015	2014
Net sales		4	4
<b>Gross profit</b>		<b>4</b>	<b>4</b>
Administrative expenses	4	-55	-62
Other operating income/expenses	5	-	5
<b>Operating loss</b>	6, 7, 8, 9, 10	<b>-51</b>	<b>-53</b>
Financial income	11	55	37
Financial expenses	12	-99	-84
Profit from participations in Group companies	13	573	624
<b>Profit after financial items</b>		<b>478</b>	<b>524</b>
Group contributions received		599	489
Group contributions rendered		-70	-92
Change in tax allocation reserve		-110	-73
Excess depreciation of equipment		0	0
<b>Profit before tax</b>		<b>897</b>	<b>848</b>
Tax	14	-73	-49
<b>Net profit for the year</b>		<b>824</b>	<b>799</b>

## Statement of comprehensive income Parent Company

SEK million	Note	2015	2014
<b>Net profit for the year</b>		<b>824</b>	<b>799</b>
<b>Other comprehensive income</b>			
<b>Items that subsequently can be reversed into income statement</b>			
Fair value adjustment of hedge instruments	2	15	-40
Tax attributable to fair value adjustment		-3	8
<b>Other comprehensive income, net of tax</b>		<b>12</b>	<b>-32</b>
<b>Total comprehensive income for the year</b>		<b>836</b>	<b>767</b>

## Balance sheet Parent Company

SEK million	Note	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible non-current assets</i>			
Software and licences	15	0	0
<i>Property, plant and equipment</i>			
Equipment	16	1	1
<i>Financial assets</i>			
Participations in Group companies	17	4,112	3,501
Non-current receivables	18	12	9
Deferred tax assets	14	9	11
<b>Total financial assets</b>		<b>4,133</b>	<b>3,521</b>
<b>Total non-current assets</b>		<b>4,134</b>	<b>3,522</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Receivables from Group companies		2,908	2,431
Current tax assets		–	37
Other receivables		15	9
Prepaid expenses and accrued income	21	5	3
<b>Total current receivables</b>		<b>2,928</b>	<b>2,480</b>
Cash and cash equivalents	28	29	–
<b>Total current assets</b>		<b>2,957</b>	<b>2,480</b>
<b>TOTAL ASSETS</b>		<b>7,091</b>	<b>6,002</b>

SEK million	Note	31 Dec 2015	31 Dec 2014
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	32	40	40
Statutory reserve		5	5
		<b>45</b>	<b>45</b>
<i>Unrestricted equity</i>			
Share premium reserve		4	4
Reserve for fair value		–20	–32
Profit brought forward		2,029	1,540
Net profit for the year		824	799
		<b>2,837</b>	<b>2,311</b>
<b>Total equity</b>		<b>2,882</b>	<b>2,356</b>
<b>Untaxed reserves</b>			
Tax allocation reserve		498	388
Excess depreciation of equipment		0	0
<b>Total untaxed reserves</b>		<b>498</b>	<b>388</b>
<b>Non-current liabilities</b>			
Non-current interest-bearing liabilities	22	832	808
Pension obligations	23	14	10
Deferred tax liabilities	14	3	2
<b>Total non-current liabilities</b>		<b>849</b>	<b>820</b>
<b>Current liabilities</b>			
Current interest-bearing liabilities	22	1,852	1,550
Accounts payable - trade		1	2
Liabilities to Group companies		927	816
Other current liabilities		37	48
Current tax liabilities		25	–
Accrued expenses and deferred income	25	20	22
<b>Total current liabilities</b>		<b>2,862</b>	<b>2,438</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,091</b>	<b>6,002</b>
Pledged assets	26	1	8
Contingent liabilities	27	112	114

## Statement of changes in equity Parent Company

SEK million	Share capital	Reserves	Share premium reserve	Reserve for fair value	Retained profit	Total
<b>OPENING BALANCE, 1 JANUARY 2014</b>	<b>40</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>1,822</b>	<b>1,867</b>
<b>Comprehensive income</b>						
Net profit for the year	–	–	–	–	799	799
<b>Other comprehensive income</b>						
Fair value adjustment of hedge instrument	–	–	–	–40	–	–40
Tax attributable to fair value adjustment	–	–	–	8	–	8
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–32</b>	<b>799</b>	<b>767</b>
<b>Transactions with shareholders</b>						
Payment for issued warrants	–	–	4	–	–	4
Dividend paid for 2013	–	–	–	–	–282 <sup>1)</sup>	–282
<b>Total transactions with shareholders</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–282</b>	<b>–278</b>
<b>OPENING BALANCE, 1 JANUARY 2015</b>	<b>40</b>	<b>5</b>	<b>4</b>	<b>–32</b>	<b>2,339</b>	<b>2,356</b>
<b>Comprehensive income</b>						
Net profit for the year	–	–	–	–	824	824
<b>Other comprehensive income</b>						
Fair value adjustment of hedge instruments	–	–	–	15	–	15
Tax attributable to fair value adjustment	–	–	–	–3	–	–3
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12</b>	<b>824</b>	<b>836</b>
Dividend paid for 2014	–	–	–	–	–310 <sup>2)</sup>	–310
<b>Total transactions with shareholders</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–310</b>	<b>–310</b>
<b>CLOSING BALANCE, 31 DECEMBER 2015</b>	<b>40</b>	<b>5</b>	<b>4</b>	<b>–20</b>	<b>2,853</b>	<b>2,882</b>

1) The dividend per share in 2013 was SEK 7.05.

2) The dividend per share in 2014 was SEK 7.75. The proposed dividend per share for 2015 is SEK 9.00.

## Cash flow statement Parent Company

SEK million		2015	2014
<b>Operating activities</b>			
Operating profit		-51	-53
Adjustment for			
Depreciation, amortisation and impairment losses	8, 15, 16	0	1
Other non-cash items		4	2
Tax paid		-11	-62
Change in working capital			
Accounts receivable - trade		0	0
Accounts payable - trade		-1	1
Other operating assets and liabilities, net		-266	-291
Interest received		40	37
Interest paid		-56	-66
Group contributions received and dividend income		969	1,098
Other financial items		-21	-20
<b>Cash flow from operating activities</b>		<b>607</b>	<b>647</b>
<b>Investing activities</b>			
Acquisitions of subsidiaries	17	-625	-587
Acquisitions of property, plant and equipment	16	-	-
Acquisitions of intangible non-current assets	15	0	0
Change in financial assets		0	-
<b>Cash flow from investing activities</b>		<b>-625</b>	<b>-587</b>
<b>Financing activities</b>			
Borrowings		4,179	2,570
Repayment of debt		-3,822	-2,359
Dividends paid		-310	-282
Payment for issued warrants		-	4
<b>Cash flow from financing activities</b>		<b>47</b>	<b>-67</b>
<b>Cash flow for the year</b>		<b>29</b>	<b>-7</b>
Cash and cash equivalents at start of year		0	7
<b>Cash and cash equivalents at end of year</b>	28	<b>29</b>	<b>0</b>

# Notes

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

## Note 1

### Accounting and valuation principles

#### General information

The Indutrade Group markets and sells components, systems and services with a high-tech content to industrial companies in selected niches. Business is conducted via approximately 200 subsidiaries in 27 countries. Indutrade's shares have been listed on Nasdaq Stockholm since 2005, and are included on the Large Cap list since 2015. Effective 1 January 2015 the Group is organised in six business areas. A few companies were transferred from the Industrial Components business area to the Engineering & Equipment business area, effective 1 January 2016. Note 3 describes the business area structure through 31 December 2015, with a pro forma presentation for the changed business area structure as from 2016.

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

This annual report was approved by the Board of Directors for publication on 21 March 2016. The consolidated and parent company income statements and balance sheets will be presented for adoption by the Annual General Meeting on 27 April 2016.

#### Basis of preparation

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

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

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

There are no new IFRSs or IFRIC pronouncements endorsed by the EU that are applicable for Indutrade or that had a significant impact on the Group's result of operations and position in 2015.

#### Standards, amendments and interpretations that apply as from 1 January 2016

There are no new IFRSs or IFRIC pronouncements that will have a significant impact on the Group's result of operations and position in 2016.

No newly issued IFRSs or interpretations have been applied prospectively.

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

IASB has issued IFRS 9 Financial Instruments, which replaces most of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification, measurement and recognition of financial assets and liabilities, and includes new rules for hedge accounting. IFRS 9 is expected to take effect in 2018.

IASB has also issued IFRS 15, the new standard for revenue recognition, which is expected to take effect in 2018. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 is based on the principle that revenues are recognised when the customer gains control over the sold product or service – a principle that replaces the previous principle of recognising revenue when the risks and benefits have been transferred to the buyer.

The new leasing standard, IFRS 16, replaces the current IAS 17. The standard entails changes primarily for lessees, whereby the distinction in leases between operating and finance leases has been removed. IFRS 16 and is expected to take effect in 2019.

No assessment of the effects on the Indutrade Group's financial statements has been made yet. The standards have not been endorsed yet by the EU.

#### Basis of consolidation

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

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

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

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

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

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

#### Classification

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

## Note 1

Continued

### Translation of foreign currency

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

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

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

### Transactions and balance sheet items in foreign currency

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

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

### Intangible non-current assets

#### Goodwill

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

#### Agencies, trademarks, customer relationships, etc.

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

In connection with nearly all company acquisitions completed by Indutrade, a value is determined for purchased agencies and the customer relationships that are included as part of the

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

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

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

### Property, plant and equipment

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

Property, plant and equipment are depreciated over their estimated useful lives. The following depreciation schedules are used:

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

No depreciation is calculated for land.

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

### Impairment testing of non-financial assets

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

### Inventories

Inventories are stated at the lower of their cost and net realisable value. Cost is calculated using the first-in first-out (FIFO) method.

## Note 1

### Continued

The cost of finished goods and work in progress consists of raw materials, direct wages, other direct costs and related indirect manufacturing costs (based on normal manufacturing capacity).

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

#### Financial instruments

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

#### Trade accounts receivable

Trade accounts receivable are stated initially at fair value and thereafter in the amount that is expected to be received after individual assessment. A provision for decreases in the value of trade accounts receivable is made when there is objective evidence that the Group will not be able to receive all amounts due according to the original terms of the receivable. Testing is conducted locally in the respective subsidiaries. The asset's carrying amount is reduced by use of a value impairment account, and the loss is recognised in the income statement under the item "Selling costs". Recoveries of previous impairment losses are credited to selling costs in the income statement. Since the Group consists of approximately 200 operating companies, the item trade accounts receivable consists of many smaller amounts. The subsidiaries have close contact with their customers, and thus valuation of trade accounts receivable rarely poses any difficulty. The risk is lower, and the subsidiaries can act quickly, if a customer does not pay in accordance with the terms and conditions. See also Note 2. Since Indutrade's trade accounts receivable normally have a remaining term of less than six months, the carrying amount is considered to reflect the fair value.

#### Cash and cash equivalents

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

#### Trade accounts payable

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

#### Borrowings

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

#### Contingent consideration

Indutrade normally uses an acquisition structure consisting of a base level of consideration and contingent consideration (earn-out payment). Contingent consideration is normally based on the projected earnings of the acquired company in the years immediately ahead. As per the date of the transaction, the contingent consideration is measured at fair value by estimating the present value of the likely outcome. The interest expense is

thereafter allocated over the period up until the date of payment. Contingent consideration is remeasured at every reporting date. Excess or deficit amounts are booked as an expense or revenue in the income statement under other operating income/expense. Contingent consideration is reported as current if it is payable within 12 months from the balance sheet date.

#### Derivative instruments

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

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

#### Cash flow hedging

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

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

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

#### Available-for-sale financial assets

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

#### Financial income and expenses

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

Financial expenses consist of interest expenses on loans and pension liabilities, effects of the dissolution of discounted contingent consideration, losses on hedge instruments recognised in

## Note 1

### Continued

profit for the year, and bank charges.

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

#### Provisions

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

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

#### Contingent liabilities

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

#### Leases

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

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

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

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

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

#### Segment reporting

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

#### Taxes

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

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

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

#### Employee benefits

##### Pension obligations

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

The liability carried on the balance sheet pertaining to defined benefit pension plans consists of the present value of the defined benefit obligations on the balance sheet date, less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligations is calculated by discounting the anticipated future cash flows using the rate of interest for high quality corporate bonds in countries in which such a market exists or, alternatively, mortgage bonds with maturities that correspond to the pension obligations and currency.

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

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

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

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

##### Termination benefits

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

## Note 1

Continued

### **Profit-sharing and bonus plans**

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

### **Incentive programme, LTI 2014**

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

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

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

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

### **Development costs**

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

### **Revenue recognition**

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

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

### **Important estimations and assumptions for accounting purposes**

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

### **Impairment testing of non-financial assets**

Each year, non-financial assets are tested for impairment. The recoverable value for cash-generating units has been determined by calculating value in use. For these calculations, certain assumptions must be made. These are shown in Note 15, Intangible assets.

### **Valuation of pension obligations**

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

The discount rate for defined benefit pension plans in the Netherlands, the UK and Switzerland has been determined through reference to the market rate of return for high quality corporate bonds. For calculations of defined benefit pension obligations in Sweden, the discount rate has been set in reference to the interest rate for mortgage bonds with a duration that corresponds to the average duration of the obligations. Indutrade has determined that a deep market for high quality corporate bonds exists in Sweden. Indutrade is of the opinion that Swedish mortgage bonds issued by Swedish corporations in the financial sector are covered by the concept of corporate bonds. Based on the outstanding volume, turnover and number of issues in the mortgage bond market, it has been determined that a deep market exists for these bonds. Consequently, mortgage bonds have been used as a basis for the interest rate.

### **Parent Company**

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

Participations in Group companies are reported in the Parent Company using the cost method. In the Parent Company, a change in the liability for contingent consideration affects the value of participations in subsidiaries. Contingent consideration is reported in

the Parent Company when it is certain or probable that the obligation will arise.

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

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

## Note 2

### Risks and risk management

#### Market risks

At year-end 2015 the Indutrade Group conducted business in 27 countries. This geographic spread along with a large number of customers and products provides relatively limited risk exposure and sensitivity to economic fluctuations. The Group's operations are conducted with two main focuses: trading companies with industrial technology sales, and companies that manufacture their own products.

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

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

#### Financial risks

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

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

#### Finance policy

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

#### Funding risk

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

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

Since 2014 Indutrade has had a commercial paper programme in place with a framework of SEK 1,500 million.

At year-end 2015 the Parent Company had external interest-bearing liabilities of SEK 2,684 million (2,358). The corresponding amount for the Group was SEK 3,033 million (2,618). The Group's interest-bearing net debt was SEK 2,949 million at year-end, compared with SEK 2,494 million a year earlier.

At year-end 2015 the Group had SEK 339 million (357) in cash and cash equivalents and SEK 2,580 million (1,858) in unutilised overdraft facilities. Of the Group's interest-bearing loans, 32% of the total amount falls due for payment after 31 December 2016. For a more detailed maturity analysis, see the description of the Group's borrowings in Note 22.

The Group strives to maintain a reasonable balance between equity, debt financing and liquidity, to enable the Group to secure funding at a reasonable capital cost. The Group's goal is that the net debt/equity ratio, defined as interest-bearing liabilities less cash and cash equivalents in relation to equity, normally should not exceed 100%. At year-end the debt/equity ratio was 80% (79%).

#### Interest rate risk

By interest rate risk is meant the risk that unfavourable changes in interest rates will have an excessive impact on the Group's net financial items and earnings. At year-end 2015, as in the preceding year, most of the Group's loans carried variable rates of interest.

The Parent Company has entered into contracts to hedge SEK 700 million of its borrowing at variable interest against fixed interest for five years. Of this amount, SEK 300 million is due in 2016 and SEK 400 million is due in 2018. The difference between the fixed and variable interest is expensed in the income statement. During the year, valuation of interest rate swaps resulted in a gain for the Group of SEK 15 million (–16) before tax, which is recognised in other comprehensive income.

Based on the loan structure at year-end, a 1% rise in the interest rate on an annualised basis would result in a higher interest expense of approximately SEK 27 million (23), without taking into account the loans' fixed interest periods. Taking into account the existing fixed interest periods, the effect would be approximately SEK 20 million (11). Profit after tax would be affected by SEK –16 million (–9).

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

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

	Group		Parent Company	
Maturity dates for loans, leasing commitments and contingent earn-out payments:	2015	2014	2015	2014
Maturity 2015	–	1,663	–	1,574
Maturity 2016	2,051	703	1,868	619
Maturity 2017	137	48	42	4
Maturity 2018	864	219	805	202
Maturity 2019	13	11	–	–
Maturity 2020 or later	16	36	–	–
<b>Total borrowings incl. interest, SEK million</b>	<b>3,081</b>	<b>2,680</b>	<b>2,715</b>	<b>2,399</b>

#### Currency risk

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

## Note 2

Continued

– Transaction exposure arises as a result of the Group having incoming and outgoing payments in foreign currencies.

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

The consolidated income statement includes SEK 11 million (–2), net, in exchange rate differences in operating profit and SEK –7 million (–1), net, in financial items.

With respect to transaction exposure, at 31 December 2015 Indutrade had net exposure of SEK 105 million (81) in foreign currency. See the breakdown of currencies in the following table.

### Net exposure at year-end

Group	2015		2014	
	Local currency	SEK	Local currency	SEK
in millions				
USD	15.7	131	14.0	109
EUR	–2.4	–22	–2.8	–26
DKK	10.7	13	7.0	9
GBP	–0.6	–8	–0.6	–7
CHF	–1.0	–8	–0.7	–6
Other currencies		–1		2

At year-end the Group had outstanding forward contracts worth SEK 320 million (626) to reduce the currency risk associated with future flows, of which SEK 98 million (145) pertains to EUR, SEK 207 million (481) pertains to USD, and SEK 15 million (–) pertains to SGD. All of the contracts expire within 12 months. Market valuation of outstanding forward contracts as per 31 December 2015 resulted in an unrealised gain of SEK 16 million (–11) before tax, which is recognised in other comprehensive income.

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

### Forward contracts

Parent Company		
MSEK	2015	2014
EUR	391	313
GBP	161	87
CHF	103	19
NOK	29	14
PLN	21	11
DKK	20	14
RUB	12	4
SGD	2	–

All contracts expire within 12 months except for one, which has a term of 15 months.

The Group is exposed to a translation risk associated with translation of the accounts of foreign subsidiaries to the Group currency, SEK. This type of currency risk is not hedged. Net investments in foreign subsidiaries at year-end are shown in the following table. Indutrade also had net investments in other currencies in both 2015 and 2014, but the amounts were insignificant.

### Net investments in foreign subsidiaries

Group	2015		2014	
	Local currency	SEK	Local currency	SEK
Net exposure in millions				
EUR	142	1,296	124	1,179
GBP	52	641	43	516
NOK	320	305	151	159
CHF	22	182	30	237
DKK	120	146	56	72

Indutrade estimates that the Company's translation exposure entails that a 1% change in the value of SEK vs. other currencies would result in a yearly positive/negative effect (in the event of a weakening/strengthening of SEK) corresponding to approximately SEK 81 million (65) on net sales and approximately SEK 6 million (5) on net profit. The effect on equity of a 1% change would be SEK 27 million (23).

### Customer and counterparty risks

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

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

## Note 2

Continued

does business in many countries, which entails a spread of credit risk exposure over several geographic areas. For information on sales and profit per geographic area, see Note 3.

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

### Calculation of fair value

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

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

### The Group's assets and liabilities at fair value as per 31 December 2015

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Available-for-sale financial assets	–	–	5	5
Derivative instruments held for hedging purposes	–	3	–	3
<b>Liabilities</b>				
Derivative instruments held for hedging purposes	–	38	–	38
Contingent earn-out payments	–	–	259	259

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

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

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

### Contingent earn-out payments

	2015	2014
Opening book value	241	268
Acquisitions during the year	120	115
Earn-out payments	–106	–68
Reversed via income statement	–7	–94
Interest expense	10	4
Exchange rate differences	1	16
Closing book value	259	241

## Note 3

### Segment reporting

The Group is organised in six business areas: Engineering & Equipment, Flow Technology, Fluids & Mechanical Solutions, Industrial Components, Measurement & Sensor Technology, and Special Products, which constitute the Group's operating segments. The Group's business areas conduct business primarily in the Nordic countries and in central and northern Europe.

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

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

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

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

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

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

According to IFRS, the part of operations that does not constitute its own operating segment is to be called "Other". At

Indutrade, only the Parent Company is included in the segment called "Other". Indutrade AB lacks a major revenue source, which is why the Parent Company does not constitute its own operating segment.

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

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

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

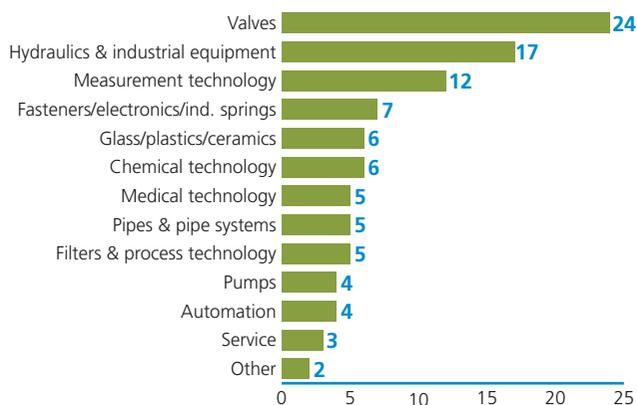
The Indutrade Group does not receive revenue from any single customer that amounts to 10% of total, which is why no data is reported on this.

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

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

Effective 1 January 2016 the Indutrade Group transferred four companies from the Industrial Components business area to the Engineering & Equipment business area. The motivation for the change was to strengthen focus and thus their conditions for continued growth in the Group. Pro forma information on the new structure for the 2015 and 2014 financial years is provided below.

#### Sales per product category, %



## Note 3

Continued

### Indutrade's operating segments based on business area structure through 31 December 2015

2015	EE	FT	FM	IC	MST	SP	PC	Elim. <sup>1)</sup>	Total
Net sales	1,283	2,234	1,249	2,446	938	3,772	4	-45	11,881
Operating profit	100	194	136	222	133	505	-51	-4	1,235
Net financial items	-6	-14	-1	-6	-10	-22	529	-568	-98
Profit before tax	94	180	135	216	123	483	897	-991	1,137
EBITA	112	217	163	262	164	564	-51	-4	1,427
EBITA margin, %	8.7	9.7	13.1	10.7	17.5	15.0	-	-	12.0
Amortisation of intangible assets	-17	-25	-28	-42	-34	-63	0	-	-209
Depreciation of property, plant and equipment	-12	-20	-21	-25	-27	-51	0	-	-156
Sales growth, %	1	8	18	27	25	39	-	-	22
Operating capital	514	935	798	1,276	1,145	2,484	2,764	-3,260	6,656
Return on operating capital, %	21	23	21	22	14	24	-	-	22
Investments in non-current assets	24	38	25	64	31	91	1	-	274
<b>Total assets</b>	<b>706</b>	<b>1,557</b>	<b>1,213</b>	<b>1,989</b>	<b>1,472</b>	<b>3,367</b>	<b>7,091</b>	<b>-8,034</b>	<b>9,361</b>
<b>Total liabilities</b>	<b>568</b>	<b>1,399</b>	<b>481</b>	<b>1,157</b>	<b>485</b>	<b>1,669</b>	<b>3,711</b>	<b>-3,816</b>	<b>5,654</b>

2014	EE	FT	FM	IC	MST	SP	PC	Elim. <sup>1)</sup>	Total
Net sales	1,274	2,073	1,058	1,925	753	2,710	4	-51	9,746
Operating profit	80	153	106	193	112	378	-53	12	981
Net financial items	-6	-18	-1	-7	2	-12	577	-621	-86
Profit before tax	74	135	105	186	114	366	848	-933	895
EBITA	93	176	127	226	135	418	-53	12	1,134
EBITA margin, %	7.3	8.5	12.0	11.7	17.9	15.4	-	-	11.6
Amortisation of intangible assets	-18	-24	-23	-34	-28	-44	0	-	-171
Depreciation of property, plant and equipment	-11	-19	-19	-23	-18	-36	-1	-	-127
Sales growth, %	1	5	7	12	7	22	-	-	10
Operating capital	564	913	684	922	961	2,008	2,249	-2,645	5,656
Return on operating capital, %	20	18	20	25	14	24	-	-	21
Investments in non-current assets	22	37	18	40	19	53	1	-	190
<b>Total assets</b>	<b>754</b>	<b>1,491</b>	<b>1,013</b>	<b>1,547</b>	<b>1,255</b>	<b>2,803</b>	<b>6,002</b>	<b>-6,778</b>	<b>8,087</b>
<b>Total liabilities</b>	<b>612</b>	<b>1,345</b>	<b>394</b>	<b>958</b>	<b>433</b>	<b>1,132</b>	<b>3,258</b>	<b>-3,207</b>	<b>4,925</b>

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

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

IC – Industrial Components  
 FM – Fluids & Mechanical Solutions

FT – Flow Technology  
 MST – Measurement & Sensor Technology

## Note 3

Continued

Indutrade's operating segments based on business area structure as from 1 January 2016 – pro forma

2015	EE	FT	FM	IC	MST	SP	PC	Elim. <sup>1)</sup>	Total
Net sales	1,466	2,234	1,249	2,263	938	3,772	4	-45	11,881
Operating profit	113	194	136	209	133	505	-51	-4	1,235
Net financial items	-6	-14	-1	-6	-10	-22	529	-568	-98
Profit before tax	107	180	135	203	123	483	897	-991	1,137
EBITA	125	217	163	249	164	564	-51	-4	1,427
EBITA margin, %	8.5	9.7	13.1	11.0	17.5	15.0	-	-	12.0
Amortisation of intangible assets	-17	-25	-28	-42	-34	-63	0	-	-209
Depreciation of property, plant and equipment	-13	-20	-21	-24	-27	-51	0	-	-156
Sales growth, %	1	8	18	29	25	39	-	-	22
Operating capital	532	935	798	1,234	1,145	2,484	2,764	-3,236	6,656
Return on operating capital, %	22	23	21	22	14	24	-	-	22
Investments in non-current assets	27	38	25	61	31	91	1	-	274
<b>Total assets</b>	<b>749</b>	<b>1,557</b>	<b>1,213</b>	<b>1,915</b>	<b>1,472</b>	<b>3,367</b>	<b>7,091</b>	<b>-8,003</b>	<b>9,361</b>
<b>Total liabilities</b>	<b>592</b>	<b>1,399</b>	<b>481</b>	<b>1,102</b>	<b>485</b>	<b>1,669</b>	<b>3,711</b>	<b>-3,785</b>	<b>5,654</b>

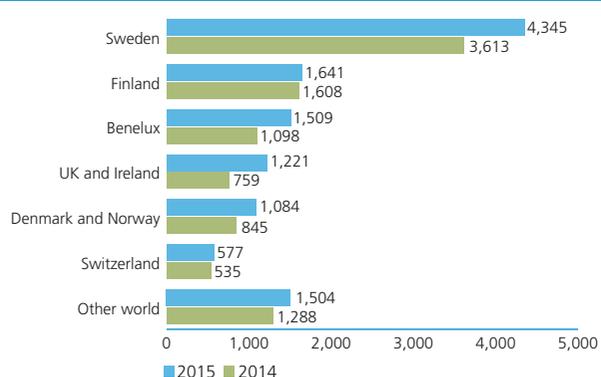
2014	EE	FT	FM	IC	MST	SP	PC	Elim. <sup>1)</sup>	Total
Net sales	1,449	2,073	1,058	1,750	753	2,710	4	-51	9,746
Operating profit	93	153	106	180	112	378	-53	12	981
Net financial items	-7	-18	-1	-6	2	-12	577	-621	-86
Profit before tax	86	135	105	174	114	366	848	-933	895
EBITA	105	176	127	214	135	418	-53	12	1,134
EBITA margin, %	7.2	8.5	12.0	12.2	17.9	15.4	-	-	11.6
Amortisation of intangible assets	-18	-24	-23	-34	-28	-44	0	-	-171
Depreciation of property, plant and equipment	-13	-19	-19	-21	-18	-36	-1	-	-127
Sales growth, %	1	5	7	13	7	22	-	-	10
Operating capital	595	913	684	882	961	2,008	2,249	-2,636	5,656
Return on operating capital, %	22	18	20	25	14	24	-	-	21
Investments in non-current assets	25	37	18	37	19	53	1	-	190
<b>Total assets</b>	<b>809</b>	<b>1,491</b>	<b>1,013</b>	<b>1,473</b>	<b>1,255</b>	<b>2,803</b>	<b>6,002</b>	<b>-6,759</b>	<b>8,087</b>
<b>Total liabilities</b>	<b>635</b>	<b>1,345</b>	<b>394</b>	<b>915</b>	<b>433</b>	<b>1,132</b>	<b>3,258</b>	<b>-3,187</b>	<b>4,925</b>

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

## Note 3

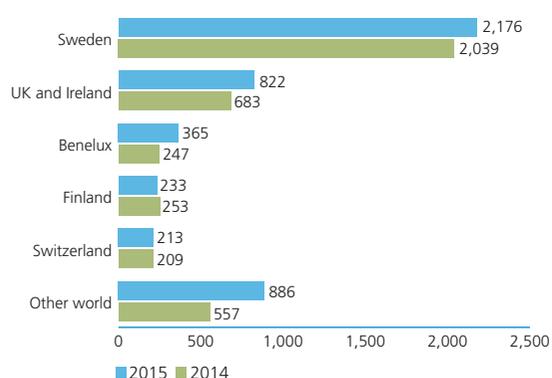
Continued

### Consolidated revenue from external customers per geographic area, SEK million



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

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



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

## Note 4

### Income statements classified by type of cost

	Group		Parent Company	
	2015	2014	2015	2014
Goods for resale, raw materials and consumables	-6,423	-5,171	-	-
Costs for employee benefits	-2,674	-2,186	-39	-41
Depreciation/amortisation	-365	-298	0	-1
Other costs	-1,197	-1,159	-16	-20
<b>Total</b>	<b>-10,659</b>	<b>-8,814</b>	<b>-55</b>	<b>-62</b>

## Note 5

### Other operating income/expenses

	Group		Parent Company	
	2015	2014	2015	2014
<b>Other operating income</b>				
Exchange rate gains	109	47	-	5
Revaluation of liabilities pertaining to contingent consideration	7	94	-	-
Gain on sale of subsidiaries/operations	1	-	-	-
Other	0	5	-	-
<b>Total</b>	<b>117</b>	<b>146</b>	<b>-</b>	<b>5</b>
<b>Other operating expenses</b>				
Exchange rate losses	-98	-49	-	-
Transaction costs for acquisitions	-6	-5	-	-
Impairment of goodwill	-	-41	-	-
Other	0	-2	-	-
<b>Total</b>	<b>-104</b>	<b>-97</b>	<b>-</b>	<b>-</b>
<b>Other operating income/expenses, net</b>	<b>13</b>	<b>49</b>	<b>-</b>	<b>5</b>

## Note 6

### Average number of employees

	2015		2014	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent Company	10	5	10	5
Subsidiaries in Sweden	1,387	291	1,270	260
<b>Total Sweden</b>	<b>1,397</b>	<b>296</b>	<b>1,280</b>	<b>265</b>
Subsidiaries outside Sweden	3,581	916	3,138	768
<b>Total</b>	<b>4,978</b>	<b>1,212</b>	<b>4,418</b>	<b>1,033</b>

The Parent Company's board is composed of two women and six men (2014: one woman and seven men). The subsidiaries' boards and management include five women (2014: four women). The Parent Company's management consisted of one woman and eight men through 31 December 2015.

## Note 7

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

	2015			2014		
	Wages, salaries and other remuneration	Social security costs	Of which, pension costs	Wages, salaries and other remuneration	Social security costs	Of which, pension costs
Parent Company	25	14	5	27	14	5
Subsidiaries in Sweden	667	301	72	591	266	63
<b>Total Sweden</b>	<b>692</b>	<b>315</b>	<b>77</b>	<b>618</b>	<b>280</b>	<b>68</b>
Subsidiaries outside Sweden	1,348	262	128	1,089	208	110
<b>Total</b>	<b>2,040</b>	<b>577</b>	<b>205</b>	<b>1,707</b>	<b>488</b>	<b>178</b>

Of the Parent Company's pension costs, SEK 2 million (2) pertains to the Board of Directors and the CEO. The corresponding amount for the Group is SEK 34 million (29).

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

	2015			2014		
	Companies' management <sup>1)</sup>	Of which, bonuses and similar	Other employees	Companies' management <sup>1)</sup>	Of which, bonuses and similar	Other employees
Parent Company	13	3	12	12	3	15
Subsidiaries in Sweden	85	13	582	72	8	519
<b>Total Sweden</b>	<b>98</b>	<b>16</b>	<b>594</b>	<b>84</b>	<b>11</b>	<b>534</b>
Subsidiaries outside Sweden	155	21	1,193	117	17	972
<b>Total</b>	<b>253</b>	<b>37</b>	<b>1,787</b>	<b>201</b>	<b>28</b>	<b>1,506</b>

<sup>1)</sup> Pertains to the board members and the CEO.

#### Wages, salaries and remuneration of senior executives Information provided at the 2015 Annual General Meeting pertaining to the 2015 financial year

The Chairman and members of the Board of Directors are paid a fee in accordance with a resolution by the Annual General Meeting. A fee of SEK 520,000 is payable to the Chairman, and a fee of SEK 390,000 is payable to the Vice Chairman. A fee of SEK 260,000 is payable to each of the other non-executive directors, and a fee of SEK 52,000 is payable to the Audit Committee chair. A fee of SEK 26,000 is paid to members of the Remuneration Committee.

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

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

For the CEO of the Parent Company, the variable compensation is capped at six months' salary, i.e., 50% of base salary. For other senior executives, the variable compensation is capped at four to seven months' salaries, or 33% to 58% of base salary. Variable compensation is related to the earnings performance of the Group or of the respective business areas.

The retirement age for the CEO is normally 65. In addition to statutory retirement benefits, Indutrade is to pay pension premiums – excluding premiums for disability insurance and waiver of premium protection – corresponding to 35% of his base salary. The CEO is entitled to choose his pension solution, within the cost framework described above and subject to the approval of the Chairman. Johnny Alvarsson has been given an extended mandate as CEO until the 2017 Annual General Meeting, with unchanged terms.

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

#### Terms of notice

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

#### Incentive programme

In April 2014 the Annual General Meeting resolved in accordance with the Board's proposal to implement an incentive programme, LTI 2014, comprising a combined maximum of 460,000 warrants in two series, directed at senior executives and other key persons in the Indutrade Group. Within the framework of Series I, which was offered to 135 persons, the participants acquired a total of 257,500 warrants for a combined total of SEK 3,914,000. The price per warrant was SEK 15.20, and the subscription price was set at SEK 356.30 per share. Within the framework of Series II, which was offered to 13 persons, the participants acquired a total of 27,500 warrants for a combined value of SEK 319,000. The price per warrant was SEK 11.60, which corresponds to the market price. The subscription price for this series was set at SEK 350.00 per share. The CEO acquired 15,000 warrants and other senior executives 73,500 warrants. Each warrant carries entitlement to subscribe for one share in Indutrade during specially prescribed subscription periods through 18 May 2018. A cash subsidy corresponding to 120% of the price paid by the participants for the warrants will be paid out on two occasions and in equal parts after half of the term of the programme and after three years, respectively, normally under the condition that the participant has not sold any warrants and continues to be employed by the Group at the time of payment.

## Note 7

Continued

### Guidelines adopted by the 2015 Annual General Meeting for compensation and other terms of employment for senior executives

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

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

The forms of compensation shall therefore be in line with the going rate in the market and shall be straightforward, long-term and quantifiable. Compensation of members of executive management shall normally consist of a fixed and a variable portion. Fixed salary for members of the executive management shall be in line with the going rate in the market and shall be commensurate with the individual's expertise, responsibilities and performance. The variable portion shall reward achievement of clearly set goals regarding Company's and the respective business areas' earnings performance as well as the Group's growth in simple, transparent structures. The variable compensation component for members of the executive management shall normally not exceed seven months' salary and can amount to a maximum of SEK 12 million.

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

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

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

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

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

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

### Compensation and other benefits, 2015

	Base salary /directors' fees	Variable compensation <sup>1)</sup>	Other benefits	Pension cost	Total
<b>SEK 000s</b>					
Fredrik Lundberg, Chairman of the Board, member of the Remuneration Committee	546	–	–	–	546
Bengt Kjell, Vice Chairman of the Board, member of the Remuneration Committee	416	–	–	–	416
Eva Färnstrand, Director	260	–	–	–	260
Katarina Martinson, Director	260	–	–	–	260
Ulf Lundahl, Director, Audit Committee chair	312	–	–	–	312
Krister Mellvé, Director	260	–	–	–	260
Lars Pettersson, Director, member of the Remuneration Committee	286	–	–	–	286
Johnny Alvarsson, President and CEO	6,720	3,474	120	2,364	12,678
Other senior executives (8 persons)	16,899	7,717	926	4,609	30,151
<b>Total</b>	<b>25,959</b>	<b>11,191</b>	<b>1,046</b>	<b>6,973</b>	<b>45,169</b>

1) Including compensation (the year's subsidy cost) for the senior executives who participate in the above-mentioned incentive programme, which amounted to SEK 114,000 for the CEO and SEK 465,000 for senior executives.

## Note 7

Continued

### Compensation and other benefits, 2014

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

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

## Note 8

### Depreciation and amortisation

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

	Group		Parent Company	
	2015	2014	2015	2014
Cost of goods sold	267	209	–	–
Development costs	5	7	–	–
Selling costs	61	58	–	–
Administrative expenses	32	24	0	1
<b>Total</b>	<b>365</b>	<b>298</b>	<b>0</b>	<b>1</b>

## Note 9

### Operating leases

	Group		Parent Company	
	2015	2014	2015	2014
<b>Lease payments expensed during the year:</b>	<b>189</b>	<b>172</b>	<b>2</b>	<b>2</b>
Future contracted lease payments				
Maturity year 1	182	173	2	2
Maturity year 2	140	137	2	1
Maturity year 3	104	92	2	–
Maturity year 4	62	66	2	–
Maturity year 5	45	43	2	–
Maturity year 6–	75	78	12	–
<b>Total future lease payments</b>	<b>608</b>	<b>589</b>	<b>22</b>	<b>3</b>

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

## Note 10

### Auditors' fees

	Group		Parent Company	
	2015	2014	2015	2014
<b>PricewaterhouseCoopers</b>				
Audit assignment	12	10	1	1
Auditing activities in addition to audit assignment	1	1	–	0
Tax consulting	1	1	–	0
Other services	1	1	0	0
<b>Total fees, PricewaterhouseCoopers</b>	<b>15</b>	<b>13</b>	<b>1</b>	<b>1</b>
<b>Other auditing firms</b>				
Auditing fees	4	2	–	–

Other auditing firms refers to several auditing firms where none account for a significant amount in 2015 or the preceding year.

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

## Note 11

### Financial income

	Group		Parent Company	
	2015	2014	2015	2014
Interest	7	6	40	37
Exchange rate differences	39	10	15	0
Other	0	0	–	–
<b>Total financial income</b>	<b>46</b>	<b>16</b>	<b>55</b>	<b>37</b>
Of which, pertaining to Group companies:				
Interest	–	–	38	36

## Note 12

### Financial expenses

	Group		Parent Company	
	2015	2014	2015	2014
Interest expenses, bank loans	–68	–70	–59	–66
Interest expenses, pension liability	–5	–4	–	–
Interest expenses, finance leases	–2	–3	0	0
Interest expenses, contingent consideration	–10	–4	–6	1
<b>Total interest expenses</b>	<b>–85</b>	<b>–81</b>	<b>–65</b>	<b>–65</b>
Exchange rate differences	–46	–11	–23	–10
Other	–13	–10	–11	–9
<b>Total financial expenses</b>	<b>–144</b>	<b>–102</b>	<b>–99</b>	<b>–84</b>
Of which, pertaining to Group companies:				
Interest	–	–	–3	–5

## Note 13

### Profit from participations in Group companies

Parent Company	2015	2014
Dividends from subsidiaries	573	642
Capital gain on sale of subsidiary	–	0
Impairment of shares in subsidiaries	–	–18
<b>Total</b>	<b>573</b>	<b>624</b>

## Note 14

### Taxes

	Group		Parent Company	
	2015	2014	2015	2014
<b>Tax expense</b>				
Current tax	–283	–208	–73	–48
Deferred tax	41	18	0	–1
Other tax	–1	–2	–	–
<b>Total</b>	<b>–243</b>	<b>–192</b>	<b>–73</b>	<b>–49</b>

The Group's tax expense amounted to 21.4% (21.5%) of consolidated profit before tax. The difference between the reported tax expense and anticipated tax expense (weighted average tax based on national tax rates) is explained below.

	Group		Parent Company	
	2015	2014	2015	2014
Profit before tax	1,137	895	897	848
Weighted average tax based on national tax rates (Group 22.0% and 21.7%, respectively, and Parent Company 22.0% and 22.0%, respectively)	–250	–194	–197	–187
<b>Tax effect of:</b>				
Non-deductible interest expenses on discounted contingent consideration	–2	–1	–1	0
Non-deductible transaction costs for acquisitions	–1	–1	–	–
Tax-exempt contingent consideration recognised as income	2	21	–	–
Non-deductible impairment of goodwill	–	–9	–	–
Other non-deductible expenses/tax-exempt income	1	–5	125	138
Utilisation of loss-carryforward where tax was not previously reported	2	1	–	–
Adjustment pertaining to previous years' current tax	0	–2	–	–
Change in tax rate	6	0	–	–
Other items	–1	–2	–	–
<b>Total</b>	<b>–243</b>	<b>–192</b>	<b>–73</b>	<b>–49</b>
	<b>21.4%</b>	<b>21.5%</b>	<b>8.1%</b>	<b>5.9%</b>

## Note 14

Continued

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

Group	Intangible non-current assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
<b>1 Jan.-31 Dec. 2015</b>						
Deferred tax, net	-264	-35	-93	33	23	-336
Opening book value						
Deferred tax as per income statement	41	-3	-19	2	14	35
Change in tax rate affecting income statement	6	0	-	0	0	6
Deferred tax recognised in other comprehensive income	-	-	-	2	-3	-1
Deferred tax attributable to acquisitions	-88	-4	-6	-	0	-98
Exchange rate differences	1	0	-	-1	-1	-1
<b>Deferred tax, net</b>						
Closing book value	-304	-42	-118	36	33	-395
<b>As per 31 Dec. 2015</b>						
Deferred tax asset	1	1	-	36	39	77
Deferred tax liability	-305	-43	-118	0	-6	-472
<b>Deferred tax, net</b>	<b>-304</b>	<b>-42</b>	<b>-118</b>	<b>36</b>	<b>33</b>	<b>-395</b>

The loss-carryforward amounts to SEK 84 million (45). The deferred tax asset in loss-carryforwards that have not been capitalised amounts to SEK 3 million (4).

Substantial dividends may be recognised without withholding tax.

Of the deferred tax liabilities, SEK 40 million will be dissolved in 2016. The calculation is based on estimated depreciation of acquisition calculations in coming years.

## Note 14

Continued

### Parent Company

	Pension obligations	Other items	Total tax
<b>1 Jan.-31 Dec. 2014</b>			
Deferred tax, net	2	0	2
Opening book value			
Deferred tax as per income statement	0	-1	-1
Deferred tax recognised in other comprehensive income	-	8	8
<b>Deferred tax, net</b>	<b>2</b>	<b>7</b>	<b>9</b>
Closing book value			
<b>As per 31 Dec. 2014</b>			
Deferred tax asset	2	9	11
Deferred tax liability	-	-2	-2
<b>Deferred tax, net</b>	<b>2</b>	<b>7</b>	<b>9</b>
<b>1 Jan.-31 Dec. 2015</b>			
Deferred tax, net	2	7	9
Opening book value			
Deferred tax as per income statement	1	-1	0
Deferred tax recognised in other comprehensive income	-	-3	-3
<b>Deferred tax, net</b>	<b>3</b>	<b>3</b>	<b>6</b>
Closing book value			
<b>As per 31 Dec. 2015</b>			
Deferred tax asset	3	6	9
Deferred tax liability	-	-3	-3
<b>Deferred tax, net</b>	<b>3</b>	<b>3</b>	<b>6</b>

## Note 15

Intangible assets

### Group

	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
<b>1 Jan.-31 Dec. 2014</b>						
Opening book value	1,308	951	248	37	50	2,594
Exchange rate differences	54	32	3	1	1	91
Investments during the year	-	0	1	19	11	31
Company acquisitions	247	257	-	-	-	504
Reclassification	-	-	-	2	-	2
Adjustment of preliminary purchase price allocation	4	3	-	-	-	7
Amortisation	-	-154	0	-13	-4	-171
Impairment charges	-41	-	-	-	-	-41
<b>Closing book value</b>	<b>1,572</b>	<b>1,089</b>	<b>252</b>	<b>46</b>	<b>58</b>	<b>3,017</b>
<b>As per 31 Dec. 2014</b>						
Cost	1,697	1,871	252	119	85	4,024
Accumulated amortisation and impairment charges	-125	-782	0	-73	-27	-1,007
<b>Book value</b>	<b>1,572</b>	<b>1,089</b>	<b>252</b>	<b>46</b>	<b>58</b>	<b>3,017</b>
<b>1 Jan.-31 Dec. 2015</b>						
Opening book value	1,572	1,089	252	46	58	3,017
Exchange rate differences	-35	-15	2	-2	0	-50
Investments during the year	-	-	-	19	14	33
Company acquisitions	404	372	5	1	4	786
Sales and disposals	-	-	-	0	0	0
Reclassification	-	-	-	0	-	0
Adjustment of preliminary purchase price allocation	1	0	-	-	-	1
Amortisation	-	-192	0	-12	-5	-209
<b>Closing book value</b>	<b>1,942</b>	<b>1,254</b>	<b>259</b>	<b>52</b>	<b>71</b>	<b>3,578</b>
<b>As per 31 Dec. 2015</b>						
Cost	2,066	2,211	259	133	101	4,770
Accumulated amortisation and impairment charges	-124	-957	0	-81	-30	-1,192
<b>Book value</b>	<b>1,942</b>	<b>1,254</b>	<b>259</b>	<b>52</b>	<b>71</b>	<b>3,578</b>

## Note 15

Continued

### Impairment testing of goodwill

Goodwill is not amortised continuously; instead, the value is tested yearly for impairment in accordance with IAS 36. Testing was conducted most recently in December 2015.

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

The recoverable value has been calculated according to value in use and is based on the current estimation of cash flows for the next five years. Assumptions have been made on the gross margin, level of overheads, need for working capital and investment need. The parameters have been set to correspond to budgeted earnings for the 2016 financial year. During the rest of the five-year period, an annual growth rate of 2% (2%) has been assumed. Where greater changes are expected, the assumptions have been adapted to better correspond to these expectations. For cash flows beyond the five-year period, the rate of growth has been assumed to correspond to the growth rate during the fifth year, ordinarily 2%. The cash flows have been discounted with a weighted cost of capital that corresponds to approximately 10% (9%) before tax. The weighted cost of capital has been adapted to the prevailing level of interest rates. The same discount rate has been used for all segments, since they conduct similar operations. The calculation shows that value in use exceeds the carrying amount at the segmental level. A sensitivity analysis shows that the remaining goodwill value would continue to be upheld if the discount rate were to be raised by 1 percentage point or long-term growth were to be decreased by 1 percentage point.

### Other impairment testing

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

No events or changed conditions have been identified that warrant impairment testing for other intangible non-current assets that are amortised.

### Group breakdown of goodwill at segmental level

	2015	2014
Engineering & Equipment	128	134
Flow Technology	180	183
Fluids & Mechanical Solutions	295	248
Industrial Components	403	269
Measurement & Sensor Technology	316	249
Special Products	620	489
<b>Total</b>	<b>1,942</b>	<b>1,572</b>

### Group breakdown of trademarks at segmental level

	2015	2014
Engineering & Equipment	0	0
Flow Technology	59	59
Fluids & Mechanical Solutions	–	–
Industrial Components	4	–
Measurement & Sensor Technology	146	146
Special Products	50	47
<b>Total</b>	<b>259</b>	<b>252</b>

The Group's breakdown of goodwill and trademarks are the same at the segmental level according to the new structure as from 1 January 2016.

Parent Company	2015	2014
Opening cost	2	2
Investments during the year	0	0
<b>Closing accumulated cost</b>	<b>2</b>	<b>2</b>
Opening amortisation	–2	–2
Amortisation for the year	0	0
<b>Closing accumulated amortisation</b>	<b>–2</b>	<b>–2</b>
<b>Planned residual value</b>	<b>0</b>	<b>0</b>

## Note 16

### Property, plant and equipment

#### Group

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

#### Group

	Land and buildings	Machinery	Equipment	Construction in progress	Total property, plant and equipment
<b>1 Jan.–31 Dec. 2015</b>					
Opening book value	524	214	226	7	971
Exchange rate differences	–2	10	–2	0	6
Investments during the year <sup>1)</sup>	34	70	111	24	239
Company acquisitions	25	33	28	–	86
Transferred from construction in progress	0	10	1	–11	0
Sales and disposals <sup>1)</sup>	–	–1	–28	–	–29
Reclassification	0	1	–1	–	0
Depreciation	–22	–57	–77	–	–156
<b>Closing book value</b>	<b>559</b>	<b>280</b>	<b>258</b>	<b>20</b>	<b>1,117</b>
<b>As per 31 Dec. 2015</b>					
Cost	825	843	806	20	2,494
Accumulated depreciation and impairment charges	–266	–563	–548	–	–1,377
<b>Book value</b>	<b>559</b>	<b>280</b>	<b>258</b>	<b>20</b>	<b>1,117</b>

1) Of net investments in property, plant and equipment, SEK 188 million (93) had an effect on cash flow, while SEK 46 million (42) pertain to investments financed via finance leases.

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

	2015	2014
Cost		
– capitalised finance leases	132	116
Accumulated depreciation	–41	–38
<b>Book value</b>	<b>91</b>	<b>78</b>

Leased assets consist primarily of cars.

PARENT COMPANY	2015	2014
Opening cost	4	3
Investments during the year	1	1
Sales and disposals	–1	0
<b>Closing accumulated cost</b>	<b>4</b>	<b>4</b>
Opening depreciation	–3	–2
Depreciation for the year	0	–1
Sales and disposals	0	0
<b>Closing accumulated depreciation</b>	<b>–3</b>	<b>–3</b>
<b>Planned residual value</b>	<b>1</b>	<b>1</b>

## Note 17

### Shares and participations

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

	Domicile	Share of capital %	Share of votes %	No. shares	Book value
Kiinteistö Oy Honkakoli	Finland	–	–	18	1
Kytäjän Golf Oy	Finland	–	–	6	1
Other		–	–	–	3
<b>Available-for-sale financial assets</b>					<b>5</b>

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

#### Shares and participations

	Group		Parent Company	
	2015	2014	2015	2014
Opening cost	4	7	4,137	3,561
External acquisitions	–	0	586	651
Shareholder contribution	–	–	30	7
Sale	–	–3	–	–
Adjustment of estimated contingent consideration	–	–	–5	–86
Purchase price paid for previous years' acquisitions	–	–	–	4
Company acquisitions	0	0	–	–
Exchange rate differences	1	0	–	–
<b>Closing accumulated cost</b>	<b>5</b>	<b>4</b>	<b>4,748</b>	<b>4,137</b>
Opening revaluations	–	–	8	8
<b>Closing accumulated revaluations</b>	<b>–</b>	<b>–</b>	<b>8</b>	<b>8</b>
Opening impairment charges	–	–	–644	–626
Impairment charges during the year	–	–	–	–18
<b>Closing accumulated impairment charges</b>	<b>–</b>	<b>–</b>	<b>–644</b>	<b>–644</b>
<b>Book value</b>	<b>5</b>	<b>4</b>	<b>4,112</b>	<b>3,501</b>
<b>Effect on cash flow</b>				
Purchase price, external acquisitions			–586	–651
Purchase price not paid			61	108
Reversal of contingent consideration			5	–
Purchase price paid for previous years' acquisitions			–98	–33
Shareholder contribution paid out			–7	–11
<b>Total</b>			<b>–625</b>	<b>–587</b>

## Note 17

### Continued

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

## Note 18

### Non-current receivables

	Group		Parent Company	
	2015	2014	2015	2014
Opening balance	15	12	9	6
Additional receivables	1	0	–	–
Repaid deposits/amortisation	–	0	–	–
Company acquisitions	1	0	–	–
Change in value of pensions	1	1	1	0
Reported net against pension obligations	2	2	2	3
Exchange rate differences	–1	0	–	–
Other changes	–	0	–	–
<b>Total</b>	<b>19</b>	<b>15</b>	<b>12</b>	<b>9</b>

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

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

## Note 19

### Inventories

Group	Inventories are broken down into the following items:	
	2015	2014
Raw materials and consumables	289	303
Products in process	281	155
Finished products and goods for resale	1,361	1,159
<b>Total</b>	<b>1,931</b>	<b>1,617</b>

The cost of goods sold for the Group includes impairment of inventory, totalling SEK 21 million (76). No significant reversals of previous impairment charges were made in 2015 or 2014.

## Note 20

### Trade accounts receivable

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

Group	2015		2014	
	2015	2014	2015	2014
Trade accounts receivable				
Trade accounts receivable not due	1,494	1,222		
Trade accounts receivable 0–3 months past due	454	403		
Trade accounts receivable 3–6 months past due	39	30		
Trade accounts receivable more than 6 months past due	53	83		
Provision for impaired trade accounts receivable	–45	–36		
<b>Total</b>	<b>1,995</b>	<b>1,702</b>		

#### Provision for impaired trade accounts receivable

Provision for trade accounts receivable, 0–3 months past due	–5	–3
Provision for trade accounts receivable, 3–6 months past due	–6	–3
Provision for trade accounts receivable, older than 6 months	–34	–30
<b>Total</b>	<b>–45</b>	<b>–36</b>

#### Change in provision for impaired trade accounts receivable during the year

Opening provision	–36	–33
Receivables written off as customer losses	5	7
Reversed, unutilised provisions	6	2
Provision for the year for impaired trade accounts receivable	–21	–11
Company acquisitions	0	–2
Exchange rate differences	1	1
<b>Closing provision</b>	<b>–45</b>	<b>–36</b>

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

## Note 21

### Prepaid expenses and accrued income

	Group		Parent Company	
	2015	2014	2015	2014
Prepaid rents	20	14	–	–
Prepaid insurance premiums	11	10	0	0
Other prepaid expenses	68	60	5	3
Accrued income	12	7	–	–
<b>Total</b>	<b>111</b>	<b>91</b>	<b>5</b>	<b>3</b>

## Note 22

### Non-current and current interest-bearing liabilities

	Group		Parent Company	
	2015	2014	2015	2014
<b>Non-current</b>				
Future leasing obligations for finance leases	54	45	1	1
SEK-denominated loans with terms longer than 1 year	800	504	800	500
EUR-denominated loans with terms longer than 1 year	4	213	–	209
Loans in other currencies with terms longer than 1 year	55	65	–	–
Contingent earn-out payments in SEK with payment due later than 1 year	22	35	22	33
Contingent earn-out payments in EUR with payment due later than 1 year	44	20	–	–
Contingent earn-out payments in other currencies with payment due later than 1 year	26	101	9	65
	<b>1,005</b>	<b>983</b>	<b>832</b>	<b>808</b>
<b>Current</b>				
Utilised bank overdraft facilities	40	113	–	86
Future leasing obligations for finance leases	35	32	–	0
SEK-denominated loans with terms shorter than 1 year	1,538 <sup>1)</sup>	1,227 <sup>1)</sup>	1 538 <sup>1)</sup>	1,227 <sup>1)</sup>
EUR-denominated loans with terms shorter than 1 year	201	173	201	162
Loans in other currencies with terms shorter than 1 year	47	5	–	–
Contingent earn-out payments in SEK with payment due less than 1 year	47	20	45	20
Contingent earn-out payments in EUR with payment due less than 1 year	6	31	–	24
Contingent earn-out payments in other currencies with payment due less than 1 year	114 <sup>2)</sup>	34	68	31
	<b>2,028</b>	<b>1,635</b>	<b>1,852</b>	<b>1,550</b>
<b>Total</b>	<b>3,033</b>	<b>2,618</b>	<b>2,684</b>	<b>2,358</b>

1) Of which, commercial paper SEK 1,038 million (852).

2) Of which, SEK 37 million pertains to contingent earn-out payments in CHF, SEK 58 million in GBP, and SEK 19 million in NOK.

Car leases are reported as finance leases in accordance with IFRS, entailing an increase in liabilities by SEK 89 million (78). Of the Group's long-term leasing obligations, SEK 30 million falls due for payment in 2017, SEK 21 million in 2018, and SEK 3 million in 2019 or later.

Externally granted bank overdraft facilities amount to SEK 798 million (733) for the Group and SEK 680 million (680) for the Parent Company.

## Note 22

Continued

SEK million	Group		Parent Company	
	2015	2014	2015	2014
<b>Maturity dates for long-term loans in SEK</b>				
Maturity 2016	–	300	–	300
Maturity 2017	–	0	–	0
Maturity 2018	800	201	800	200
Maturity 2019	–	3	–	–
Maturity 2020 or later	–	–	–	–
<b>Total long-term borrowings in SEK million</b>	<b>800</b>	<b>504</b>	<b>800</b>	<b>500</b>

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

EUR million	Group		Parent Company	
	2015	2014	2015	2014
<b>Maturity dates for long-term loans in EUR</b>				
Maturity 2016	–	22.0	–	22.0
Maturity 2017	0	0.0	–	–
Maturity 2018	0	0.1	–	–
Maturity 2019	0	0.3	–	–
Maturity 2020 or later	0.4	–	–	–
<b>Total long-term borrowings in EUR million</b>	<b>0.4</b>	<b>22.4</b>	<b>–</b>	<b>22.0</b>
<b>Corresponding amounts in SEK million</b>	<b>4</b>	<b>213</b>	<b>–</b>	<b>209</b>

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

SEK million	Group		Parent Company	
	2015	2014	2015	2014
<b>Maturity dates for long-term loans in other currencies</b>				
Maturity 2016	–	11	–	–
Maturity 2017	26	12	–	–
Maturity 2018	8	8	–	–
Maturity 2019	8	34	–	–
Maturity 2020 or later	13	–	–	–
<b>Total long-term borrowings in other currencies</b>	<b>55</b>	<b>65</b>	<b>–</b>	<b>–</b>

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

SEK million	Group		Parent Company	
	2015	2014	2015	2014
<b>Payment due for long-term contingent earn-out payments in SEK</b>				
Payable in 2016	–	35	–	33
Payable in 2017	22	–	22	–
<b>Total long-term contingent earn-out payments in SEK million</b>	<b>22</b>	<b>35</b>	<b>22</b>	<b>33</b>

The present value is calculated using an interest rate of 3%.

EUR million	Group		Parent Company	
	2015	2014	2015	2014
<b>Payment due for long-term contingent earn-out payments in EUR</b>				
Payable in 2016	–	0.6	–	–
Payable in 2017	2.0	1.0	–	–
Payable in 2018	2.6	0.5	–	–
Payable in 2019	0.2	–	–	–
<b>Total long-term contingent earn-out payments in EUR million</b>	<b>4.8</b>	<b>2.1</b>	<b>–</b>	<b>–</b>
<b>Corresponding amount in SEK million</b>	<b>44</b>	<b>20</b>	<b>–</b>	<b>–</b>

The present value is calculated using an interest rate of 4% for payments of SEK 10 million and an interest rate of 3% for payments of SEK 34 million.

SEK million	Group		Parent Company	
	2015	2014	2015	2014
<b>Payment due for long-term contingent earn-out payments in other currencies:</b>				
Payable in 2016	–	101	–	65
Payable in 2017	26	–	9	–
<b>Total long-term contingent earn-out payments in other currencies</b>	<b>26</b>	<b>101</b>	<b>9</b>	<b>65</b>

By other currencies is meant DKK, GBP and KRW, of which DKK accounts for approximately SEK 9 million and GBP for SEK 15 million. The present value is calculated using an interest rate of 3%.

## Note 23

### Pension obligations

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

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

#### Defined benefit plans

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

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

#### Breakdown of net liability in SEK million

	2015	2014
PRI plan	104	113
Defined benefit plans, Netherlands, Switzerland and the UK	126	105
<b>Total defined benefit plans</b>	<b>230</b>	<b>218</b>
Other pension obligations	25	15
<b>Total</b>	<b>255</b>	<b>233</b>

The Group's plan assets, totalling SEK 680 million (669), consist for Switzerland and the Netherlands of investments with insurance companies, mainly in government bonds, corporate bonds and interest rate derivatives. Plan assets in the UK consist of equities and equity funds, government and corporate bonds, and liquid assets. The pension liability is irrevocable.

#### Defined contribution plans

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

According to a pronouncement from the Swedish Financial Reporting Board, retirement pension and family pension obligations secured through insurance with Alecta for salaried employees in Sweden are classified as multi-employer defined benefit plans. For 2015 Indutrade does not have access to such information that would make it possible to report this plan as a defined benefit plan, which is why the plan is reported as a defined contribution plan. Premiums paid during the year for pension plans with Alecta amounted to approximately SEK 18 million (14). Premiums for 2016 are expected to be in line with 2015. Alecta's collective funding ratio was 153% (143%) in December 2015.

#### Assumptions used in actuarial computations

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

The duration of the pension obligation is estimated at 18 years in Sweden, 15 years in the Netherlands, 17 years in Switzerland, and 14 years in the UK.

Sensitivity analysis for changes in significant assumptions:

Impact on the defined benefit obligation, SEK million	Sweden	Netherlands	Switzerland	UK
Discount rate, increase by 1.00%	-12	-63	-42	-10
Discount rate, decrease by 1.00%	16	84	60	11
Salary increase of 1.00%	9	10	7	0

Actuarial gains and losses, including payroll taxes in Sweden, are recognised in other comprehensive income. At the end of the financial year, accumulated actuarial losses recognised in comprehensive income amounted to SEK 110 million (107).

Group	2015			
	Sweden	Netherlands	Switzerland	UK
<b>Assumptions in calculating pension obligations</b>				
Discount rate, %	3.20	2.20	1.10	3.60
Future salary increases, %	3.05	2.50	1.00	-
Anticipated inflation, %	1.55	1.90	0.50	3.10
Future pension increases, %	1.55	1.80	0.00	2.40
Employee turnover, %	2.00	1)	1)	-
1) Age-related				
	2014			
	Sweden	Netherlands	Switzerland	UK
<b>Assumptions in calculating pension obligations</b>				
Discount rate, %	2.30	2.30	1.65	3.60
Future salary increases, %	2.75	2.50	1.00	-
Anticipated inflation, %	1.25	2.00	0.50	3.10
Future pension increases, %	1.25	1.80	0.00	2.40
Employee turnover, %	2.00	1)	1)	-

## Note 23

Continued

Amounts reported on the balance sheet	2015	2014		2015	2014
Present value of funded obligations	806	774	Present value of pension obligations at start of year	887	579
Fair value of plan assets	-680	-669	Pension costs	27	15
	126	105	Interest expenses	19	19
Present value of unfunded obligations	104	113	Employee contributions	8	7
	104	113	Pension payments	-50	-23
<b>Net liability, defined benefit plans, on balance sheet</b>	<b>230</b>	<b>218</b>	Settlement	-5	-
			Company acquisitions	-	127
<b>Revaluation in other comprehensive income</b>			Actuarial gains (-)/losses (+)	16	115
Experience-based adjustments of defined benefit obligations	-2	5	Exchange rate differences	8	48
Return on plan assets, excl. interest income	-11	-64	<b>Present value of pension obligations at year-end</b>	<b>910</b>	<b>887</b>
Demographic adjustments of defined benefit obligations	-1	1	Plan assets at start of year	669	425
Financial adjustments of defined benefit obligations	19	109	Interest income	14	15
<b>Total</b>	<b>5</b>	<b>51</b>	Employee contributions	10	9
			Company contributions	18	17
			Pension payments	-45	-20
			Settlement	-3	-
			Company acquisitions	-	116
			Return on plan assets, excl. interest income	11	64
			Exchange rate differences	6	43
			<b>Plan assets at year-end</b>	<b>680</b>	<b>669</b>
			Net liability at start of year	218	154
			Net cost reported in the income statement	32	19
			Pension payments	-7	-5
			Company contributions	-18	-17
			Settlement	-2	-
			Company acquisitions	-	11
			Actuarial gains (-)/losses (+)	5	51
			Exchange rate differences in foreign plans	2	5
			<b>Net liability at year-end</b>	<b>230</b>	<b>218</b>

Group	2015			2014		
	Defined benefit plans	Defined contribution plans	Total	Defined benefit plans	Defined contribution plans	Total
Current service cost						
Interest on obligation	27	173	200	15	159	174
Return on plan assets	19	-	19	19	-	19
Interest income on plan assets	-14	-	-14	-15	-	-15
<b>Net cost in income statement</b>	<b>32</b>	<b>173</b>	<b>205</b>	<b>19</b>	<b>159</b>	<b>178</b>
Of which, included in selling costs	27	132	159	15	121	136
Of which, included in administrative expenses	0	41	41	0	38	38
Of which, included in financial items	5	-	5	4	-	4

Anticipated company contributions to defined benefit pension plans in 2016 amount to SEK 17 million.

## Note 24

### Other provisions

	Group		Parent Company	
	2015	2014	2015	2014
Guarantee commitments	8	8	–	–
<b>Total long-term provisions</b>	<b>8</b>	<b>8</b>	<b>–</b>	<b>–</b>
<b>Guarantee commitments</b>				
Opening balance, 1 January 2015				<b>8</b>
Guarantee commitments in acquired companies				–
Change in guarantee commitments for the year				0
Closing balance, 31 December 2015				<b>8</b>

## Note 25

### Accrued expenses and deferred income

	Group		Parent Company	
	2015	2014	2015	2014
Accrued personnel-related expenses	380	318	15	16
Interest	4	6	3	5
Other	111	121	2	1
<b>Total</b>	<b>495</b>	<b>445</b>	<b>20</b>	<b>22</b>

## Note 26

### Pledged assets

	Group		Parent Company	
	2015	2014	2015	2014
<b>For own liabilities:</b>				
Real estate mortgages	112	119	–	–
Chattel mortgages	113	46	1	–
Assets subject to liens <sup>1)</sup>	91	78	–	–
Endowment insurance policies	1	10	–	8
<b>Total</b>	<b>317</b>	<b>253</b>	<b>1</b>	<b>8</b>

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

## Note 27

### Contingent liabilities

	Group		Parent Company	
	2015	2014	2015	2014
Contingent liabilities for subsidiaries' PRI liabilities	–	–	78	78
Guarantees pledged for the benefit of subsidiaries	–	–	34	36
Contingent liabilities for own PRI liabilities	2	2	–	–
Other contingent liabilities	1	–	–	–
<b>Total</b>	<b>3</b>	<b>2</b>	<b>112</b>	<b>114</b>

## Note 28

### Cash and cash equivalents

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

	Group		Parent Company	
	2015	2014	2015	2014
Cash and bank balances	335	351	29	–
Short-term investments	4	6	–	–
<b>Total</b>	<b>339</b>	<b>357</b>	<b>29</b>	<b>–</b>

## Note 29

### Acquisitions and divestments of subsidiaries

#### Acquisitions 2015

All of the shares were acquired in Flowtec Industrietechnik GmbH (Austria), Adaero Precision Components Ltd (UK), Cepro International BV (Netherlands), Sepab Fordonsprodukter AB (Sweden), Filtration Ltd (UK), Combilent A/S (Denmark), Milltech Precision Engineering Ltd (UK), Geomek Stockholms Geomekaniska AB (Sweden), Relekta-gruppen (Norway), Professional Parts Sweden AB (Sweden), Trelawny SPT Ltd (UK), Fergin Sverige AB (Sweden) and EPE-Goldman BV (Netherlands).

#### Industrial Components

On 14 April Geomek Stockholms Geomekaniska AB (Sweden) was acquired, with annual sales of SEK 140 million. Geomek markets and sells solutions, products and services in geotechnical surveying and the foundation drilling industry.

On 24 April Relekta-gruppen (Norway – Relekta AS, Norsk Industriolje AS and Relekta Service AS) was acquired, with annual sales of SEK 270 million. Relekta is a Norwegian technology sales company that supplies products for construction, repair and maintenance primarily for the construction industry, automotive workshops and general industry.

#### Fluids & Mechanical Solutions

On 16 June Professional Parts Sweden AB (Sweden) was acquired, with annual sales of SEK 130 million. Proparts is a technology sales company that supplies replacement parts to the automobile aftermarket.

## Note 29

### Continued

On 9 September Fergin Sverige AB (Sweden) was acquired, with annual sales of SEK 50 million. Fergin sells a wide range of encapsulated lighting fixtures for use in demanding environments.

#### Measurement & Sensor Technology

On 22 January Sepab Fordonsprodukter AB (Sweden) was acquired, with annual sales of SEK 50 million. With focus on commercial vehicles, Sepab develops unique products for safety, national adaptation, efficiency and comfort.

On 12 March Combilent A/S (Denmark) was acquired, with annual sales of SEK 100 million. Combilent is a leading manufacturer of combiner systems and RF conditioning products for communication systems.

#### Special Products

In early January the acquisition of Flowtec Industrietechnik GmbH (Austria) was completed, with annual sales of SEK 80 million. Flowtec is a technology sales company that sells industrial components to companies in Austria and Eastern Europe.

On 9 January Adaero Precision Components Ltd (UK) was acquired, with annual sales of SEK 50 million. Adaero manufactures customised, high precision industrial components.

Also on 9 January, Cepro International BV (Netherlands) was acquired, with annual sales of SEK 70 million. Cepro manufactures work station products for welding and grinding workshops.

On 6 March Filtration Ltd (UK) was acquired, with annual sales of SEK 30 million. Filtration sells high quality filters from leading manufacturers.

On 18 March Milltech Precision Engineering Ltd (UK) was acquired, with annual sales of SEK 45 million. Milltech conducts manufacturing and assembly of high precision components.

On 1 July Trelawny SPT Ltd (UK) was acquired, with annual sales of SEK 60 million. Trelawny manufactures and installs pneumatic tools and equipment for various types of surface treatment.

On 2 October EPE-Goldman BV (Netherlands) was acquired, with annual sales of SEK 80 million. EPG supplies hydraulic products from leading manufacturers to industrial customers.

#### Effects of acquisitions carried out in 2014 and 2015

##### Pertains to the impact on the 2015 income statement

SEK million	Net sales	EBITA
Engineering & Equipment	–	–
Flow Technology	–	–
Fluids & Mechanical Solutions	152	30
Industrial Components	402	51
Measurement & Sensor Technology	100	3
Special Products	545	91
<b>Effect on Group</b>	<b>1,199</b>	<b>175</b>
Acquisitions completed in 2014	401	67
Acquisitions completed in 2015	798	108
<b>Effect on Group</b>	<b>1,199</b>	<b>175</b>

If the all of the acquired units had been consolidated as from 1 January 2015, net sales would have increased by SEK 311 million to SEK 12,192 million, and EBITA would have increased by SEK 40 million to SEK 1,467 million.

#### Acquired assets in 2015

	SEK million		
Preliminary purchase price allocation			
Purchase price, incl. contingent earn-out payments totalling SEK 120 million			974
	Book value	Fair value adjustment	Fair value
<b>Acquired assets</b>			
Goodwill	2	402	404
Agencies, trademarks, customer relationships, licences, etc.	5	377	382
Property, plant and equipment	83	3	86
Financial assets	1	–	1
Inventories	199	–	199
Other current assets <sup>1)</sup>	228	–	228
Cash and cash equivalents	79	–	79
Deferred tax liability	–8	–90	–98
Other operating liabilities	–305	–	–305
Non-controlling interests	–2	–	–2
	<b>282</b>	<b>692</b>	<b>974</b>

1) Mainly trade accounts receivable.

Since disclosures about the individual acquisitions are insignificant, they are provided here in aggregate form. The cost of customer lists and agencies has been valued at one-half to one year's gross margin and is reported on the balance sheet as agencies, trademarks, customer relationships, licences, etc. They will be amortised over a period of 10 to 20 years, with the exception of trademarks, which are assumed to have indefinite useful life. Trademarks are included in the amount of SEK 5 million. Goodwill is justified by the good profitability and personnel included in the acquired companies.

Indutrade normally uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. The contingent earn-out payments are based on the earnings of the acquired companies during the years immediately ahead. Initially, the contingent earn-out payments are valued at the present value of the likely outcome, which for the acquisitions made during the year amount to SEK 120 million. The contingent earn-out payments fall due for payment within four years and can amount to a maximum of SEK 127 million. If the conditions are not met, the outcome can be in the range of SEK 0–127 million.

Transaction costs for the acquisitions carried out during the year totalled SEK 6 million (5) and are included in Other operating expenses in the income statement. Contingent earn-out payments have been restated in the amount of SEK 7 million (101). The resulting income is reported in Other operating income in the income statement in the amount of SEK 7 million (94) and in net financial items in the amount of SEK 0 million (7).

The purchase price allocation calculations for Gelins-KGK AB, Winab Vikväggar AB and Verbeeck Packaging Group B.V., which were acquired in October and December 2014, have now been finalised. No significant adjustments have been made in the

## Note 29

### Continued

calculations. For other acquisitions, the purchase price allocation calculations are preliminary. Indutrade regards the calculations as preliminary during the time that uncertainty exists with respect to, for example, the outcome of guarantees in the acquisition agreements concerning inventories and trade accounts receivable.

#### Effect on cash flow, SEK million

Purchase price, incl. contingent earn-out payments	974
Purchase price not paid out	-121
Cash and cash equivalents in acquired companies	-79
Payments pertaining to previous years' acquisitions	106
<b>Total effect on cash flow</b>	<b>880</b>

#### Divestment 2015

In January the operations of Tuupakan Sähkökeksus Oy, which was part of the Engineering & Equipment business area and had net sales of SEK 14 million, were divested. The sale generated a capital gain of SEK 1 million.

#### Acquisitions 2014

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

#### Industrial Components

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

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

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

#### Fluids & Mechanical Solutions

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

#### Special Products

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

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

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

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

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

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

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

#### Effects of acquisitions made in 2013 and 2014

##### Refers to impact on the income statement for 2014

SEK million	Net sales	EBITA
Engineering & Equipment	-	-
Flow Technology	-	-
Fluids & Mechanical Solutions	21	3
Industrial Components	109	19
Special Products	468	92
<b>Effect on Group</b>	<b>598</b>	<b>114</b>
Acquisitions completed in 2013	251	44
Acquisitions completed in 2014	347	70
<b>Effect on Group</b>	<b>598</b>	<b>114</b>

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

## Note 29

Continued

### Acquired assets in 2014

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

1) Mainly trade accounts receivable.

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

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

Transaction costs for the acquisitions carried out during the year totalled SEK 5 million (6) and are included in Other operating expenses in the income statement. Contingent earn-out payments have been restated in the amount of SEK 101 million (89). The resulting income is reported in Other operating income in the income statement in the amount of SEK 94 million and in net financial items in the amount of SEK 7 million. In connection with a new assessment of contingent earn-out payments, goodwill in these companies has also been tested for impairment. As a result of this impairment testing, an impairment loss of SEK 3 million has been recognised for goodwill in the Group.

Performance is positive for most of these operations, but not at the level required for payment of the contingent consideration. This charge is reported under Other operating expenses in the income statement.

### Effect on cash flow

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

### Acquisitions after the end of the reporting period

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

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

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

A preliminary purchase price allocation calculation will be presented in the first quarter interim report for 2016.

## Note 30

### Related party transactions

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

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

## Note 31

### Events after the balance sheet date

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Effective 1 January 2016 the Indutrade Group transferred four companies from the Industrial Components business area to the Engineering & Equipment business area. The motivation for the change was to strengthen focus and thus their conditions for continued growth in the Group. Pro forma information on the new structure for the 2015 and 2014 financial years is provided on page 17 and in Note 3.

In January 2016 Joakim Skantze assumed the position as President of Indutrade's Industrial Components business area. He succeeded Olof Paulsson, who will retire this year. Joakim Skantze served most recently as Venture Manager at AB Traction.

In the period January to March 2016 three company acquisitions were carried out. For further information, see Note 29.

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

## Note 32

### Disclosures about Parent Company

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

#### Indutrade AB

Box 6044

SE-164 06 Kista

Tel. +46 (0)8 703 03 00

Website: [www.indutrade.se](http://www.indutrade.se)

The share capital of Indutrade AB as per 31 December 2014 and 2015 consisted of 40,000,000 shares with a share quota value of SEK 1.

At the Annual General Meeting on 27 April 2016, a dividend of SEK 9.00 per share will be proposed for the 2015 financial year, for a total of SEK 360 million. The proposed dividend has not been reported as a liability in these financial statements.

The Board of Directors has also proposed a 2-for-1 bonus issue, whereby each existing share carries entitlement to two new shares. In addition, it has been proposed that the share quota value be increased from SEK 1 to SEK 2. If the proposal is approved, the number of shares will increase by 80,000,000 to 120,000,000. In total, the Company's share capital will increase by SEK 200 million to SEK 240 million.

### **The Board's assurance**

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

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

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

Stockholm, 21 March 2016

Fredrik Lundberg  
Chairman of the Board

Bengt Kjell  
Vice Chairman of the Board

Eva Färnstrand  
Director

Katarina Martinson  
Director

Ulf Lundahl  
Director

Krister Mellvé  
Director

Lars Pettersson  
Director

Johnny Alvarsson  
President and CEO, Director

Our audit report was submitted on 22 March 2016  
PricewaterhouseCoopers AB

Michael Bengtsson  
Authorised Public Accountant

# Auditor's report

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

## **Report on the annual accounts and consolidated accounts**

We have audited the annual accounts and consolidated accounts of Indutrade AB (publ) for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 21–77 and appendix to note 17 Shares and participations.

## **Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts**

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

## **Auditor's responsibility**

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

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

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

## **Opinions**

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International

Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

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

## **Report on other legal and regulatory requirements**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Indutrade AB (publ) for the year 2015.

## **Responsibilities of the Board of Directors and the Managing Director**

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

## **Auditor's responsibility**

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

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

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

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

## **Opinions**

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

Stockholm, 22 March 2016  
PricewaterhouseCoopers AB

Michael Bengtsson  
Authorized Public Accountant

# Annual General Meeting and reporting dates

## Annual General Meeting

### *Time and place*

The Annual General Meeting will be held at 4 p.m. on Wednesday, 27 April 2016, at IVA Konferenscenter, Wallenberg room, Grev Turegatan 16, Stockholm.

### *Who is entitled to participate?*

To be entitled to participate in the Annual General Meeting, shareholders must be listed in the shareholder register maintained by Euroclear Sweden AB on Thursday, 21 April 2016, and have notified the Company of their intention to participate by Thursday, 21 April 2016 at the latest.

### *How to become registered in the shareholder register?*

Shareholders who have registered their shares in their own name with Euroclear are automatically entered in the shareholder register. Shareholders whose shares are registered in the names of a trustee must have their shares re-registered temporarily in their own names well in advance of 21 April to be eligible to participate in the Annual General Meeting.

### *Notification of attendance*

Notification of intention to attend the Meeting can be made:

- on the company's website: [www.indutrade.se](http://www.indutrade.se)
- by e-mail to: [arsstamma@indutrade.se](mailto:arsstamma@indutrade.se)
- by post to: Indutrade AB, Box 6044, 164 06 Kista
- by phone +46 (0)8 703 03 00.

### *Upon notification, shareholders must indicate their:*

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

Notification must be received by the Company no later than Friday, 22 April 2016.

### *Proxies*

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

### *Dividend*

The dividend will be paid to shareholders who on the record date, 29 April 2016, are registered in the shareholder register. Provided that the Annual General Meeting resolves in accordance with the Board's proposal, payment of the dividend is expected to be made via Euroclear Sweden on 4 May 2016.

## Reporting dates

### *Interim report*

1 January–31 March 2016	27 April 2016
1 January–30 June 2016	22 July 2016
1 January–30 September 2016	25 October 2016

## CONTACT INFORMATION

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