

# Interim report

1 Jan – 31 Mar 2014

## 1 JANUARY – 31 MARCH 2014

- Order intake rose 7% to SEK 2,349 million (2,198). For comparable units, order intake decreased by 1%.
- Net sales rose 10% to SEK 2,250 million (2,051). The increase for comparable units was 1%.
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) rose 17% to SEK 224 million (191), corresponding to an EBITA margin of 10.0% (9.3%).
- Profit after tax rose 18% to SEK 126 million (107).
- Earnings per share were SEK 3.15 (2.68).
- Cash flow from operating activities amounted to SEK 90 million (31). During the last 12-month period, cash flow per share was SEK 22.95 (11.93).

## FINANCIAL DEVELOPMENT

| SEK million                    | 2014<br>Jan-Mar | 2013<br>Jan-Mar | Change | 2013/14<br>Moving 12 mos | 2013<br>Jan-Dec |
|--------------------------------|-----------------|-----------------|--------|--------------------------|-----------------|
| Net sales                      | 2,250           | 2,051           | 10%    | 9,030                    | 8,831           |
| EBITA                          | 224             | 191             | 17%    | 1,023                    | 990             |
| EBITA margin, %                | 10.0            | 9.3             |        | 11.3                     | 11.2            |
| Profit after financial items   | 165             | 139             | 19%    | 782                      | 756             |
| Net profit                     | 126             | 107             | 18%    | 606                      | 587             |
| Earnings per share, SEK        | 3.15            | 2.68            | 18%    | 15.15                    | 14.68           |
| Return on operating capital, % | 21              | 21              |        | 21                       | 20              |

## CEO's message

The cautious optimism we saw after the fourth quarter of 2013 remains. The trend of market segments and countries beginning to show growth during the second half of 2013 continued into the first quarter of 2014. However, order intake in the energy segment was considerably lower than in the same period in 2013, and the Finnish market had continued weak performance. As a result, despite favourable development in most markets, organic growth at the Group level did not materialise.

Other companies and markets experienced positive development in order intake. For Switzerland, which had very strong growth in 2013, order intake has improved further into 2014. It is gratifying to note that all of the acquisitions made during the last 12 months have made a contribution to the Group's earnings improvement. The acquisitions have been spread across a number of countries, including Ireland, the UK, the Netherlands, Switzerland and Sweden. The acquisitions have strengthened product areas in which we are already established, while we also took a step into a new one – the construction sector in the UK with Verplas, which we acquired in November 2013. This is an example of a customer segment that will remain intact and not be affected by the relocation of industries abroad.

Another similar example is the company Svenska Geotech AB, which we acquired during the first quarter of this year. Its customers work with civil engineering projects in the Nordic countries. We will continue to acquire companies with customers in the manufacturing industry, but as before we will weigh in the risk of the companies' customers relocating to low-cost countries.

### First quarter

Order intake during the quarter exceeded net sales by 4% and was 7% higher than in the corresponding period in 2013. Three of the five business areas had higher order intake for comparable units than the corresponding period a year ago. The business areas that had lower order intake during the quarter were Engineering & Equipment, which is active in the Finnish market, and Special Products, which relies heavily on the energy sector.

In the Nordic countries, development was weak particularly in Finland, where Engineering & Equipment has most of its business, while Denmark and Norway were stable. Sweden experienced positive development, with growth in most segments. Outside the Nordic countries, our operations in Switzerland, the UK and Ireland continue to show strong growth. Benelux and Germany are also experiencing positive development.

Net sales during the past quarter grew 10%. Excluding completed acquisitions and translation effects, the sales increase would have been 1%.

Flow Technology had higher order intake during the period that was in line with the latter part of 2013. The increase is spread over most segments in the business area. Earnings for the period improved slightly despite lower sales than the same period a year ago.

Order intake for Fluids & Mechanical Solutions grew organically by 13%, in line with the preceding quarter. Higher sales contributed to a slight earnings improvement.

Industrial Components continues its strong performance. Order intake grew 12% during the quarter. Growth was both organic and acquisition-driven. Most companies showed growth, particularly in the med-tech, mechanical components and chemical products for the engineering industry segments. In short, we are seeing a positive trend in Sweden's engineering industry. The earnings improvement for the quarter was 23%, owing to larger

volumes for comparable units and favourable performance for newly acquired businesses.

Special Products had lower order intake for comparable units than the corresponding period a year ago. This is attributable entirely to the energy segment. Order intake, which is project-steered, was very favourable a year ago. Despite the low level of order intake, the order backlog is level with the same period a year ago. Most other businesses in the business area posted higher order intake. Invoicing rose by 24% and earnings by 29%, with a large share of growth derived from acquisitions.

### Margins

The Group's gross margin remains stable at 34.0% (33.8%), which is level with the full year 2013. Over time, the Group has maintained a very stable gross margin.

The EBITA margin was 10.0% for the quarter (9.3%), which is in line with the Group's target of a minimum 10% EBITA margin over a business cycle.

### Acquisitions

Two acquisitions were carried out during the quarter: AP Tobler AG in Switzerland, which specialises in surface treatment of equipment for the pharmaceutical industry, and Svenska Geotech AB in Sweden, which supplies products for the civil engineering industry.

### Outlook

New market anxiety has arisen recently from the Ukraine crisis. How it plays out remains to be seen. Thus far the positive market trend seems to be continuing despite the crisis. Fundamentally the conditions exist for a continuation of this trend.

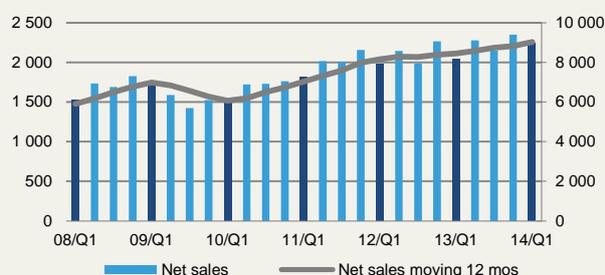
Johnny Alvarsson, President and CEO

## Group performance

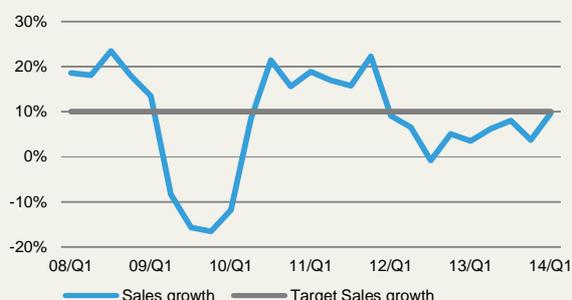
**Order intake**  
SEK million



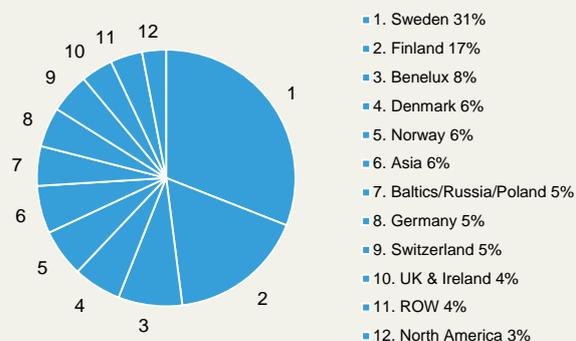
**Net sales**  
SEK Million



**Sales growth**



**Net sales per market (%)**



### ORDER INTAKE

Order intake during the period January–March totalled SEK 2,349 million (2,198), an increase of 7%. For comparable units, order intake decreased by 1%, while acquired growth was 6%. Currency movements had a positive impact on order intake, by 2%.

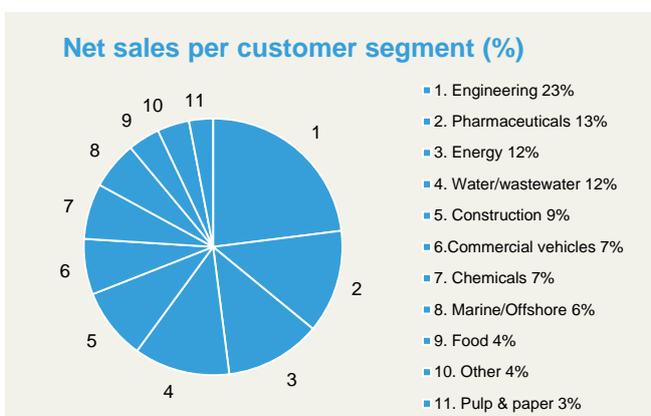
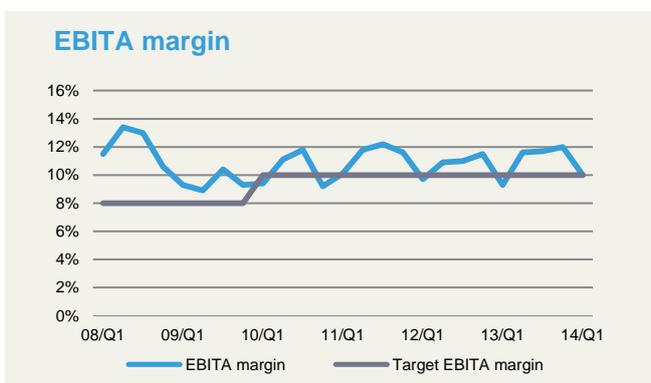
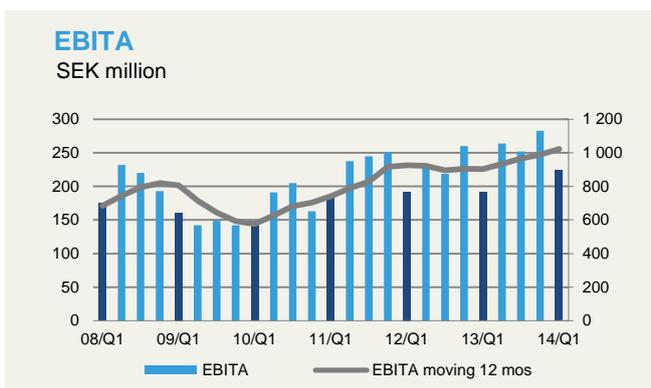
Business in general was slightly stronger at the start of the year compared with the last quarter and the corresponding quarter the preceding year. Several of the Group’s companies with exposure to the general engineering industry have noted an upswing, and certain segments that have been held back for a longer period by a low willingness to invest, such as in the process industry, have experienced improved demand, which also applies for the marine sector.

The situation is the same as previously, with a continued weak market in Finland. Benelux, which has experienced a slightly dampened market climate for quite some time, showed positive development during the start of the year, and the situation was thus in line with development in other important countries for the Group outside of the Nordic region, including Germany, the UK, Switzerland and Ireland.

The decrease in order intake for comparable units is attributable entirely to fluctuations in project orders in the international energy sector, where order intake was at a very high level during the first quarter a year ago.

### NET SALES

Net sales during the period January–March totalled SEK 2,250 million (2,051), an increase of 10%. The increase for comparable units was 1%, while acquired growth was 7%, corresponding to SEK 134 million. Currency movements had a positive impact on net sales, by 2%.



## EARNINGS

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 224 million (191) for the period January–March, an increase of 17%. The operating margin before amortisation of intangible assets (the EBITA margin) was 10.0% (9.3%).

The gross margin for the Group as a whole was level with the corresponding period a year ago, at 34.0% (33.8%).

The earnings increase and strengthening of the EBITA margin are mainly attributable to the contribution made by acquisitions. With only a marginal increase in net sales for comparable units, continued good cost control has played a significant role in the Group's earnings performance. During the quarter, three of the Group's five business areas achieved an EBITA margin in excess of the Group's 10% target.

Currency effects of translation of foreign units had a positive impact on EBITA by SEK 6 million, or 3%.

Net financial items amounted to SEK -24 million (-20), of which net interest expense was SEK -20 million (-22). Net interest expense was favourably affected by a lower average interest rate and slightly lower average level of debt.

Tax on profit for the period was SEK -39 million (-32), corresponding to a tax charge of 23.6% (23.0%).

Profit after tax rose 18% to SEK 126 million (107). Earnings per share increased to SEK 3.15 (2.68).

## RETURN

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

## Business areas

### ENGINEERING & EQUIPMENT

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

| SEK Million     | 2014<br>Jan-Mar | 2013<br>Jan-Mar | 2013/14<br>Moving 12 mos | 2013<br>Jan-Dec |
|-----------------|-----------------|-----------------|--------------------------|-----------------|
| Net sales       | 294             | 299             | 1,260                    | 1,265           |
| EBITA           | 15              | 20              | 98                       | 103             |
| EBITA margin, % | 5.1             | 6.7             | 7.8                      | 8.1             |

Net sales during the period January–March decreased by 2% to SEK 294 million (299). For comparable units, net sales decreased by 5%, while currency movements had a positive impact on net sales, by 3%.

Finnish industrial activity has been weak for some time, and this trend remained unbroken during the start of 2014. Sales have been affected by low activity in international and domestic projects for the process industry, weak development in the construction sector and restraint from investment in Finland.

EBITA for the period decreased by 25% to SEK 15 million (20), corresponding to an EBITA margin of 5.1% (6.7%). The earnings decline is mainly due to the lower level of net sales and an overall slightly lower gross margin. Completed cost-cutting and efficiency improvement measures partly countered these effects.

### FLOW TECHNOLOGY

**Flow Technology 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.**

| SEK Million     | 2014<br>Jan-Mar | 2013<br>Jan-Mar | 2013/14<br>Moving 12 mos | 2013<br>Jan-Dec |
|-----------------|-----------------|-----------------|--------------------------|-----------------|
| Net sales       | 452             | 469             | 1,962                    | 1,979           |
| EBITA           | 27              | 26              | 160                      | 159             |
| EBITA margin, % | 6.0             | 5.5             | 8.2                      | 8.0             |

Net sales during the period January–March totalled SEK 452 million (469), a decrease of 4%. For comparable units the decrease was 4%, while currency movements had only a marginal impact on net sales.

During the opening quarter of the year, net sales were hurt by the tentative demand situation that prevailed for most of the preceding year, with low order intake for domestic and international projects in the process industry, the water/wastewater segment and the marine segment. The business climate has improved in recent months, and during the opening quarter of the year order intake exceeded sales by just under SEK 100 million. Interest in the business area's pump solutions, with the energy segment as a key customer group, countered the decline in sales in other areas.

EBITA for the period increased by 4% to SEK 27 million (26), and the EBITA margin was 6.0% (5.5%). Earnings were unchanged compared with the corresponding period a year ago, and the low operating margin is mainly due to the previously dampened demand situation.

## FLUIDS & MECHANICAL SOLUTIONS

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

| SEK Million     | 2014<br>Jan-Mar | 2013<br>Jan-Mar | 2013/14<br>Moving 12 mos | 2013<br>Jan-Dec |
|-----------------|-----------------|-----------------|--------------------------|-----------------|
| Net sales       | 251             | 243             | 1,001                    | 993             |
| EBITA           | 31              | 30              | 111                      | 110             |
| EBITA margin, % | 12.4            | 12.3            | 11.1                     | 11.1            |

Net sales rose 3% during the period January–March, to SEK 251 million (243). The increase for comparable units was 3%. Currency movements had a marginal impact on net sales.

Sales were favourably affected by an improved market situation for hydraulic components for forest and construction machinery, for example. Similarly, development for the water/wastewater segment in Sweden was favourable. Design solutions for façades continued to perform well.

EBITA for the period increased by 3% to SEK 31 million (30), and the EBITA margin was 12.4% (12.3%). Earnings and the margin on the whole were stable, as the preceding year's adaptation of the cost base in certain companies generated the intended effect.

## INDUSTRIAL COMPONENTS

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

| SEK Million     | 2014<br>Jan-Mar | 2013<br>Jan-Mar | 2013/14<br>Moving 12 mos | 2013<br>Jan-Dec |
|-----------------|-----------------|-----------------|--------------------------|-----------------|
| Net sales       | 447             | 404             | 1,760                    | 1,717           |
| EBITA           | 49              | 40              | 221                      | 212             |
| EBITA margin, % | 11.0            | 9.9             | 12.6                     | 12.3            |

Net sales rose 11% during the period January–March, to SEK 447 million (404). The increase for comparable units was 7%. Acquisitions contributed 4%, while currency movements had a marginal impact.

The successful strengthening of the business climate that was noted in 2013 continued into the first quarter of the year. The stronger business climate pertained to most segments, most notably commercial vehicles and the general engineering industry. One exception, as in the preceding year, was the mining industry and the Finnish market. The year has got off to a strong start for several of the business area's companies active in medical technology equipment for the healthcare sector.

EBITA for the period increased by 23% to SEK 49 million (40), corresponding to an EBITA margin of 11.0% (9.9%). Slightly more than half of the earnings increase can be credited to completed acquisitions. A broad earnings increase was noted for comparable units.

In March, the company Svenska Geotech AB was acquired, with annual sales of SEK 40 million.

## SPECIAL PRODUCTS

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

| SEK Million     | 2014<br>Jan-Mar | 2013<br>Jan-Mar | 2013/14<br>Moving 12 mos | 2013<br>Jan-Dec |
|-----------------|-----------------|-----------------|--------------------------|-----------------|
| Net sales       | 814             | 654             | 3,080                    | 2,920           |
| EBITA           | 117             | 91              | 469                      | 443             |
| EBITA margin, % | 14.4            | 13.9            | 15.2                     | 15.2            |

Net sales rose 24% during the period January–March, to SEK 814 million (654). The increase for comparable units was 2%. Acquired growth was 18% on an accumulated basis, while currency movements had a positive impact on net sales, by 4%.

During the start of the year, sales were favourably affected mainly by acquisitions, but also by favourable business development in most countries and segments in which the business area is active. One exception was demand and deliveries to the international energy sector, where business has been stable at a high level for quite some time. Business in this sector is project-dependent, which can entail fluctuations from quarter to quarter.

EBITA increased by 29% to SEK 117 million (91), and the EBITA margin was 14.4% (13.9%). The earnings increase is mainly attributable to completed acquisitions. In general, most of the business area's units contributed to the earnings growth.

In January the company AP Tobler AG was acquired, with annual sales of SEK 37 million.

## Other financial information

### FINANCIAL POSITION

Shareholders' equity amounted to SEK 2,757 million (2,342), and the equity ratio was 39% (35%).

Cash and cash equivalents amounted to SEK 214 million (210). In addition to this, the Group had unutilised credit promises of SEK 1,723 million (758). Interest-bearing net debt amounted to SEK 2,325 million (2,455). During the first quarter Indutrade established a commercial paper programme with a framework of SEK 1.5 billion, enabling the company to issue commercial paper in the money market. At the close of the quarter the outstanding programme amounted to SEK 450 million.

The net debt/equity ratio was 84% at end of the period (105%).

### CASH FLOW, CAPITAL EXPENDITURES AND DEPRECIATION

Cash flow from operating activities was SEK 90 million (31). Cash flow after net capital expenditures in intangible non-current assets and in property, plant and equipment (excluding company acquisitions) was SEK 52 million (-24). The higher cash flow is mainly attributable to higher earnings, a lower increase in working capital compared with corresponding period a year ago, and a lower level of capital expenditures in non-current assets to date this year.

The Group's net capital expenditures, excluding company acquisitions, amounted to SEK 38 million (55). Depreciation of property, plant and equipment amounted to SEK 30 million (27). Investments in company acquisitions amounted to SEK 41 million (86). In addition, earn-out payments for previous years' acquisitions amounted to SEK 29 million (64).

### EMPLOYEES

The number of employees was 4,245 at the end of the quarter (4,110). A total of 41 employees were added through acquisitions.

### COMPANY ACQUISITIONS

The Group has acquired the following companies, which are consolidated for the first time in 2014.

| Month acquired | Acquisitions       | Business area         | Net sales/SEK m* | No. of employees* |
|----------------|--------------------|-----------------------|------------------|-------------------|
| January        | AP Tobler AG       | Special Products      | 37               | 35                |
| March          | Svenska Geotech AB | Industrial Components | 40               | 6                 |
|                |                    |                       | <b>77</b>        | <b>41</b>         |

\* Estimated annual sales and number of employees at the time of acquisition.

Further information about completed company acquisitions can be found on page 15 of this interim report.

### EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events for the Group have occurred after the end of the reporting period.

### PARENT COMPANY

The main functions of Indutrade AB are to take responsibility for business development, acquisitions, financing, business control and analysis. The Parent Company's sales, which consist exclusively of intercompany invoicing of services, amounted to SEK 0 million (0) during the period January–March. The Parent Company's financial assets consist mainly of shares in subsidiaries. During the period, the Parent Company acquired shares in three 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 March was 10 (9).

### RISKS AND UNCERTAINTIES

The Indutrade Group conducts business in 26 countries on four continents, through some 180 companies. This diversification, together with a large number of customers in various industries and a large number of suppliers, mitigates the business and financial risks. Apart from the risks and uncertainties described in Indutrade's 2013 Annual Report, no significant risks or uncertainties are judged to have emerged or been eliminated. Since the Parent Company is responsible for the Group's financing, it is exposed to financing risk.

The Parent Company's other activities are not exposed to risks other than indirectly via subsidiaries. For a more detailed account of risks that affect the Group and Parent Company, please see the 2013 Annual Report.

## RELATED PARTY TRANSACTIONS

No transactions took place during the period between Indutrade and related parties that have significantly affected the Company's financial position or result of operations.

## ACCOUNTING PRINCIPLES

Indutrade reports in accordance with International Financial Reporting Standards (IFRS). This interim report has been prepared in accordance with IAS 34 and RFR 1. The Parent Company applies RFR 2. The same accounting principles and calculation methods are used in this report as those used in Indutrade's 2013 Annual Report.

No new IFRSs or IFRIC interpretations that have been adopted by the EU are applicable for Indutrade or have had any material impact on the Group's result of operations or financial position in 2014.

## FINANCIAL CALENDAR

- The interim report for the period 1 January–30 June 2014 will be published on 23 July 2014.
- The interim report for the period 1 January–30 September 2014 will be published on 29 October 2014.

Stockholm, 28 April 2014

Indutrade AB (publ)

Johnny Alvarsson  
President and CEO

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## NOTE

The information provided herein is such that Indutrade AB (publ) is obligated to publish pursuant to the Securities Market Act, the Financial Instruments Trading Act, and/or in accordance with the Issuers Rules and Regulations for the Nasdaq OMX Stockholm. Submitted for publication at 1.45 p.m. on 28 April 2014.

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## FURTHER INFORMATION

For further information, please contact:

Johnny Alvarsson, President and CEO, tel: +46 70 589 17 95.

### The report will be commented upon as follows:

- through a conference call/webcast today at 3 p.m. at the following link:  
<http://event.onlineseminarsolutions.com/r.htm?e=779174&s=1&k=15836E6B58E3633721E7A169B8901ED9>  
Participlants call SE +46 8 505 564 78, UK +44 203 1940 550 or US + 1 8552 692 606.
- Via a videotaped version at the following link:  
<http://www.indutrade.se>

## Indutrade consolidated income statement

- condensed

| Mkr   | 2014<br>Jan-Mar | 2013<br>Jan-Mar | 2013/14<br>Moving 12 mos | 2013<br>Jan-Dec |
|---|-----------------|-----------------|--------------------------|-----------------|
| Net sales   | 2,250           | 2,051           | 9,030                    | 8,831           |
| Cost of goods sold  | -1,486          | -1,358          | -5,961                   | -5,833          |
| <b>Gross profit</b>   | <b>764</b>      | <b>693</b>      | <b>3,069</b>             | <b>2,998</b>    |
| Development costs   | -27             | -28             | -109                     | -110            |
| Selling costs   | -424            | -394            | -1,631                   | -1,601          |
| Administrative expenses   | -124            | -110            | -463                     | -449            |
| Other operating income and expenses   | 0               | -2              | 20                       | 18              |
| <b>Operating profit</b>   | <b>189</b>      | <b>159</b>      | <b>886</b>               | <b>856</b>      |
| Net financial items   | -24             | -20             | -104                     | -100            |
| <b>Profit after financial items</b>   | <b>165</b>      | <b>139</b>      | <b>782</b>               | <b>756</b>      |
| Income Tax  | -39             | -32             | -176                     | -169            |
| <b>Net profit for the period</b>  | <b>126</b>      | <b>107</b>      | <b>606</b>               | <b>587</b>      |
| <i>Net profit, attributable to:</i>   |                 |                 |                          |                 |
| Equity holders of the parent company  | 126             | 107             | 606                      | 587             |
| Non-controlling interests   | 0               | 0               | 0                        | 0               |
|   | <b>126</b>      | <b>107</b>      | <b>606</b>               | <b>587</b>      |
| Earnings per share for the period, attributable to equity holders of the parent company <sup>1)</sup> | 3.15            | 2.68            | 15.15                    | 14.68           |
| <b>EBITA</b>  | <b>224</b>      | <b>191</b>      | <b>1,023</b>             | <b>990</b>      |
| <i>Operating profit includes:</i>   |                 |                 |                          |                 |
| Amortisation of intangible assets <sup>2)</sup>   | -39             | -36             | -151                     | -148            |
| Depreciation of property, plant and equipment   | -30             | -27             | -117                     | -114            |

<sup>1)</sup> Earnings for the period divided by 40,000,000 shares. There is no dilutive effect.

<sup>2)</sup> Excluding write-downs

## Indutrade consolidated statement of comprehensive income

|  |            |            |            |            |
|--|------------|------------|------------|------------|
| <b>Net profit for the period</b>                             | <b>126</b> | <b>107</b> | <b>606</b> | <b>587</b> |
| <b>Other comprehensive income</b>                            |            |            |            |            |
| <b>Items that can be reversed into income statement</b>      |            |            |            |            |
| Fair value adjustment of hedge instruments                   | -2         | 8          | -7         | 3          |
| Tax attributable to fair value adjustments                   | 1          | -2         | 2          | -1         |
| Exchange rate differences                                    | 6          | -61        | 89         | 22         |
| <b>Items that can not be reversed into income statement</b>  |            |            |            |            |
| Actuarial gains/losses                                       | -          | -          | 9          | 9          |
| Tax on actuarial gains/losses                                | -          | -          | -2         | -2         |
| <b>Other comprehensive income for the period, net of tax</b> | <b>5</b>   | <b>-55</b> | <b>91</b>  | <b>31</b>  |
| <b>Total comprehensive income for the period</b>             | <b>131</b> | <b>52</b>  | <b>697</b> | <b>618</b> |
| <i>Net profit, attributable to:</i>                          |            |            |            |            |
| Equity holders of the parent company                         | 131        | 52         | 696        | 617        |
| Non-controlling interests                                    | 0          | 0          | 1          | 1          |
|  | <b>131</b> | <b>52</b>  | <b>697</b> | <b>618</b> |

## Business area performance

|                                | 2014         | 2013         | 2013/14       | 2013         |
|--------------------------------|--------------|--------------|---------------|--------------|
| Net sales, SEK Million         | Jan-Mar      | Jan-Mar      | Moving 12 mos | Jan-Dec      |
| Engineering & Equipment        | 294          | 299          | 1,260         | 1,265        |
| Flow Technology                | 452          | 469          | 1,962         | 1,979        |
| Fluids & Mechanical Solutions  | 251          | 243          | 1,001         | 993          |
| Industrial Components          | 447          | 404          | 1,760         | 1,717        |
| Special Products               | 814          | 654          | 3,080         | 2,920        |
| Parent company and Group items | -8           | -18          | -33           | -43          |
|                                | <b>2,250</b> | <b>2,051</b> | <b>9,030</b>  | <b>8,831</b> |
| EBITA, SEK Million             | 2014         | 2013         | 2013/14       | 2013         |
|                                | Jan-Mar      | Jan-Mar      | Moving 12 mos | Jan-Dec      |
| Engineering & Equipment        | 15           | 20           | 98            | 103          |
| Flow Technology                | 27           | 26           | 160           | 159          |
| Fluids & Mechanical Solutions  | 31           | 30           | 111           | 110          |
| Industrial Components          | 49           | 40           | 221           | 212          |
| Special Products               | 117          | 91           | 469           | 443          |
| Parent company and Group items | -15          | -16          | -36           | -37          |
|                                | <b>224</b>   | <b>191</b>   | <b>1,023</b>  | <b>990</b>   |
| EBITA margin, %                | 2014         | 2013         | 2013/14       | 2013         |
|                                | Jan-Mar      | Jan-Mar      | Moving 12 mos | Jan-Dec      |
| Engineering & Equipment        | 5.1          | 6.7          | 7.8           | 8.1          |
| Flow Technology                | 6.0          | 5.5          | 8.2           | 8.0          |
| Fluids & Mechanical Solutions  | 12.4         | 12.3         | 11.1          | 11.1         |
| Industrial Components          | 11.0         | 9.9          | 12.6          | 12.3         |
| Special Products               | 14.4         | 13.9         | 15.2          | 15.2         |
|                                | <b>10.0</b>  | <b>9.3</b>   | <b>11.3</b>   | <b>11.2</b>  |

|                                | 2014         | 2013         |              |              |              |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| Net sales, SEK million         | Jan-Mar      | Oct-Dec      | Jul-Sep      | Apr-Jun      | Jan-Mar      |
| Engineering & Equipment        | 294          | 334          | 301          | 331          | 299          |
| Flow Technology                | 452          | 508          | 471          | 531          | 469          |
| Fluids & Mechanical Solutions  | 251          | 258          | 234          | 258          | 243          |
| Industrial Components          | 447          | 466          | 409          | 438          | 404          |
| Special Products               | 814          | 795          | 741          | 730          | 654          |
| Parent company and Group items | -8           | -9           | -8           | -8           | -18          |
|                                | <b>2,250</b> | <b>2,352</b> | <b>2,148</b> | <b>2,280</b> | <b>2,051</b> |

|                                | 2014       | 2013       |            |            |            |
|--------------------------------|------------|------------|------------|------------|------------|
| EBITA, SEK million             | Jan-Mar    | Oct-Dec    | Jul-Sep    | Apr-Jun    | Jan-Mar    |
| Engineering & Equipment        | 15         | 28         | 25         | 30         | 20         |
| Flow Technology                | 27         | 39         | 40         | 54         | 26         |
| Fluids & Mechanical Solutions  | 31         | 26         | 25         | 29         | 30         |
| Industrial Components          | 49         | 64         | 55         | 53         | 40         |
| Special Products               | 117        | 122        | 120        | 110        | 91         |
| Parent company and Group items | -15        | 4          | -13        | -12        | -16        |
|                                | <b>224</b> | <b>283</b> | <b>252</b> | <b>264</b> | <b>191</b> |

|                               | 2014        | 2013        |             |             |            |
|-------------------------------|-------------|-------------|-------------|-------------|------------|
| EBITA margin, %               | Jan-Mar     | Oct-Dec     | Jul-Sep     | Apr-Jun     | Jan-Mar    |
| Engineering & Equipment       | 5.1         | 8.4         | 8.3         | 9.1         | 6.7        |
| Flow Technology               | 6.0         | 7.7         | 8.5         | 10.2        | 5.5        |
| Fluids & Mechanical Solutions | 12.4        | 10.1        | 10.7        | 11.2        | 12.3       |
| Industrial Components         | 11.0        | 13.7        | 13.4        | 12.1        | 9.9        |
| Special Products              | 14.4        | 15.3        | 16.2        | 15.1        | 13.9       |
|                               | <b>10.0</b> | <b>12.0</b> | <b>11.7</b> | <b>11.6</b> | <b>9.3</b> |

## Indutrade consolidated balance sheet

- condensed

| SEK million  | 2014<br>31 Mar | 2013<br>31 Mar | 2013<br>31 Dec |
|--|----------------|----------------|----------------|
| Goodwill   | 1,328          | 1,230          | 1,308          |
| Other intangible assets  | 1,271          | 1,225          | 1,286          |
| Property, plant and equipment                                    | 877            | 758            | 849            |
| Financial assets   | 61             | 61             | 61             |
| Inventories  | 1,481          | 1,419          | 1,546          |
| Accounts receivable, trade                                       | 1,559          | 1,501          | 1,435          |
| Other receivables  | 353            | 284            | 208            |
| Cash and cash equivalents  | 214            | 210            | 261            |
| <b>Total assets</b>  | <b>7,144</b>   | <b>6,688</b>   | <b>6,954</b>   |
| Equity   | 2,757          | 2,342          | 2,626          |
| Non-current interest-bearing liabilities and pension liabilities | 1,389          | 1,166          | 2,201          |
| Other non-current liabilities and provisions                     | 354            | 339            | 353            |
| Current interest-bearing liabilities                             | 1,150          | 1,499          | 381            |
| Accounts payable, trade  | 673            | 593            | 602            |
| Other current liabilities  | 821            | 749            | 791            |
| <b>Total equity and liabilities</b>                              | <b>7,144</b>   | <b>6,688</b>   | <b>6,954</b>   |

## Indutrade consolidated statement of changes in equity

- condensed

| Attributable to equity holders of the parent company<br>SEK million | 2014<br>31 Mar  | 2013<br>31 Mar | 2013<br>31 Dec     |
|---|-----------------|----------------|--------------------|
| Opening equity  | 2,623           | 2,288          | 2,288              |
| Total comprehensive income for the period                           | 131             | 52             | 617                |
| Dividend  | - <sup>1)</sup> | -              | -282 <sup>2)</sup> |
| <b>Closing equity</b>   | <b>2,754</b>    | <b>2,340</b>   | <b>2,623</b>       |
| 1) The proposed dividend per share for 2013 is SEK 7.05             |                 |                |                    |
| 2) Dividend per share for 2012 was SEK 7.05                         |                 |                |                    |
| <i>Equity, attributable to:</i>                                     |                 |                |                    |
| Equity holders of the parent company                                | 2,754           | 2,340          | 2,623              |
| Non-controlling interests   | 3               | 2              | 3                  |
|   | <b>2,757</b>    | <b>2,342</b>   | <b>2,626</b>       |

# Indutrade consolidated cash flow statement

- condensed

| SEK million                                       | 2014<br>Jan-Mar | 2013<br>Jan-Mar | 2013/14<br>Moving 12 mos | 2013<br>Jan-Dec |
|---|-----------------|-----------------|--------------------------|-----------------|
| Operating profit                                  | 189             | 159             | 886                      | 856             |
| Non-cash items                                    | 73              | 60              | 265                      | 252             |
| Interests and other financial items, net          | -20             | -16             | -85                      | -81             |
| Paid tax  | -73             | -74             | -236                     | -237            |
| Change in working capital                         | -79             | -98             | 88                       | 69              |
| <b>Cash flow from operating activities</b>        | <b>90</b>       | <b>31</b>       | <b>918</b>               | <b>859</b>      |
| Net capital expenditures in non-current assets    | -38             | -55             | -189                     | -206            |
| Company acquisitions and divestments              | -70             | -150            | -364                     | -444            |
| Change in other financial assets                  | 0               | -1              | 2                        | 1               |
| <b>Cash flow from investing activities</b>        | <b>-108</b>     | <b>-206</b>     | <b>-551</b>              | <b>-649</b>     |
| Net borrowings                                    | -28             | 148             | -88                      | 88              |
| Dividend paid out                                 | -               | -               | -282                     | -282            |
| <b>Cash flow from financial activities</b>        | <b>-28</b>      | <b>148</b>      | <b>-370</b>              | <b>-194</b>     |
| Cash flow for the period                          | -46             | -27             | -3                       | 16              |
| Cash and cash equivalents at start of period      | 261             | 243             | 210                      | 243             |
| Exchange rate differences                         | -1              | -6              | 7                        | 2               |
| <b>Cash and cash equivalents at end of period</b> | <b>214</b>      | <b>210</b>      | <b>214</b>               | <b>261</b>      |

## Indutrade changes in interest-bearing net debt

|  | 2014<br>Jan-Mar | 2013<br>Jan-Dec |
|--|-----------------|-----------------|
| <b>Beginning of period</b>                     | <b>-2,321</b>   | <b>-2,339</b>   |
| Cash flow from operating activities            | 90              | 859             |
| Net capital expenditures in non-current assets | -38             | -206            |
| Company acquisitions and divestments           | -50             | -414            |
| Dividend paid out                              | -               | -282            |
| Other changes *)                               | -6              | 61              |
| <b>Total changes</b>                           | <b>-4</b>       | <b>18</b>       |
| <b>End of period</b>                           | <b>-2,325</b>   | <b>-2,321</b>   |

\*) Other changes relate to adjustment of earn-outs from acquisitions, revaluation of pension liability and currency effects among others.

## Key data

|   | 2014   | 2013   | 2013   | 2012   | 2011   |
|---|--------|--------|--------|--------|--------|
| Moving 12 mos   | 31 Mar | 31 Dec | 31 Mar | 31 Dec | 31 Dec |
| Net sales, SEK million                                      | 9,030  | 8,831  | 8,453  | 8,384  | 7,994  |
| Sales growth, %   | 7      | 5      | 4      | 5      | 19     |
| EBITA, SEK million  | 1,023  | 990    | 904    | 905    | 917    |
| EBITA margin, %   | 11.3   | 11.2   | 10.7   | 10.8   | 11.5   |
| Operating capital, SEK million                              | 5,082  | 4,947  | 4,797  | 4,629  | 3,720  |
| Return on operating capital, %                              | 21     | 20     | 21     | 22     | 25     |
| Return on equity, %   | 25     | 25     | 26     | 27     | 29     |
| Interest-bearing net debt, SEK million                      | 2,325  | 2,321  | 2,455  | 2,339  | 1,656  |
| Net debt/equity ratio, %                                    | 84     | 88     | 105    | 102    | 80     |
| Net debt/EBITDA, times                                      | 2.0    | 2.1    | 2.4    | 2.3    | 1.6    |
| Equity ratio, %   | 39     | 38     | 35     | 35     | 38     |
| Average number of employees                                 | 4,182  | 4,151  | 4,010  | 3,939  | 3,778  |
| Number of employees at end of the period                    | 4,245  | 4,218  | 4,110  | 4,086  | 3,807  |
| <i>Attributable to equity holders of the parent company</i> |        |        |        |        |        |
| <i>Key ratios per share <sup>1)</sup></i>                   |        |        |        |        |        |
| Earnings per share, SEK                                     | 15.15  | 14.68  | 14.15  | 14.23  | 13.50  |
| Equity per share, SEK                                       | 68.85  | 65.58  | 58.50  | 57.20  | 51.55  |
| Cash flow from operating activities per share, SEK          | 22.95  | 21.48  | 11.93  | 12.98  | 17.73  |

<sup>1)</sup> Based on 40,000,000 shares which corresponds to the number of shares outstanding during all periods in the table. There is no dilutive effect.

# Acquisitions

## ACQUISITIONS 2014

All of the shares have been acquired in AP Tobler AG (Switzerland) and Svenska Geotech AB (Sweden).

## 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.

## SPECIAL PRODUCTS

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

### Acquired assets in AP Tobler AG and Svenska Geotech AB

#### *Preliminary purchase price allocation* SEK million

|   |            |                       |            |
|---|------------|-----------------------|------------|
| Purchase price, incl. contingent earn-out payment totalling SEK 9 million |            |                       | 61         |
|   | Book value | Fair value adjustment | Fair value |
| <b>Acquired assets</b>  |            |                       |            |
| Goodwill  | -          | 16                    | 16         |
| Agencies, trademarks, customer relations, licences, etc.                  | -          | 16                    | 16         |
| Property, plant and equipment   | 20         | -                     | 20         |
| Financial assets  | 0          | -                     | 0          |
| Inventories   | 4          | -                     | 4          |
| Other current assets <sup>1)</sup>  | 7          | -                     | 7          |
| Cash and cash equivalents   | 11         | -                     | 11         |
| Deferred tax liability  | -4         | -3                    | -7         |
| Other operating liabilities   | -6         | -                     | -6         |
|   | <b>32</b>  | <b>29</b>             | <b>61</b>  |

<sup>1)</sup> Mainly trade accounts receivable

Agencies, customer relationships, licences, etc. will be amortised over a period of 10 years.

Indutrade normally uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. 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 9 million. These contingent earn-out payments fall due for payment within 2 years and can amount to a maximum of SEK 10 million. If the conditions are not met, the outcome can be in the range of SEK 0–10 million.

Transaction costs for the acquisitions carried out during the period totalled SEK 0 million (1) and are included in Other expenses in the income statement. Contingent earn-out payments have been restated in the amount of SEK 0 million (-1). The restatement is reported among Other income and expenses in the income statement.

The purchase price allocation for Thermotech AS, which was acquired in January 2013, has now been finalised. No significant adjustments have been made to the calculation. 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.

### Cash flow impact

|   |           |
|---|-----------|
| Purchase price, incl. contingent earn-out payment                       | 61        |
| Contingent earn-out payments not paid out                               | -9        |
| Cash and cash equivalents in acquired companies                         | -11       |
| Contingent earn-out payments pertaining to previous years' acquisitions | 29        |
| <b>Total cash flow impact</b>   | <b>70</b> |

## EFFECTS OF ACQUISITIONS CARRIED OUT IN 2013 AND 2014

| SEK million<br>Business area     | Net sales<br>Jan-Mar | EBITA<br>Jan-Mar |
|----------------------------------|----------------------|------------------|
| Engineering & Equipment          | -                    | -                |
| Flow Technology                  | -                    | -                |
| Fluids & Mechanical Solutions    | -                    | -                |
| Industrial Components            | 17                   | 5                |
| Special Products                 | 117                  | 19               |
| <b>Effect on Group</b>           | <b>134</b>           | <b>24</b>        |
| Acquisitions carried out in 2013 | 124                  | 23               |
| Acquisitions carried out in 2014 | 10                   | 1                |
| <b>Effect on Group</b>           | <b>134</b>           | <b>24</b>        |

If all acquired units had been consolidated as from 1 January 2014, net sales for the period would have amounted to SEK 2,255 million, and EBITA would have totalled SEK 224 million.

## ACQUISITIONS AFTER THE END OF THE REPORTING PERIOD

No acquisitions have been made after the end of the reporting period.

## 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 assets or liabilities that is not based on observable market data (i.e., non-observable market data) [level 3]

### The Group's assets and liabilities measured at fair value

|  | 31 Mar 2014 |         |         |       | 31 Dec 2013 |         |         |       |
|--|-------------|---------|---------|-------|-------------|---------|---------|-------|
|  | Level 1     | Level 2 | Level 3 | Total | Level 1     | Level 2 | Level 3 | Total |
| <b>Assets</b>                                    |             |         |         |       |             |         |         |       |
| Available-for-sale financial assets              | -           | -       | 7       | 7     | -           | -       | 7       | 7     |
| Derivative instruments held for hedging purposes | -           | 1       | -       | 1     | -           | 3       | -       | 3     |
| <b>Liabilities</b>                               |             |         |         |       |             |         |         |       |
| Derivative instruments held for hedging purposes | -           | 27      | -       | 27    | -           | 27      | -       | 27    |
| Contingent consideration                         | -           | -       | 251     | 251   | -           | -       | 268     | 268   |

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

| Contingent earn-out payments      | 2014       | 2013       |
|-----------------------------------|------------|------------|
|                                   | 31 Mar     | 31 Dec     |
| Opening book value                | 268        | 370        |
| Acquisitions during the year      | 9          | 98         |
| Reclassified via income statement | 0          | -89        |
| Consideration paid                | -29        | -128       |
| Interest expense                  | 3          | 14         |
| Exchange rate differences         | 0          | 3          |
| <b>Closing book value</b>         | <b>251</b> | <b>268</b> |

## Parent company income statement

- condensed

| SEK million  | 2014<br>Jan-Mar | 2013<br>Jan-Mar | 2013/14<br>Moving 12 mos | 2013<br>Jan-Dec |
|--|-----------------|-----------------|--------------------------|-----------------|
| Net sales  | 0               | 0               | 3                        | 3               |
| <b>Gross profit</b>  | <b>0</b>        | <b>0</b>        | <b>3</b>                 | <b>3</b>        |
| Administrative expenses  | -16             | -15             | -56                      | -55             |
| Other income and expenses  | 0               | -1              | 6                        | 5               |
| <b>Operating profit</b>  | <b>-16</b>      | <b>-16</b>      | <b>-47</b>               | <b>-47</b>      |
| Financial income/expenses  | -13             | -3              | -58                      | -48             |
| Profit from participation in Group companies                                     | -               | -               | 269                      | 269             |
| <b>Profit after financial items</b>  | <b>-29</b>      | <b>-19</b>      | <b>164</b>               | <b>174</b>      |
| Appropriations   | -               | -               | 362                      | 362             |
| Income tax   | 6               | 3               | -59                      | -62             |
| <b>Net profit for the period</b>   | <b>-23</b>      | <b>-16</b>      | <b>467</b>               | <b>474</b>      |
| Amortisation/depreciation of intangible assets and property, plant and equipment | 0               | 0               | 0                        | -1              |

## Parent company balance sheet

- condensed

| Mkr  | 2014<br>31 Mar | 2013<br>31 Mar | 2013<br>31 Dec |
|--|----------------|----------------|----------------|
| Intangible assets  | 0              | 1              | 0              |
| Property, plant and equipment                                    | 1              | 1              | 1              |
| Financial assets   | 3,000          | 2,685          | 2,954          |
| Current receivables  | 2,010          | 1,774          | 2,105          |
| Cash and cash equivalent   | 0              | 3              | 7              |
| <b>Total assets</b>  | <b>5,011</b>   | <b>4,464</b>   | <b>5,067</b>   |
| Equity   | 1,825          | 1,659          | 1,867          |
| Untaxed reserves   | 315            | 221            | 315            |
| Non-current interest-bearing liabilities and pension liabilities | 1,060          | 838            | 1,879          |
| Current interest-bearing liabilities                             | 1,688          | 1,643          | 911            |
| Current noninterest-bearing liabilities                          | 123            | 103            | 95             |
| <b>Total equity and liabilities</b>                              | <b>5,011</b>   | <b>4,464</b>   | <b>5,067</b>   |
| Pledged assets   | 6              | 4              | 6              |
| Contingent liabilities   | 112            | 340            | 112            |

## Definitions

|                             |   |
|-----------------------------|---|
| Earnings per share          | Net profit for the period divided by the average number of shares outstanding.  |
| EBITA                       | Operating profit before amortisation of intangible assets arising in connection with company acquisitions (Earnings Before Interest, Tax and Amortisation).               |
| EBITA margin                | EBITA divided by net sales for the period.  |
| EBITDA                      | Operating profit before depreciation and amortisation (Earnings Before Interest, Tax, Depreciation and Amortisation).   |
| Equity per share            | Equity divided by the number of shares outstanding.   |
| Equity ratio                | Shareholders' equity divided by total assets.   |
| Gross margin                | Gross profit divided by net sales.  |
| Interest-bearing net debt   | Interest-bearing liabilities including pension liability and estimated earn-outs from acquisitions, less cash and cash equivalents.                                       |
| Net capital expenditures    | Purchases less sales of intangible assets, and of property, plant and equipment, excluding those included in acquisitions and divestments of subsidiaries and operations. |
| Net debt/equity ratio       | Interest-bearing net debt divided by shareholders' equity.  |
| 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.   |

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### Indutrade in brief

Indutrade markets and sells components, systems and services with a high-tech content to industrial customers in selected niches. The Group creates value for its customers by structuring the value chain and increasing the efficiency of its customers' use of technological components and systems. For the Group's suppliers, value is created through the offering of an efficient sales organisation with high technical expertise and well developed customer relations.

Indutrade's business is distinguished by the following factors, among others:

- High-tech products for recurring needs
- Growth through a structured and tried-and-tested acquisition strategy
- A decentralised organisation characterised by an entrepreneurial spirit

The Group is structured into five business areas:

Engineering & Equipment, Flow Technology, Fluids & Mechanical Solutions, Industrial Components and Special Products.

The Group's financial targets (per year across a business cycle) are to grow by a minimum of 10%, to attain a minimum EBITA margin of 10% and a minimum return on operating capital of 20%.

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