

ANNUAL REPORT 2022

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

 Indutrade

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● SUSTAINABILITY INFORMATION

The statutory sustainability report in accordance with the Annual Accounts Act is integrated in the Annual Report on the following pages: social conditions and personnel issues, see pages 9, 11 and 21–29. Environment, see 9, 11 and 21–29. Human rights and anti-corruption, see pages 15, 21–23, 39–40 and 42. Goals and strategies and Active ownership, see pages 7–15. Management of significant risks in the area of sustainability is included in the Group's general risks and management of them, which is described in the statutory administration report on pages 38–42. Taxonomy tables, see pages 105–106.

● DIRECTORS' REPORT

The Board of Directors and CEO of Indutrade AB (publ), reg. no. 556017–9367, hereby submit the annual report for the 2022 financial year for the Parent Company and the Group, which consists of a Directors' Report on pages 16–18, 31–35, 37–53 and 56. The financial statements and notes on pages 58–99. The consolidated income statement and balance sheet, along with the Parent Company's income statement and balance sheet will be presented for adoption at the AGM. The Corporate Governance Report, which was reviewed by the auditors is on pages 46–53. See the Audit Report on pages 100–104.

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

TRUSTED BY ENTREPRENEURS

Indutrade's brand promise
"TRUSTED BY ENTREPRENEURS"
is rooted in our conviction that passionate entrepreneurs are an important part of our continued growth. We have been winning the confidence of this target group since inception in 1978.

Now, more than 40 years later and having made more than 200 acquisitions, we have established a unique position with vast knowledge of both acquisitions and company development.

The year past



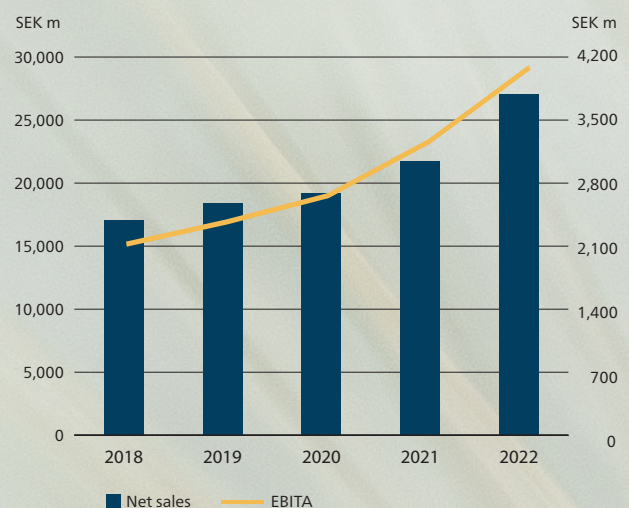
IMPORTANT EVENTS IN 2022

- Strong demand with total growth in order intake of 18% and 24% for net sales. Sales increased organically in all business areas.
- Increased EBITA margin target – at least 14% over a business cycle. In 2022, a record-high EBITA margin of 15.2% was achieved.
- High acquisition pace and increased acquisition capabilities with both strengthened resources and organisation. A total of 16 value-creating acquisitions were made during the year, several of which are positioned in segments with structural growth.
- Stronger sustainability work with improved follow-up on KPIs, including the start of Scope 3 reporting and committing to the Science Based Targets initiative.
- Improved ability for driving organic growth via, among other things, increased business development in the subsidiaries, competence development, knowledge-sharing and networking.

KEY DATA

SEK million	2022	2021
Net sales	27,016	21,715
Operating profit	3,620	2,825
EBITA	4,098	3,202
EBITA margin, %	15.2	14.7
Profit before taxes	3,440	2,725
Net profit for the year	2,681	2,097
Earnings per share before dilution, SEK	7.36	5.76
Dividend per share, SEK (proposed 2022)	2.60	2.30
Return on capital employed, %	23	22
Cash flow from operating activities	2,372	2,853
Net debt/equity ratio, %	67	53
Average number of employees	8,483	7,715

NET SALES AND EARNINGS



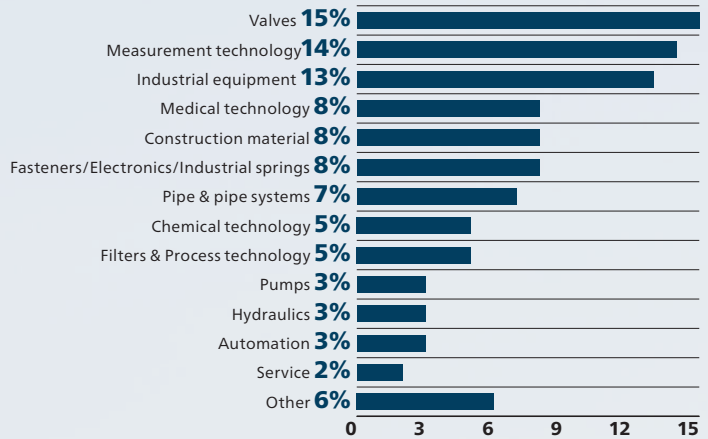
Indutrade in brief

What we do

We develop and acquire technology and industrial companies that are characterised by high competence and an ability to build enduring, close relationships with customers and suppliers.

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

Net sales per product area



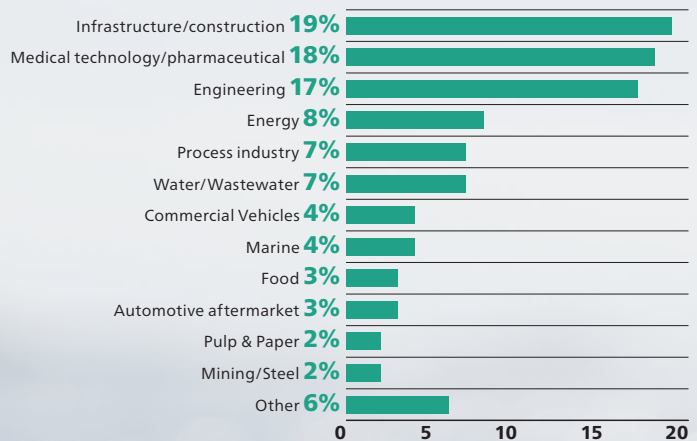
For whom

Customers can be found in a wide range of industries, including infrastructure and construction, medical technology and pharmaceutical, engineering, energy, water/wastewater and food.

Customer segments

+12

Net sales per customer segment



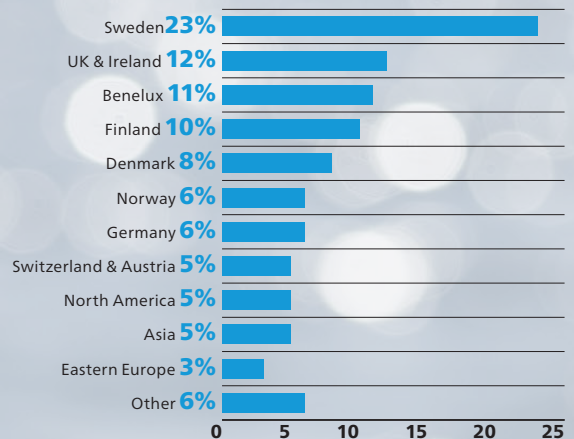
Where

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

Countries

>30

Net sales per market¹⁾



¹⁾ Based on customers' residence.

Four reasons to invest in Indutrade

Sustainable growth

- Average annual sales growth of 12% since stock market listing in 2005
- 1,033% total return, including reinvested dividends, during last ten-year period
- Long record of experience in successful company acquisitions
- Organic growth opportunities from expanded product and service offering and geographic expansion

Stable profitability and strong cash flow

- Historically stable profitability
- Average EBITA margin of 13.7% during last five years
- Average return on capital employed of 21% during last five years
- Strong operating cash flow generated over the years
- Stable dividend over time, 38% of net profit over the last five years including this year's proposed dividend and not including 2019 when no dividends were distributed
- Equity ratio 44% at year-end 2022

Attractive market position and risk profile

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

Strong culture and extensive expertise

- Entrepreneurship with passion for customers and business
- Organisation built on responsibility and trust – people make the difference
- Focus on long-term sustainable, profitable growth

Total return 2013 – 2022



Source: Monitor IR platform by Modular Finance AB

Earnings and dividend per share



CEO's message 2022

The Indutrade model once again demonstrated its strength in 2022. Despite challenges associated with disturbances in the supply chains, component shortages and a troubled world situation as a result of the war in Ukraine, we had a very strong financial performance and achieved record-high sales and EBITA margin. At the same time, we maintained a high rate in our acquisition processes and welcomed 16 well-run, successful companies to the Indutrade family. Thanks to the fantastic performance of our employees, our platform for continued sustainable profitable growth is stronger than ever.

New record year

Demand during the year was strong overall in most customer segments and for most of the Group's companies. Net sales increased by 24% to SEK 27 billion, of which 12% was organic, driven by successful pricing efforts, higher volumes and acquisitions. There was particularly strong momentum in the medical technology and pharmaceutical customer segment, but performance was also good for companies with customers in, for example, the process industry, energy segment, water/wastewater and food.

Positive organic growth in 2022, together with good margins in newly acquired companies enabled us to achieve an EBITA margin of 15.2% – a new record year for Indutrade! During the fourth quarter, we raised the target for the EBITA margin from 12% to at least 14% per year over a business cycle, which is considered to be a good balance between profitability and growth ambitions.

Due to the supply chain disruptions, many companies have increased their inventory levels to ensure good service to the customers, which weakened the cash flow. Net debt increased as a result of this and the high acquisition pace, but the financial position remains strong and the net debt/equity ratio is below the financial target level and in line with historic levels. Our cash flow and our strong position in the credit market continues to support value-creating acquisitions and organic investments despite the uncertain geopolitical and macroeconomic environment.

Focus on organic growth and continued high rate of acquisition

During the fourth quarter of 2022, we held a capital market day aimed at communicating updates to our strategy and priorities in the years ahead. Delivering sustainable, profitable growth has been Indutrade's main goal for several years. We do this by developing and acquiring well-managed, profitable technology and industrial companies in a decentralised business model, while at the same time offering stable, long-term ownership. Over the last few years, we increased our focus on organic growth and the activities

that support our companies' strategies and plans for growth, without compromising on our acquisition ambitions. Our priority going forward is to continue capture the organic growth potential that exists in our companies, continue to be opportunity-oriented and increase the number of acquisitions as well as capitalising on segments with structural growth.

There are many strong underlying market drivers, not least linked to the green technology transition, where our companies play a key role.

Positive organic growth in 2022, together with good margins in newly acquired companies enabled us to achieve an EBITA margin of 15.2% – a new record for Indutrade!

In 2022, we took several important steps that further strengthened our strategic platform. It has involved, for example, continuous, structured support to our companies in focus areas like sustainability, innovation, business development and product development. We also expanded our organisational capacity by recruiting acquisition resources, board members and key personnel to the business areas. In addition, we further developed our leadership and competence development, knowledge-sharing and networking between our companies.

Progress with sustainability

Climate issues and reduced carbon dioxide emissions are highly prioritised at Indutrade and we view sustainability as a business opportunity. We are convinced that systematic sustainability work integrated into the business strategy is a prerequisite for long-term value-creation. Indutrade continues to support the principles of the UN Global Compact and our sustainability work is based on all our companies working in a structured way with their own material sustainability areas and goals, along with the Group-wide focus areas and goals.

During 2022, we intensified our efforts of reducing our climate footprint and we also started measuring relevant Scope 3 categories to gain a more thorough understanding of our climate impact. We also joined the Science Based Targets initiative (SBTi) and have thus formally committed to developing our targets and reducing emissions in line with the climate science. Already today, Indutrade has the overall goal of being carbon dioxide neutral within Scope 1 and Scope 2 by 2030. Meeting the requirements for SBTi means calibrating our existing targets for Scope 1 and Scope 2, defining targets for Scope 3 and developing a roadmap for net zero emissions by 2050 that contributes to limiting global warming to under 1.5 degrees Celsius.

Successful acquisitions

2022 was also a successful year for acquisitions and seven of our eight business areas completed acquisitions. We welcomed 16 new companies to the Group, with combined annual sales of approximately SEK 1.9 billion. We made three acquisitions in Germany, which is a prioritised geographic market for us. One of those acquisitions is Palas, which manufactures equipment for air quality monitoring. The company offers high-quality products with leading technology that help improve air quality levels throughout the world. It has a high level of profitability and very good conditions for continued, sustainable profitable growth.

Other examples of companies we welcomed during the year are Oscar Medtec, which is a leader in medical refrigerators and examination furniture in Sweden. We also acquired BPI in Denmark, with annual sales of SEK 500 million, which is a somewhat larger acquisition for us. It is a leading manufacturer of technology-based solutions in polyurethane for industries. The company offers noise-reduction, vibration-damping and insulation materials to industrial customers working with, for example, HVAC, wind power, infrastructure and construction. The remaining 13 acquisitions are based in Denmark, Liechtenstein, Netherlands, UK, Sweden, Germany and Austria. All of them strengthen our position in attractive market segments.

In recent years, we have continuously strengthened our acquisition resources in our business areas and at the Group level. This, together with the continued good level of activity in our acquisition processes provides us with favourable conditions for making additional value-creating acquisitions in 2023. Indutrade's acquisition model has been continuously developed and historically successful. Our outlook for the acquisition market in 2023 thus remains positive. Our ambition and ability is to acquire two to three companies per business area each year and thus far in 2023 we have acquired three companies.

There are many strong underlying market drivers, not least linked to the green technology transition, where our companies play a key role.

We look forward to an eventful 2023

Although there is much uncertainty about the general economic outlook, there are at the same time strong long-term market trends, with significant investment needs in areas like infrastructure, energy and electrification in both the private and public sectors. We have a decentralised model and company culture characterised by entrepreneurship where dedicated leaders grow and continuously develop and improve the companies. The Indutrade model will be a strength going forward and we enter 2023 with a large order backlog. Our goal of long-term sustainable profitable growth, both organically and through acquisitions, remains and I am convinced that our dedicated employees, diversified structure and strong financial position provides us with good prerequisites for continuing to generate competitive value.

Stockholm, March 2023

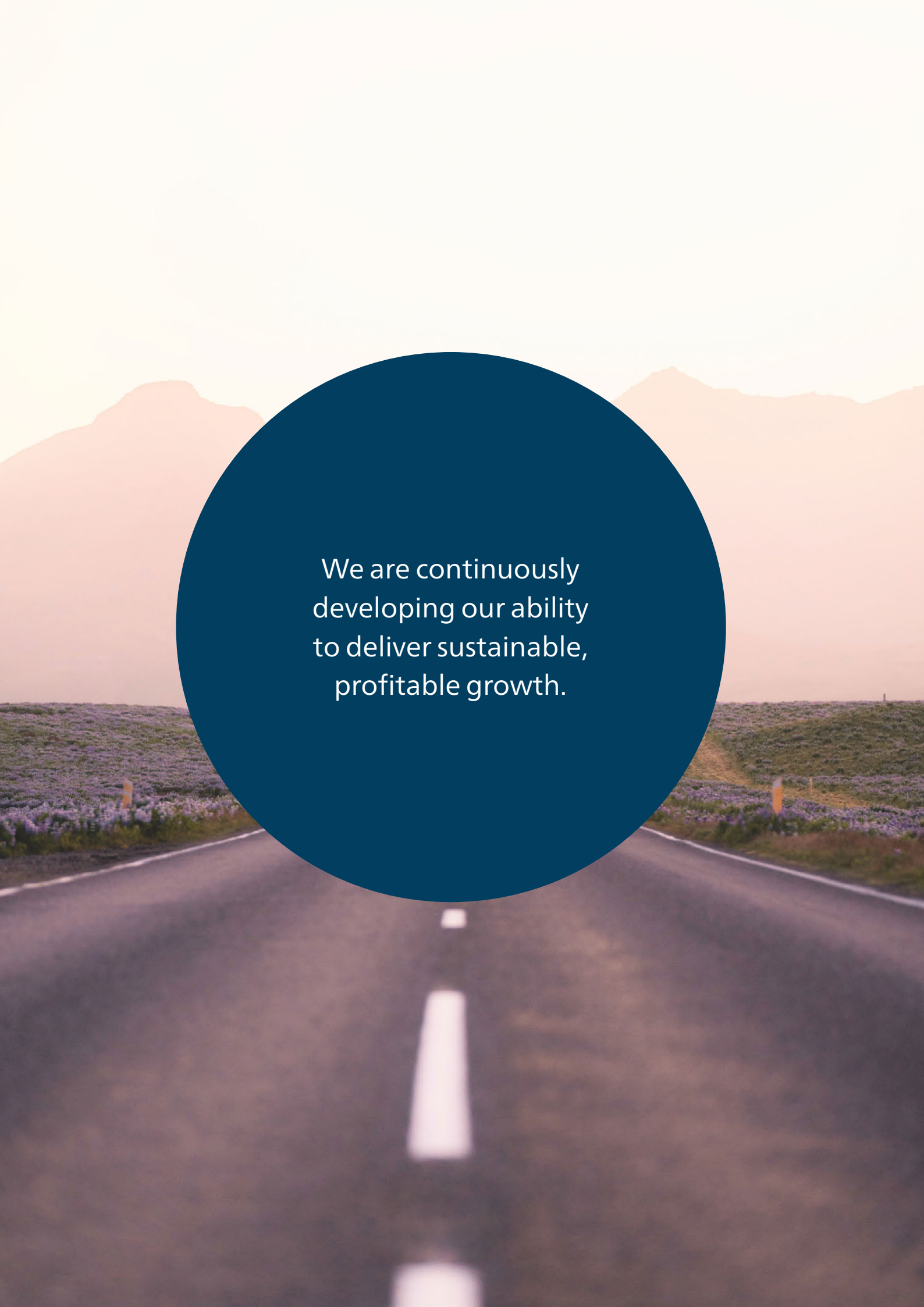


Bo Annvik
President and CEO



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

16
company acquisitions
during the year

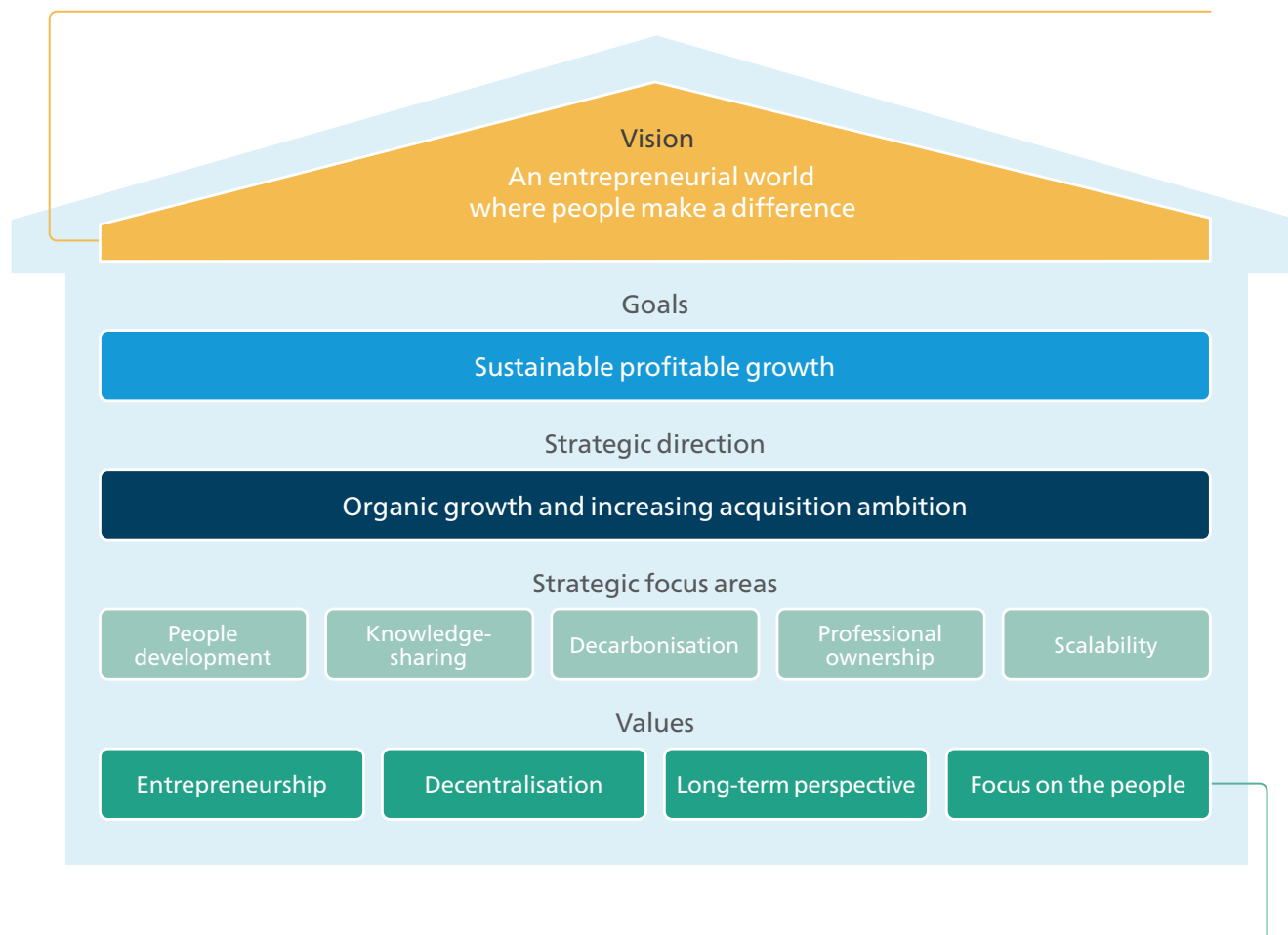
A scenic landscape featuring a paved road with a white dashed center line that recedes into the distance. The road is flanked by fields of purple wildflowers. In the background, there are silhouettes of mountains under a warm, orange-hued sky, suggesting a sunset or sunrise. A large, dark teal circle is superimposed over the center of the image, containing white text.

We are continuously
developing our ability
to deliver sustainable,
profitable growth.

Strategic platform

Indutrade's strategic platform serves as the foundation for our way of driving sustainable, profitable growth and contributing to our vision: an entrepreneurial world where people make the difference. All of Indutrade's companies have the same clear, shared values. We also share the same overall goal of sustainable, profitable growth. In addition to that, all companies in the Group have their own vision, goals and strategy, which are discussed and decided by each of their boards.

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



Entrepreneurship

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



Decentralisation

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



Long-term perspective

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

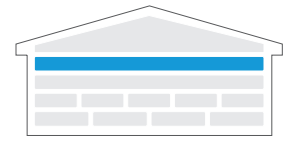


Focus on the people

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

Goals

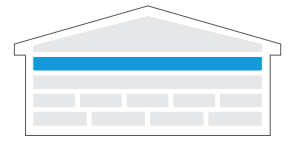
The Indutrade Group strives for continuous growth in selected geographic markets, product areas and niches with well-balanced business risk. Growth is to be achieved organically as well as through acquisitions.



The Group's overall goal is to generate sustainable profitable growth.

FINANCIAL TARGETS	TARGET ACHIEVEMENT	HISTORICAL ACHIEVEMENT	AVERAGE 2018-2022	OUTCOME 2022
<p>Sales growth</p> <p>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.</p>	<p>During the last five-year period, average annual sales growth was 13%. Net sales rose 24% in 2022. Comparable units increased by 12%, acquired growth was 8% and divestments had a marginal impact. Currency movements had a positive impact of 4%.</p>	<p>Target at least 10%</p>	13%	24%
<p>EBITA margin</p> <p>The EBITA margin shall amount to a minimum of 14% per year over a business cycle. In 2022, the EBITA margin target was increased from the previous level of 12%.</p>	<p>The EBITA margin has averaged 13.7% over the last five years. The EBITA margin in 2022 was 15.2%.</p>	<p>Target at least 14%</p>	13.7%	15.2%
<p>Return on capital employed</p> <p>The return on capital employed shall be a minimum of 20% per year on average over a business cycle.</p>	<p>During the last five years the average return on capital employed was 21%. In 2022 it was 23%.</p>	<p>Target at least 20%</p>	21%	23%
<p>Net debt/equity ratio</p> <p>The net debt/equity ratio should normally not exceed 100%.</p>	<p>During the last five years, the net debt/equity ratio at the end of each year ranged from 53% to 85%. The net debt/equity ratio at year-end 2022 was 67%.</p>	<p>Not to exceed 100%</p>	varied between 53% and 85%	67%
<p>Dividend payout ratio</p> <p>The dividend payout ratio shall range from 30% to 50% of net profit.</p>	<p>During the last five years, the dividend payout ratio has been an average of 38%, including the proposed dividend and not including 2019 when no dividends were distributed. For 2022, a dividend of SEK 2.60 has been proposed, corresponding to 35%.</p>	<p>Target between 30-50%</p>	38%	35%

Indutrade’s strategic framework for sustainable development is based on three focus areas: People, Environment and Products & customers – with goals for 2030 established for each area. To achieve the overall goals, we have identified material topics with associated targets for 2025 and KPIs that we evaluate and follow up at least once per year. A description and outcome for these can be found in the sustainability report on pages 21–29.



FOCUS AREAS FOR SUSTAINABILITY

People

Engaged and competent employees are the key to building long-term, sustainable companies. We facilitate long-term growth in our companies by focusing on continuous leadership and competence development, inclusive and productive work groups and workplaces where employees thrive, and always prioritising health and safety.

Environment

Reducing carbon dioxide emissions is crucial to contributing to environmental sustainability. The transition to a low-carbon economy involves many different initiatives. From 2020, Indutrade measures the carbon footprint at Group level for Scopes 1 and 2 and the goal is for us to become climate neutral for these parts. We have also started including Scope 3 (emissions upstream and downstream in our value chain) in our data collection from subsidiaries so that we understand their scope and can include this in goals and strategies in the future.

Products & customers

Through continuous product and process innovation we secure our companies’ strong market positions. Sustainability is becoming increasingly important to both customers and society at large, and the Group’s focus is on stimulating the development and sales of products with sustainable added value. We are opportunity-oriented when it comes to acquisitions and focus on stable and profitable companies in selected segments with long-term drivers for growth and a positive impact on society.

MATERIAL TOPICS WITH TARGETS AND KPIS

- Employee engagement
- Leadership and competence development
- Diversity and inclusion
- Health and safety

- Reduced CO₂ emissions (Scope 1 and 2)
- Share of renewable energy
- Energy efficiency
- Resource efficiency
- Measure and set targets for Scope 3

- Customer satisfaction
- Sustainable innovation
- Products with a low carbon footprint

OVERALL GOALS 2030

Engaged people

100%

Scope 1 and 2 (GHG)

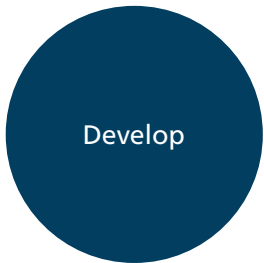
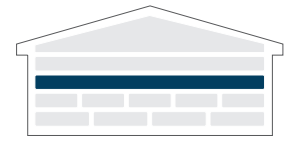
CO₂ neutral

Indutrade’s companies contribute to sustainable customer value

100%

Strategic direction

Indutrade's overall strategic direction is to capture the organic growth potential that exists in our companies and increase our ability to make more successful acquisitions. The starting point for it all is our business model: developing and acquiring successful companies managed by passionate entrepreneurs.



Develop

SUCCESS FACTORS

- The right leadership for each company
- Ambitious goals and strategy plans
- Investments in sustainable business and product development
- Access to knowledge and expertise
- Perseverance and long-term perspective

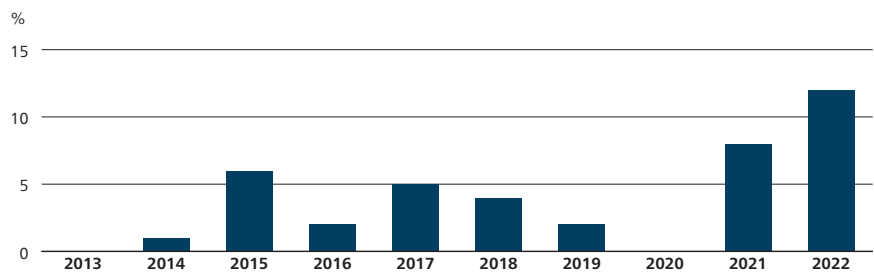
Companies that belong to the Indutrade Group are able to maintain their original identity, while gaining access to the collective knowledge and experience of all of the Group's employees. Indutrade supports its companies with industrial know-how, financing, business development and management by objective.

Business development and organic growth are strategically important for steadily increased value creation over time.

This is why all of Indutrade's companies have a clear mandate and responsibility for running and continuously develop their own operations:

- Through a broadened customer offering based on relevant knowledge, such as extended support, training and other aftermarket services
- Via innovation and development of both products and offerings
- Geographic growth in selected markets

Organic growth 2013–2022



Acquire

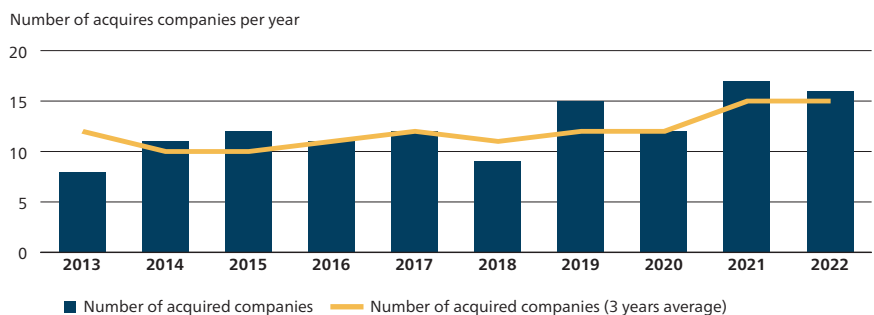
WHAT WE'RE LOOKING FOR

- Only B2B companies
- Shared values and a management team that wants to stay involved after the acquisition
- Annual sales of SEK 50–500 million
- Stable, good profitability
- Both manufacturing companies with a proprietary product range and technical trading companies
- Sustainable leading market position in a well-defined niche
- Products with a high technical content that create added value for the customer
- High percentage of repetitive sales

We put high requirements on the companies we acquire. They are successful and well-managed, with a defined market and distinct customer offering. They are run by entrepreneurs who are passionate about their business concept, who want to further develop their company and who share our values on sustainable entrepreneurship.

We acquire companies where the owners want to continue leading and developing the company without being its owner. When we acquire a company, it is never with the intention to exit or divest, and by selling to Indutrade, the company's future is secured.

Number of acquired companies 2013–2022



Strategic focus areas

Our focus is to create the best conditions for our companies to grow in a sustainable and profitable way, while maintaining a high acquisition pace. To achieve this, Indutrade has identified five overall strategic focus areas.



THE GROUP'S STRATEGIC FOCUS AREAS



People development

We facilitate long-term growth in our companies by focusing on continuous leadership and competence development, inclusive and productive work groups and workplaces where employees thrive, and always prioritising health and safety. For example, Indutrade works proactively with development programmes and training, succession planning, recruitment, diversity and inclusion.



Knowledge-sharing

Indutrade makes it possible for companies to derive benefits from the collective expertise that exists in the Group. Companies belonging to the Group enrich each other and are given opportunities for exchanging valuable knowledge via networking opportunities and internal benchmarking. Indutrade has also developed a digital communications platform where best practice and tools are available in several strategic areas, such as strategy planning, pricing, working capital efficiency, IT security and sustainability.



Decarbonisation as a business opportunity

Indutrade puts much emphasis on accelerating the Group's contribution to reduce global warming and we see it as a business opportunity. We do this by having our companies work proactively to lower their carbon footprint and by ensuring that our companies, through innovation and business development, are on the forefront with products and solutions that help customers lower their carbon footprint.



Professional ownership

We exercise active ownership primarily through the Boards of Directors of our subsidiaries with the aim of developing them, generating sustainable value growth and contributing to society. As an active and professional owner, we work in a structured way through our business areas and the boards of directors of our subsidiaries to develop our leaders and inject both knowledge and capital so that companies have everything they need for being able to choose the right strategic direction, invest in product development and improve their customer offerings.



Scalability

In order to ensure the Group's ability to identify, acquire and support a continuous inflow of new companies to the Group, we work to stepwise and proactively improve our organisational capacity. The work includes, among other things, ongoing evaluation and development of the business areas and their business units, to ensure the right board composition for our companies and to enable more efficient processes and routines through shared working methods in selected areas.

PROGRESS IN 2022

- Increased frequency of internal network meetings and seminars for the exchange of experience and knowledge in various areas, with the main focus on organic growth.
- Intensified work with environmental and climate issues through several training courses and targeted guidance. A guide on structured climate work was launched during the year aimed at helping our companies work systematically to lower their climate impact throughout the entire value chain.
- Further development of the business unit structures in all business areas where senior MDs or other key persons in the Group serve as Chair of the Board in a cluster of companies.
- Recruitment of key personnel and resource reinforcements in line with the business areas' growth plans, including continued stepwise increased acquisition capability.
- Indutrade Sustainability Awards was launched and awarded to the companies that performed best in our focus areas for sustainability; People, Environment and Products & customers.
- Further development and establishment of management teams in several companies and structured review of all key personnel in our companies to ensure that we have the right skills in the right place and that succession plans exist in all companies.
- Board training with emphasis on the tools required for supporting the organic growth plans of companies.
- Harmonised requirement profile for MD recruitments and further development of the concepts for developing and assessing existing MDs.

Acquisition strategies



Growth via acquisition of stable, profitable and entrepreneur-driven technology and industrial companies has always been a key component of Indutrade's business model. The acquisition strategy has been successful and is continuously developed to ensure long-term, sustainable value creation.

Opportunity-oriented

Indutrade has an opportunity-oriented acquisition strategy. We acquire well-managed, successful and typically owner-led technical and industrial companies. We are also open to considering companies in different industries and markets and sometimes also make smaller add-on acquisitions through our existing companies to strengthen market positions. A central feature of the acquisition process is to ensure that there is a shared foundation of values and ethical principles.

Organic growth potential

Indutrade puts a great deal of emphasis on a company's ability to continue generating profitable organic growth. Particular focus is put on identifying and acquiring companies that are active in a segment with structural growth, such as medical technology and pharmaceuticals, as well as companies with products that make a positive contribution to the green technology transition.

Geographic expansion

Indutrade has a strong presence in the Nordic countries and Western Europe and this is where we primarily intend to make our future acquisitions, with greater focus on Germany and northern Italy. Gradually and in a well thought-out manner, we can enter new geographic areas when the right acquisition candidate is identified and we have ensured that we have the necessary market knowledge.

Gradual increase in acquisition capabilities


As Indutrade grows, we continuously strive to ensure that we have the right prerequisites for being able to manage more acquisitions in an efficient way, without compromising on the quality of the evaluation process. Among other things, the work involves identifying, recruiting and developing talent in our acquisition teams.

Structured lead generation

Indutrade has a continuous inflow of new, interesting acquisition candidates, both from its own internal network and from external brokers and business advisers. During the last year, we strengthened our acquisition teams in the business areas, among others, in order to further increase the share of acquisition candidates generated via our internal network.

Differentiated pricing model

Indutrade's basic principle is always to acquire 100% of the shares in a company and for the acquisition to be completed at a price that makes the deal value-creating for both parties. In order to create continued financial incentives for key people in the acquired company, there are typically agreements on additional earn-out payment, which means that additional payment will be made if the company reaches a certain level of profitability after the acquisition. Indutrade will continue further developing the price model with a stronger link between price and the organic growth potential of companies.



We are continuously striving to increase the relative share of organic growth, number of acquisitions and capitalise on segments with structural growth.

Engaged owners and professional acquirers

Indutrade is a long-term, stable owner that is engaged in, and takes responsibility for, the development of our companies. When we acquire a company, it is never with the intention to exit or divest. We exercise active ownership primarily through the Boards of Directors of our subsidiaries with the aim of developing them, generating sustainable value growth and contributing to society.

INDUTRADE AS OWNER

As an active owner, we contribute by, for example, developing our leaders and injecting both knowledge and capital so that companies have everything they need to be able to choose the right strategic direction, invest in product development and improve their customer offerings. It is of utmost importance that our companies continuously strive to improve their social and environmental impact. We are firmly convinced that a responsible and sustainable way of acting create long-term value and enhance competitiveness.

Value-based leadership

Indutrade's values guide us in how we act both externally and internally. They are values that have evolved over the years through interaction with our companies and employees, based on our conviction that it is people who make the difference. Value-based leadership with a great deal of freedom and decision autonomy is the starting point for our efforts, right from the acquisition phase to how we support businesses in a responsible manner. This mindset serves as the foundation for our vision: an entrepreneurial world where people make the difference.

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

Decentralised organisation

We appoint a board for each company but our decentralised approach enables companies to make own decisions, thereby giving them freedom and flexibility. The best business decisions are made when there is close contact with customers based on their specific needs and processes. Many of our subsidiaries work in smaller cities or towns where the employees become important local ambassadors. They play a key role in our companies being perceived as reliable and responsible, such as by ensuring that the local environment is not negatively impacted by the companies' operations. By making local investments and job creation, our companies contribute to growth and development in society.

WHAT WE OFFER

Business as usual

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

Professional board

We appoint an engaged board that supports the management team and serves as a sounding board. Our cumulative expertise, experience and structure creates the prerequisites for continued growth in the companies.

Expertise

Indutrade supports its subsidiaries by providing industrial and technical expertise and assisting with business development, financing and management by objectives. We also offer support with such things as competence development, digitalisation and sustainability.

Financial strength

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

Knowledge-sharing and networks

We share experiences, knowledge and best practice through network meetings, trainings and our digital communications platform, Indutrade Portal. Many challenges and solutions are relevant to most companies. We therefore promote knowledge-sharing and informal networking so that we can exchange ideas and experiences.

Developing competence and leadership

In a decentralised organisation, people are key. We are very careful to ensure that we have the right MD, management team and board of directors at each company. We offer tailored training via Indutrade Academy in order to continuously develop our key talents.

TRUSTED BY ENTREPRENEURS

Indutrade's brand promise, "Trusted by entrepreneurs" is based on the trust we have gained from this target group since inception in 1978 and that they are also necessary for our continued growth. Now, more than 40 years later and having made more than 200 acquisitions of successful companies, we have established a unique position with vast knowledge of both acquisitions and company development.

Our business is built on developing and acquiring well-managed, profitable technology and industrial companies with a focus on continued, profitable organic growth. Through our proven, decentralised business model, driven entrepreneurs are given the opportunity to maintain independence with full operational responsibility and mandate. The best decisions are made locally, close to customers and the market.

We balance our business risk by acquiring successful companies with stable customer and supplier relationships and good profitability. We perform thorough due diligence on each company prior to acquisition and we have clear expectations on sustainability and profitable growth. Afterwards, we support them on their continued growth journeys.

In addition to meeting requirements for financial performance, the acquired companies must have a highly driven management team, be characterised by a genuine entrepreneurial spirit and possess deep business expertise. However, the most important factors for a successful acquisition are a sound company culture, sound values and ensuring that everyone shares the same values and ethical principles.



ACQUISITION PROCESS

Acquisition is a natural component of Indutrade’s operations and it is fundamental to our growth strategy. Our acquisition strategy has developed over time. It is solid and historically successful. We acquire profitable, well-managed companies with a well-defined market and distinct offering. We maintain a high rate of acquisition, typically acquiring several companies each year.

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

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

All acquired companies are reviewed to ensure that they have a long-term sustainable business strategy that generates long-term value. Running operations in a responsible way is of utmost importance and the key to long-term sustainable growth, development and profitability. In 2022, Indutrade acquired 16 new companies. All of them were subject to a sustainability review.

Identification

Indutrade strives to, already at an early stage, engage with owners of potential acquisition candidates. Prior to a potential sale, owners are already acquainted with Indutrade and find it natural to involve us in discussions about an acquisition. Indutrade has a continuous inflow of new, interesting companies to potentially acquire, both from its own, internal network and from external brokers and business advisers. The ambition is to, as early in the process as possible, engage in a close, exclusive dialogue with the owners. This is the best way for us to communicate Indutrade’s long-term model and values.

Evaluation

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

Thorough and tailored due diligence minimises the operational and financial risks associated with acquisitions. During the evaluation, we utilise the cumulative knowledge that exists within Indutrade and among our companies to ensure that we clearly understand all of the opportunities and risks. One of the keys to success is careful preparations and for both parties to get to know each other well. Therefore, we never hurry through the acquisition process, allowing it the time needed. If a potential acquisition does not comply with relevant standards, does not pass the review process regarding such items as human rights or corruption risks, or is not deemed to be amenable to necessary improvements, Indutrade rejects the acquisition.

Negotiations

The negotiation stage is primarily about ensuring the following:

- that it will be possible to carry out the acquisition at a price that makes the deal value creating for both parties.
- that key individuals will stay involved after the acquisition. These are typically owners of the company that is being acquired, which is why additional earn out payments is often part of the acquisition structure. It will be paid if the company achieves a certain level of profitability after the acquisition.
- that business partners are in favour of the acquisition so that we can retain important customers and suppliers.

GOVERNANCE PROCESS

Implementation

An acquisition is always given a clear home in one of Indutrade’s business areas, which is either decided based on its geographic location or the types of products offered. Doing so increases the opportunities for value-creating collaboration and networking. A new board is appointed, with expertise tailored to the company’s current needs.

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

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

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

Monitoring

There is continuous dialogue between the acquired company’s management team, its board of directors and Indutrade’s business area manager. Each month, the company reports its sales, earnings and other key performance indicators to Indutrade. Ongoing governance is goal-oriented with a focus on growth, margins and capital employed. During the year, we also ensure that competence development, succession planning and the sustainability agendas of companies are being monitored and evaluated, which is an important aspect of Indutrade’s role as an active owner.

Acquisitions 2022

Month acquired	Acquisitions	Business area	Sales SEK million ¹⁾	No. employees ¹⁾
January	Autoroll UK Ltd	UK	67	31
February	NTi Audio AG	MST	90	43
April	Stabalux GmbH	FMS	40	16
April	PMH International AB	IC	140	26
May	acti-Chem A/S	Flow	50	15
May	Prodia AB	IC	50	11
June	Oscar Medtec AB	IC	70	29
July	Beck Sensortechnik GmbH	MST	130	80
July	Primed Fysio och Rehab AB	IC	30	5
July	OCI B.V.	Benelux	110	20
August	Tebra Messen Industrie B.V.	Benelux	52	29
September	CaTec B.V.	Benelux	100	14
October	Ingenjörfirman Geotech AB	IC	100	44
November	Bramming Plast-Industri A/S	FMS	500	397
November	Palas GmbH	MST	270	102
December	Armaturen Aichhorn GmbH	DACH	65	17
Total			1,864	879

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

BENELUX



CaTec is a specialist in climate measurement technology, offering a broad range of measuring instruments and sensors to customers in the Benelux region. The products are used for various applications in the fields of meteorology, horticulture, HVAC, climate research and the process and pharmaceutical industries, among others. The product offering is complemented by aftermarket services where the company offers calibration, repair and maintenance as well as system integration and on-site technical support. CaTec was founded in 1995, has 14 employees, and is located in Wateringen, Netherlands.

Reason for the acquisition: The acquisition strengthens Indutrade's position in attractive market segments. CaTec has extensive technical expertise, a comprehensive product offering and strong underlying market drivers. There are thus good opportunities for delivering continued sustainable profitable growth.



Tebra Messen Industrie is one of the largest producers of machine knives in the Netherlands. They offer domestic and international clients reliable machine knives used in a range of different sectors and industries such as food processing, rubber, recycling, packaging and hygiene. The comprehensive product range, covering stainless steel blades, special knives, rotary die cutters, circular blades and shear blades is complemented by knife sharpening services such as precision grinding and profile grinding. The company is focusing on specialised machine solutions and offers high quality products towards the premium segments of the market. Tebra was founded in 1912, has 29 employees, and is located in Hoogeveen, Netherlands.

Reason for the acquisition: Tebra has a strong product offering in an interesting market with growth opportunities such as broadening the end markets and further focusing on the aftermarket. It also strengthens Indutrade's position in attractive market segments.



OCI is a Dutch company that offers smart solutions for connecting energy and water grids from the main network to domestic homes, office buildings and industrial sites. The product offering consists of customised assemblies that ensure high product quality, simplified on-site installation and tailored logistics, enabling reduction in labour hours, improved efficiency, and reduced risk for failures. Customers include regional utility network companies in the Netherlands that maintain and operate the Dutch energy and water networks, as well as installation companies and other industrial players. OCI was founded in 2008, has 20 employees, and is located in Malden, Netherlands.

Reason for the acquisition: The acquisition strengthens Indutrade's position in attractive market segments and OCI, with its extensive technical know-how and short time-to-market for new products, has good prerequisites for continued sustainable profitable growth.

DACH

AICHHORN armaturen

Aichhorn is a leading technical trading company offering valves for industrial and infrastructure applications. The company has a comprehensive product portfolio including a wide range of valves and accessories as well as customised solutions according to customer specification. Aichhorn's supplier base is well diversified, representing several leading manufacturers of valves. The main customers are found in industries such as water and wastewater, energy, chemical, petrochemical and steel. Aichhorn was founded in 1991, has 17 employees, and is based in Krenglbach, Austria.

Reason for the acquisition: Aichhorn is a leading company in its niche with good structural growth opportunities. The acquisition strengthens Indutrade's flow technology position in Austria.

FLOW TECHNOLOGY

acti-Chem

acti-Chem is a leading supplier of sustainable water treatment solutions, managing and optimising quality of complex industrial process water. With focus on reducing water usage, energy consumption and chemicals usage for its customers, the company offers a complete solution, including continuous process optimisation, best available sustainable chemicals, equipment and service, as well as follow up and reporting to the customer. acti-Chem serves various sectors in the industrial segment such as food & beverage, district heating, facility management, laundry services and general industry. Denmark is the main market, however, the company is also active in Germany and the UK. acti-Chem was founded in 1995 and has 15 employees.

Reason for the acquisition: Based on the company's unique offering, customer-centric working methods and strong technical expertise, acti-Chem has good potential for continued growth in its customer segments and geographic markets. The acquisition complements and broadens Indutrade's reach in the flow technology segment.

FLUIDS & MECHANICAL SOLUTIONS

BPI

BPI is a leading manufacturer of technology-based solutions in polyurethane for industries. The company offers noise-reduction, vibration-damping and insulation materials to customers in industrial end-markets including HVAC, wind power, infrastructure and construction and the premium segment of the furniture market. BPI offers bespoke value-added solutions based on customer-specific material configurations, application engineering support and a flexible and scalable manufacturing set-up. BPI was founded in 1971, has 397 employees, and is located in Bramming, Denmark.

Reason for the acquisition: BPI has a unique position in the market for polyurethane solutions and operates within a niche with clear growth opportunities, where the use of sustainable materials and circularity are at the centre of the company's customised solutions.

STABALUX

Stabalux is a manufacturer of profile systems for curtain wall facades. The customer offering includes modular systems with profiles made of steel, aluminium, timber, or bamboo. Since 2007 when the company was established, Stabalux has provided the curtain wall market with systems that are simple to install, consist of few parts, and no special tools required for the installation. Customers are primarily manufacturers, contractors, and glaziers involved in the construction of shopping malls, stores, schools, office buildings, museums, and train stations, for example. The company has 16 employees and is based in Bonn, Germany.

Reason for the acquisition: Stabalux has a strong market position in its niche and it complements Indutrade's Swedish subsidiary, Stålsprofil AB, a leading supplier of safe and sustainable steel profile systems for public environments throughout the world.

INDUSTRIAL COMPONENTS

GEO TECH

Geotech develops, manufactures and sells equipment for geotechnical investigations. The offering consists of specialised drilling rigs, i.e., crawler penetrometers, as well as geotechnical instruments and field equipment, complemented by aftermarket services where the company offers repair and maintenance, spare parts and calibration services. The end customers for the drilling rigs are primarily engineering consulting companies active mainly in the Nordics. For geotechnical instruments and field equipment the market is international. Geotech was founded in 1970, has 44 employees, and is located in Mölndal, Sweden.

Reason for the acquisition: Geotech is a specialist manufacturer with good growth potential. The acquisition complements Indutrade's subsidiary, Geomek, which offers solutions, products and services for geotechnical investigations and drilled foundations.

Primed

Primed is a Swedish supplier of professional physiotherapy equipment. The products are used for advanced physiotherapy aimed at patients with a comprehensive rehabilitation need. The customers are public and private healthcare providers, such as regional councils, elderly care centres and private clinics within physiotherapy, naprapathy and chiropractics. Primed was founded in 2004, has 5 employees and is located in Halmstad, Sweden.

Reason for the acquisition: The acquisition strengthens Indutrade's cluster of medical technology companies and complements the Indutrade company Oscar Medtec – a leading supplier of medical refrigerators and examination furniture.

prodia.

Prodia is a Swedish provider of drug tests and offers a wide range of rapid tests and laboratory analyses. Since 2012, the company has provided the Swedish market with tests that are market leading in terms of sensitivity and traceability. Prodiagnostics has two business areas: professional use and workplace testing. In the area of professional use, customers include healthcare providers such as regional councils, municipalities and private healthcare providers, as well as law enforcement and customs. For workplace testing, customers are private companies that require drug tests of their employees. Prodia is based in Vellinge, Sweden and has 11 employees.

Reason for the acquisition: Prodia has a strong market position in its niche in the Swedish market and the acquisition strengthens Indutrade's cluster of medical technology companies.

INDUSTRIAL COMPONENTS, CONT.

OSCAR MEDTEC

Oscar Medtec is a leading supplier of medical refrigerators and examination furniture such as examination tables & chairs and storage solutions. For medical refrigerators, Oscar Medtec is the market leader in Sweden, offering reliable medical refrigerators of the highest quality. The company's offering for examination furniture consists of a broad range of examination tables and chairs that have been developed in close cooperation with nurses in order to provide good ergonomic working conditions, smart functionality and reliable patient safety. Customers include public and private healthcare providers, pharmacies, schools and elderly care centres. Oscar Medtec was founded in 1967, has 29 employees, and is located in Kungälv, Sweden.

Reason for the acquisition: With its high level of niche expertise and well-defined market, Oscar Medtec has good prerequisites for continued growth. The acquisition strengthens Indutrade's cluster of medical technology companies.



PMH International is a specialised technical trading company operating in the market segments of lifting & material handling equipment and industrial/storage halls. PMH offers a full range concept in lifting solutions that includes design, assembly and service. The company has a long history of cooperation with leading international manufacturers of lifting equipment. For industrial/storage halls, PMH offers customized halls under the brand, PMH-Hallen. They can be designed for any size and with various options like insulation and dehumidification. PMH has its own team of designers working with development, calculations and drawings that meet all of the applicable norms and regulations. Over the years, they have delivered more than 4,000 halls. PMH was founded in 1974 and its customer base is in Swedish industry. The company is based in Ystad and has 26 employees.

Reason for the acquisition: Through an offering of its own specialised products, aimed at a broad customer base in attractive segments, PMH International has good opportunities for continued profitable growth.

MEASUREMENT & SENSOR TECHNOLOGY



Palas develops, manufactures and sells high precision equipment for generation, measurement and analysis of particles in the air. The company's product range is based on polychromatic light source technology and is used particularly in the public sector by governments, municipalities/cities and other governmental organisations as well as in industry by companies in the pharmaceutical, medical, automotive and general industry sectors. The products are sold via a global sales distributor network, to OEMs or directly to the end customer. Palas was founded in 1983, has 102 employees, and is located in Karlsruhe, Germany.

Reason for the acquisition: Palas has extensive technical expertise and offers high-quality products with leading technology that help improve air quality levels throughout the world. Underpinned by strong underlying market forces, they have a clear path forward for continued organic growth.



Beck Sensortechnik develops, manufactures, and sells high precision pressure switches and pressure transmitters. The company has a customised product portfolio that consists of overpressure and vacuum switches, differential pressure switches and differential pressure transmitters, along with accessories for installing and protecting the switches and transmitters. The products are sold through an international distributor network and directly to OEM customers, operating in the fields of HVAC, water and wastewater, medical technology and other industrial applications. Beck Sensortechnik was founded in 1955, has around 80 employees, and is located in Steinenbronn, Germany.

Reason for the acquisition: Beck Sensortechnik has expertise in solving customer specific application challenges and there are many interesting organic growth opportunities, including higher demand for energy efficiency and "green" buildings. The acquisition strengthens Indutrade's position in segments with structural growth.

MEASUREMENT & SENSOR TECH. CONT.



NTi Audio is a leading manufacturer of test and measurement equipment for acoustics, audio and vibration applications. They sell their products through a network of distributors in many countries throughout the world. Their offering consists of a portfolio of handheld devices and modular audio analyzer systems along with accessories and software modules to meet specific customer and application requirements. The products are used in a wide variety of applications, such as evacuation systems, noise monitoring, electroacoustic installations including buildings, speech intelligibility and manufacturing quality control. NTi Audio is headquartered in Lichtenstein, with subsidiaries located in Germany, France, China, the UK and USA. The company was founded in 2000 and has 43 employees.

Reason for the acquisition: With quality, innovation and engineering expertise at the core, along with strong underlying market drivers, NTi Audio is well positioned for continued growth and it strengthens Indutrade's position in the segment for measuring instruments.

UK



Autoroll is a manufacturer and supplier of steel industrial doors and aluminium roller garage doors. The offering includes various types of custom made commercial and industrial steel roller shutters, including insulated steel shutters, which can be made to specific space requirements. Since the establishment in 1998, Autoroll has delivered customized solutions to UK customers in segments such as trade, garage door specialists, fencing and electrical contractors. Autoroll's high quality products are delivered using their own fleet of transport to ensure fast and safe delivery. The company has 31 employees and is based in Washington, Tyne and Wear, United Kingdom.

Reason for the acquisition: The acquisition is an add-on acquisition to Ellard Group and the companies' combined product offerings will provide growth opportunities since they complement and strengthen each other.

Votes of confidence from some prior acquisitions



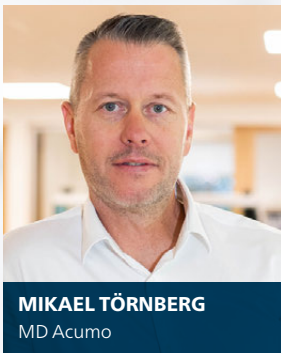
BELOS SECURES THE WORLD'S MOST IMPORTANT RESOURCE

Belos works with the world's most important resource, water. The company specialises in products and equipment for water and wastewater. Organic growth has been strong for quite some time, with good profitability. Daniel Mattson took over as the company's record-young MD three years ago. Indutrade's support with their ongoing efforts to grow is important, both for the company and for Daniel, personally.

"Indutrade works in a decentralised way, long-term, with an infinite owner horizon. It gives us freedom and own responsibility, yet with stated requirements and the support needed to continuously develop, which I appreciate. As a company, it makes us more flexible and able to make quicker decisions based on how the market develops. That was really evident to us during the pandemic, when it also suddenly became much more important."

A lot of that support happens during interaction with the management for the Fluid & Mechanical Solutions business area, which Belos belongs to. A main focus is on overcoming challenges necessary for achieving continued profitable growth. But they also discuss a range of other things, such as optimal inventory levels.

"Indutrade has supported my development since day one. For example, I was able to participate in the Indutrade Leadership Programme and the expanded network I have gained has been invaluable. I'm constantly challenged to grow and continue raising the bar on my performance."



ACUMO – QUICK, MEASURABLE AND EVEN SUSTAINABLE

When it needs to happen quickly and be exact, Acumo is the right supplier. Acumo is a technical trading company specialised in industrial automation, i.e. components that optimise the performance of a machine. Sustainability is part of the offering as well, since Acumo contributes to lower raw material and energy consumption.

Mikael Törnberg, MD of Acumo, mentions Acumo's sales-driven company culture and the strong team spirit among its 14 employees. They are accustomed to identifying opportunities that arise and then quickly acting on them. The entrepreneurial working method was also one of the reasons why Acumo became part of the Indutrade Group in 2019.

Four years ago, the company was ready to take the next steps on its growth journey. Mikael and the other joint owners felt that a wider context and different owner was needed in order for that to happen. Consolidation was also happening in the market. Acumo, was thus at a crossroads.

"We choose Indutrade in part because of the Group's financial strength, but also because we share the same values. That's really important, because we want things to match on many levels," emphasizes Mikael.

"Indutrade offers us more security. Acumo's business is project-run, so there can be a lot of fluctuation from one year to the next. That's when it's good to have a stable, long-term owner."



ALFLOW – A TECHNICAL TRADING COMPANY THAT ADDS VALUE


The Danish company, Alflow, offers flow components to the pharmaceutical, biotech and food industries. It includes everything from pumps and valves to hoses and tank equipment. The products provide optimal flows that can yield a higher yield in a process or less downtime in production. Customers are primarily in Denmark and the other Nordic countries.

Alflow has been a part of Indutrade since 2021. There were several buyers interested at the time, but Indutrade was the one they chose. One of the deciding factors was Indutrade's business model.

"Those of us running Alflow have always been entrepreneurial and as part of Indutrade, we still can be," explains Jens Martin Andersen, MD of Alflow. "It's business as usual, in other words. The difference is, that we have access to more expertise and financial resources than we did before."

Much of the knowledge sharing and support comes during the cluster meetings held for the Flow Technology business area, which Alflow is a part of. Short, quick decision paths is another thing that Jens Martin likes about Indutrade. As a MD, he is involved in a way that enables him to grow and develop.












"I like that those of us working in the companies are recognised in a good way. Indutrade listens to us and they are skilled at capturing good ideas in the dialogue between us."

An aerial photograph of a circular paved path in a lush green forest. The path is a light grey color and forms a complete circle. In the center of the path is a large, solid dark blue circle. Overlaid on this blue circle is white text. The surrounding forest is dense with various shades of green trees, and a few dark purple trees are visible in the upper right quadrant.

Systematic sustainability
work integrated into the
business strategy is a prerequisite
for long-term value-creation.

Sustainability report

Focus areas and goals

SUSTAINABILITY GOVERNANCE Training and knowledge-sharing, networking, Code of Conduct, policies and guidelines, materiality analysis, risk analysis, Board meetings, Group-wide and company-specific goals, data reporting and follow-up, supplier dialogue, analysis of acquisitions.			
 			
Focus areas and overall goals 2030	PEOPLE 100% engaged people	ENVIRONMENT CO ₂ neutral Scope 1 and 2	PRODUCTS & CUSTOMERS 100% of Indutrade's companies contribute to sustainable customer value
Material topics with related targets and follow-up ¹⁾	<ul style="list-style-type: none"> Employee engagement Leadership and competence development Diversity and inclusion Health and safety 	<ul style="list-style-type: none"> Reduced CO₂ emissions (Scope 1 and 2) Share of renewable energy Energy efficiency Resource efficiency Measure and set targets for Scope 3 	<ul style="list-style-type: none"> Customer satisfaction Sustainable innovation Products with a low carbon footprint
Sustainable Development Goals where we contribute directly	   	  	 

¹⁾ The outcomes of our targets and KPIs linked to these topics are set out in each section.

Strategic framework for sustainable development

Indutrade has a strategic framework that summarises our focus areas for sustainable development. The framework is based on a materiality analysis in which we have identified the most important sustainability topics for the Group and our companies, based on impact and stakeholder expectations. We work towards overall goals in the areas of People, Environment and Products & customers and have defined associated targets and KPIs that we follow up at least annually. In 2022, we reviewed the framework and updated both the targets and KPIs to make our sustainability governance and monitoring even more relevant to us and our stakeholders.

The aim of our strategic sustainability work is to promote business opportunities, attract the best talent, drive sustainable profitable growth and support the UN Sustainable Development Goals. Indutrade is a signatory of the UN Global Compact and supports the ILO Conventions, the UN Guiding Principles on Business and Human Rights and the OECD guidelines for Multinational Enterprises.

Indutrade contributes both directly and indirectly to a large number of areas for sustainable development. The SDGs where Indutrade has the greatest responsibility and opportunity to make a difference

are presented above. The underlying targets where our contribution is particularly relevant are stated for each section of the Sustainability Report. Indutrade also has a basic responsibility to work towards the achievement of the other goals as well. Our Code of Conduct includes many important issues and helps us work responsibly from a broad perspective.

Follow-up of targets and KPIs

To monitor our progress in different areas, all of our companies report, in a digital platform, sustainability data linked to the Group-wide targets, KPIs and other important issues. We follow up the outcome at the Group level as well as at the business area and company level in order to identify areas for improvement and implement relevant measures. In 2022, we further developed the information collection by adding more issues after having updated the goals and KPIs in our sustainability framework. We continuously strive to improve the quality of our data by clarifying definitions and providing both support and guidance to our companies prior to, and during, reporting. The outcomes of our targets and KPIs are set out in each section.

EXAMPLES OF ACTIVITIES IN 2022

- Further development of our sustainability strategy, targets and KPIs
- Further development of the process for monitoring business areas and the sustainability performance of our companies
- More focus on climate as a strategic focus area via additional training, support and follow-up
- Joined the Science Based Targets initiative
- Initiated Scope 3 reporting
- Developed and launched additional concrete tools that companies can use for their sustainability work
- Launched the Indutrade Sustainability Awards and named the first winners
- Integrated sustainability as a theme in our leadership programmes
- Active knowledge-sharing in the sustainability network
- Ongoing dialogue with our stakeholders

Sustainability governance

Overall sustainability governance

Indutrade's sustainability governance is adapted to our decentralised organisation and takes place mainly via the boards of our companies, a shared Code of Conduct, policies and guidelines, as well as networks, training and follow-up of data. The MD and management team of each company have operational responsibility for their sustainability work and each board is ultimately responsible for ensuring that the company follows its own and Indutrade's guidelines and policies.

Right focus in each company

Indutrade comprises approximately 200 companies in a wide variety of industries and markets. Accordingly, each of them faces different types of challenges and opportunities. Therefore, it is important that each company, in addition to working towards the common Group-wide goals, also identifies its own material sustainability topics and associated targets and KPIs. We regard the combination of Group-wide and company-specific prioritisations as an important strength in our sustainability efforts. The goal for 2025 is for all companies to have carried out their own materiality analysis and the results from this year's follow-up show that 83% (73%) have thus far done so. During 2022, we developed and launched new materials to support our companies' work with their materiality analyses, the aim of which is to create a broader consensus and commitment to the sustainability work.

Sustainability at board meetings

Sustainability is included as a mandatory agenda item at the companies' board meetings. Outcomes on reported data as well as the company's own materiality analysis and associated targets, KPIs and activities are discussed.

At the Group level, the Board of Directors is involved in sustainability issues by approving strategies, policies, goals, as well as acquisitions and possible divestments. The Board also approves the annual Group-wide risk analysis, which includes important areas regarding sustainable development. More information on how we work with risks on an ongoing basis is detailed in the Sustainability Report and in the section on risk analysis on pages 38-42.

The Code of Conduct is an important starting point

Indutrade's Code of Conduct has been adopted by the Board of Directors. It provides guidance for who we aspire to be and how we would like to be perceived, and applies for all employees in the Indutrade Group. The Code of Conduct contains guidelines for environmental considerations, health and safety, business ethics including anti-corruption, employee relations, human rights and community impact. The Code of Conduct has been translated into eight different languages and is available on our website. It is also available to all of our employees via Indutrade Portal (our communications portal) as well as a digital training to support implementation. This year's follow-up showed that

97% (97%) of Indutrade's companies had routines for ongoing implementation of the Code of Conduct in their operations. The goal is for all companies to have it in place by 2025.

Use of the whistleblower function

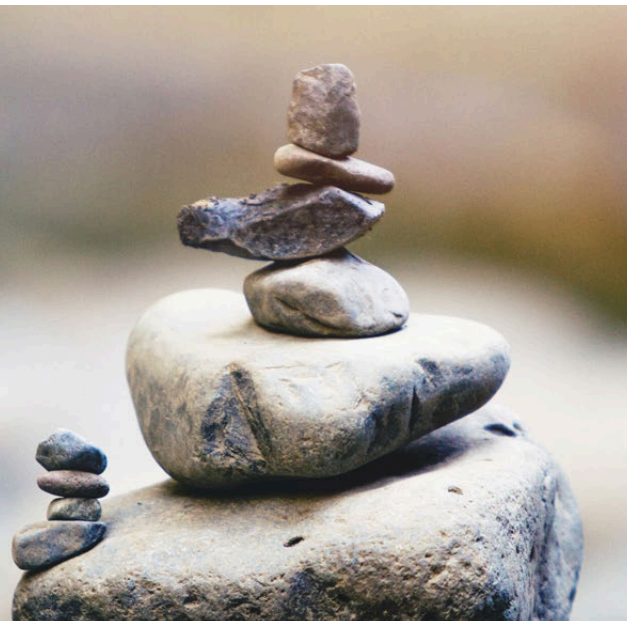
Employees who notice any deviations from the Code of Conduct or suspect wrongdoing can report such via an external whistleblower function (anonymously, if they so prefer). The whistleblower function is also open to subsidiaries' suppliers, partners and subcontractors. In 2022, Indutrade received six cases, all related to events in our subsidiaries. All of the cases reported in 2022 were followed up and handled in accordance with an established process and relevant measures were taken. The majority of the cases concerned local employment and work environment issues, in a couple of cases related to leadership. We feel it is important that employees throughout the organisation are aware of the whistleblower function and that they use it whenever there is a suspicion of irregularities.

Anti-corruption and business ethics

With operations in more than 30 countries, business ethics is of great importance to Indutrade and a prerequisite for sustainable profitable growth. Deficiencies in business ethics would entail risks for erroneous business decisions as well as damage to our reputation and brand. Business ethics is included in the Code of Conduct in which employees are trained. Group management has also received in-depth training in the area. Besides

Indutrade Sustainability Awards

Indutrade Sustainability Awards was launched during the year and awarded to the first winners. Companies were invited to nominate themselves and each other in three categories: People, Environment and Products & customers. In total, we received 32 nominations. Proposed winners and other honourable mentions were decided based on defined criteria by a working group, with the final decisions made by the Group management team. The awards were handed out to the winners in the three categories at our leadership conference, with the aim of inspiring continued sustainability efforts at our companies. The awards will be a recurring event, where we recognise companies for their sustainability work in this way each year.



the Code of Conduct, Indutrade has several Group-wide internal guidelines and policies which include such things as trade compliance, tax, insurance, information and investment policies. We also have internal control routines to prevent and discover irregularities and fraud. In 2022, no incidents of corruption were reported.

Code of Conduct for Suppliers and Partners

Our products, and the constituent materials and components, are manufactured in countries where working conditions, environmental regulations and business ethics, including anti-corruption, can vary. Ongoing social and environmental evaluation of customers and suppliers takes place at the subsidiaries, which through close and long-term collaborations have good insight and knowledge of the supply chain. Indutrade has a Code of Conduct for suppliers and partners. The follow-up in 2022 showed that 81% (74%) of Indutrade's companies had fully or partially included third parties to be covered by the Code of Conduct. In 2022, we launched a form for supplier follow-up that companies can use in their engagement with suppliers. The form includes around 20 questions which, on an overall level, cover the content of our Code of Conduct.

Sustainable supply chains is a complex and important area that we will continue to develop. In 2022, we started to look more closely at our risk exposure from the perspective of, for example, human rights.

In 2022, we also started monitoring the percentage of companies that have a process in place for reviewing the sustainability efforts of their key suppliers, including human rights. For 2022, the result was that 69% of our companies do this and the goal is for that percentage to increase each year with the support of Group-wide efforts.

Thorough acquisition process

Indutrade's companies shall offer and deliver products and services of good quality, providing value added to customers. We acquire reputable and successful companies that have a leading position in their niche. All 16 companies that were acquired during the year were thoroughly evaluated from a sustainability perspective, as an integral part of our due diligence process. Culture and values are especially important to us when we acquire new companies. It is crucial that the acquired companies share our view of responsibility and what is important for the long-term development of a sustainable and successful business.

Sustainability network for knowledge-sharing

Representatives from the subsidiaries, just over 100 in total, participate in Indutrade's voluntary sustainability network, which gives them inspiration and guidance in important areas for sustainable development. One valuable element is to share experiences and working methods between companies.

During the year, meetings in the sustainability network focused on:

- Measurement of employee satisfaction and engagement
- Sustainable product and service offering
- Biodiversity
- Travel, transportation and logistics
- Measurement of customer satisfaction
- Sustainability strategy
- Health, safety and well-being
- Human rights

The network meetings are appreciated, recorded and posted on Indutrade Portal so that they can also be viewed afterwards.

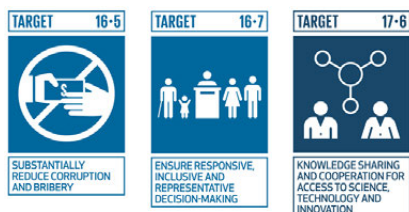
Continuous stakeholder dialogue

Indutrade's most important stakeholders are employees, owners, investors and other actors in the capital market, and we maintain an ongoing dialogue with them. Examples of particularly important issues and expectations that remained important to stakeholders in 2022 were:

- Lower climate impact and reduced climate risks
- Assurance of human rights
- Greater diversity and inclusion

The work with all of these areas intensified during the year. We are also carefully monitoring how new legislation on sustainability impacts us, such as the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), so that we are well prepared.

TARGETS TO THE SDGs WHERE THE CONTRIBUTION FROM OUR WORK WITH SUSTAINABILITY GOVERNANCE IS PARTICULARLY RELEVANT



KPIs FOR SUSTAINABILITY GOVERNANCE

	2020	2021	2022	Goals for 2025
Percentage of companies that have routines for ongoing implementation of the Code of Conduct (%)	96	97	97	100
Percentage of companies that have carried out a materiality analysis (%)	–	73	83	100
Percentage of companies where third parties are covered by the Code of Conduct (%)	72	74	81	90
Percentage of companies that have a process for follow-up with key suppliers regarding sustainability (including human rights) (%)	–	–	69	Annual increase
Percentage of company acquisitions that were thoroughly evaluated from a sustainability perspective, as an integral part of our due diligence process (%)	100	100	100	100

People

Towards 100% engaged people

Indutrade's vision is an entrepreneurial world where people make a difference. It involves long-term efforts for ensuring that people, and thereby companies can grow. We believe in giving people freedom and trust. It builds engagement, pride and commitment. Our overall goal is to have 100% engaged people by 2030.

Ensuring that employees are thriving and developing in the organisation is a prioritised area and crucial to the Group's success. This year's follow-up revealed that the percentage of our companies monitoring employee satisfaction and engagement was 76%, which is an increase of twelve percentage points compared to 2021. The target by 2025 is for all companies to measure employee satisfaction and use the results for dialogue and organisational development. Companies decide for themselves on the type of follow-up that is most appropriate for them. Many have chosen continuous pulse surveys of their organisation and continuously assess where their strengths lie, as well as areas that need to be improved.

Employee turnover in the Group for 2022 amounted to 12% (11%). It means that we have met our goal of retaining at least 85% of our employees in the Group.

One of the 2023 career companies

There is a great deal of competition for talent and expertise among companies, which is why Indutrade's attractiveness and reputation in the labour market is so important. We are proud to have been nominated as one of the 2023 career companies. Each year, Karriärföretagen names 100 companies as career companies, in an independent and structured selection process with defined criteria.

Focus on development of leadership and competence

One of the most important criteria for a long term perspective in our businesses is to, over time, secure access to the right expertise within the Group. This is done via training and education at both the Group and company levels, along with deriving benefits from the knowledge that already exists within the Group. Many challenges and solutions are common or relevant to most companies and we share experiences, knowledge and best practice through networks, training and Indutrade Portal.

In 2022, a number of Group-wide activities were carried out to promote competence development and knowledge-transfer, such as our Group-wide and international leadership development programmes, as well as in-person and online workshops on various themes. We also integrated sustainability as a theme in our leadership programmes for company MDs and other key personnel and the participation in those programmes was high. In addition, we offer training on such topics as finance and sales via Indutrade Academy, under own local auspices for a wider target group.

Evaluating leadership is important, which is why, in 2022, we started monitoring that companies include leadership issues in their regular employee surveys. Of the companies that conduct employee surveys, 94% include leadership as a follow-up area. We also started monitoring the percentage of companies that conduct annual documented development discussions/dialogues for all employees, where the goal is for 100% of them to do so. The result was 93%.

Structured process for succession planning

Well-established leadership structures and a structured process for succession planning for company MDs and other key people is important from several perspectives. It ensures continuity in the companies and that multiple perspectives are utilised in decision-making and business development. It also offers opportunities for career development and puts the prerequisites in place for internal recruitment of key people. Starting a year ago, we began monitoring the percentage of companies with established management teams. In 2022, the percentage increased to 87% (74%). We also follow up on the percentage of internally recruited MDs. For 2022, the percentage was 46% (50%). The goal is a percentage of 60%.

Diversity – an opportunity and challenge

One important prerequisite for Indutrade's continued growth is the ability to attract, retain and develop the right talent. Employees shall be recruited and promoted exclusively based on their work qualifications and without consideration of their gender, transgender identity or expression, ethnic origin, religion or other faith, functional variation, sexual preference, age or other categories protected by law. Diversity in the workforce is an important asset and prerequisite for both growth and innovation.

During 2022, we launched training on diversity and inclusion, which is available on Indutrade Portal (our communications portal). We would like our companies to follow up experiences of discrimination and harassment and in 2022, we started monitoring that it is included in their regular employee surveys.



The jury's motivation for Indutrade was: "Indutrade is a very large organisation which, despite its size, manages to retain a family-like corporate culture. It is an exciting employer that attracts attention because of its innovation and sustainability work. Indutrade has established itself as a very attractive employer thanks to its strong employee culture, communication savviness and large focus on competence and leadership development"

Of the companies that conduct employee surveys, 90% had included discrimination and harassment as a follow-up area in 2022.

We have a long-term focus on equality at all levels of the company. In 2022, the percentage of women in our total workforce was 26% (24%). The goal is a share of 30%. The share of our subsidiaries where women are represented on the management team in 2022 was 73% (80%). The goal is 90% by 2025. The corresponding figure for our subsidiaries' boards in 2022 was 28% (21%). The goal is a share of 50%. We actively pursue succession planning and efforts to identify and develop women for leading positions.

When it comes to achieving a more even gender distribution in our companies, there is a challenge at the societal and industry level as there is a significantly higher proportion of men who are entrepreneurs in technology and industry as well as in technical education and professions. Our ambition is to, through various targeted initiatives, inspire and create the conditions for more women to choose a career in entrepreneurship and technology.

Zero vision for workplace injuries

Health and safety in the workplace is fundamental to Indutrade and a prerequisite for productivity and growth in the subsidiaries. Investing in a better work and production environment, with fewer risk factors, is something we prioritise and encourage. Our aspiration is that by 2025 all companies should systematically and regularly document, analyse and remedy risk situations. Our follow-up in 2022 reveals that 93% of the companies have implemented such a process and the goal is 100% by 2025. A total of 127 workplace injuries were reported that led to absenteeism in 2022, which corresponds to an injury frequency of 1.5 (1.8), which is a decline compared to the previous year. The goal is a continuous decrease in the frequency of workplace injuries and, over the long term, to have zero workplace injuries. In order to share good examples of working routines in the area, we included health and safety as one of the themes at this year's sustainability network meetings.

Sick leave

Since the start of the pandemic, Indutrade has carefully been monitoring the effects of COVID-19, with the main priority of protecting the health and safety of our employees, customers and suppliers. The data on sick leave for 2020-2022 is difficult to interpret since it includes employees who were absent from work and isolated in their homes due to pandemic restrictions. In 2021, we separated the data on sick leave into two categories, short-term and long-term, so that the figures are more relevant and meaningful. Short-term sick leave (less than 14 days) in 2022 was 5.3 (4.8) days per full-time employee. Long-term sick leave (more than 14 days) was 3.4 (3.3). The total number was thus 8.7 (8.1) days per full-time employee. The target is 4.3 days by 2025. We monitor the companies where this figure is high and ensure that they understand the underlying reasons and are taking the necessary steps to remedy the situation.

TARGETS TO THE SDGs WHERE THE CONTRIBUTION FROM OUR WORK WITH PEOPLE IS PARTICULARLY RELEVANT



KPIs ON PEOPLE

	2020	2021	2022	Goals for 2025
Percentage of companies that measure employee engagement/satisfaction (%)	58	64	76	100
- of which percentage that had discrimination and harassment as a follow up area (%)	-	-	90	100
- of which percentage that had leadership as a follow up area (%)	-	-	94	100
Employee retention rate (%)	90	89	88	Min 85
Percentage of companies that have process for regular, documented development discussions/dialogues (%)	-	-	93	100
Percentage of internally recruited MDs at our companies (%)	50	50	46	60
Percentage of companies with an established management team (%)	-	74	87	-
Percentage women of the total workforce (%)	24	24	26	30
Percentage of management teams with female representation (%)	-	80	73	90
Percentage of companies with female representation on the board (%)	17	21	28	50
Injury frequency rate ¹⁾	3.2	1.8	1.5	Continuously reduce to 0
Sick leave, number of days per full-time employee	6.1	8.1	8.7	4.3
Percentage of companies that have a process for analysing, documenting and acting on work-related risks (%)	-	-	93	100

1) Injury frequency rate is measured as the number of injuries per 200,000 worked hours.

Environment

Our goal is climate neutrality

Our overall climate target of achieving climate neutrality by 2030 includes direct emissions (Scope 1) and emissions from our energy use (Scope 2). We calculate our emissions in accordance with the GHG (Greenhouse Gas Protocol). Emissions from Scope 1 and 2 in 2022 amounted to 19,860 (19,766) tonnes CO₂e. Our target for 2025 is a reduction of emissions in absolute terms by 20% compared to 2020. We are continuously growing via acquisitions, which is why achieving a reduction in absolute terms is a high ambition. Even though we have not managed to reduce our emissions from Scope 1 and Scope 2 in absolute terms, we can see that emission intensity has improved. The emission intensity in 2022 was 0.74 (0.91) tCO₂e/SEK million net sales, which is an improvement of 19% compared with 2021. We work with analysis at the Group, business area and company level to identify relevant measures and priorities going forward in our pursuit of climate neutrality. During 2022, we intensified these efforts via, for example, more training and concrete guidance for our companies, as well as targeted dialogue and efforts directed at the companies with the largest emissions. Climate was also the theme for one of the days at our annual large leadership conference. And, in 2022, we launched a guide to support our companies in their efforts to reduce the climate impact (see fact box).

Renewable energy and energy efficiency

The share of energy from renewable sources used in operations increased to 33% (29%). The target is 50% by 2025. Energy intensity improved and it amounted to 4.22 (4.97) MWh/SEK million net sales. Our target is 3.35 by 2025. Our measurement includes energy from Scope 1 and 2, which means electricity, heating, cooling and fuel for production and manufacturing processes, along with fuel for own and leased vehicles.

Scope 3 reporting has started

Climate issues are high on Indutrade's agenda and in 2022, we started including Scope 3, which means emissions upstream and downstream in our value chain, in our data collection from subsidiaries to understand the scope of them and later on, to be able to include that in our goals and strategies. Measuring Scope 3 gives us valuable insight into the indirect impact and it facilitates taking action where it will have the greatest effect.

Categories we have started measuring are purchased goods and services, based on raw material content, upstream transports, business trips by plane and emissions associated with production and distribution of energy in Scope 1 and 2. For 2022, we only publish the data on business trips by plane (see the table on page 27). Our goal for next year is to publish data of the other three categories, once

we have ensured that we have the complete data for that. The results from the reporting of categories in Scope 3 has given us insight into where in our value chain the greatest emissions exist. We can see that raw materials in purchased goods is an important area that we need to focus on in the future. This first round of reporting has also provided us with valuable insight for further developing definitions and reporting in the future.

Joined the Science Based Targets initiative

With our climate efforts, we want to contribute to limiting global warming to under 1.5 degrees Celsius. We have thus decided to join the Science Based Targets initiative with the aim of further developing our ambitious climate targets such that they are aligned with the latest climate science. We are proud to have made this commitment and are convinced that it will, in many ways, benefit Indutrade as a Group and our individual companies. We have a good foundation with our current climate targets and for Indutrade, the work with Science Based Targets will primarily centre around calibrating our existing targets and supplementing with targets for emissions in Scope 3.

Guide for structured climate work

In collaboration with some of our subsidiaries, we created and launched a climate guide during the year aimed at helping our companies systematically work to reduce their climate impact. The guide contains concrete examples of measures that companies can implement to lower their climate footprint throughout the entire value chain. A mandatory climate training was also developed and it will be launched during the first half of 2023.

We also started following up on the percentage of companies that have analysed their climate impact and based on that, implemented measures designed to reduce their largest emission sources. The results show that 51% have done this. The goal is for that to be 100% since we regard active climate work as a business-critical task in the future.



Our guide contains concrete examples of measures that companies can implement to lower their climate footprint throughout the entire value chain.

Analysis of climate risks

Climate change is having an increasing impact on society and economies around the world. In 2022, we began an overall analysis of climate risks and how our companies are affected by the transition that is occurring in many markets in the form of changed technology and demand, along with the risks of a physical impact on our value chains from various types of extreme weather. Overall, our greatest climate risks, and also opportunities, are aligned with the market transition towards more energy and climate-efficient solutions and important focus areas in the future will be striving to offer even more sustainable materials and products that help customers transition. Our work in this area is described in more detail on page 28.

Resource efficiency and systematic environmental work

All of our companies must pursue systematic environmental efforts, which requires that they have identified, and are continuously monitoring, material environmental topics along with the targets and KPIs linked to them. The percentage of our subsidiaries with KPIs for various aspects of resource efficiency, such as water, energy and waste in 2022 was 65% (57%). We are providing various types of support and information to our companies so that they will all have this implemented by 2025 at the latest. One important example is the new support material we have created for carrying out materiality analyses (see page 22). It is designed to help companies identify their material topics and the relevant KPIs.

In 2022, we started measuring the percentage of companies with processes in place for measuring and working to lower their environmental impact from waste. The results showed that 76% of our companies do this.

Several companies, particularly the larger ones, have been working for quite some time with established environmental management standards. At the end of 2022, 69% (71%) of the manufacturing companies were working with environmental management systems and more than 20% (22%) of all the companies belonging to the Group were certified according to ISO 14001. Seven (seven) of our Swedish subsidiaries conduct operations that require permits or reporting in accordance with the Swedish Environmental Code. Five (six) of the foreign subsidiaries conduct operations subject to an equivalent permit or reporting obligation.

TARGETS TO THE SDGs WHERE THE CONTRIBUTION FROM OUR WORK WITH THE ENVIRONMENT IS PARTICULARLY RELEVANT



KPIs FOR ENVIRONMENT

	2020	2021	2022	Goals for 2025
Total carbon dioxide emissions Scope 1 & 2 (tonnes CO ₂ e)	19,924	19,766	19,860	15,939
Carbon dioxide intensity (tonnes CO ₂ e/SEK million net sales)	1.04	0.91	0.74	–
Carbon dioxide emissions Scope 3 (tonnes CO ₂ e):				
– Business travel by plane	–	–	1,685	–
Percentage of energy from renewable sources (includes electricity, heating, cooling and fuel for production and manufacturing processes, along with fuel for own and leased vehicles) (%)	24	29	33	50
Energy intensity (MWh/SEK million net sales)	4.79	4.97	4.22	3.35
Percentage of companies that have KPIs for various aspects of resource efficiency (%)	45	57	65	100
Percentage of companies that have analysed their climate impact and based on that, implemented measures designed to reduce their largest emission sources (%)	–	–	51	100
Percentage of companies that have a process in place for measuring and working to reduce waste and increase recycling (%)	–	–	76	–

Products & customers

More products and solutions with sustainable value added

Our overall goal for 2030 is for all of the Group's companies to contribute to a sustainable development for customers via their products and solutions. Our companies offer high quality products with a long service life. Through good knowledge of customers' systems and processes in combination with high technical expertise, we are able to, in many cases, streamline customers' operations and offer solutions that reduce environmental impact, or contribute with other benefits, for example improved working environment. Sustainability is becoming increasingly important to customers and society at large. It is also crucial to continued growth and success.

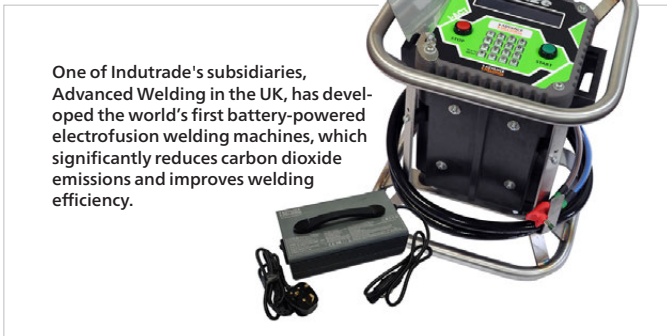
Stimulating the development and sale of products with sustainable added value is therefore an important focus area for the Group. We are particularly striving to ensure that newly launched products consume less energy and/or lower the carbon footprint. In 2022, 10% of our companies said that they were calculating the carbon footprint of their products and using that information in their marketing and sales material. Our goal is for that to steadily increase.

To stimulate the innovation of new, sustainable products, we intend to start monitoring the percentage of net sales derived from products that were launched during the last five years. In 2022, we also started to look more closely at resource utilisation associated

with the development of new products and services. A total of 60% of our companies said that they had a documented ambition to improve resource efficiency when developing the product and service range and our ambition is for that figure to increase each year. How companies are working to include sustainable added value in their offerings is something that is followed up at the company board meetings.

Quality and customer satisfaction

We feel that it is important to measure customer satisfaction and use the results from those surveys to develop the business. In 2022, the share of companies with an established process for that was 74% (66%). Furthermore, 44% of our companies include questions about sustainability in their customer surveys or other regular engagement with their customers. Besides that, 51% (49%) of our companies had ISO 9001 certification.



TARGETS TO THE SDGs WHERE THE CONTRIBUTION FROM OUR WORK WITH PRODUCTS & CUSTOMERS IS PARTICULARLY RELEVANT



KPIs ON PRODUCTS & CUSTOMERS

	2020	2021	2022	Goals for 2025
Percentage of companies that measure customer satisfaction (%)	66	66	74	100
Percentage of companies that include questions on sustainability in their customer surveys or other ongoing engagement with customers (%)	-	-	44	100
Percentage of our companies that have a documented ambition/goal to improve resource efficiency when developing the product and service range (%)	-	-	60	Annual increase
Percentage of companies that calculate the carbon footprint from products and use it in their marketing and sales material (%)	-	-	10	Annual increase

Taxonomy Regulation

Eligible activities

We are in favour of clearer definitions on what is considered to be sustainable and during 2021-2022, we analysed how Indutrade's companies are eligible to the EU Taxonomy (new classification system for sustainable economic activities).

The overall conclusion is that Indutrade's companies only to a very small extent are eligible to the Taxonomy Regulation, as of what the regulation currently cover. Our companies are not involved in the types of activities that have been defined in the Taxonomy Regulation.

Furthermore, a large percentage of the companies do not have own manufacturing and thus lie outside the scope. At present, components are not covered by the Regulation either. An addition from last year are purchases from suppliers whose economic activity is described in the Taxonomy Regulation. Three economic activities in the Taxonomy Regulation are relevant for Indutrade, which are:

- Manufacture of Energy Efficient Equipment for Buildings (3.5),
- Manufacture of Other Low Carbon Technologies (3.6)
- Installation, maintenance and repair of Energy Efficient Equipment (7.3)

These activities, however, represented only a very small share of the turnover, capital expenditures and operating expenditures in 2022 (see table). Indutrade continuously monitors the updates that take place in the drafting of the Taxonomy Regulation and it is possible that we will be eligible to a greater extent in the future, when more of the EU's environmental targets (and thus more kinds of activities and products) are included.

Taxonomy alignment

In 2022, we analysed the extent to which the eligible activities also are Taxonomy aligned. Several of the current activities and products meet the criteria for substantial contribution. When it comes to processes around minimum safeguards and do no significant harm we need to further develop our work in order to fully live up to the criteria. The work with that is underway.

Accounting principles

Key figures are reported in accordance with the Taxonomy Regulation and are presented in separate tables for share of turnover, capital expenditures and operating expenditures (see pages 105–106) Indutrade has done an allocation based on cost structure and ensured that the cost elements are kept separate for each activity.


Total turnover includes the Group's total external net sales, which is defined in accordance with IFRS 15. No other revenue has been identified that meets the definition in the Taxonomy Regulation. See Note 4 for accounting principles for the Group's revenue. Turnover from Indutrade's economic activities eligible to the Taxonomy Regulation pertain to doors, products for building automation, products for automation of commercial greenhouses and battery-powered electrofusion welding machines.

Capital expenditures refer to investments for the acquisition of fixed assets during the current year which are presented in Note 16, Intangible assets, excluding goodwill, Note 17 Property, plant and equipment and Note 18 Leases. The information in the notes can be found on the lines investments during the year, additional rights of use and company acquisitions. Capital expenditures eligible to the Taxonomy Regulation consist of the portion of the year's investments (capital expenditure) that are attributable to fixed assets used for economic activities eligible to the Taxonomy Regulation, as well as investments in environmentally friendly technology.

Total operating expenditures include costs for research and development, renovation of buildings, short-term lease agreements (according to IFRS 16), maintenance/repair and service required for efficient daily operation of property, plant and equipment. Operating expenses that are eligible to the Taxonomy Regulation consist of operating expenses that are attributable to fixed assets used for economic activities eligible to the Taxonomy Regulation, along with the year's costs for environmentally friendly technology.

	Total, SEK m	Eligible to the Taxonomy Regulation		Aligned to the Taxonomy Regulation		Not eligible to the Taxonomy Regulation	
		%	SEK m	%	SEK m	%	SEK m
Turnover	27,016	0.4	97	0	0	99.6	26,919
Capital expenditures	4,577	0.3	13	0	0	99.7	4,564
Operating expenditures	483	0.4	2	0	0	99.6	481

Complete Taxonomy tables can be found on pages 105-106.



Companies that belong to the Indutrade Group are able to maintain their original identity, while gaining access to the collective knowledge and experience of all of the Group's employees.

Operations

Companies that belong to the Indutrade Group are able to maintain their original identity, while gaining access to the collective knowledge and experience of all of the Group's employees. A professional board is appointed, with relevant expertise for addressing the company's needs and challenges. The company maintains its local ties and has its own profitability responsibility, which contributes to a strong entrepreneurial spirit within the Group.

Business Areas

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

Performance during the year

2022 was yet another successful year for Indutrade. The business model, with balanced diversification and companies that are customer-oriented, entrepreneurial and flexible, has yielded a new record year for Indutrade, with net sales of SEK 27 billion and a EBITA-margin of 15.2%. We have raised the target for the EBITA margin to at least 14% per year over a business cycle (the prior target was 12%) and important strategic steps have been taken to strengthen our abilities for continuing to generate profitable growth, both organically and via acquisitions. There have also been clear improvements in the area of sustainability, where we have started reporting Scope 3 emissions, as well as having joined the Science Based Targets initiative.

The majority of the companies grew organically and demand was good in most of the larger customer segments, with the strongest progress seen in the process industry and the medical technology and pharmaceuticals segment. However, there was substantial variation in the demand between various companies, segments and countries, particularly during the latter part of the year. Disruptions in the supply chains persisted, but the situation improved towards the end of the year, which had a positive effect on invoicing. The companies have been actively working with pricing and the gross margin remained at a high level, although marginally lower than the previous year, which somewhat dampened the EBITA margin.

Net debt increased during the year due to the high acquisition rate and a somewhat lower operating cash flow. The financial position has remained strong however, and the net debt/equity ratio is in line with historic levels.

In terms of acquisitions, 2022 was successful, where we welcomed 16 new companies to the Group with combined annual sales of SEK 1.9 billion. All of the acquired companies hold leading positions in their respective niches and have good long-term growth

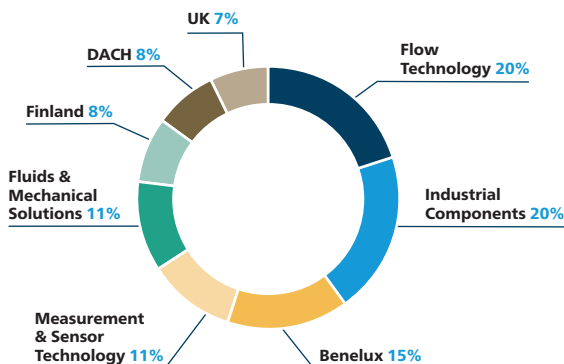
potential. Indutrade's acquisition strategy has developed over time, is solid and historically successful. In recent years, we have continuously strengthened our acquisition resources. This, together with the continued good level of activity in our acquisition processes provides us with favourable conditions for making additional value-creating acquisitions in 2023.

Funding

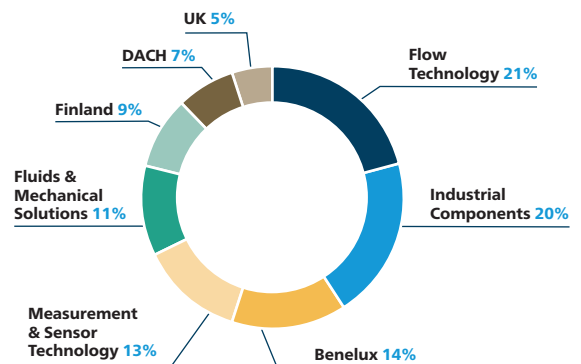
Indutrade's funding, nearly all of which is managed by the Parent Company, consists of loans from financial institutions, corporate bonds and commercial paper programmes. Since 2021, Indutrade AB has obtained a long-term credit rating of BBB- with stable outlook from S&P Global Ratings.

During the first quarter, an unsecured bond of SEK 650 million was issued with a duration of 4 years, during the second quarter an unsecured bond of SEK 1,000 million with a duration of 5 years was issued, and during the fourth quarter, unsecured bonds totalling SEK 1,400 million were issued, primarily for the purpose of refinancing existing loans and general business purposes, including acquisitions.

Net sales per business area, %



EBITA per business area, %



BENELUX

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



ROBERT TIMMER

Share of sales

15%

Share of EBITA

14%

During the year, net sales increased by 23%, of which comparable units had an impact of 13%, acquisitions contributed 4% and currency movements had a positive impact of 6%. The performance of most companies was positive, with particularly strong growth and earnings improvement from companies with customers in the medical technology & pharmaceuticals and energy segments.

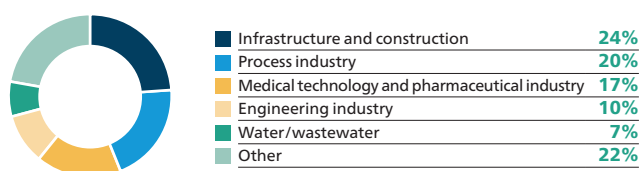
OCI B.V., Tebra Messen Industrie B.V. and CaTec B.V. (Netherlands) were acquired during the year.

	2022	2021	Change, %
Net sales, SEK million	4,084	3,331	23
EBITA, SEK million	599	464	29
EBITA margin, %	14.7	13.9	
Return on capital employed, %	19	17	
Average number of employees	975	907	

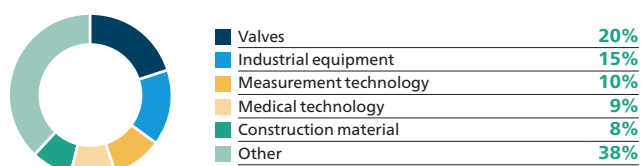
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



DACH

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



MARKUS RÜDIN

Share of sales

8%

Share of EBITA

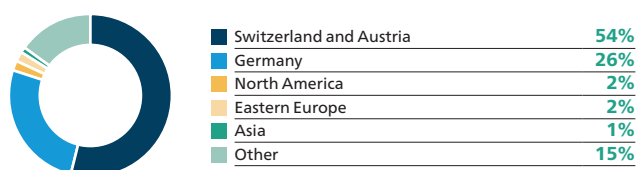
7%

During the year, net sales increased by 27%, of which comparable units had an impact of 9%, acquisitions contributed 8% and currency movements had a positive impact of 10%. Most companies had a positive sales trend and the improved EBITA margin came from both an improved gross margin for comparable units and good growth in newly acquired companies.

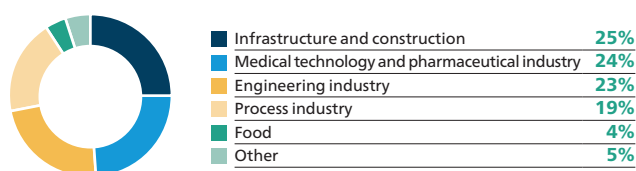
Armaturen Aichhorn GmbH (Austria) was acquired during the year.

	2022	2021	Change, %
Net sales, SEK million	2,111	1,661	27
EBITA, SEK million	316	236	34
EBITA margin, %	15.0	14.2	
Return on capital employed, %	21	20	
Average number of employees	667	585	

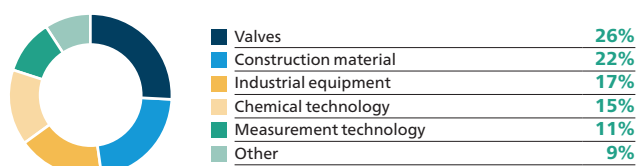
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



FINLAND

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



JUHA KUJALA

Share of sales

8%

Share of EBITA

9%

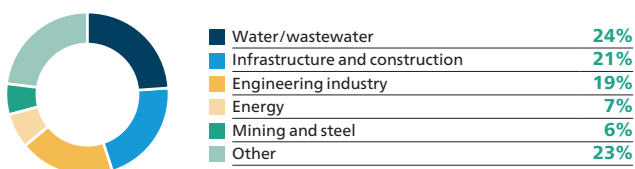
During the year, net sales increased by 22%, of which comparable units had an impact of 10%, acquisitions contributed 7% and currency movements had a positive impact of 5%. Most of the business area's companies developed positively. The improved EBITA margin primarily stemmed from strong growth in the gross margin in many companies.

	2022	2021	Change, %
Net sales, SEK million	2,220	1,826	22
EBITA, SEK million	370	283	31
EBITA margin, %	16.7	15.5	
Return on capital employed, %	33	31	
Average number of employees	543	497	

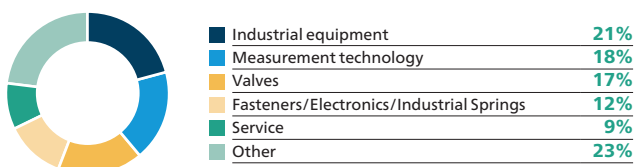
Net sales per geographic market, %



Net sales per customer segment, %

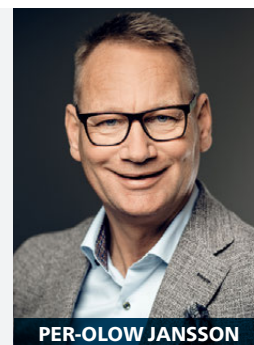


Net sales per product area, %



FLOW TECHNOLOGY

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



PER-OLW JANSSON

Share of sales

20%

Share of EBITA

21%

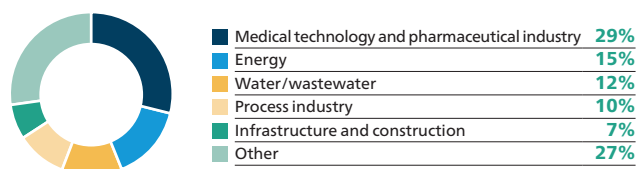
During the year, net sales increased by 26%, of which comparable units increased by 19%, acquisitions contributed 3%, divestments had a marginal impact and currency movements had a positive impact of 4%. A good demand came from, among others, companies with customers in medical technology and pharmaceuticals and the process industry. The higher EBITA margin was primarily attributable to strong sales growth for comparable units. acti-Chem A/S (Denmark) was acquired during the year.

	2022	2021	Change, %
Net sales, SEK million	5,407	4,301	26
EBITA, SEK million	882	668	32
EBITA margin, %	16.3	15.5	
Return on capital employed, %	31	29	
Average number of employees	1,201	1,126	

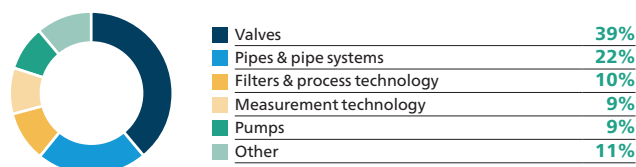
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



FLUIDS & MECHANICAL SOLUTIONS

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



GÖTE MATTSSON

Share of sales

11%

Share of EBITA

11%

During the year, net sales increased by 25%, of which comparable units had an impact of 12%, acquisitions contributed with 11% and currency movements had a positive impact of 2%. Most of the business area's companies reported a positive growth in sales, with the strongest trend in the medical technology & pharmaceuticals and infrastructure segments. The lower EBITA margin is primarily explained by a weaker performance by the vehicle aftermarket segment associated with terminated business with Russia and Belarus.

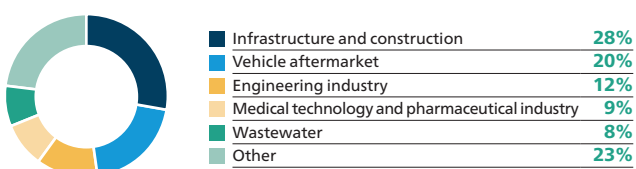
Stabalux GmbH (Germany) and Bramming Plast-Industri A/S (Denmark) were acquired during the year.

	2022	2021	Change, %
Net sales, SEK million	2,970	2,367	25
EBITA, SEK million	453	382	19
EBITA margin, %	15.3	16.1	
Return on capital employed, %	20	21	
Average number of employees	867	752	

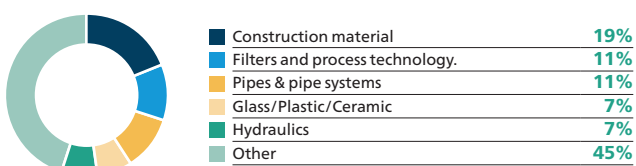
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



INDUSTRIAL COMPONENTS

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



JOAKIM SKANTZE

Share of sales

20%

Share of EBITA

20%

During the year, net sales increased by 21%, of which comparable units increased by 13%, acquisitions contributed with 6% and currency movements had a positive impact of 2%. The performance of most of the business area's companies was positive during the year, with the medical technology & pharmaceuticals segment reporting the strongest sales growth. The somewhat weaker EBITA margin was primarily attributable to a lower gross margin for comparable units.

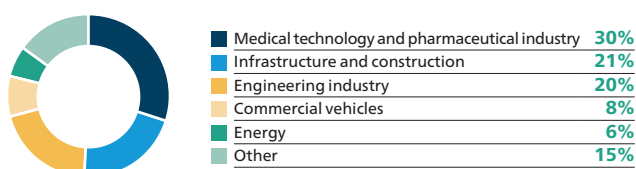
PMH International AB, Prodia AB, Oscar Medtec AB, Primed Fysio och Rehab AB and Ingenjörsfirman Geotech AB (Sweden) were acquired during the year.

	2022	2021	Change, %
Net sales, SEK million	5,396	4,473	21
EBITA, SEK million	867	733	18
EBITA margin, %	16.1	16.4	
Return on capital employed, %	28	28	
Average number of employees	1,038	948	

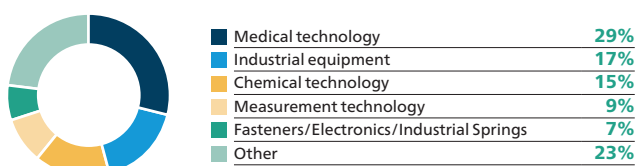
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



MEASUREMENT & SENSOR TECHNOLOGY

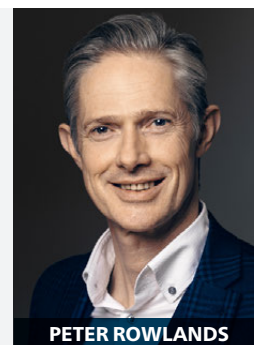
Companies in this business area sell measurement instruments, measurement systems, sensors, control and regulating technology, and monitoring equipment for various industries. All of the business area's companies have proprietary products based on advanced technological solutions and own development,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



PATRIK STOLPE

UK

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



PETER ROWLANDS

Share of sales

11%

Share of EBITA

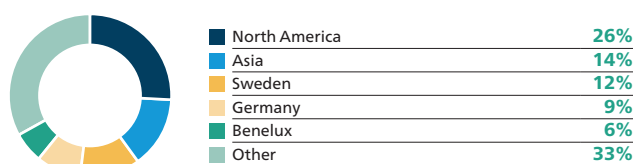
13%

During the year, net sales increased by 24%, of which comparable units had an impact of 8%, acquisitions contributed with 10% and currency movements had a positive impact of 6%. The majority of the business area's customer segments and companies had a positive trend, such as companies with customers in the energy segment. The EBITA margin was maintained at a high level, marginally higher than the previous year.

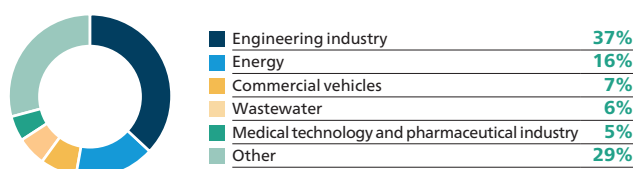
NTi Audio AG (Liechtenstein), Beck Sensortechnik GmbH and Palas GmbH (Germany) were acquired during the year.

	2022	2021	Change, %
Net sales, SEK million	2,949	2,372	24
EBITA, SEK million	535	428	25
EBITA margin, %	18.1	18.0	
Return on capital employed, %	16	15	
Average number of employees	2,174	2,028	

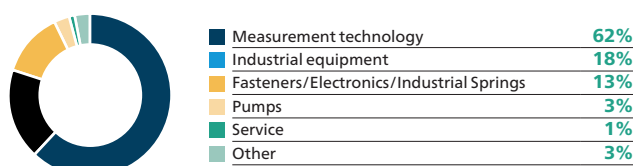
Net sales per geographic market, %



Net sales per customer segment, %



Net sales per product area, %



Share of sales

7%

Share of EBITA

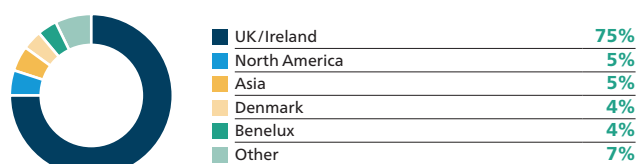
5%

During the year, net sales increased by 36%, of which comparable units had an impact of 5%, acquisitions contributed with 25% and currency movements had a positive impact of 6%. A good demand was noted among companies with customers in, for example, the aviation industry and energy segment. But the trend for some companies with customers in infrastructure and construction, as well as the marine segment, dampened the trend somewhat. The EBITA margin improved, primarily due to a good margin in newly acquired units.

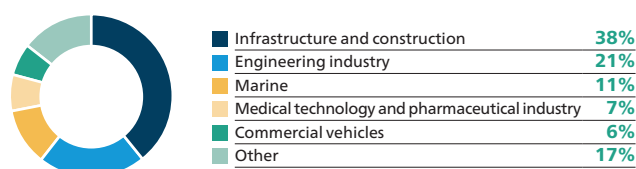
Autoroll UK Ltd (UK) was acquired during the year.

	2022	2021	Change, %
Net sales, SEK million	1,994	1,467	36
EBITA, SEK million	231	158	46
EBITA margin, %	11.6	10.8	
Return on capital employed, %	11	10	
Average number of employees	998	853	

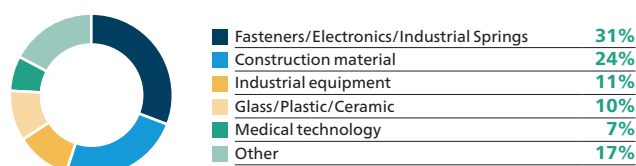
Net sales per geographic market, %



Net sales per customer segment, %

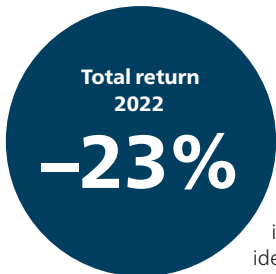


Net sales per product area, %



Share data

Indutrade's shares are listed on Nasdaq Stockholm and included on the Large Cap list. Indutrade's market capitalization on 31 December 2022 was SEK 76,909 million (100,953).



Indutrade's share price decreased by -23.9% during the year, from SEK 277.20 to SEK 211.10. During the same period of time the Stockholm Stock Exchange fell by -24.6%, while the OMX Industrials PI sector index fell by -19.9%. Including reinvested dividends, the total return for Indutrade share was -23.1%, compared with a decline of 22.4% for the OMXSGI Index. The highest price paid in 2022 was SEK 280.70, on 5 January, and the lowest price paid was SEK 161.95, on 13 October. During the last ten-year period Indutrade's shares have delivered a total return of 1,033% including reinvested dividends. The OMXSGI Index showed a total return of 214% for the same period.

Trading volume

Total trading volume in Indutrade shares on all marketplaces during the year was 395.1 million (327.7) shares for a combined value of SEK 81.6 billion (76.0). This corresponds to a turnover rate of 108% (90%). Each trading day, an average of 1,561,844 (1,285,027) shares were traded. Trading volume on the Stockholm Stock Exchange was 121.3 million (124.9) shares, corresponding to a turnover rate of 33% (34%).

During 2022 Indutrade's shares were traded in several different marketplaces, and the Stockholm Stock Exchange accounted for 31% (38%) of the total trading volume.

Share capital

Indutrade's share capital amounted to SEK 729 million (728) on 31 December 2022, divided among 364,323,000 shares (364,188,000) with a share quota value of SEK 2 (2). All shares have equal voting power.

Ownership structure

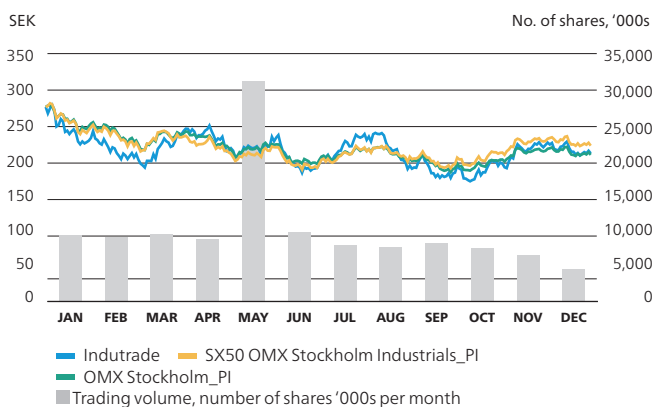
On 31 December 2022 the number of shareholders was 21,022 (20,533). At year-end the ten largest owners controlled 67% (64%) of the capital and votes. Swedish legal entities, including institutions such as insurance companies and mutual funds, owned 62% (61%) of the capital and votes at year-end. Foreign ownership of the company was 32% (33%), with the largest holdings held by shareholders in USA, UK, Luxembourg and Norway.

Dividend and dividend policy

The Board's goal is to provide the shareholders an attractive dividend yield and high dividend growth. The goal is that the dividend shall, over time, amount to between 30% and 50% of net profit. During the last five years, the dividend pay-out ratio has been an average of 38%, including the proposed dividend and not including 2019 when no dividends were distributed.

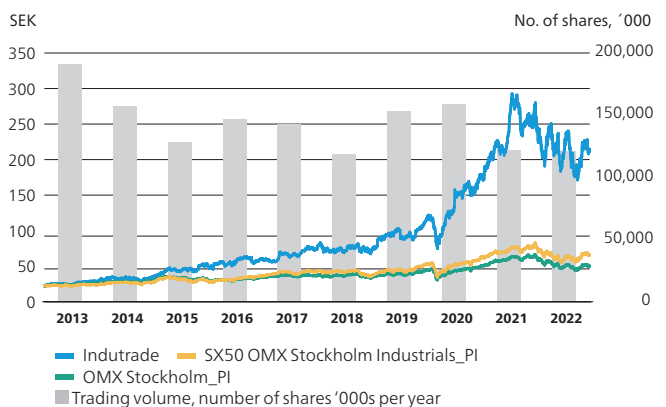


Share price trend 2022



Source: Monitor IR platform by Modular Finance AB

Share price trend 2013-2022



Source: Monitor IR platform by Modular Finance AB

Key ratios per share

	2022	2021
Share price at 31 December, SEK	211.10	277.20
Market cap at 31 December, SEK million	76,909	100,953
Dividend, SEK	2.60 ¹⁾	2.30
Earnings before dilution, SEK	7.36	5.76
Earnings after dilution, SEK	7.36	5.75
Number of shares outstanding, '000s	364,323	364,188
Average number of shares before dilution, '000	364,270	363,921
Average number of shares after dilution, '000	364,303	364,180
Number of shareholders at 31 December	21,022	20,533
Highest price paid during the financial year, SEK	280.70	295
Lowest price paid during the financial year, SEK	161.95	164.6
Dividend yield ²⁾ , %	1.2	0.8
Equity, SEK	35.02	28.26
Cash flow from operating activities, SEK	6.51	7.84

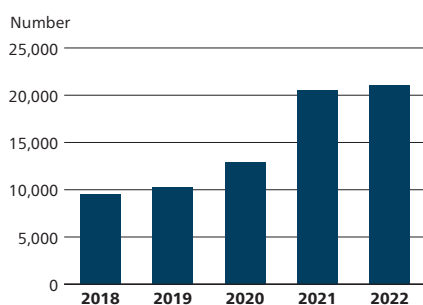
¹⁾ Proposed by the Board of Directors.

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

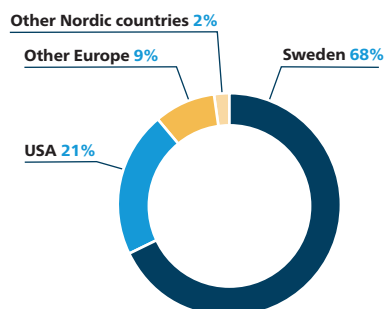
10 largest shareholders at 31 December 2022

	Number of shares	Share of capital and votes, %
L E Lundbergföretagen	96,840,000	26.6
AMF – insurance and funds	34,767,394	9.5
State Street Bank and Trust Co, W9	27,662,556	7.6
Alecta Pensionsförsäkring	16,769,906	4.6
JP Morgan Chase Bank NA	13,095,297	3.6
Handelsbanken funds	11,696,369	3.2
Swedbank Robur Fonder	11,042,034	3.0
Brown Brothers Harriman & Co., W9	10,991,057	3.0
SEB Investment Management	10,083,022	2.8
BNY Mellon Na (Former Mellon), W9	9,956,605	2.7
Others	121,418,760	33.3

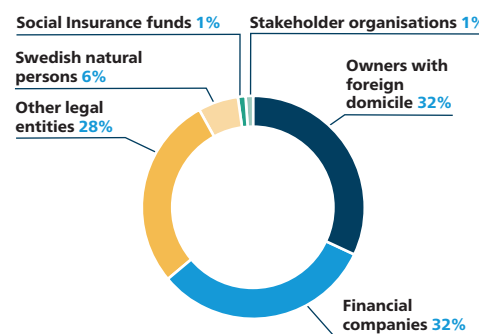
Number of Shareholders 2018–2022



Ownership by country, %



Owners by category, %



Risks and risk management

Indutrade is exposed to several 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 the Group's set goals.

Indutrade works continuously with assessment and evaluation of the risks to which the Group is exposed or could be exposed. A structured review of the Group's exposure to various operational, financial and strategic risks is conducted annually with representatives from the business areas and various functions. All identified risks are quantified and ranked based on their probability and potential effect. For all risks with either a high probability or a large potential effect, proactive measures are specified. The conclusions from the review are presented to, and then discussed among, Group management and the Board of Directors.

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

At year-end 2022 Indutrade conducted business through approximately 200 companies in some 30 countries on six continents. This diversification 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 review. The most material risks marked with 

Group risks

Acquisitions



Acquisition model

Acquisitions are an essential part of the Group's business model and growth. If Indutrade does not succeed in carrying out acquisitions at the same pace as before, the Group's reputation or financial development could be jeopardized.

Acquisition process

It is important that the acquisition process and especially the due diligence prior to every acquisition is both thorough and efficient, covering all aspects, including legal, financial and sustainability. If Indutrade is unable to maintain the quality of the acquisition process, its reputation or financial development could be jeopardized.

Weak development in newly acquired companies

If companies with significant problems are acquired due to a deficient evaluation process or unforeseen events, such as their financial earnings capacity or important sustainability aspects, there is a risk that the financial development of the Group will suffer.

Corporate governance



Scalability

Indutrade's continued success is dependent on a well balanced and adapted Group structure and there being sufficient resources with relevant expertise on the boards of subsidiaries, as well as at the Group and business area levels in order to be able to support the development and monitoring of our companies.

Weak development in larger companies

Indutrade owns a few larger companies whose financial performance affects the Group's development to a somewhat greater extent. Problems in these companies could negatively impact the Group's financial position and earnings.

Mitigating activities

Gradual strengthening of acquisition resources centrally and in the business areas.

Structured efforts to identify acquisition candidates via the internal network.

Stepwise increase of the geographic scope into new countries that have a similar culture and values.

Well-established acquisition process that is run by individuals with many years of extensive experience, where companies are evaluated from a variety of perspectives, both quantitative and qualitative.

A new board is appointed in all newly acquired companies and they are immediately introduced into Indutrade's financial and sustainability-related processes.

Shared risk with the sellers through acquisition agreements with earn-out payments.

Annual review of the board composition at all companies.

Long-term competence and resource plans for all business areas and recurring development programmes.

Active board work at all subsidiaries based on a Group-wide framework.

Group-wide Code of Conduct and policies for all significant areas.

Regular training and information that is disseminated via Indutrade Portal (the Group's communications portal).

An external whistleblower system has been set up and is available to all of Indutrade's subsidiaries.

Monthly financial follow-up of all companies and continuous sustainability monitoring.

Accounting and reporting

Reporting errors

Significant accounting or reporting errors could impact the quality of published financial statements and eventually even lead to more monitoring by authorities and the stock exchange, as well as damage to Indutrade's reputation.

Disruptions in accounting systems

There is a risk that unexpected disruptions in critical systems occur whereby companies are not able to report their figures. It could also result in an inability to conduct certain operations over a period of time, or in the worst case, not being able to conduct them at all.

IT security



Head office and major company hubs (groups of companies at the same location)

IT incidents at Indutrade's Head Office or at one of the major company hubs could result in a loss of critical data or one or more of the IT systems in some way becoming unusable.

Funding



Access to funding

Major disruptions in the Nordic credit market or problems in the banking sector could make it difficult, impossible or significantly more expensive to fund the Group's capital needs.

Interest rate risk

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

Fraud and corruption

Head offices and major company hubs

Internal or external fraud attempts at the Head Office or a major company hub could result in serious financial damage or damage to Indutrade's reputation

Sustainability

Sustainability data and communication

If Indutrade lacks the ability to demonstrate overall progress in important sustainability areas or how sustainability work is carried out by the companies, there is a risk of investors and other stakeholders having less trust in Indutrade.

Indutrade's business model is to have many smaller and medium-sized companies, many of which are less complex technical trading companies. It is a model that reduces the risk of the Group being significantly impacted by errors or disruptions from any single company.

Well-established routines for financial reporting with many quality checks throughout the process.

Regular training sessions at both the business area and Group level.

Special monitoring and action plans for the Head Office and major company hubs.

Digital training on IT security.

Indutrade has a central approach to the Group's financing where, in principle, all external borrowing is handled by the Parent Company, with internal funding of the subsidiaries.

Indutrade has well-established relationships with several Nordic financial institutions as well as an official credit rating from a globally recognized rating institute.

Striving to maintain a balanced maturity structure for the external debt, a good liquidity reserve, and diversified borrowing.

Ongoing and frequent monitoring of the interest rate situation and continuous evaluation of the need to expand loans with fixed interest rates or secure the interest rate with interest rate swaps.

Group-wide Code of Conduct.

Special monitoring of IT security at the Head Office and major company hubs.

Internal control routines to prevent and discover irregularities and fraud. The routines are followed up and reviewed annually.

External whistleblower system.

Group-wide framework for systematic sustainability work.

Reporting of important sustainability data from all companies with consolidation at the business area and Group level.

Continuous training, workshops and network meetings on sustainability.

Continuous risk and materiality analyses at the business area and Group level for a variety of sustainability areas.

The companies' sustainability work and risks are monitored and discussed each year by their boards.

Risks associated with our companies

Mitigating activities

Currency

Transaction and translation exposure

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

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

Exchange rate effects are eliminated as far as possible through currency clauses in customer contracts and by selling in the same currency as purchasing. In certain cases, forward contracts are used.

IT security

Local IT incidents

Errors in the companies' IT systems could lead to operational disruptions, with both financial and customer-related consequences as a result. Companies could also be exposed to disruptions in operations caused by cybercrime or other intrusions into their information systems that could lead to interruptions in ongoing operations and high costs.

Indutrade's decentralised business model with independent subsidiaries means that only a few companies share their IT platform and infrastructure. This means that the risk of a significant financial impact for the Group in the event of an IT incident is relatively limited.

Special training on IT security

Mandatory self-evaluation of IT security that all companies carry out and report to their respective boards.

Employees



Force majeure

A sudden disaster, such as war, natural disasters or pandemics, could occur and endanger the lives and health of our employees in a certain country or in a certain place.

Indutrade's business model with many small and medium-sized companies operating in a variety of industries, segments and geographic markets reduces the aggregate Group risk for events at individual companies or locations.

Lack of expertise

There is a risk of one or more key people leaving one of the Group companies with short notice due to such things as stress, deficiencies in the work environment or career opportunities. If Indutrade is unsuccessful in recruiting a suitable replacement, it could have a negative impact on the company's financial position and earnings.

Annual structured review of the board, MD and management team for all companies with regard to expertise, composition and succession planning.

Measurement and follow-up of the share of women on the company boards, executive management and in the role of MD.

Diversity and inclusion

Striving to increase diversity and inclusion is a strategically important area for our companies, as research shows that diverse groups perform better than homogeneous groups. Lack of diversity risks leading to less innovation and creativity as well as limited perspective in decision-making and a less attractive workplace.

Included in the due diligence process is a thorough review of the companies' key people aimed at identifying any needs for succession planning or reliance on a specific expertise.

Requirement for regular employee surveys at all companies.

Fraud and corruption

External and internal fraud attempts

Internal and external fraud attempts linked to one or more companies could damage the company's financial performance and reputation.

Indutrade's business model, with many small and medium-sized companies, reduces the risk that an incident at any single company will have a significant impact on the Group.

The Group-wide Code of Conduct, with policy on zero tolerance for bribes and corruption.

Internal control routines aimed at preventing and discovering irregularities and fraud are monitored and reviewed on an annual basis.

Mandatory self-evaluation of IT security that all companies carry out and report to their respective boards.

External whistleblower system.

Legal

Contract disputes

There is a risk of Indutrade's companies winding up in disputes with customers, suppliers or other contracting parties concerning contractual obligations, which could result in serious financial damage or a risk of damaged reputation.



Regulatory compliance

The scope and complexity of laws and regulations is increasing in many areas, such as export controls and sanctions, and Indutrade's decentralised model involves challenges in ensuring that all companies have the requisite information, expertise and support needed for regulatory compliance.

Market and customers



Recessions

Indutrade's companies are dependent on customers' purchases and investments. Those operations are affected by cyclical changes in many different markets and by conditions in the global market, including geopolitical uncertainties. A deterioration in the markets where Indutrade operates could have a negative effect on the financial position and earnings.

Customer credit risk

There is a risk that the companies' customers do not fulfil their commitments, i.e., that they neglect to pay.

Relocations of production

Globalisation and/or regionalisation as well as rapid technological development are driving structural changes with customers. These types of changes could increase demand for the companies' products, but also result in a loss of customers due to mergers, closures and relocation to low-cost countries.

Technology shifts

In many markets, progress with technology and changes in customer preferences are occurring. There is a risk that companies are too slow in their rate of developing, launching and marketing new products, which could have a negative impact on demand.

Operational efficiency

Digitalisation

Digitalisation, involving higher access to information and rapid connections/interaction, creates opportunities for producers to more easily reach their end customers. That, in turn, could result in more competition and downward pressure on prices for Indutrade's technical trading companies. Other consequences of digitalisation include more efficient production, shorter lead-times and higher quality.

Energy – access and prices

There is a risk that access to energy supply for our companies disappears or that prices increase dramatically due to, among other things, geopolitical tensions, regulations, climate change or local/global political decisions.

Indutrade's business model, with many small and medium-sized companies, reduces the risk, in many cases, that an incident at any single company will have a significant impact on the Group.

The attestation and approval rules for various types of contracts is established by each company's board.

Group-wide policy on export controls and sanctions, including requirements on annual risk analyses.

Web-based information and training on export controls and sanctions are available in Indutrade Portal (the Group's communications portal).

Indutrade's business model with a balanced diversification that comes with companies operating in many different industries, segments and geographic markets reduces the Group's overall sensitivity to economic fluctuations, exposure to individual customers or technologies. Many of Indutrade's companies are also exposed to segments with structural growth and a high percentage of companies offer products with a recurring sales pattern.

Full operational responsibility of the companies for their businesses including credit risk assessment of customers and routines for payments.

Decentralised governance model, which means that the companies belonging to the Group are easily able to adapt by making quick decisions at the local level.

Indutrade's business model with many small and medium-sized companies operating in a variety of industries, segments and geographic markets reduces the risk that problems with individual companies create significant financial problems for the Group as a whole.

Companies in the Indutrade Group have a high technical expertise and good knowledge of their customers' systems and processes, thereby adding appealing value in the supply chain.

The decentralised management model with full operational mandate and responsibility at each company provides good adaptability by making decisions quickly and close to the business.

Indutrade's structure with a large proportion of technical trading companies and only a few companies with more comprehensive production results in a relatively low energy requirement for the Group as a whole.

Suppliers

Disruptions in the supply chain

Rapid changes in the economy and general demand, or force majeure events could create disruptions in the global supply chains when the supply of components and products differs sharply from demand.

Dependency on key suppliers

There is a risk of individual suppliers leaving a partnership with one of Indutrade's technical trading companies to set up their own sales operations or collaborate with a different distributor. A few suppliers collaborate with several of Indutrade's companies and are thereby major, important partners for the Group as a whole.

Indutrade's structure with many small and medium-sized companies operating in a variety of industries and geographic markets reduces the risk that problems in any single company significantly impact the Group as a whole.

The decentralised management model with full operational mandate and responsibility at each company provides good adaptability by making decisions quickly and close to the business.

Part of the due diligence process of acquisition candidates involves a thorough review of the suppliers to ensure continued stable and long-term relationships.

There is an established relationship at the Group level with a few major suppliers that collaborate with several Indutrade companies.

Sustainability

Climate change

Climate change in the form of global warming could lead to economic risks, such as sharply increased energy costs for Indutrade's companies. Extreme weather events and natural disasters are other examples of risks that could affect our companies and their value chains. Changes in environmental legislation, taxes and demand could affect companies' sales of products and solutions, as well as the transport of goods.

Local sustainability issues/problems

There is a risk that sustainability-related problems arise at one or more of the Group's companies or in the supply chains, for example linked to human rights or to products that in some way would prove to have a negative impact on people or the environment. In the long run, the problems may entail costs for handling and correction as well as damage the reputation of the company and even the Group as a whole.

Indutrade's structure with many small and medium-sized companies operating in a variety of industries and geographic markets reduces the risk that problems in any single company significantly impact the Group as a whole.

All companies shall carry out materiality analyses to identify their own material sustainability priorities that they present to, and are then discussed by, their board.

Continuous risk analyses at business area and Group level from different sustainability perspectives to identify Group-wide measures and companies with greater risk or in need of special support.

Other information

Employees and organisation

The number of employees was 9,128 at the end of the period, compared with 8,185 at the start of the year. A total of 879 employees have been added during the year through acquisitions.

Research and development

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

Operations subject to permit or reporting obligations

Seven of Indutrade's Swedish subsidiaries conduct operations that require permits or reporting in accordance with the Swedish Environmental Code. Seven of the foreign subsidiaries conduct operations subject to an equivalent permit or reporting obligation.

Sustainability Report in accordance with the Annual Accounts Act.

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Indutrade has elected to prepare the statutory sustainability report as its own document, separate from the Annual Report. The Sustainability Report was submitted to the auditor at the same time as the Annual Report. The scope of the Sustainability Report is presented on the inside of the cover.

Future outlook

The start of 2023 has been characterised by much uncertainty in the national economy, with weaker demand in some customer segments. The long-term market trends remain strong however, with large investments in infrastructure, energy and electrification being made in both the private and public sectors. Russia's invasion of Ukraine continues having geopolitical consequences and it increases uncertainty about future market development. Indutrade does not have any companies in Russia or Ukraine and the direct business exposure is otherwise very limited. Our decentralised model will be a strength for us in 2023 and we have a historically large order backlog.

Events after the balance sheet date

During the period up until 8 March, three companies were acquired. More information is available in Note 32.

Guidelines for compensation of senior executives

The Board of Directors proposes that the AGM adopts the following guidelines for compensation and other terms of employment for senior executives. These guidelines shall be applicable to agreed compensation, and amendments to compensation already agreed, after adoption of the guidelines by the 2023 Annual General Meeting. These guidelines do not apply to compensation resolved or approved by the general meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

A prerequisite for the successful implementation of the company's business strategy and safeguarding of the company's long-term interests, including its sustainability, is that Indutrade is able to recruit and retain management with high qualifications. To this end, the company must offer competitive compensation and other terms of employment, which these guidelines enable. The forms of compensation should motivate members of the executive management to perform their utmost in order to safeguard the interests of the shareholders. For more information about the company's business strategy, please see the company's website: <https://www.indutrade.com/about-indutrade/objectives--strategy/>.

These guidelines encompass senior executives, i.e. the CEO and other members of the group management (the executive management). For employments governed by rules other than Swedish,

customary adjustments may be made for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

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

The types of compensation

The total compensation shall be on market terms, straightforward, long-term and quantifiable, and may consist of the following components: fixed cash salary, variable cash compensation, pension benefits as well as other benefits.

The general meeting may also, irrespective of these guidelines, resolve on, among other things, share-related or share price-related compensation (for information about ongoing incentive programmes, please see the company's website: <https://www.indutrade.com/about-indutrade/corporate-governance/renumeration/>).

The performance period with respect to criteria for awarding variable salary shall be measured over a period of one or several years. The variable cash compensation may amount to a maximum of 70% of the fixed annual salary for the CEO. For the other members of the executive management, the variable cash compensation may amount to a maximum of 50% of the fixed annual salary.

The pension terms for 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, a maximum of 40% of the fixed annual salary, and should be based on defined contribution pension solutions or correspond to a public pension plan (in Sweden the ITP plan). Variable salary to members of the executive management not covered by the ITP plan shall not qualify for pension benefits.

Other benefits may include, for example, life insurance, health insurance and company car. Premiums and other costs related to such benefits may amount to not more than 15% of the fixed annual salary. Awarding of non-monetary benefits shall facilitate the individuals in the execution of their duties and correspond to what can be considered reasonable in respect of practice in the market in which the respective executive is active.

Termination of employment

The notice period for a member of the executive management may not exceed 12 months if the termination is initiated by the company, and 6 months if it is initiated by the individual. Severance pay to a member of the executive management shall in aggregate not exceed 24 months' salary in the event the company serves notice, and 6 months' salary in the event the member of the executive management gives notice.

Criteria for variable cash compensation

The variable compensation shall be designed so as to reward the achievement of clear objectives, in straight-forward and transparent structures, and be linked to one or several predetermined and measurable financial targets, such as sales growth, EBITA-margin or return on operating capital/capital employed. Any non-financial target shall be related to sustainability. Financial targets shall constitute at least 75% of all criteria.

Once the period for measuring the satisfaction of criteria for awarding variable cash compensation expires, the outcome will be determined. The Remuneration Committee is responsible for determining the CEO's outcome, while the CEO is responsible for determining the outcome for other members of the executive management. For financial objectives, the assessment shall be based on the latest financial information made public by the company, with any adjustments deemed necessary or reasonable by the Board of Directors.

The terms for variable compensation shall be designed so that the Board of Directors, under exceptional financial conditions, may limit, refuse or redeem payment of variable compensation if such measure is deemed reasonable.

In specific cases, arrangements may be made on one-time variable compensation, provided that such compensation does not exceed an amount corresponding to 10% of the fixed annual salary, and is not paid more than once each year per individual. Such compensation shall not qualify for pension benefits unless required by mandatory collective agreement provisions. Resolutions on such compensation shall be made by the Board of Directors based on a proposal from the Remuneration Committee, so far as it concerns the CEO, and by the Remuneration Committee based on a proposal from the CEO, so far as it concerns other senior executives.

No other variable cash compensation shall be paid.

Salary and other employment terms for employees

In the preparation of the Board of Directors' proposal for these compensation guidelines, salary and other employment terms for employees of the company have been taken into account by including information on the employees' total compensation, the components of the compensation and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, evaluate and apply the guidelines

The Board of Directors has appointed a Remuneration Committee with the task of preparing the Board of Directors' decisions regarding proposal for guidelines for compensation to senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year, and submit it to the Annual General Meeting.

The Remuneration Committee shall also monitor and evaluate programmes for variable compensation to members of the executive management, as well as the application of the guidelines in terms of compensation levels and structures. Members of the executive management do not participate in the Board of Directors' processing of, and resolutions regarding, compensation-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines adopted by the general meeting, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interest, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in compensation-related matters, including any resolutions to derogate from the guidelines.

Incentive programmes

LTIP 2017


In April 2017 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTIP 2017) comprising a combined maximum of 704,000 warrants in two series for senior executives and other key persons in the Indutrade Group. The programme was concluded in May 2022.

For further information, see Note 8.

LTIP 2021 and 2022

The 2021 and 2022 AGMs resolved on new incentive programmes. LTIP 2021 covers a maximum of 235 employees and is aimed at senior executives and other key employees. It requires own investment and it consists of performance shares. The scope of the programme is, at most, 650,000 shares in Indutrade, which corresponds to approximately 0.18% of all shares and votes. LTIP 2022 covers a maximum of 265 employees and is aimed at senior executives and other key employees. LTIP 2022 requires own investment and it consists of performance shares. The scope of the programme is, at most, 425,000 shares in Indutrade, which corresponds to approximately 0.12% of all shares and votes. For both programmes, the participant shall receive performance shares provided that the employment is not terminated, the investment shares have been retained and the performance targets have been fulfilled. Performance targets are based on the development of earnings per share during the performance period.

For further information, see Note 8.



Indutrade's cumulative expertise, experience and structure creates the prerequisites for continued growth in the companies.

Corporate Governance Report

Indutrade applies the Swedish Corporate Governance Code (the Code). 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 2022 financial year. The Corporate Governance Report has been reviewed by the Company’s auditors.

Delegation of responsibilities

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

Share capital and shareholders

The share capital amounts to SEK 729 million, divided among 364,323,000 shares with a share quota value of SEK 2. All shares have equal voting power. Indutrade, which was previously a wholly owned subsidiary of AB Industrivärden, was introduced on the Stockholm Stock Exchange on 5 October 2005. At year-end 2022 Indutrade had 21,022 shareholders (20,533). The ten largest shareholders controlled 67% of the share capital at year-end. Swedish legal entities, including institutions such as insurance companies and mutual funds, held 62% of the share capital and votes at year-end. Foreign ownership accounted for 32% of the share capital and votes.

One shareholder, L E Lundbergföretagen AB, with 26.6% 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 are included on the Large Cap list.

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

The Articles of Association

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

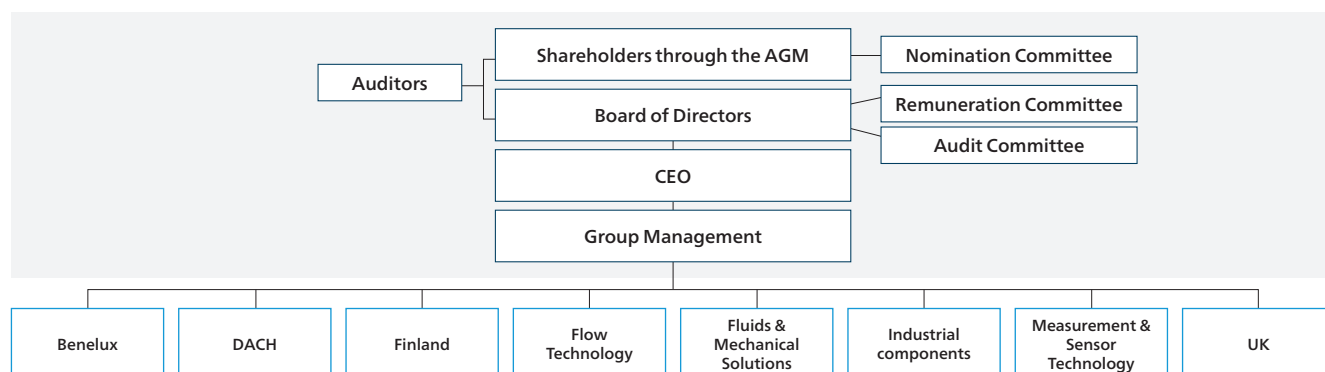
preferably within the plastics, mechanical and chemical industries, and activities compatible therewith.” The Board shall consist of a minimum of five and a maximum of ten elected directors. They are elected each year at the Annual General Meeting. Notices of general meetings of shareholders shall be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

General meetings of shareholders

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

All shareholders who are registered in the shareholder register on a specified record date and who have notified the Company in due time of their intention to participate at the general meeting are entitled to attend the meeting and vote for the total number of shares they have. Shareholders may be represented by proxy. More information about the 2023 AGM is provided on page 111 of this Annual Report and on the Company’s website.

The notice of the AGM scheduled for 29 March 2023 was published on 20 February 2023 on Indutrade’s website and on 22 February in the Official Swedish Gazette. The notice includes a proposed agenda including proposals for the dividend, election of directors, directors’ fees (broken down by the Chair and other directors), election of the auditor, the auditor’s fee, and a proposal for the establishment of a long-term incentive programme.



External rules and regulations

Examples of external rules and regulations that affect governance of Indutrade

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

Internal rules

Examples of internal rules that affect governance of Indutrade

- The Articles of Association
- The Board’s work plan
- Instructions to the CEO
- The Code of Conduct
- Policies

AGM 2022

The AGM, held on 5 April 2022, was conducted without the physical presence of shareholders, proxies and others, with support of temporary statutory provisions. Shareholders exercised their voting rights via advance postal voting. Shareholders representing 68.0% of the votes and shares cast their votes in this way. Katarina Martinson was appointed to serve as AGM Chair. The Annual Report and Audit Report were presented to the AGM.

The 2022 AGM made the following resolutions:

- to adopt the financial statements for 2021,
- to pay a dividend of SEK 2.30 per share to the shareholders for the 2021 financial year,
- to discharge the members of the Board of Directors and the CEO from liability for the past financial year,
- to reelect Directors Bengt Kjell, Ulf Lundahl, Krister Mellvé, Lars Pettersson, Katarina Martinson, Bo Annvik, Susanna Campbell and Anders Jernhall,
- to elect Kerstin Lindell as a new Director
- to elect Katarina Martinson as Chair of the Board,
- to reelect PricewaterhouseCoopers AB as the company's auditor.
- that Indutrade shall apply compensation levels for senior executives which mainly shall consist normally of a fixed and variable portion, shall be in line with the going rate in the market, and shall be commensurate with the executives' level of expertise, responsibility and performance,
- to approve the submitted remuneration report for 2021,
- to set up a long-term incentive programme and hedging measures in connection therewith, and
- to approve proposal for amendments to the Articles of Association.

Members of the Board of Directors

Indutrade's Board of Directors, which is elected by the AGM, consists of nine members including the CEO. No specific age limit for the board members, nor any term limit for how long a Director may sit on the Board, has been set.

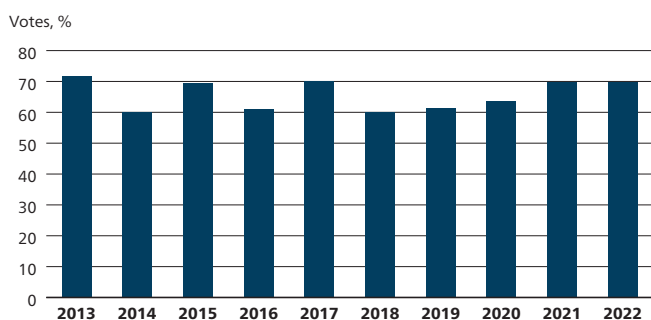
A presentation of the current assignments of the members of the Board can be found on pages 50–51 of this Annual Report. Mattias Karlsson, Mannheimer Swartling, is the Board's secretary. Other executives participate at Board meetings in a reporting role.

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

The work of the Board of Directors

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

AGM attendance



In addition, the Board has adopted numerous policies, including, Code of Conduct, a Finance Policy and an Investment Policy.

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

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

In 2022, the Board held a total of 14 meetings including the statutory meeting. The Board conducted its work during the year in accordance with the Board's work plan. Matters requiring special attention by the Board during the year pertained to strategy, finance, acquisitions and sustainability.

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

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

The Chair's role

The Chair 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 Chair monitors business activities through regular contact with the CEO and ensures that the other directors are provided with adequate information and decision-making documentation.

To ensure and improve the quality of the Board's work, an evaluation of the work it has done, along with the Board's composition, is carried out each year under the direction of the Chair of the Board. In 2022, the evaluation took place through a survey and individual interviews. The results of the evaluation were reported in writing to the board members, who thereafter discussed it together at the Board meeting in December. The Chair of the Board also reported on the results of the evaluation at a meeting of the Nomination Committee.

The Chair represents the Company on ownership matters.

Remuneration Committee

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

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

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

The committee held three meetings in 2022.

Audit Committee

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

evaluates the efficiency of the internal control system and the Group's risk management activities. It also monitors the financial structure.

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

Directors' fees

Fees are payable to the Chair of the Board and Directors in accordance with the AGM resolution. The Chair receives a fee of SEK 860,000, the Vice Chair receives a fee of SEK 645,000, and the other Directors receive a fee of SEK 430,000 each. However, no fee is payable to Directors who are employed by a company within the Indutrade Group. The Chair of the Audit Committee receives a fee of SEK 115,000 and each of the committee members receives a fee of SEK 58,000. The Chair and members of the Remuneration Committee each receive a fee of SEK 45,000. The total yearly amount of Board fees and fees to committee members thus amounts to SEK 4,451,000.

Nomination Committee

At the AGM on 6 May 2013, the decision was made in favour of a standing instruction for Indutrade's Nomination Committee, which shall apply until further notice. According to this instruction, the Nomination Committee ahead of a forthcoming AGM shall consist of representatives of four of the largest shareholders in terms of votes, plus the Chair of the Board, who shall also convene the first meeting of the Nomination Committee. The member representing the largest shareholder shall be appointed as Chair of the Nomination Committee. The composition of the Nomination Committee ahead of the AGM is to be based on ownership data as per 31 August each year and is to be publicly announced not later than six months prior to the AGM. The composition of the Nomination Committee ahead of the 2023 AGM was announced on 20 September 2022, based on ownership information as per 31 August 2022.

Nomination Committee composition

Representative	Shareholder	Share of votes as per 31 Aug 2022
Claes Boustedt	L E Lundbergföretagen, Committee Chair	26.6%
Dick Bergqvist	Tjänstepension and AMF Fonder	9.3%
Camilla Wirth	Alecta Tjänstepension Ömsesidigt	4.3%
Karin Eliasson	Handelsbanken Fonder	3.0%
Katarina Martinson	Chair of the Board	

The Nomination Committee has had two minuted meetings prior to the 2023 AGM, where, among other things, it took part in the evaluation of the Board's work during the past year and discussed the composition of the Board. The Nomination Committee shall prepare

proposals to be submitted to the Annual General Meeting for decision regarding the Chair of the Meeting, the Chair and other members of the Board, fees to the Board, remuneration and election of an auditor and principles for appointing a new Nomination Committee.

The Nomination Committee has applied Rule 4.1 of the Code as a diversity policy, i.e. the Board shall have a composition that is appropriate with regard to the company's operations, development stage and other conditions, characterised by versatility and breadth regarding the competence, experience and background of the members elected by the Annual General Meeting. It must also strive to have an even gender distribution on the Board. The 2022 Annual General Meeting resolved in accordance with the Nomination Committee's proposal.

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

The Nomination Committee proposes that Katarina Martinson be elected as Chair of the Board at the 2023 Annual General Meeting. The Committee also proposes the re-election of directors Susanna Campbell, Ulf Lundahl, Krister Mellvé, Lars Pettersson, Anders Jernhall, Kerstin Lindell and Bo Annvik. Bengt Kjell has declined re-election.

The Nomination Committee's proposal entails that the number of directors during the coming mandate period is eight.

A more detailed presentation of the members of the Board is provided on pages 50–51 of this Annual Report.

Operating activities

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

CEO

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

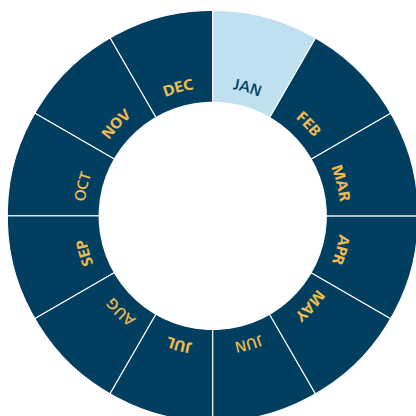
External auditor

At the 2022 AGM, the chartered accounting firm PricewaterhouseCoopers AB ("PwC") was elected as auditor for a term extending through the 2023 Annual General Meeting. The auditors maintain regular contact with the Audit Committee and the Group Management.

The lead partner since 2020 is Anna Rosendal, Authorised Public Accountant. The auditor's fee is reported in Note 11 of this Annual Report.

Indutrade's nine-month interim report for the 2022 financial year was reviewed by the Company's auditors.

Board meetings 2022



FEBRUARY Year-end report. Questions in preparation for the AGM. Report from the auditors, Audit Committee and Remuneration Committee. Business, financing and acquisition issues. Company presentation.

MARCH Decision about the Annual Report. Questions in preparation for the AGM. Business and financial issues.

APRIL AGM. Statutory meeting: decisions on company signatories, adoption of instructions and policies, appointment of Vice Chair, Remuneration Committee, Audit Committee, meeting schedule. Interim report January – March 2022. Business, financing, acquisition, investment and remuneration

issues. Report from the Audit Committee. Company presentation.

MAY Acquisition issues

JUNE Evaluation of acquisitions. Business, acquisition and remuneration issues. Competitor analysis. Company presentation.

JULY Interim report January – June 2022. Business and acquisition issues. Report from the Audit Committee.

AUGUST Acquisition issues

SEPTEMBER The Group's strategy, including acquisition, personnel and sustainability issues.

OCTOBER Interim report January – September 2022. Report from the Audit Committee regarding the review of the interim report. Report from the Remuneration Committee. Business and acquisition issues. Presentation of the MST business area.

NOVEMBER The Group's financial targets.

DECEMBER Budget and targets for 2023. Evaluation of the work done by the Board. Evaluation of the CEO and Group Management. Report from the Remuneration Committee and Audit Committee, including review of internal control. Business, personnel and acquisition issues. Presentation of the FMS business area.

Internal control over financial reporting

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, Finance Policy and Investment Policy. These policies are followed up and revised as needed. The Group Management continuously draws up instructions for the Group's financial reporting which, together with the policies adopted by the Board, are included in the Group's manual of instructions and policies.

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

Risk assessment

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

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

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

Control activities

The Indutrade Group was organised in eight business areas in 2022. In addition to a business area director, each business area management team also includes a controller function. The business area controller plays a central role in analysing and monitoring the business area's

financial reporting and in ensuring compliance by the companies in the business area with Group policies. The Parent Company has additional functions for continuous analysis and monitoring of financial reporting by the Group, the business areas and subsidiaries. The Parent Company's finance department also initiates work on the annual self assessment routine regarding internal control over financial reporting.

At the start of 2022, all companies owned by Indutrade were required to respond to a questionnaire designed to evaluate internal control based on the risk analysis. The responses were compiled and evaluated. As a complement to this work, the auditors validated parts of the respective companies' completed questionnaires. In addition to this, the controllers of the business areas and Parent Company monitor internal control through visits to a number of companies each year. Both the evaluation performed by the Company and the result of the auditors' validation were reported and discussed with the Audit Committee. Feedback is provided to the companies in the Group where a need for improved routines has been identified. The audit committee also presented the results to the Board. The evaluation of internal control over the Group's financial reporting will serve as documentation for the subsequent years' self assessment and work on further strengthening internal control.

Information and communication

The Company's governing documents, consisting of policies, guidelines and manuals – to the extent that these pertain to financial reporting – are updated on a regular basis and communicated to the companies within the Group. A number of trainings and informational meetings were held during the year, both in person and in digital formats. 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 company Boards of Directors and controllers on a regular basis at the business area and Parent Company levels. It is done in a variety of ways, such as special internal control visits. In addition, the controllers perform continuing analyses of the companies' reporting and financial outcomes to identify deviations and errors. 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.

Risk assessment



Board of Directors and auditors



Katarina Martinson



Bengt Kjell³⁾



Susanna Campbell



Anders Jernhall

Position	Chair since 2018 Director since 2015 Chair of the Remuneration Committee, member of the Audit Committee	Vice Chair since 2013 Director since 2002 Member of the Remuneration Committee until the 2022 AGM.	Director since 2017	Director since 2018 Member of the Audit Committee
	Works with asset management for Lundberg family, among others.	Own investment business	Own investment business	Executive Vice President and CFO of Holmen AB.
Born	1981	1954	1973	1970
Nationality	Swedish	Swedish	Swedish	Swedish
Education	M. Sc. Economics, Stockholm School of Economics	M. Sc. Economics, Stockholm School of Economics	M. Sc. Economics, Stockholm School of Economics	M. Sc. Economics, Stockholm School of Economics
Professional experience	Analyst at Handelsbanken Capital Markets, Vice President of Strategas Research Partners LLC, New York, Analysis of investment strategies investment research at ISI, International Strategy & Investment Group, New York.	Acting President and CEO of Industrivärden, President and CEO of Handel och Industri AB, Executive Vice President and Head of Investment Operations at Industrivärden, Head of Corporate Finance at Securum, Senior Partner and founder of Navet, Authorised Public Accountant.	President and CEO of Ratos. Various positions with McKinsey and Company, and Alfred Berg Fondkommission.	Various positions at Holmen and Citibank.
Other directorships	Director of L E Lundbergföretagen, Fastighets AB L E Lundberg, Fidelio Capital, Industrivärden, Husqvarna, Förvaltnings AB Lunden and L E Lundberg Kapitalförvaltning.	Vice Chair at Pandox and Logistea. Director of Industrivärden and ICA Gruppen, Dunker Foundations, and others.	Chair of Network of Design (NOD). Director of Kinnevik, Northvolt, H2 Green Steel AB and Estrid Studios AB.	Director of L E Lundberg Kapitalförvaltning.
Attendance at Board meetings	14/14	13/14	13/14	14/14
Attendance at Audit Committee meetings	5/5			5/5
Attendance at Remuneration Committee meetings	3/3	1/1 ⁴⁾		
Independent of Indutrade and its management	Yes	Yes	Yes	Yes
Independent in relation to major shareholders	No	Yes	Yes	No
Shareholding in Indutrade¹⁾	97,240,000 ²⁾	100,000	6,000	3,000

1) Holdings of shares in Indutrade AB are stated as of 31 December 2022 and they include the holdings of related parties (both individuals and legal entities).

2) 96,840,000 shares via L E Lundbergföretagen and 400,000 shares via Katarina Martinson AB.

3) Bengt Kjell will be resigning in conjunction of the AGM on 29 March 2023.

4) Resigned at the AGM and only participated in the meeting in January 2022.

5) Elected to the Board of Directors at the AGM and participated as a co-opted member at the third meeting.

6) Ulf Lundahl replaced Bengt Kjell at the AGM and therefore did not participate at the meeting in January 2022.



Kerstin Lindell

Director since 2022



Ulf Lundahl

Director since 2006
Chair of the Audit Committee
Member of the Remuneration Committee as of the 2022 AGM.



Krister Mellvé

Director since 2012



Lars Pettersson

Director since 2013
Member of the Remuneration Committee



Bo Annvik

Director since 2017
President and CEO

1967	1952	1949	1954	1965
Swedish	Swedish	Swedish	Swedish	Swedish
Honorary Doctor at LTH, PhD in Polymer Chemistry Economics. M. Sc. Engineering and Master in Business Administration.	Master of Laws and M. Sc. Economics	M. Sc. Business Administration and Economics	M. Sc. Engineering, Uppsala University, PhD h.c., Uppsala University	M. Sc. Business Administration and Economics
President and CEO of Bona AB, R&D Manager AkzoNobel.	Executive Vice President and Deputy CEO of L E Lundbergföretagen, President of Östgöta Enskilda Bank, Head of Swedish operations of Danske Bank, CEO of Danske Securities.	Various executive positions at Robert Bosch Group.	President and CEO of Sandvik AB, Sandvik Materials Technology, Sandvik Tooling and Sandvik Coromant.	President and CEO of Haldex, executive positions with Volvo Cars, SKF and Outokumpu.
Chair of Bona AB and Chamber of Commerce and Industry of Southern Sweden. Director of Nord-Lock, Inwido, Hexpol PEAB and IPCO AB.	Chair of Fidelio Capital and the investment committee, Nordstjärnan Kredit AB. Director at Holmen.	Director at Modular Management and Stein Automation.	Director at Husqvarna, Industrivärden and L E Lundbergföretagen.	Director at SSAB and Abdon Group AB.
10/12 ⁵⁾	13/14	14/14	14/14	14/14
	5/5			
	2/2 ⁶⁾		3/3	
Yes	Yes	Yes	Yes	No
Yes	Yes	Yes	No	Yes
3,000	36,000	142,500	6,300	48,172 Options: 300,000

Auditors

**PricewaterhouseCoopers AB
Anna Rosendal**

Authorized Public Accountant
Born 1975
Lead Partner of Indutrade since 2020

Other auditing assignments for listed companies:
Nobia and Addnode Group.

Group Management



BO ANNVIK

President and CEO
Born 1965
Nationality Swedish
Employed since 2017
Education M. Sc. Business Administration and Economics
Professional experience President and CEO of Haldex, executive positions with Volvo Cars, SKF and Outokumpu.
Number of shares 48,172
Number of options 300,000



PATRIK JOHNSON

CFO
Born 1970
Nationality Swedish
Employed since 2018
Education M. Sc. Business Administration and Economics
Professional experience CFO Sandvik Machining Solutions and Seco Tools. Various management positions as controller and in accounting/finance at ABB Sweden.
Number of shares 1,828



PETER ERIKSSON

Adviser to the CEO
Born 1953
Nationality Swedish
Employed since 1995
Education Technical college engineer, B. Sc. Market Economics, IFL
Professional experience CEO Indutrade Flödesteknik Grupp, CEO and partner of Alnab, Sales Manager at Alnab.
Number of shares 113,328



JUHA KUJALA

Senior Vice President Finland
Born 1967
Nationality Finnish
Employed since 2006
Education MBA, Technical college engineer
Professional experience CEO of Kontram Oy, CEO of Maansähkö Oy, COO and Sales Manager Kontram Oy, Export Manager Kalmar Industries Oy
Number of shares 31,888



PER-OLOW JANSSON

Senior Vice President Flow Technology
Born 1961
Nationality Swedish
Employed since 1995
Education Market Economics, IFL
Professional experience BUL Flow Technology AB, MD GPA Flow System AB
Number of shares 56,197



GÖTE MATTSSON

Senior Vice President Fluids & Mechanical Solutions
Born 1955
Nationality Swedish
Employed since 1999
Education B. Sc. Economics, Management studies
Professional experience President and Partner Industri Belos, President JSörling, Group Controller Transvector, Vice President Parator
Number of shares 65,428



JONAS HALVORD

Senior Vice President Acquisitions and Business Development
Born 1961
Nationality Swedish
Employed since 2018
Education B. Sc. Economics, Technical college engineer
Professional experience Director Mergers & Acquisitions SKF Group, CEO Provexa AB, CEO Svenska Skumsläcknings AB
Number of shares 1,828



SUSANN NYBERG

Head of Group Finance
Born 1963
Nationality Swedish
Employed since 2012
Education M. Sc. Business Administration and Economics
Professional experience Group Controller Addtech, Management Consultant KPMG, Financial Manager position at Telia, Financial Manager and Controller positions at SKF
Number of shares 8,842



MORGAN O'BRIEN

Senior Vice President
Business Development & President
UltraPure International (UPI)
Born 1961
Nationality Irish
Employed since 2013
Education Dip. Applied Science /
Instrument Physics
Professional experience
Senior Vice President Flow
Technology AB,
VD ESI Technologies Ltd.
Number of shares 25,123



PATRIK STOLPE

Senior Vice President
Measurement & Sensor Technology
Born 1965
Nationality Swedish
Employed since 2014
Education B. Sc. Electronics,
Industrial Marketing
Professional experience Global
Segment Manager Xylem, President
and CEO Lorentzen & Wettre.
Number of shares 24,691



PETER ROWLANDS

Senior Vice President UK
Born 1968
Nationality British
Employed since 2009
Education M. Eng. in Materials
Science and Technology, MBA
Professional experience Managing
Director Precision Products Ltd,
Managing Director TelesisEagle Ltd,
Group Operations Manager Edward
Pryor & Son Ltd
Number of shares 4,828



ROBERT TIMMER

Senior Vice President Benelux
Born 1969
Nationality Dutch
Employed since 1994
Education B. Sc. Mechanical
Engineering, studies in business
and management
Professional experience Sales
Manager Hitma B.V., Managing
Director Aluglas B.V., Managing
Director Hitma Group B.V.
Number of shares 9,328



MARKUS RÜDIN

Senior Vice President DACH
Born 1965
Nationality Swiss
Employed since 2011
Education M.A. HSG Economics
Professional experience Divisional
Controller Clariant, member of
management Clariant
Number of shares 4,828



ÅSA WIRSENIUS

Vice President Group People &
Sustainability
Born 1977
Nationality Swedish
Employed since 2018
Education M.Sc. in Human Resources
and Organisations
Professional experience People
Director Belron UK, HR Director
Carglass Nordics, HR positions at ICA,
Wasa Barilla and others.
Number of shares 1,828



JOAKIM SKANTZE

Senior Vice President
Industrial Components
Born 1967
Nationality Swedish
Employed since 2016
Education M. Sc. Electrical Engineering,
Senior Executive Program London
Business School
Professional experience Venture
Manager Traction, President Gnosjö
Plast, Business Area Manager and Partner
Schneider Grafiska, Senior Consultant
Accenture.
Number of shares 19,828

Remuneration Report 2022

This report describes how the guidelines for executive remuneration of Indutrade AB, adopted by the 2021 Annual General Meeting, were applied during 2022 (the "Remuneration Guidelines"). The report also provides information on remuneration to the CEO and a summary of the company's outstanding share and share price-related incentive programmes. The report has been prepared in accordance with the Swedish Companies Act and the Remuneration Rules on compensation to senior executives and on incentive programmes issued by the Swedish Corporate Governance Board.

Additional information on remuneration to senior executives can be found in Note 8 (Wages, salaries and other remuneration, and social security costs) in the Annual Report for 2022. Information about the Remuneration Committee's work during 2022 can be found in the Corporate Governance Report in the Annual Report for 2022.

Board fees are not covered in this report. Those are decided each year at the AGM and reported in Note 8 of the Annual Report for 2022.

The CEO summarizes the company's overall development and results in the CEO's message in the Annual Report for 2022.

During the year, the Board also adopted a policy for senior executives' share ownership. The recommended share ownership over time in relation to fixed annual salary is 100% for the CEO and 50% for other members of the Group management team.

The remuneration guidelines

A prerequisite for the successful implementation of the company's business strategy and safeguarding of the company's long-term interests, including its sustainability, is that Indutrade is able to recruit and retain management with high qualifications. To this end, the company must offer competitive remuneration and other terms of employment. The forms of compensation should motivate members of the executive management to perform their utmost in order to safeguard the interests of the shareholders. The total remuneration shall be on market terms, straightforward, long-term and quantifiable, and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Variable cash remuneration covered by the Remuneration Guidelines shall aim to promote the company's business strategy and long-term interests, including its sustainability.

The Remuneration Guidelines are included in their entirety in the Annual Report for 2022. In 2022, the company followed the applicable Remuneration guidelines adopted by the AGM. No deviations from the Remuneration Guidelines have been made and neither were there any deviations from the decision process which, according to the Remuneration Guidelines must be applied to establish remuneration. The auditor's report regarding the company's compliance with the Remuneration Guidelines is available on the company's website <https://www.indutrade.com/aboutindutrade/corporate-governance/remuneration/>. No remuneration has been reclaimed. In addition to remuneration covered by the Remuneration Guidelines, the Annual General Meeting of the company has previously resolved to implement long-term share-related incentive plans. The plans are clearly linked to the business strategy and the company's long-term value creation by being linked to earnings development.

In 2022, the Board carried out a review of the current Remuneration Guidelines. Evaluation of the Remuneration Guidelines included a comparison of the remuneration levels at companies of comparable size and complexity. In order for the total remuneration to be more market-based and competitive, the Board is proposing that the 2023 AGM adopts the revised guidelines, which would raise the maximum outcome of variable remuneration to the CEO from the current maximum of 50% of fixed annual salary to a maximum of 70% of fixed annual salary.

Variable cash remuneration

Variable cash remuneration is linked to predetermined and measurable criteria with a clear connection to the company's financial targets. The outcome is linked to fulfilment of established goals on the Group's profit before taxes for people in Group roles and for business area

managers, it is linked to EBITA results. The Board of Directors is responsible for making that assessment as regards the CEO. For the other members of the Group management team, the CEO makes the assessment. The outcome for the financial year 2022 amounts to 100 % of the maximum outcome for the CEO and 99% as an average for others in the Group management team.

Outstanding share and share price related incentive programmes

The main purpose of long-term incentive programmes is to create additional incentives for increased commitment and higher performance among the participants, to strengthen the opportunities to recruit and retain key people and to create a common ownership interest between the participants and the shareholders.

During 2022, Indutrade had three outstanding long-term incentive programmes for senior executives and key personnel: a warrant program (LTI 2017) that expired in May 2022 and two performance-based share programmes (LTIP 2021 and LTIP 2022).

LTI 2017

The LTI 2017 warrant programme expired in May 2022 and it consisted of two series that included approximately 100 senior executives (including the CEO) and key personnel. The warrants were acquired by the participants in 2017 at a calculated market price. For the warrants the person was guaranteed, Indutrade paid a cash subsidy of a total of 120% of the price paid by the participants during the programme's duration. Acquired warrants in excess of the guaranteed number have not been subsidised. The subsidy was paid to the participants on two occasions and in equal parts, provided that the participant, at the time of payment, had not sold any warrants and that the participant remained in employment. Half of the subsidy was paid out in 2019 and half in 2020. Subscription of shares could take place during specially specified subscription periods between 27 April 2020 up to and including 20 May 2022 at a price of SEK 81.60 for Series I and SEK 92.30 for Series II, recalculated after the 2:1 bonus issue in December 2020.

LTIP 2021 and LTIP 2022

LTIP 2021 and LTIP 2022 are performance-based share programmes for senior executives (including the CEO) and key personnel. Participation requires own investment in Indutrade shares. These are referred to as Investment shares. For every Investment share acquired, a number of performance share rights were allotted, each of which, at the end of a 3-year vesting period, can give the holder the right to receive up to one Indutrade share. In order to be allocated those shares, the employee must remain in employment, the Investment shares must still be held and the performance requirements of the particular programme must be met.

The performance condition for LTIP 2021 is linked to compound annual growth rate (CAGR) of the earnings per share (EPS) for the Indutrade share during the performance period 2021–2023. EPS for 2020 is used as the basis for calculating CAGR. The maximum value of the performance shares that can be allotted for each performance share right is limited to SEK 381 (corresponding to 200% of the volume-weighted average price paid for the Indutrade share during the last five trading days in February 2021).

The performance condition for LTIP 2022 is linked to the accumulated earnings per share (EPS) for the Indutrade share during the performance period 2022–2024. The maximum value of the performance shares that can be allotted for each performance share right is limited to SEK 418 (corresponding to 200% of the volume-weighted average price paid for the Indutrade share during 17–23 February 2022).

Within the scope of LTIP 2021, the CEO acquired 3,955 investment shares and within the scope of LTIP 2022, the CEO acquired 2,217 investment shares. For these Investment shares, the CEO received 19,775 and 13,302 performance share rights respectively which, after the relevant programme period has ended, may entitle him to receive the same number of Indutrade shares.

Change in remuneration and the company's earnings during the last five financial years

	2022 vs. 2021	2021 vs. 2020	2020 vs. 2019	2019 vs. 2018	2018 vs. 2017
Remuneration to the CEO ¹⁾					
Annual change in total remuneration (%)	6%	10%	6%	0%	1%
Net profit for the year, Group					
Annual change in Net profit for the year (%), Group	28%	26%	13%	8%	33%
Remuneration to employees ²⁾					
Annual change in total remuneration (%), Sweden	5%	7%	3%	1%	3%

¹⁾ The remuneration refers to the sum of all remuneration components as they are reported in the table below.

²⁾ Calculated on the average number of employees in full-time equivalents in the Group's companies in Sweden. The number of employees in the Parent Company, excluding Group management, is considered to be too small to constitute a relevant benchmark.

Remuneration to the CEO in shares

	Programme	Number of invested shares	Number of allotted share rights	Value of allotted share rights, SEK t	Number of vested shares	Number of forfeited share rights	Number of outstanding share rights	Value of vested shares (SEK t)
Bo Annvik	LTIP 2021	3,955	19,775	4,198 ¹⁾	–	–	19,775	–
Bo Annvik	LTIP 2022	2,217	13,302	2,999 ²⁾	–	–	13,302	–

¹⁾ Share price 212.30 at the program start date of 8 June 2021 multiplied by the number of allotted share rights, on the condition of maximum performance results.

²⁾ Share price 225.47 at the program start date of 30 May 2022 multiplied by the number of allotted share rights, on the condition of maximum performance results.

Total remuneration to the CEO in 2022¹⁾

		Base salary ²⁾	One-year variable remuneration ³⁾	Multi-year variable remuneration ⁴⁾	Benefits ⁵⁾	Occupational pension ⁶⁾	Total remuneration
Bo Annvik	Amount in SEK thousand	10,127	4,950	0	571	3,465	19,133
Bo Annvik	SEK t / Share of total remuneration	53%	26%	0%	3%	18%	

¹⁾ The table shows the recognised cost for remuneration to the CEO.

²⁾ Base salary refers to monthly salary, vacation pay and other taxable cost reimbursements.

³⁾ Refers to the short-term incentive programme for 2022, paid out in the beginning of the next year.

⁴⁾ Incentive programmes, LTIP 2021 and LTIP 2022, which are described above, are still ongoing. The year's recognised cost as per IFRS 2 amounted to SEK 1,788 thousand (720).

⁵⁾ Primarily refers to double housing (housing, garage and home travels), as well as car and fuel.

⁶⁾ Pension is only based on base salary.

Proposed distribution of earnings

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

Share premium reserve	256
Reserve for fair value	0
Retained earnings	6,401
Net profit for the year	2,565
Total	9,222

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

Dividend of SEK 2.60 per share	947
To be carried forward	8,275
Total	9,222

The dividend proposed by the Board of Directors corresponds to 10% of the Parent Company's equity and 7% of the Group's equity. Indutrade's dividend policy is that the dividend shall, over time, amount to between 30% and 50% of net profit.

In light of the expected economic development, 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 41%. After payment of the proposed dividend, it is judged that Indutrade will continue to have a favourable financial position.

Board's assurance

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

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

Stockholm 6 March 2023

Katarina Martinson
Chair of the Board

Bengt Kjell
Vice Chair of the Board

Susanna Campbell
Director

Anders Jernhall
Director

Kerstin Lindell
Director

Ulf Lundahl
Director

Krister Mellvé
Director

Lars Pettersson
Director

Bo Annvik
President and CEO, Director

Our audit report was submitted on 8 March 2023

PricewaterhouseCoopers AB

Anna Rosendal
Authorised Public Accountant
Lead Partner

Financial statements

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Consolidated income statement

SEK million	Note	2022	2021
Net sales	3, 4	27,016	21,715
Cost of goods sold		-17,654	-14,106
Gross profit		9,362	7,609
Development costs		-334	-258
Selling costs		-3,975	-3,279
Administrative expenses		-1,560	-1,231
Other operating income	6	325	148
Other operating expenses	6	-198	-164
Operating profit	5, 8, 9, 10, 11	3,620	2,825
Financial income	12	44	29
Financial expenses	13	-224	-129
Profit after financial items		3,440	2,725
Tax	15	-759	-628
Net profit for the year		2,681	2,097
Profit attributable to			
Equity holders of the parent company		2,682	2,095
Non-controlling interests		-1	2
Earnings per share attributable to equity holders of the parent, SEK		7.36	5.76
Earnings per share after dilution, attributable to equity holders of the parent, SEK		7.36	5.75
Average number of shares before dilution, '000		364,270	363,921
Average number of shares after dilution, '000		364,303	364,180
Proposed dividend per share, SEK		2.60	2.30

Consolidated statement of comprehensive income

SEK million	Note	2022	2021
Net profit for the year		2,681	2,097
Other comprehensive income			
<i>Items that can be reversed into income statement</i>			
Fair value adjustment of hedge instruments	2	4	1
Tax attributable to fair value adjustments	15	-1	0
Exchange rate differences		516	203
<i>Items that cannot be reversed into income statement</i>			
Actuarial gains/losses	25	137	54
Tax on actuarial gains/losses	15	-29	-11
Other comprehensive income, net of tax		627	247
Total comprehensive income for the period		3,308	2,344
Comprehensive income attributable to			
Equity holders of the parent company		3,309	2,342
Non-controlling interests		-1	2

Comments on the consolidated income statement

Order intake

Order intake amounted to SEK 27,701 million (23,474) for the financial year, which is an increase of 18%. Comparable units increased by 6%, acquisitions contributed 7%, divestments had a marginal impact and currency movements had a positive impact of 5%.

Net sales

During the year, net sales increased by 24% to SEK 27,016 million (21,715). Comparable units increased by 12%, acquisitions contributed 8%, divestments had a marginal impact and currency movements had a positive impact of 4%.

Operating profit, EBITA

For the full year, operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 4,098 million (3,202), an increase of 28%. Comparable units increased by 14%, acquisitions contributed 9% and currency movements had a positive impact of 5%. The EBITA margin increased and amounted to 15.2% (14.7%). The gross margin amounted to 34.7% (35.0%).

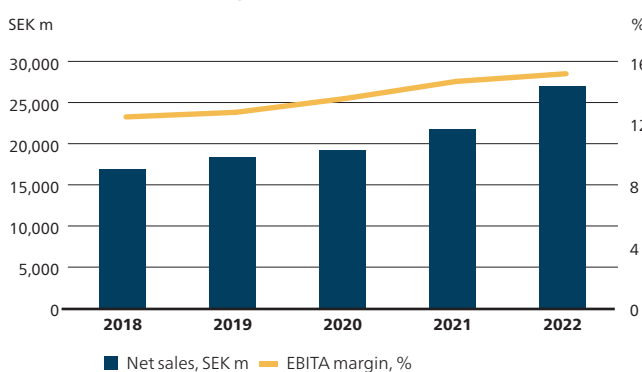
Net financial items and profit for the year

Net financial items for the full year amounted to SEK –180 million (–100). Tax on profit for the year amounted to SEK –759 million (–628), corresponding to a tax charge of 22% (23%). Profit for the period increased by 28% and amounted to SEK 2,681 million (2,097). Earnings per share before dilution increased by 28% and amounted to SEK 7.36 (5.76).

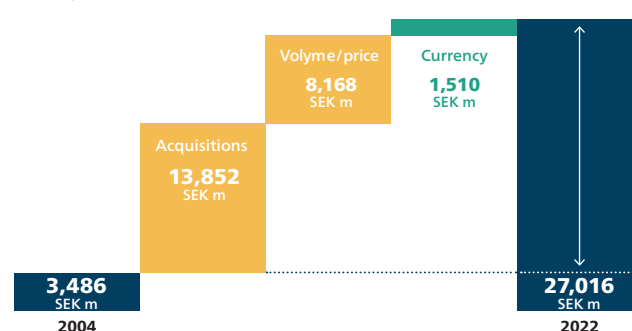
Values for each quarter

SEK million	Jan–Mar	Apr–Jun	Jul–Sep	Oct–Dec
Net sales	6,398	6,683	6,707	7,228
EBITA	959	1,023	1,035	1,081
EBITA margin, %	15.0	15.3	15.4	15.0
Profit after tax	638	675	691	677
Earnings per share, SEK	1.75	1.85	1.90	1.86

Net sales and EBITA margin



Sales growth, SEK m



Consolidated balance sheet

SEK million	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	16	12,057	8,770
Property, plant and equipment	17	2,811	2,321
Right-of-use assets	18	1,234	1,064
Financial assets	15, 19, 20	160	204
Total non-current assets		16,262	12,359
Current assets			
Inventories	21	5,605	4,010
Trade receivables	22	4,452	3,458
Contract assets	4	231	166
Current tax assets		106	42
Other current receivables		343	292
Prepaid expenses	23	274	213
Cash and cash equivalents	30, 31	1,589	1,460
Total current assets		12,600	9,641
TOTAL ASSETS		28,862	22,000
EQUITY AND LIABILITIES			
Equity			
Share capital		729	728
Reserves		844	325
Retained earnings incl. net profit for the year		11,186	9,239
Total equity attributable to owners of the parent		12,759	10,292
Non-controlling interests		14	11
Total equity		12,773	10,303
Non-current liabilities			
Interest-bearing liabilities	18, 24, 31	7,660	5,186
Other non-current liabilities		1	1
Pension obligations	25	243	350
Deferred tax liabilities	15	1,279	953
Other provisions	26	20	22
Total non-current liabilities		9,203	6,512
Current liabilities			
Interest-bearing liabilities	18, 24, 31	2,266	1,413
Trade payables		1,870	1,597
Contract liabilities	4	331	207
Current tax liabilities		419	284
Other current liabilities		745	619
Accrued expenses	27	1,255	1,065
Total current liabilities		6,886	5,185
Total liabilities		16,089	11,697
TOTAL EQUITY AND LIABILITIES		28,862	22,000

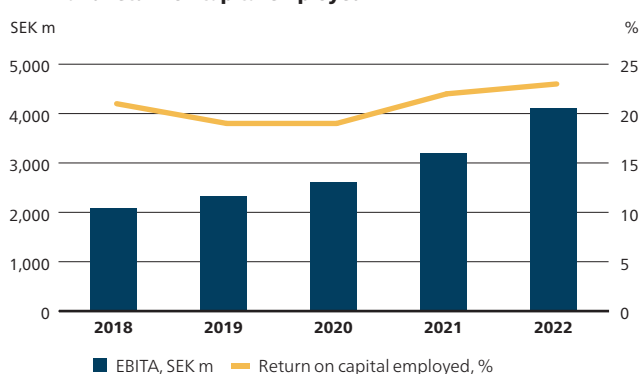
Information on pledged assets and contingent liabilities is provided in Notes 28 and 29.

Profitability and financial position

The return on capital employed was 23% (22%), and the return on equity was 24% (23%).

Shareholders' equity amounted to SEK 12,773 million (10,303) and the equity ratio to 44% (47%). Cash and cash equivalents amounted to SEK 1,589 million (1,460). In addition to that, there were unutilised credit commitments of SEK 4,985 million (4,981). Interest-bearing net debt amounted to SEK 8,580 million (5,489) at the end of the period. The increase compared to last year is primarily attributable to a higher rate of acquisition. The net debt/equity ratio was 67% (53%) at the end of the period.

EBITA and return on capital employed



Consolidated statement of changes in equity

SEK million	Attributable to equity holders of the parent company				Non-controlling interests	Total equity
	Share capital	Reserves	Retained earnings	Total		
OPENING BALANCE, 1 JANUARY 2021	727	121	7,776	8,624	10	8,634
Comprehensive income						
Net profit for the year	–	–	2,095	2,095	2	2,097
Other comprehensive income						
Fair value adjustment of hedge instruments	–	1	–	1	–	1
Tax attributable to fair value adjustments	–	0	–	0	–	0
Actuarial gains/losses	–	–	54	54	–	54
Tax on actuarial gains/losses	–	–	–11	–11	–	–11
Exchange rate differences	–	203	–	203	0	203
Total comprehensive income	–	204	2,138	2,342	2	2,344
Transactions with shareholders						
Acquisitions of non-controlling interests	–	–	–	–	–	–
Sale of shares with non-controlling interests	–	–	–	–	–1	–1
Dividend paid for 2020	–	–	–655 ¹⁾	–655	–	–655
New issues	1	–	47	48	–	48
Hedging of incentive programme	–	–	–80	–80	–	–80
Share-based payments	–	–	13	13	–	13
Total transactions with shareholders	1	–	–675	–674	–1	–675
CLOSING BALANCE, 31 DECEMBER 2021	728	325	9,239	10,292	11	10,303
OPENING BALANCE, 1 JANUARY 2022	728	325	9,239	10,292	11	10,303
Comprehensive income						
Net profit for the year	–	–	2,682	2,682	–1	2,681
Other comprehensive income						
Fair value adjustment of hedge instruments	–	4	–	4	–	4
Tax attributable to fair value adjustments	–	–1	–	–1	–	–1
Actuarial gains/losses	–	–	137	137	–	137
Tax on actuarial gains/losses	–	–	–29	–29	–	–29
Exchange rate differences	–	516	–	516	0	516
Total comprehensive income	–	519	2,790	3,309	–1	3,308
Transactions with shareholders						
Acquisitions of non-controlling interests	–	–	–4	–4	4	0
Sale of shares with non-controlling interests	–	–	0	0	0	0
Dividend paid for 2021	–	–	–837 ²⁾	–837	–	–837
New issues	1	–	10	11	–	11
Hedging of incentive programme	–	–	–44	–44	–	–44
Share-based payments	–	–	32	32	–	32
Total transactions with shareholders	1	–	–843	–842	4	–838
CLOSING BALANCE, 31 DECEMBER 2022	729	844	11,186	12,759	14	12,773

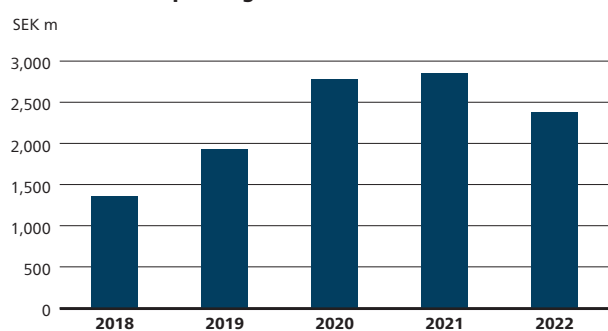
¹⁾ The dividend per share for 2020 was SEK 1.80.

²⁾ The dividend per share for 2021 was SEK 2.30. The proposed dividend per share for 2022 is SEK 2.60.

Consolidated statement of cash flows

SEK million	Note	2022	2021
Operating activities			
Operating profit		3,620	2,825
<i>Adjustment for</i>			
Depreciation/amortisation	9, 16, 17	1,258	1,058
Adjustment of contingent consideration	32	-138	-62
Net profit from sale of operations, property, plant and equipment, intangible assets and shares		66	-8
Other non-cash items		34	92
Paid tax		-764	-638
<i>Change in working capital</i>			
Inventories		-1,012	-374
Trade receivables		-611	-149
Trade payables		98	288
Other operating assets and liabilities, net		-33	-107
Interest received		36	15
Interest paid		-160	-84
Other financial items		-22	-3
Cash flow from operating activities		2,372	2,853
Investing activities			
Acquisitions of subsidiaries and operations	32	-2,828	-1,667
Sales of subsidiaries and operations	32	2	7
Acquisitions of property, plant and equipment	17	-511	-339
Sales of property, plant and equipment	17	49	17
Acquisitions of intangible non-current assets	16	-36	-35
Decrease in financial assets		7	17
Increase in financial assets		0	0
Cash flow from investing activities		-3,317	-2,000
Financing activities			
Borrowings	31	3,949	4,303
Repayment of debt	31	-1,724	-3,545
Amortisation leasing	18, 31	-408	-351
Dividend paid out		-837	-655
New issues		11	48
Cash flow from financing activities		991	-200
Cash flow for the year		46	653
Cash and cash equivalents at start of year		1,460	758
Exchange rate differences in cash and cash equivalents		83	49
Cash and cash equivalents at end of year	30, 31	1,589	1,460

Cash flow from operating activities



Parent company

The main functions of Indutrade AB are to take responsibility for business development, acquisitions, financing, business control, analysis, communication, HR and sustainability. The Parent Company's net sales, which consist entirely of internal invoicing of services, amounted to SEK 11 million (9) during the year. The Parent Company's financial fixed assets consist mainly of shares in subsidiaries. During the year, the Parent Company acquired

shares in eleven new companies. The Parent Company has not made any major investments in intangible assets or in property, plant and equipment. The number of employees as of 31 December was 21 (20). Receivables and payables to Group companies primarily consist of loans granted and received to and from subsidiaries.

Income statement Parent Company

SEK million	Note	2022	2021
Net sales		11	9
Gross profit		11	9
Administrative expenses	5	-146	-132
Other operating income and expenses	6	-	-
Operating profit	8, 9, 10, 11	-135	-123
Financial income	12	261	154
Financial expenses	13	-170	-80
Profit from participations in Group companies	14	1,927	1,288
Profit after financial items		1,883	1,239
Group contributions received		1,148	967
Group contributions rendered		-186	-126
Change in tax allocation reserve		-112	-80
Excess depreciation of equipment		0	0
Profit before taxes		2,733	2,000
Tax	15	-168	-149
Net profit for the year		2,565	1,851

Statement of comprehensive income Parent Company

SEK million	Note	2022	2021
Net profit for the year		2,565	1,851
Other comprehensive income			
<i>Items that can be reversed into income statement</i>			
Fair value adjustment of hedge instruments	2	3	1
Tax attributable to fair value adjustments	15	0	0
Other comprehensive income, net of tax		3	1
Total comprehensive income for the period		2,568	1,852

Balance sheet Parent Company

SEK million	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	16	1	0
Property, plant and equipment	17	2	1
Financial assets	15, 19, 20	9,785	6,971
Total non-current assets		9,788	6,972
Current assets			
Receivables from Group companies		10,861	8,672
Other receivables		60	52
Prepaid expenses	23	18	22
Cash and cash equivalents	30	592	489
Total current assets		11,531	9,235
TOTAL ASSETS		21,319	16,207
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	35	729	728
Statutory reserve		5	5
		734	733
<i>Unrestricted equity</i>			
Share premium reserve		256	246
Reserve for fair value		0	-3
Retained earnings		6,401	5,427
Net profit for the year		2,565	1,851
		9,222	7,521
Total equity		9,956	8,254
Untaxed reserves			
Tax allocation reserve	36	867	755
Excess depreciation of equipment		0	0
Total untaxed reserves		867	755
Non-current liabilities			
Non-current interest-bearing liabilities	24	6,355	3,900
Pension obligations	25	31	25
Deferred tax liabilities	15	4	0
Total non-current liabilities		6,390	3,925
Current liabilities			
Interest-bearing liabilities	24	1,536	835
Trade payables		7	5
Liabilities to Group companies		2,384	2,354
Other current liabilities		79	38
Current tax liabilities		46	0
Accrued expenses	27	54	41
Total current liabilities		4,106	3,273
TOTAL EQUITY AND LIABILITIES		21,319	16,207

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

Parent Company statement of changes in equity

SEK million	Share capital	Reserves	Share premium reserve	Reserve for fair value	Retained earnings	Total
OPENING BALANCE, 1 JANUARY 2021	727	5	199	-4	6,161	7,088
Comprehensive income						
Net profit for the year	-	-	-	-	1,851	1,851
Other comprehensive income						
Fair value adjustment of hedge instruments	-	-	-	1	-	1
Tax attributable to fair value adjustments	-	-	-	0	-	0
Total comprehensive income	-	-	-	1	1,851	1,852
Transactions with shareholders						
Dividend paid for 2020	-	-	-	-	-655 ¹⁾	-655
New issues	1	-	47	-	-	48
Stock swap	-	-	-	-	-80	-80
Employee benefit expenses	-	-	-	-	1	1
Total transactions with shareholders	1	-	47	-	-734	-686
CLOSING BALANCE, 31 DECEMBER 2021	728	5	246	-3	7,278	8,254
OPENING BALANCE, 1 JANUARY 2022	728	5	246	-3	7,278	8,254
Comprehensive income						
Net profit for the year	-	-	-	-	2,565	2,565
Other comprehensive income						
Fair value adjustment of hedge instruments	-	-	-	3	-	3
Tax attributable to fair value adjustments	-	-	-	0	-	0
Total comprehensive income	-	-	-	3	2,565	2,568
Transactions with shareholders						
Dividend paid for 2021	-	-	-	-	-837 ²⁾	-837
New issues	1	-	10	-	-	11
Hedging of incentive programme	-	-	-	-	-44	-44
Employee benefit expenses	-	-	-	-	4	4
Total transactions with shareholders	1	-	10	-	-877	-866
CLOSING BALANCE, 31 DECEMBER 2022	729	5	256	0	8,966	9,956

¹⁾ The dividend per share for 2020 was SEK 1.80.

²⁾ The dividend per share for 2021 was SEK 2.30. The proposed dividend per share for 2022 is SEK 2.60.

Cash flow statement Parent Company

SEK million	Note	2022	2021
Operating activities			
Operating profit		-135	-123
<i>Adjustment for</i>			
Depreciation, amortisation and impairment losses	9, 16, 17	1	0
Other non-cash items		5	6
Paid tax		-110	-117
<i>Change in working capital</i>			
Trade receivables		-	-
Trade payables		2	1
Other operating assets and liabilities, net		-2,030	-858
Interest received		261	153
Interest paid		-148	-56
Group contributions received and dividend income		2,778	1,693
Other financial items		-15	-20
Cash flow from operating activities		609	679
Investing activities			
Acquisitions of subsidiaries	19	-2,338	-664
Divestment of subsidiaries	19	-	33
Acquisitions of non-current intangible assets and property, plant and equipment	16, 17	-1	0
Cash flow from investing activities		-2,339	-631
Financing activities			
Borrowings		3,917	4,280
Repayment of debt		-1,258	-3,232
Dividend paid out		-837	-655
New issues		11	48
Cash flow from financing activities		1,833	441
Cash flow for the year		103	489
Cash and cash equivalents at start of year		489	0
Cash and cash equivalents at end of year	30	592	489

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

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

01

Accounting and valuation principles

General information

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

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

These consolidated financial statements, prepared by the Indutrade Group as of 31 December 2022, were approved by the Board of Directors for publication on 6 March 2023. The consolidated and parent company income statements and balance sheets will be presented for adoption by the Annual General Meeting on 29 March 2023.

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

Basis of preparation

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

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

Standards, amendments and interpretations that apply as from 1 January 2022

There are no new IFRS or IFRIC pronouncements endorsed that have had a significant impact on the Group's result of operations and position in 2022.

No newly issued IFRS or interpretations have been applied prospectively.

Standards, amendments and interpretations that apply as from 1 January 2023

There are no new IFRS or IFRIC pronouncements endorsed that will have a significant impact on the Group's result of operations and position in 2023.

No newly issued IFRS or interpretations have been applied prospectively.

Basis of consolidation

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

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

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

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

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

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

Classification

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

Translation of foreign currency

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

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

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

Financial statements

Note 1 continued

Transactions and balance sheet items in foreign currency

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

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

Important estimations and assumptions for accounting purposes

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

Parent company

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

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

Derivative instruments

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

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

Cash flow hedging

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

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

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

Holdings of shares and participation in unlisted companies

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

02

Risks and risk management

Accounting principles

Financial instruments

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

Trade payables

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

Financial risks

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

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

Finance policy

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

Note 2 continued

Funding risk and liquidity risk

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

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

In order to secure its long-term financing, there are revolving credit facilities. They amount to SEK 4,250 million, of which SEK 3,500 million spans 4 years. At year-end the facilities were unutilised.

Indutrade's agreements with the banks contain covenants, i.e. thresholds on certain KPIs. All of the covenants were met with a good margin during the year.

Indutrade has had a commercial paper programme in place since 2014. As of the end of the financial year, the framework of the programme was SEK 3,000 million.

Indutrade also has an MTN program (Medium Term Note), which during the year received an extended loan limit and now amounts to a total of SEK 10,000 million.

The Group's interest-bearing net debt was SEK 8,580 million (5,489) at year-end.

At year-end, the Group had SEK 1,589 million (1,460) in cash and cash equivalents and SEK 4,985 million (4,981) in unutilised overdraft facilities. Of the Group's interest-bearing loans, 79% of the total principal falls due for payment after 31 December 2023. For a more detailed maturity analysis, see the description of the Group's borrowings in Note 24.

The Group strives to maintain a reasonable balance between equity, debt financing and liquidity, to enable the Group to secure funding at a reasonable capital cost. The Group's goal is that the net debt/equity ratio, defined as interest-bearing liabilities less cash and cash equivalents in relation to equity, normally should not exceed 100%. At year-end the debt/equity ratio was 67% (53%).

Interest rate risk

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

The Parent Company has entered into a contract to hedge SEK 250 million of its borrowing at variable interest against fixed interest. The contract expires in 2023. The difference between the fixed and variable interest is expensed in the income statement. The valuation of interest rate swaps for the year amounted to SEK 2 million (2) before tax, which is recognised in other comprehensive income. The Parent Company had a corresponding gain of SEK 2 million (2).

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 -54 million (-36), taking into account the loans' fixed interest periods. Taking into account the existing interest rate swaps, the effect would be approximately SEK -52 million (-34). Profit after tax would be affected by SEK -41 million (-27).

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

For information on the utilisation of bank overdraft facilities, granted credit limits and contingent earn-out payments see Note 24. For leasing liabilities, see note 18.

Maturity dates for loans and contingent earn-out payment, incl. interest

	Group		Parent company	
	2022	2021	2022	2021
Maturity in 2022	-	1,110	-	876
Maturity in year 2023	1,998	1,587	1,751	1,396
Maturity in year 2024	2,178	1,243	1,935	1,065
Maturity in year 2025	2,156	938	1,972	761
Maturity in year 2026	1,956	775	1,942	756
Maturity in 2027 or later	1,079	-	1,021	-
Total borrowings incl. interest, SEK million	9,367	5,653	8,621	4,854

Currency risk

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

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

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

The consolidated income statement includes SEK 47 million (-5), net, in exchange rate differences in operating profit and SEK 6 million (14), net, in net financial items.

With respect to operational transaction exposure, at 31 December 2022 Indutrade had net exposure of SEK 199 million (-7) in foreign currency. See the breakdown of currencies in the following table.

Net exposure at year-end

Group SEK million	2022		2021	
	Local currency	SEK	Local currency	SEK
DKK	12.3	18	4.3	6
EUR	11.3	126	3.1	32
USD	9.2	96	-1.0	-9
CHF	-0.4	-5	-0.8	-7
GBP	-3.1	-39	-2.2	-27
Other currencies		3		-2
Total		199		-7

At year-end, the Group had outstanding forward contracts to reduce the currency risk associated with future cash flows. All of the contracts mature within 25 months. Market valuation of outstanding forward contracts as per 31 December 2022 resulted in an unrealised gain of SEK 1 million (-1) before tax, which is recognised in other comprehensive income.

Financial statements

Note 2 continued

Forward contracts

Group SEK million	2022	2021
USD	193	142
EUR	111	75
GBP	16	35
SGD	9	10
NOK	4	–
SEK	1	18
DKK	1	6
AUD	–	1
Total	335	287

In addition to that, the Parent Company has hedged outstanding receivables on, and liabilities to subsidiaries along with contingent earn-out payments. Receivables from subsidiaries increased during the year.

Forward contracts

Parent Company SEK million	2022	2021
EUR	2,233	2,058
GBP	2,707	2,220
CHF	594	267
USD	228	167
NOK	79	125
DKK	54	55
PLN	26	33
AUD	3	3
CZK	–	29
Total	5,924	4,957

All contracts mature within 26 months.

The Group is exposed to a translation risk associated with translation of the accounts of foreign subsidiaries to the Group currency, SEK. This type of currency risk is not hedged. Net investments in foreign subsidiaries at year-end are shown in the table below. Indutrade also had net investments in other currencies in both 2022 and 2021, but the amounts were insignificant.

Net investments in foreign subsidiaries

Group Net exposure in millions	2022		2021	
	Local currency	SEK	Local currency	SEK
EUR	607	6,752	429	4,384
GBP	170	2,145	180	2,197
DKK	1,195	1,788	809	1,113
NOK	723	765	712	730
CHF	59	661	42	416
Total		12,111		8,840

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 203 million (160) on net sales and approximately SEK 19 million (15) on net profit. The effect on equity of a 1% change would be SEK 125 million (93).

Customer and counterparty risks

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

The risk of the Group's customers failing to meet their obligations, i.e., of payment not being received from customers, constitutes a customer credit risk. Assessment of Indutrade's credit risk in commercial transactions is handled by the respective subsidiaries. The Indutrade Group does business in many countries, which entails a spread of credit risk exposure over several geographic areas. No single customer accounts for more than 3% of sales. For information on sales per geographic area, see Note 4.

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

Financial assets and liabilities

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

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

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

Contingent earn-out payments

	2022	2021
Opening book value	861	549
Acquisitions during the year	659	418
Consideration paid	–235	–73
Reclassified via income statement	–139	–62
Interest expenses	14	9
Exchange rate differences	60	20
Closing book value	1,220	861

Note 2 continued

The Group's financial assets and liabilities in 2022

	Interest rate swaps and currency forward contracts in hedge accounting	Amortised cost	Holdings of shares and participation in unlisted companies	Contingent earn-out payments	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Valuation classification	Level 2		Level 3	Level 3			
Other shares and participations	–	–	13	–	–	13	13
Trade receivables	–	4,452	–	–	–	4,452	4,452
Other receivables	5	24	–	–	–	29	29
Cash and cash equivalents	–	1,589	–	–	–	1,589	1,589
Total	5	6,065	13	–	–	6,083	6,083
Non-current interest-bearing liabilities	–	–	–	979	6,681	7,660	7,626
Current interest-bearing liabilities	–	–	–	241	2,025	2,266	2,266
Trade payables	–	–	–	–	1,870	1,870	1,870
Other liabilities	2	–	–	–	–	2	2
Total	2	–	–	1,220	10,576	11,798	11,764

The Group's financial assets and liabilities in 2021

	Interest rate swaps and currency forward contracts in hedge accounting	Amortised cost	Holdings of shares and participation in unlisted companies	Contingent earn-out payments	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Valuation classification	Level 2		Level 3	Level 3			
Other shares and participations	–	–	14	–	–	14	14
Trade receivables	–	3,458	–	–	–	3,458	3,458
Other receivables	3	26	–	–	–	29	29
Cash and cash equivalents	–	1,460	–	–	–	1,460	1,460
Total	3	4,944	14	–	–	4,961	4,961
Non-current interest-bearing liabilities	–	–	–	600	4,586	5,186	5,199
Current interest-bearing liabilities	–	–	–	261	1,152	1,413	1,413
Trade payables	–	–	–	–	1,597	1,597	1,597
Other liabilities	5	–	–	–	–	5	5
Total	5	–	–	861	7,335	8,201	8,214

Segment reporting

Accounting principles

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

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

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

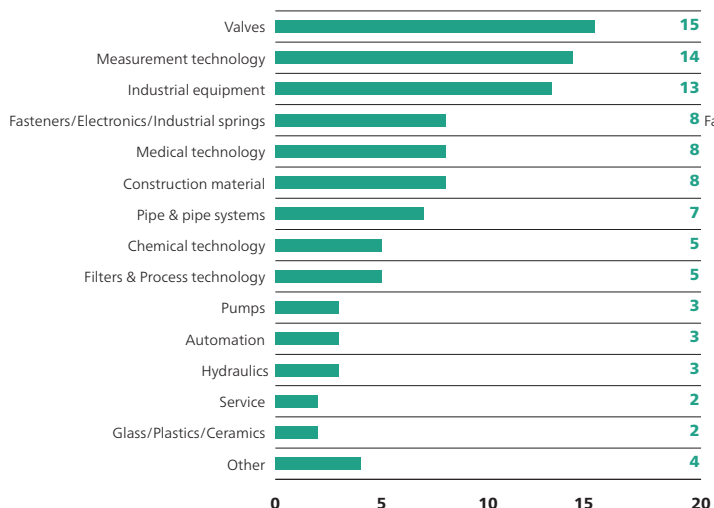
The Group’s business areas conduct business primarily in the Nordic countries and in central and northern Europe. See the Directors’ Report for a description of each business area.

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

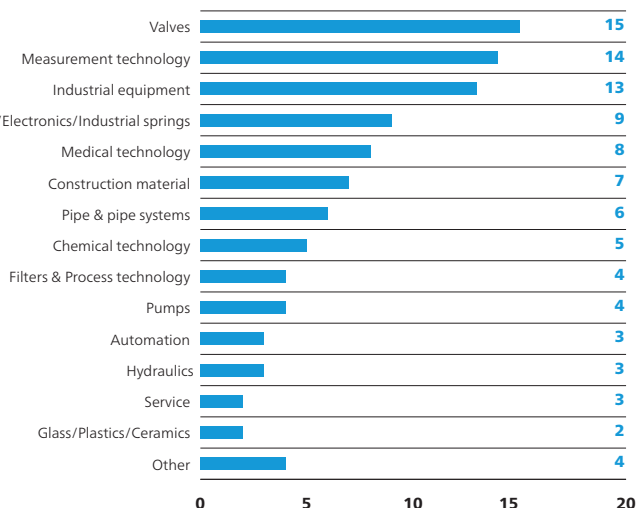
The operating segments are monitored through “Net sales”, which include both external and internal sales. However, the scope of internal sales between the subsidiaries is very limited, which is shown in the eliminations column in the table below.

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

Sales per product area 2022, %



Sales per product area 2021, %



Note 3 continued

2022	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	PC	Elim. ¹⁾	Total
Net sales	4,084	2,111	2,220	5,407	2,970	5,396	2,949	1,994	11	-126	27,016
Operating profit	519	275	350	829	407	781	446	168	-135	-20	3,620
Net financial items											-180
Income Tax											-759
Net profit for the period											2,681
EBITA ²⁾	599	316	370	882	453	867	535	231	-135	-20	4,098
EBITA margin, %	14.7	15.0	16.7	16.3	15.3	16.1	18.1	11.6			15.2
Amortisation of intangible assets	-85	-45	-25	-56	-50	-95	-105	-63	-	-	-524
<i>of which attributable to acquisitions</i>	-80	-41	-20	-53	-46	-86	-89	-63	-	-	-478
Depreciation of property, plant and equipment	-124	-76	-75	-102	-101	-103	-80	-72	-1	-	-734
Investments in non-current assets	70	183	29	57	58	35	71	63	-	-	566

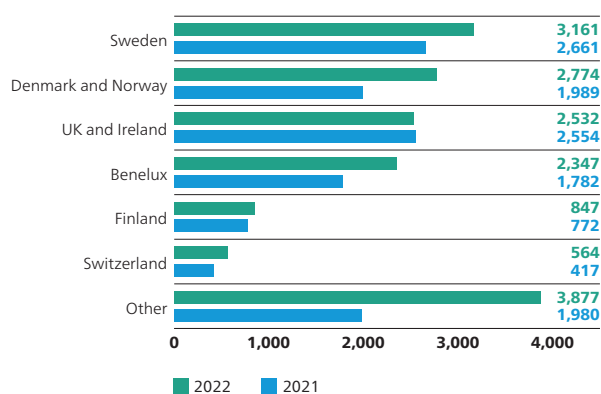
2021	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	PC	Elim. ¹⁾	Total
Net sales	3,331	1,661	1,826	4,301	2,367	4,473	2,372	1,467	9	-92	21,715
Operating profit	397	201	267	629	347	664	353	117	-123	-27	2,825
Net financial items											-100
Income Tax											-628
Net profit for the period											2,097
EBITA ²⁾	464	236	283	668	382	733	428	158	-123	-27	3,202
EBITA margin, %	13.9	14.2	15.5	15.5	16.1	16.4	18.0	10.8			14.7
Amortisation of intangible assets	-71	-37	-22	-42	-38	-78	-89	-42	-	-	-419
<i>of which attributable to acquisitions</i>	-67	-35	-16	-39	-35	-69	-75	-41	-	-	-377
Depreciation of property, plant and equipment	-109	-71	-66	-89	-85	-93	-64	-61	-1	-	-639
Investments in non-current assets	62	59	17	45	70	60	41	41	-	-	395

¹⁾ Primarily pertains to the elimination of intra-Group sales and intra-Group profit on inventory.

²⁾ EBITA less depreciation/amortisation attributable to acquisitions is the same as Operating profit/loss.

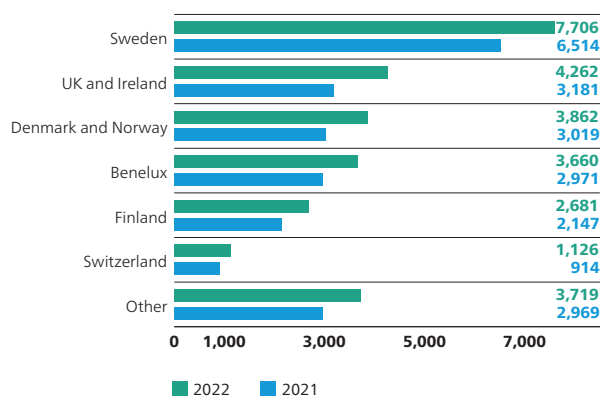
FT – Flow Technology FMS – Fluids & Mechanical Solutions IC – Industrial Components MST – Measurement & Sensor Technology PC – Parent Company & Group items

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



Based on where the Group's legal companies have their registered offices. Not including financial assets.

The Group's revenue per geographic area, SEK million



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

Revenue from Contracts with Customers

Accounting principles

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

Certain contracts include services, such as for installation of a product. Revenue for installations is typically recognised at a specific point in time, as it does not meet the criteria for revenue recognition over time. If installation can be performed by another vendor, the service is reported as a distinct performance obligation. In such case, the transaction price is allocated to the respective separate performance obligations by reference to their stand-alone selling prices. In cases where a stand-alone selling price is not directly observable, the price is estimated based on the expected expenses associated with the product or service plus a profit margin.

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

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

A few companies work with larger projects where performance does not result in creation of an asset with alternative use and where

it is also entitled to payment for services rendered to date, such as manufacturing of a customized product. This revenue is recognised over time. Increases or decreases in estimated revenue or expenses that are attributable to changed estimations are recognised in the income statement in the period in which the circumstances that gave rise to the change became known.

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

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

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

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

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

2022	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim.	Total
Nordic countries	131	17	1,940	2,947	2,227	4,732	569	118	-47	12,634
Other Europe	3,394	2,016	151	1,930	612	586	994	1,649	-39	11,293
Americas	212	49	31	49	95	54	820	106	-15	1,401
Asia	286	27	56	443	27	22	425	102	-10	1,378
Other	61	2	42	38	9	2	141	19	-4	310
IS	4,084	2,111	2,220	5,407	2,970	5,396	2,949	1,994	-115	27,016
When revenue is recognised										
- Over time	52	269	0	0	249	23	223	0	-4	812
- At a specific time	4,032	1,842	2,220	5,407	2,721	5,373	2,726	1,994	-111	26,204
IS	4,084	2,111	2,220	5,407	2,970	5,396	2,949	1,994	-115	27,016
2021	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim.	Total
Nordic countries	77	12	1,656	2,408	1,680	3,762	556	125	-36	10,240
Other Europe	2,765	1,568	121	1,539	561	644	754	1,178	-33	9,097
Americas	207	48	20	26	88	37	714	73	-9	1,204
Asia	227	28	24	259	31	22	292	70	-3	950
Other	55	5	5	69	7	8	56	21	-2	224
IS	3,331	1,661	1,826	4,301	2,367	4,473	2,372	1,467	-83	21,715
When revenue is recognised										
- Over time	37	284	0	0	69	30	152	0	-1	571
- At a specific time	3,294	1,377	1,826	4,301	2,298	4,443	2,220	1,467	-82	21,144
IS	3,331	1,661	1,826	4,301	2,367	4,473	2,372	1,467	-83	21,715

FT – Flow Technology

FMS – Fluids & Mechanical Solutions

IC – Industrial Components

MST – Measurement & Sensor Technology

PC – Parent Company & Group Items

Note 4 continued

	Group	
	2022	2021
Contract assets		
Opening book value	166	135
Company acquisition and divestment	7	2
New contracts and increase in existing contracts	250	485
Reclassification of contract asset to accounts receivable	-205	-466
Exchange rate differences	13	10
BS Closing book value	231	166
Contract liabilities	2022	2021
Opening book value	207	109
Company acquisition and divestment	26	22
Increase in contract liabilities during the year	174	117
Contracts for which revenue has been recognised that were included in contract liabilities at the beginning of the period	-91	-46
Exchange rate differences	15	5
BS Closing book value	331	207

In 2022, revenue from performance commitments fulfilled during previous periods amounted to SEK 0 million (0). This type of revenue could consist of customer bonuses that did not need to be paid and changes in the estimated revenue or costs of major products based on changed assumptions.

Remaining long-term customer contracts not yet fulfilled or partially fulfilled as of 31 December 2022 amount to SEK 424 million. Of that amount, SEK 351 million is expected to be recognised as revenue during the next financial year and the remainder, SEK 73 million in 2024.

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

05 Income statements classified by type of cost

	Group		Parent company	
	2022	2021	2022	2021
Goods for resale, raw materials and consumables	-14,019	-11,213	0	0
Costs for employee benefits	-5,916	-4,911	-90	-83
Depreciation/amortisation, Note 9, 16, 17, 18	-1,258	-1,058	-1	0
Transport costs	-535	-370	-1	-1
Marketing costs	-217	-135	-3	-1
Property-related costs	-1,123	-646	-10	-14
Other costs	-455	-541	-41	-33
IS Total	-23,523	-18,874	-146	-132

06

Other operating income/expenses

	Group		Parent company	
	2022	2021	2022	2021
Other operating income				
Exchange rate gains	157	58	-	-
Revaluation of liabilities pertaining to contingent earn-out payment, Note 2	139	80	-	-
Gain on sale of subsidiaries/operations	10	0	-	-
Insurance benefits and similar benefits	3	8	-	-
Other	16	2	-	-
IS Total	325	148	-	-
Other operating expenses				
Exchange rate losses	-110	-63	-	-
Revaluation of liabilities pertaining to contingent earn-out payment, Note 2	-1	-18	-	-
Transaction costs associated with acquisitions, Note 32	-15	-21	-	-
Loss on sale of subsidiaries/operations	0	-2	-	-
Impairment losses on intangible assets, Note 16	-72	-60	-	-
IS Total	-198	-164	-	-
Other operating income/expenses, net	127	-16	-	-

07

Average number of employees

	2022		2021	
	Number of employees	Of whom, women	Number of employees	Of whom, women
Parent company	20	11	19	11
Subsidiaries in Sweden	1,742	413	1,629	365
Total Sweden	1,762	424	1,648	376
Subsidiaries outside Sweden	6,721	1,814	6,067	1,471
Total	8,483	2,238	7,715	1,847

The Parent Company's Board of Directors is composed of 3 women and 6 men (2 women and 6 men in preceding year). The subsidiaries' Boards include 43 (30) women. The Group Management consisted of 2 (2) women and 13 (13) men through 31 December 2022.

Wages, salaries and other remuneration, and social security costs

Accounting principles

Termination benefits

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

Profit-sharing and bonus plans

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

Share-based payments

Share-based payments are compensation to employees in accordance with the share savings programmes. Performance rights entitle the holder to subscribe for shares if certain goals for the business's profitability are achieved. The performance shares are reported as personnel costs (excluding social security contributions) over the vesting period, in accordance with IFRS 2 Share-based Payment, and are reported directly in equity. The reported cost is continuously revised during the vesting period depending on how many performance shares are expected to be earned by the participants in the programme. It is based on an assessment of whether all performance targets will be met, i.e. the programme's profitability targets, that the participants remain in employment and that they retain the investment shares. The social security contributions for the programme are expensed on an ongoing basis during the vesting period and are based on the market price for the share at each reporting occasion.

To hedge the financial exposure, Indutrade has entered into a share swap agreement with a financial institution, through which the institution undertakes to deliver shares to the participants. The amount for the share acquisition according to the share swap agreement is reported as a financial liability, with a corresponding reduction in equity in accordance with IAS 32. For subsequent reporting, the liability is measured at amortised cost.

Wages, salaries and other remuneration, and social security costs

	2022			2021		
	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	61	29	12	54	28	12
Subsidiaries in Sweden	1,074	489	145	976	446	127
Total Sweden	1,135	518	157	1,030	474	139
Subsidiaries outside Sweden	3,562	618	255	2,875	497	212
Total	4,697	1,136	412	3,905	971	351

Of the Parent Company's pension costs, SEK 3 million (3) pertains to the Board of Directors and the CEO. The corresponding amount for the Group is SEK 61 million (56).

Wages, salaries and other remuneration by category of employee (senior executives and other employees)

	2022			2021		
	Company management ¹⁾	Of which, bonuses and similar	Other employees	Company management ¹⁾	Of which, bonuses and similar	Other employees
Parent company	20	5	41	18	5	36
Subsidiaries in Sweden	130	22	944	126	19	850
Total Sweden	150	27	985	144	24	886
Subsidiaries outside Sweden	312	48	3,250	262	36	2,613
Total	462	75	4,235	406	60	3,499

¹⁾ Pertains to Board of Directors and CEO.

Wages, salaries and remuneration of senior executives

The Chair and members of the Board of Directors are paid a fee in accordance with a resolution by the Annual General Meeting. At the AGM in April 2022, it was resolved that a fee of SEK 860,000 (620,000) be paid to the Chair of the Board and 645,000 (465,000) to the Deputy Chair. Other Board members, who are not employees of the company, are paid a fee of SEK 430,000 (310,000) each. The Audit Committee chair is paid an additional fee of SEK 115,000 (84,000),

and the other members receive SEK 58,000 (42,000) each. A fee of SEK 45,000 (31,000) is paid to the chair and each of the other members of the Remuneration Committee.

Guidelines for compensation and other terms of employment for senior executives adopted by the 2021 Annual General Meeting

After the guidelines have been approved at the 2021 AGM, the guidelines will apply to all new contractually agreed compensation, along with changes to compensation agreements already in place.

Note 8 continued

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

A prerequisite for the successful implementation of the company's business strategy and safeguarding of the company's long-term interests, including its sustainability, is that Indutrade is able to recruit and retain management with high qualifications. To this end, the company must offer competitive compensation and other terms of employment, which these guidelines enable. The forms of compensation should motivate members of the executive management to perform their utmost in order to safeguard the interests of the shareholders. For more information about the company's business strategy, please see the company's website: <https://www.indutrade.com/about-indutrade/objectives--strategy/>.

These guidelines encompass senior executives, i.e. the CEO and other members of the group management (the executive management). For employments governed by rules other than Swedish, customary adjustments may be made for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

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

The types of compensation

The total compensation shall be on market terms, straightforward, long-term and quantifiable, and may consist of the following components: fixed cash salary, variable cash compensation, pension benefits and other benefits.

The general meeting may also, irrespective of these guidelines, resolve on, among other things, share-related or share price-related compensation (for information about ongoing incentive programmes, please see the company's website: <https://www.indutrade.com/about-indutrade/corporate-governance/remuneration/>).

The performance period with respect to criteria for awarding variable salary shall be measured over a period of one or several years. The variable cash compensation may amount to a maximum of 50% of the fixed annual salary.

The pension terms for 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, a maximum of 40 percent of the fixed annual salary, and should be based on defined contribution pension solutions or correspond to a public pension plan (in Sweden the ITP plan). Variably salary to members of the executive management not covered by the ITP plan shall not qualify for pension benefits.

Other benefits may include, for example, life insurance, health insurance and company car. Premiums and other costs related to such benefits may amount to not more than 15% of the fixed annual salary. Awarding of non-monetary benefits shall facilitate the individuals in the execution of their duties and correspond to what can be considered reasonable in respect of practice in the market in which the respective executive is active.

Termination of employment

The notice period for a member of the executive management may not exceed 12 months if the termination is initiated by the company, and 6 months if it is initiated by the individual. Severance pay to a member of the executive management shall in aggregate not exceed 24 months' salary in the event the company serves notice, and 6 months' salary in the event the member of the executive management gives notice.

Criteria for variable cash compensation

The variable compensation shall be designed so as to reward the achievement of clear objectives, in straight-forward and transparent structures, and be linked to one or several predetermined and measurable financial criteria, such as sales growth, EBITA-margin or return on operating capital/capital employed. Any non-financial criteria shall be related to sustainability. Financial criteria shall constitute at least 75% of all criteria.

Once the period for measuring the satisfaction of criteria for awarding variable cash compensation expires, the outcome will be determined. The Remuneration Committee is responsible for determining the CEO's outcome, while the CEO is responsible for determining the outcome for other members of the executive management. For financial objectives, the assessment shall be based on the latest financial information made public by the company, with any adjustments deemed necessary or reasonable by the Board of Directors.

The terms for variable compensation shall be designed so that the Board of Directors, under exceptional financial conditions, may limit, refuse or redeem payment of variable compensation if such measure is deemed reasonable.

In specific cases, arrangements may be made on one-time variable compensation, provided that such compensation does not exceed an amount corresponding to 10% of the fixed annual salary, and is not paid more than once each year per individual. Such compensation shall not qualify for pension benefits unless required by mandatory collective agreement provisions. Resolutions on such compensation shall be made by the Board of Directors based on a proposal from the Remuneration Committee, so far as it concerns the CEO, and by the Remuneration Committee based on a proposal from the CEO, so far as it concerns other senior executives.

No other variable cash compensation shall be paid.

Salary and other employment terms for employees

In the preparation of the Board of Directors' proposal for these compensation guidelines, salary and other employment terms for employees of the company have been taken into account by including information on the employees' total compensation, the components of the compensation and increase and growth rate over time, in the Remuneration Committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, evaluate and apply the guidelines

The Board of Directors has appointed a Remuneration Committee with the task of preparing the Board of Directors' decisions regarding proposal for guidelines for compensation to senior executives. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year, and submit it to the Annual General Meeting.

The Remuneration Committee shall also monitor and evaluate programmes for variable compensation to members of the executive management, as well as the application of the guidelines in terms of compensation levels and structures. Members of the executive management do not participate in the Board of Directors' processing of, and resolutions regarding, compensation-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines adopted by the general meeting, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interest, including its sustainability, or to ensure the company's financial viability. As set out above, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in compensation-related matters, including any resolutions to derogate from the guidelines.

Incentive programmes**LTI 2017**

Indutrade's LTI 2017 warrant programme expired in May 2022 and included approximately 100 senior executives and key personnel. The warrants were acquired by the participants in 2017 at a calculated market price. For the warrants the person was guaranteed, Indutrade paid a cash subsidy of a total of 120% of the price paid by the participants during the programme's duration. Acquired warrants in excess of the guaranteed number have not been subsidised. The subsidy was paid to the

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Note 8 continued

participants on two occasions provided that the participant, at the time of payment, had not sold any warrants and that the participant remained in employment. Half of the subsidy was paid out in 2019 and half in 2020. Shares could be subscribed during specially stipulated subscription periods between 27 April 2020 through 20 May 2022.

LTIP 2021 and LTIP 2022

LTIP 2021 and LTIP 2022 are performance-based share programmes for senior executives (including the CEO) and key personnel. Participation requires own investment in Indutrade shares. These are referred to as investment shares. For every investment share acquired, a number of performance share rights were allotted, each of which, at the end of a 3-year vesting period, can give the holder the right to receive up to one Indutrade share. In order to be allocated those shares, the employee must remain in employment, the investment shares must still be held and the performance requirements of the particular programme must be met.

The performance condition for LTIP 2021 is linked to compound annual growth rate (CAGR) of the earnings per share (EPS) for the Indutrade share during the performance period 2021–2023. EPS for 2020 is used as the basis for calculating CAGR. The maximum value of the performance shares that can be allotted for each performance share right is limited to SEK 381 (corresponding to 200% of the

volume-weighted average price paid for the Indutrade share during the last five trading days in February 2021).

The performance condition for LTIP 2022 is linked to the accumulated earnings per share (EPS) for the Indutrade share during the performance period 2022–2024. The maximum value of the performance shares that can be allotted for each performance share right is limited to SEK 418 (corresponding to 200% of the volume-weighted average price paid for the Indutrade share during 17–23 February 2022).

When assessing the final outcome regarding the performance share rights, the Board shall examine whether the level of earnings is reasonable in relation to Indutrade's financial results and position, conditions in the stock market etc. and, if the Board deems that is not reasonable, reduce the allotment to a lower level, as appropriate.

Within the scope of LTIP 2021, the CEO acquired 3,955 investment shares and within the scope of LTIP 2022, the CEO acquired 2,217 investment shares. For these investment shares, the CEO received 19,775 and 13,302 performance share rights respectively which, after the relevant programme period has ended, may entitle him to receive the same number of Indutrade shares.

Within the scope of LTIP 2021, 14 other employees in the Group management team acquired 15,933 investment shares and within the scope of LTIP 2022, 9,310 investment shares were acquired. For these investment shares, the individuals received 62,918 and 46,550 performance share rights respectively.

Compensation and other benefits, 2022

SEK thousand	Base salary/ Directors' fees	Short-term variable compensation	Long-term incentive programmes	Other benefits	Pension cost	Total
Katarina Martinson, Chair of the Board, Chair of the Remuneration Committee, Member of the Audit Committee	873					873
Bengt Kjell, Vice Chair of the Board, Member of the Remuneration Committee until the 2022 AGM.	595					595
Susanna Campbell, Director	390					390
Anders Jernhall, Director, Member of the Audit Committee	443					443
Ulf Lundahl, Director, Chair of the Audit Committee, Member of the Remuneration Committee from the 2022 AGM.	525					525
Krister Mellvé, Director	390					390
Lars Pettersson, Director, Member of the Remuneration Committee	430					430
Kerstin Lindell, Director, from the 2022 AGM	287					287
Bo Annvik, CEO	10,127	4,950	– ¹⁾	571	3,465	19,113
Other senior executives (14 persons)	40,022	18,641	– ¹⁾	2,238	9,589	70,490
Total	54,082	23,591	–	2,809	13,054	93,536

¹⁾ The long-term incentive programmes, LTIP 2021 and LTIP 2022, are still ongoing.

The recognised cost for the CEO, as per IFRS 2, amounted to SEK 1,788 thousand (720) and for other senior executives, SEK 5,854 thousand (2,286).

Compensation and other benefits, 2021

SEK thousand	Base salary/ Directors' fees	Short-term variable compensation	Long-term incentive programme	Other benefits	Pension cost	Total
Katarina Martinson, Chair of the Board, Chair of the Remuneration Committee, Member of the Audit Committee	685					685
Bengt Kjell, Vice Chair of the Board, Member of the Remuneration Committee	491					491
Susanna Campbell, Director	307					307
Anders Jernhall, Director, Member of the Audit Committee	348					348
Ulf Lundahl, Director, Chair of the Audit Committee	389					389
Krister Mellvé, Director	307					307
Lars Pettersson, Director, Member of the Remuneration Committee	337					337
Bo Annvik, CEO	9,593	4,680	– ¹⁾	513	3,276	18,062
Other senior executives (14 persons)	38,509	16,399	– ¹⁾	2,034	8,536	65,478
Total	50,966	21,079	–	2,547	11,812	86,404

Note 8 continued

Share-based payments, LTIP 2021 and LTIP 2022

Instrument	LTIP 2022 performance shares	LTIP 2021 performance shares
Maximum number	425,000	650,000
Investment shares, number	57,500	116,735
Adjustment for dividend	No	No
Start date	2022-05-30	2021-06-08
Vesting date	2025-04-30	2024-04-29
The share's theoretical value on the start date, SEK	216.86	207.61 ¹⁾
Price on the start date, SEK	224.40	213.58 ¹⁾
Anticipated dividends ²⁾	7.54	5.96 ¹⁾
Maximum vesting period, years	2.9	2.9
Remaining vesting period, years	2.3	1.3
Number of participants at year-end	154	181
Payment method	Share	Share
Valuation model	Black-Scholes	Black-Scholes

¹⁾ Eleven people were added to the programme on 14 December 2021. The value is a weighted average.

²⁾ Based on analysts' overall expectations over the three-year period

Number of shares, Group and parent company	LTIP 2022 performance shares	LTIP 2021 performance shares
Outstanding at the beginning of the year	–	373,234
Allocated at the start	186,915	–
Vested	–	–
Forfeited	–	–1,743
Outstanding at the end of the year	186,915	371,491

Impact of share-based payments on earnings, Group and parent company.	LTIP 2022 performance shares	LTIP 2021 performance shares
Costs for the year according to IFRS 2 (excluding social security contributions), SEK m	7	25

Number of shares, parent company	LTIP 2022 performance shares	LTIP 2021 performance shares
Outstanding at the beginning of the year	–	47,916
Allocated at the start	35,350	–
Vested	–	–
Forfeited	–	–
Outstanding at the end of the year	35,350	47,916

Impact of share-based payments on earnings, parent company	LTIP 2022 performance shares	LTIP 2021 performance shares
Costs for the year according to IFRS 2 (excluding social security contributions), SEK m	1	3

Concluded incentive programme, LTI 2017

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

Dilutive effects, LTI 2017

	2022	2021
Average number of shares before dilution, '000	364,270	363,921
Number of shares that incur a dilutive effect due to incentive programme, '000	33	259
Average number of shares after dilution, '000	364,303	364,180
Dilutive effect, %	0.01	0.07
Number of shares at end of the period, '000	364,323	364,188

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Depreciation/amortisation

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

	Group		Parent company	
	2022	2021	2022	2021
Cost of goods sold	794	642	–	–
Development costs	25	25	–	–
Selling costs	272	238	–	–
Administrative expenses	167	153	1	0
Total	1,258	1,058	1	0

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Government assistance

Accounting principles

Indutrade does not normally receive government assistance. However, due to the extraordinary circumstances associated with the COVID-19 pandemic, companies belonging to the Group have obtained this type of support and it has primarily been employee-related. Such support is reported in the financial statements as a cost reduction for the items the support relates to. Recognition occurs when it is reasonably certain that the support will be received and any stated terms and conditions have been met. However, most of the COVID-19 programmes were terminated at the beginning of 2021.

	Group		Parent company	
	2022	2021	2022	2021
Temporary lay-offs	–	4	–	–
Reduced employer contributions	0	0	–	–
Other assistance	2	9	0	–
Total assistance	2	13	0	–

Assistance received during the year was, like last year, was marginal in relation to net sales. There are no unfulfilled conditions or other contingent liabilities in relation to the support received.

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Auditors' fees

	Group		Parent company	
	2022	2021	2022	2021
PricewaterhouseCoopers				
Audit assignment	19	18	3	2
Auditing services in addition to audit assignment	0	0	–	–
Tax consulting	1	1	–	–
Other services	5	2	4	1
Total fees, PricewaterhouseCoopers	25	21	7	3
Other auditing firms				
Auditing fees	11	8	–	–

Other auditing firms refers to several auditing firms where none account for a significant amount in 2022 or the preceding year.

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

Fees paid to PwC Sweden for the audit assignment during the year amounted to SEK 9 million. Fees for auditing services in addition to the audit assignment amounted to SEK 0 million, and fees for tax consulting and other services totalled SEK 1 million.

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Financial income

Accounting principles

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

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

	Group		Parent company	
	2022	2021	2022	2021
Interest	38	15	261	153
Exchange rate differences	6	14	7	1
Other	0	0	–	–
15 Total financial income	44	29	268	154
<i>Of which, pertaining to Group companies:</i>				
Interest	–	–	231	141

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Financial expenses

Accounting principles

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

	Group		Parent company	
	2022	2021	2022	2021
Interest expenses, bank loans	–148	–60	–136	–55
Interest expenses, pension liability	–3	–3	–	–
Interest expenses, leases	–36	–32	0	0
Interest expenses, contingent earn-out payment	–14	–9	–7	–3
Total interest expenses	–201	–104	–143	–58
Other	–23	–25	–34	–22
15 Total financial expenses	–224	–129	–177	–80
<i>Of which, pertaining to Group companies:</i>				
Interest	–	–	–13	–3

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Profit from participation in Group companies

Parent company	2022	2021
Dividends from subsidiaries	1,937	1,288
Impairment of shares in subsidiaries	-10	-
IS Total	1,927	1,288

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Taxes

Accounting principles

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

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

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

	Group		Parent company	
	2022	2021	2022	2021
<i>Tax expense</i>				
Current tax	-798	-662	-166	-150
Deferred tax	41	36	-2	1
Other tax	-2	-2	0	0
Total	-759	-628	-168	-149

The Group's tax expense amounts to 22% (23%) 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	
	2022	2021	2022	2021
Profit before taxes	3,440	2,725	2,733	2,000
Weighted average tax based on national tax rates (Group 21.2% respectively 21.4%, parent company 20.6% respectively 20.6%)	-728	-583	-563	-412
Tax effect of:				
Non-deductible interest expenses on discounted contingent earn-out payment	-3	-2	-1	0
Non-deductible transaction costs for acquisitions	-3	-4	-	-
Tax-exempt contingent earn-out payment recognised as income	29	13	-	-
Non-deductible impairment of goodwill	-15	-16	-	-
Other non-deductible expenses/ tax-exempt income	-25	-3	396 ¹⁾	263 ¹⁾
Losses, for which loss carryforward is not recognised	-9	-5	-	-
Utilisation of loss-carryforward where tax was not previously reported	0	1	-	-
Adjustment pertaining to previous years' current tax	4	-2	-	0
Change in tax rate	-7	-25	-	0
Other items	-2	-2	0	0
IS Total	-759	-628	-168	-149
	22%	23%	6.1%	7.5%

¹⁾ Primarily pertains to dividends from subsidiaries.

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Note 15 continued

Group, 1 Jan– 31 Dec 2022	Intangible assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
Deferred tax, net						
Opening book value	-676	-90	-170	56	72	-808
Deferred tax as per income statement	100	-4	-17	-2	-29	48
Change in tax rate affecting income statement	-9	-2	-	0	4	-7
Deferred tax recognised in other comprehensive income	-	-	-	-29	-1	-30
Deferred tax attributable to acquisitions	-321	-11	-1	-	1	-332
Exchange rate differences	-49	-6	0	5	3	-47
Closing book value	-955	-113	-188	30	50	-1,176
As per 31 Dec 2022						
BS Deferred tax asset	1	5	-	30	67	103
BS Deferred tax liability	-956	-118	-188	0	-17	-1,279
Deferred tax, net	-955	-113	-188	30	50	-1,176

Group, 1 Jan– 31 Dec 2021	Intangible assets	Property, plant and equipment	Untaxed reserves	Pension obligations	Other items	Total tax
Deferred tax, net						
Opening book value	-510	-78	-152	66	77	-597
Deferred tax as per income statement	77	-2	-14	-3	3	61
Change in tax rate affecting income statement	-19	-6	-	0	0	-25
Deferred tax recognised in other comprehensive income	-	-	-	-11	0	-11
Deferred tax attributable to acquisitions	-204	-1	-4	1	-9	-217
Exchange rate differences	-20	-3	0	3	1	-19
Closing book value	-676	-90	-170	56	72	-808
As per 31 Dec 2021						
BS Deferred tax asset	1	4	-	56	84	145
BS Deferred tax liability	-677	-94	-170	0	-12	-953
Deferred tax, net	-676	-90	-170	56	72	-808

The loss-carryforward, in which deferred tax has been capitalised, amounts to SEK 76 million (163), corresponding to a tax asset of SEK 22 million (48). The tax that has been capitalised on loss-carryforwards pertains mainly to German companies. The loss-carryforward is not limited in time. Uncapitalised loss-carryforwards amount to SEK 153 million (117), corresponding to a tax asset of SEK 42 million (32). The amount is primarily attributable to companies in Germany, China, USA

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

Substantial dividends may be recognised without withholding tax. Of the deferred tax liabilities, SEK 126 million is estimated to be dissolved in 2023. The calculation is based on estimated depreciation of acquisition calculations in the coming year.

Parent Company, 1 Jan– 31 Dec 2022	Pension obligations	Other items	Total tax
Deferred tax, net			
Opening book value	6	0	6
Deferred tax as per income statement	0	-2	-2
Change in tax rate affecting income statement	-	-	-
Deferred tax recognised in other comprehensive income	-	0	0
Closing book value	6	-2	4
As per 31 Dec 2022			
BS Deferred tax asset	6	2	8
BS Deferred tax liability	-	-4	-4
Deferred tax, net	6	-2	4

Parent Company, 1 Jan– 31 Dec 2021	Pension obligations	Other items	Total tax
Deferred tax, net			
Opening book value	4	1	5
Deferred tax as per income statement	2	-1	1
Change in tax rate affecting income statement	-	-	-
Deferred tax recognised in other comprehensive income	-	0	0
Closing book value	6	0	6
As per 31 Dec 2021			
BS Deferred tax asset	6	0	6
BS Deferred tax liability	-	0	0
Deferred tax, net	6	0	6

Intangible assets

Accounting principles**Goodwill**

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

Agencies, trademarks, customer relationships, etc.

The Group's starting point with respect to acquisitions is that agencies, customer relations, etc., and the item software, licences, etc. have a limited useful life and are carried at cost less accumulated amortisation. Trademarks are possible to identify in connection with major company acquisitions. Most of the 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 on them at least annually, as for goodwill.

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

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

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

Development costs

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

Impairment testing of non-financial assets

Goodwill and most of the trademarks have been assessed as having an indefinite useful life and are not amortised, but are instead tested at least annually for impairment. Impairment is judged on the basis of a decline in value whenever events or changes in conditions indicate that the carrying amount may not be recoverable. Impairment is recognised in the amount in which the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less selling costs and its value in use. In calculations of value in use, future cash flows are discounted using a discount factor that takes into account risk-free interest and the risk associated with the specific asset. When determining any need to recognise impairment, assets are grouped at the lowest levels in which there are separate, identifiable cash flows (cash-generating units). For Indutrade, this means that the assessment is made at segment level, which corresponds to Indutrade's business areas, with the exception of newly acquired companies with remaining contingent earn-out payments, which is tested separately. 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.

Group, 1 Jan–31 Dec 2022	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
Opening book value	5,439	2,798	347	92	94	8,770
Exchange rate differences	352	199	22	5	3	581
Investments during the year	–	–	0	28	9	37
Company acquisitions	1,930	1,259	76	2	2	3,269
Sales and disposals	–	–	–	–3	–	–3
Depreciation/amortisation	–	–478	–1	–22	–23	–524
Impairment losses	–72	–1	–	–	–	–73
Company divestment	–	–	–	–	–	–
BS Closing book value	7,649	3,777	444	102	85	12,057
As per 31 Dec 2022						
Cost	8,058	7,143	511	366	258	16,336
Accumulated depreciation/amortisation and impairment	–409	–3,366	–67	–264	–173	–4,279
BS Book value	7,649	3,777	444	102	85	12,057

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Note 16 continued

Group, 1 Jan– 31 Dec 2021	Goodwill	Agencies, customer relationships, etc.	Trademarks	Software, licences, etc.	Other intangible assets	Total intangible assets
Opening book value	4,306	2,212	311	66	104	6,999
Exchange rate differences	166	97	8	1	1	273
Investments during the year	–	–	0	37	10	47
Company acquisitions	1,022	871	29	8	1	1,931
Sales and disposals	–	–	–	0	–1	–1
Depreciation/amortisation	–	–377	–1	–20	–21	–419
Impairment losses	–55	–5	–	–	–	–60
Company divestment	–	0	–	0	–	0
BS Closing book value	5,439	2,798	347	92	94	8,770
As per 31 Dec 2021						
Cost	5,765	5,542	412	307	233	12,259
Accumulated depreciation/amortisation and impairment	–326	–2,744	–65	–215	–139	–3,489
BS Book value	5,439	2,798	347	92	94	8,770

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 2022.

Goodwill is apportioned over cash-generating units, which for Indutrade are equated with operating segments. The operating segments correspond to Indutrade's business areas. The companies are organised in business areas to utilise the Group's aggregate position and strength in various customer and product segments. If it is logical from a business sense, coordination of certain support functions, such as warehousing, may be done within the business areas. Impairment testing is therefore done at the smallest, joint unit, which is the business area, except for newly acquired companies with remaining contingent earn-out payments, which is tested separately. During the period until the contingent earn-out payments are settled, normally 1–3 years, virtually no changes are made in a newly acquired company, as the conditions for calculating the contingent earn-out payments are based on the company's results in existing operations. The integration with the rest of the Group is thus initially limited. The starting point for impairment testing is the contingent earn-out payments. In the event that only part or no part of the purchase price is deemed to be paid, a detailed impairment test shall be performed for the company.

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 2023 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%.

Cash flows for cash-generating units, which correspond to operating segments (business areas), have been discounted with a weighted capital cost that corresponds to approximately 9% (8%) after tax. The weighted cost of capital has been adapted to the prevailing level of interest rates.

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

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

For newly acquired companies that have been tested separately, an individually adapted WACC has been used, which reflects the company's specific situation and risk. The impairment testing in 2022 resulted in recognition of impairment losses for SEK 64 million (39).

Other impairment testing

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

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

Group breakdown of goodwill at segmental level

	2022	2021
Benelux	1,059	768
DACH	528	442
Finland	351	323
Flow Technology	787	692
Fluids & Mechanical Solutions	994	658
Industrial Components	1,117	790
Measurement & Sensor Technology	2,144	1,079
UK	669	687
Total	7,649	5,439

Note 16 continued

Group breakdown of trademarks at segmental level

	2022	2021
Benelux	47	43
DACH	89	79
Finland	0	0
Flow Technology	11	10
Fluids & Mechanical Solutions	30	19
Industrial Components	5	5
Measurement & Sensor Technology	262	191
UK	0	0
Total	444	347

Parent company	2022	2021
<i>Software and licences</i>		
Opening cost	2	2
Investments during the year	1	0
Closing accumulated cost	3	2
Opening depreciation/amortisation	-2	-2
Depreciation for the year	0	0
Closing accumulated depreciation/amortisation	-2	-2
BS Residual value according to plan	1	0

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Property, plant and equipment

Accounting principles

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

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

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

No depreciation is calculated for land.

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

Impairment testing of non-financial assets

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

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Note 17 continued

Group, 1 Jan – 31 Dec 2022	Land and buildings	Machinery	Equipment	Construction-in-progress	Total property, plant and equipment
Opening book value	1,315	612	355	39	2,321
Exchange rate differences	80	36	21	2	139
Investments during the year	121	170	162	76	529
Company acquisitions	76	69	37	1	183
Sales and disposals	-19	-3	-12	0	-34
Reclassification	14	31	16	-61	-
Depreciation/amortisation	-49	-153	-124	-	-326
Company divestment	-	-1	-	-	-1
BS Closing book value	1,538	761	455	57	2,811
As per 31 Dec 2022					
Cost	2,268	2,798	1,741	57	6,864
Accumulated depreciation/amortisation and impairment	-730	-2,037	-1,286	-	-4,053
BS Book value	1,538	761	455	57	2,811

Group, 1 Jan– 31 Dec 2021	Land and buildings	Machinery	Equipment	Construction-in-progress	Total property, plant and equipment
Opening book value	1,155	559	280	73	2,067
Exchange rate differences	38	27	7	0	72
Investments during the year	58	99	130	61	348
Company acquisitions	38	38	55	-	131
Sales and disposals	0	-1	-11	0	-12
Reclassification	69	21	5	-95	-
Depreciation/amortisation	-43	-130	-111	-	-284
Company divestment	-	-1	-	-	-1
BS Closing book value	1,315	612	355	39	2,321
As per 31 Dec 2021					
Cost	1,911	2,244	1,365	39	5,559
Accumulated depreciation/amortisation and impairment	-596	-1,632	-1,010	-	-3,238
BS Book value	1,315	612	355	39	2,321

Parent company	2022	2021
<i>Equipment</i>		
Opening cost	3	3
Investments during the year	1	0
Sales and disposals	-	-
Closing accumulated cost	4	3
Opening depreciation/amortisation	-2	-2
Depreciation for the year	0	0
Sales and disposals	-	-
Closing accumulated depreciation/amortisation	-2	-2
BS Residual value according to plan	2	1

Leases

Accounting principles***The Group's leasing activity and reporting of such***

Indutrade's leases are primarily for rented premises. There are however, also leases on machinery and cars. Typically, leases are amortised over a fixed duration of between 1 and 13 years, with the option to extend. The Group has both small and medium-sized subsidiaries at many locations and in several countries. Because of that, there are also many lease agreements in place, with a variety of terms and conditions. Individually, most of the leases are immaterial. The leased assets may not be used as collateral on loans.

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

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

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

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

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

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

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

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

lease payments associated with such things as service contracts with non-identifiable assets are reported directly in the income statement.

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

Interest

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

Fees pertaining to the guaranteed residual value

The Group initially estimates the amounts of guaranteed residual values that are expected to be paid and reports them as part of the lease liability. The amounts are evaluated and adjusted (if necessary) at the end of each reporting period. At the end of this financial year, guaranteed residual values associated with lease liabilities amounted to SEK 0.3 million (0.3).

Important estimates and assumptions regarding the duration of the lease

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

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

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Note 18 continued

Right-of-use assets

Group, 1 Jan – 31 Dec 2022	Buildings	Cars	Production equipment	Other	Total Right-of-use assets
Opening book value	870	165	17	12	1,064
Exchange rate differences	44	6	1	0	51
Additional rights-of-use	263	131	6	6	406
Company acquisitions	101	6	36	0	143
Leases ended	–9	–11	–2	0	–22
Depreciation/amortisation ¹⁾	–286	–106	–10	–6	–408
Company divestment	0	–	–	–	0
BS Closing book value	983	191	48	12	1,234
As per 31 Dec 2022					
Cost	1,890	422	88	31	2,431
Accumulated depreciation/ amortisation	–907	–231	–40	–19	–1,197
BS Book value	983	191	48	12	1,234

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

Right-of-use assets

Group, 1 Jan– 31 Dec 2021	Buildings	Cars	Production equipment	Other	Total Right-of-use assets
Opening book value	861	142	22	14	1,039
Exchange rate differences	30	2	1	0	33
Additional rights-of-use	151	115	6	2	274
Company acquisitions	79	10	5	1	95
Leases ended	–7	–9	–6	0	–22
Depreciation/amortisation	–244	–95	–11	–5	–355
Company divestment	0	–	–	–	0
BS Closing book value	870	165	17	12	1,064
As per 31 Dec 2021					
Cost	1,499	345	43	27	1,914
Accumulated depreciation/ amortisation	–629	–180	–26	–15	–850
BS Book value	870	165	17	12	1,064

Note 18 continued

Amount recognised in the income statement

	2022	2021
Amortisation of leases	-408	-355
Interest expense on lease liabilities (included in financial expenses)	-36	-32
Lease expense on short-term contracts	-6	-5
Lease expense on assets with a low value	-18	-16
Costs associated with variable lease payments	0	-1
Revenue from subleasing of rights-of-use	0	0
Total amount recognised in the income statement	-468	-409

Contractual duration for financial liabilities

	2022	2021
Maturity in 2022	-	362
Maturity in year 2023	446	273
Maturity in year 2024	308	177
Maturity in year 2025	212	112
Maturity in year 2026	147	136
Maturity in 2027 or later	237	127
Total contractual cash flows	1,350	1,187
Carrying amount of lease liability	1,270	1,099

Cash flow disclosures

Cash flow from operating activities

	2022	2021
Payments for short-term contracts and contracts of lesser value	-24	-21
Costs associated with variable lease payments	0	-1
Interest paid	-36	-32
Total cash flow from operating activities	-60	-54

Cash flow from financing activities

Amortisation of lease liabilities attributable to leases	-406	-351
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Shares and participations

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

	Domicile	Share of capital %	Share of votes %	No. shares	Book value
Kytäjän Golf Oy	Finland	-	-	6	1
EGA Matic ApS	Denmark	27	27	125	1
Veng Norge AS	Norway	30	30	330	8
Other		-	-	-	3

Holdings of shares and participation in unlisted companies 13

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	
	2022	2021	2022	2021
Opening cost	13	12	7,609	6,881
External acquisitions	-	-	2,819	754
External divestiture/liquidations	-	-	-	-
Shareholder contribution	-	-	22	25
Internal restructuring	-	-	-	-33
Adjustment of estimated contingent earn-out payment	-	-	-17	-18
Increase via company acquisition	-	3	-	-
Decrease via company acquisition	-	-2	-	-
Exchange rate differences	0	0	-	-
Closing accumulated cost	13	13	10,433	7,609
Opening write-ups	-	-	8	8
Closing accumulated write-ups	-	-	8	8
Opening impairment	0	0	-679	-679
Impairment for the year	-	-	-10	-
Closing accumulated impairment	0	0	-689	-679
BS Book value	13	13	9,752	6,938

Effect on cash flow

Purchase price, external acquisitions	-2,819	-754
Purchase price not paid out	581	115
Reversal of contingent earn-out payment	-	-
Internal restructuring	-	33
Purchase price paid for previous years' acquisitions	-87	-22
Shareholder contribution paid out	-13	-3
Total	-2,338	-631

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

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Non-current receivables

	Group		Parent company	
	2022	2021	2022	2021
Opening balance	46	64	27	38
Additional receivables	0	0	–	–
Repaid deposits/amortisation	–7	–25	–6	–15
Company acquisitions	0	2	–	–
Value change, pensions	0	3	0	3
Net reported against pension obligations	4	2	4	1
Exchange rate differences	1	0	–	0
BS Total	44	46	25	27

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

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

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Inventories

Accounting principles

Inventories

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

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

Inventories are broken down into the following items:

Group	2022	2021
Raw materials and consumables	1,357	956
Products-in-process	459	333
Finished products and goods for resale	3,789	2,721
BS Total	5,605	4,010

The cost of goods sold for the Group includes impairment of inventory, totalling SEK 41 million (44).

No significant reversals of previous impairment charges were made in 2022 or 2021.

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Trade receivables

Accounting principles

Trade receivables

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

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

Age breakdown of trade receivables and provisions for impaired trade receivables

Group	2022	2021
Trade receivables		
Trade receivables not yet due	3,433	2,736
Trade receivables 0–3 months past due	923	611
Trade receivables 3–6 months past due	95	82
Trade receivables more than 6 months past due	113	96
Provision for doubtful debts	–112	–67
BS Total	4,452	3,458
Provision for doubtful debts		
Provision for doubtful debts, 0–3 months past due	–41	–11
Provision for doubtful debts, 3–6 months past due	–8	–8
Provision for doubtful debts, older than 6 months	–63	–48
Total	–112	–67
Change in provision for doubtful debts during the year		
Opening provision	–67	–57
Receivables written off as bad debt losses	1	5
Reversed unutilised provisions	15	5
Provision for doubtful debts for the year	–55	–17
Company acquisitions	–2	–1
Exchange rate differences	–4	–2
Closing provision	–112	–67

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

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Prepaid expenses

	Group		Parent company	
	2022	2021	2022	2021
Prepaid material costs	78	58	–	–
Prepaid rents	42	33	–	–
Prepaid IT/telecom costs	35	27	1	2
Prepaid insurance premiums	25	19	–	–
Prepaid property expenses	15	8	–	–
Other prepaid expenses	79	68	17	20
BS Total	274	213	18	22

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Non-current and current interest-bearing liabilities

Accounting principles**Borrowings**

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

Contingent earn-out payments

Indutrade typically uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. Contingent earn-out payment is typically based on the projected earnings of the acquired company over the next few years. As per the date of the transaction, the contingent earn-out payment 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 earn-out payment is remeasured at every reporting date. Excess or deficit amounts are booked as an expense or revenue in the income statement under "Other operating income/expenses". Contingent earn-out payment is reported as a current liability if it is payable within 12 months from the balance sheet date.

Leases

Please see Note 18 for a description of the accounting principles for lease liabilities.

Note 24 continued

	Group		Parent company	
	2022	2021	2022	2021
Non-current liabilities				
Lease liabilities	838	751	0	0
SEK-denominated loans with terms longer than 1 year	2	2	1	–
MTN loans	5,194	3,000	5,194	3,000
EUR-denominated loans with terms longer than 1 year	555	797	534	788
Loans in other currencies with terms longer than 1 year	92	36	–	–
Contingent earn-out payment in SEK with payment due later than 1 year	156	59	123	19
Contingent earn-out payment in EUR with payment due later than 1 year	556	252	320	–
Contingent earn-out payment in other currencies with payment due later than 1 year	267	289	183	93
BS Total	7,660	5,186	6,355	3,900
Current liabilities				
Utilised bank overdraft facilities	63	1	–	–
Lease liabilities	432	348	0	0
MTN loans	760	500	760	500
Commercial papers	273	150	273	150
Share swap	119	104	119	104
EUR-denominated loans with terms shorter than 1 year	323	0	323	–
Loans in other currencies with terms shorter than 1 year	55	49	–	–
Contingent earn-out payment in SEK with payment due less than 1 year	38	49	25	33
Contingent earn-out payment in EUR with payment due less than 1 year	87	73	–	–
Contingent earn-out payment in other currencies with payment due less than 1 year	116	139	36	48
BS Total	2,266	1,413	1,536	835

Externally granted bank overdraft facilities amount to SEK 894 million (766) for the Group and SEK 735 million (731) for the Parent Company.

Maturity dates leases, non-current portion	Group	
	2022	2021
Maturity in year 2023	–	259
Maturity in year 2024	295	165
Maturity in year 2025	201	102
Maturity in year 2026	138	71
Maturity in 2027 or later	204	154
Total	838	751

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Note 24 continued

2022	Group						Parent company			
	SEK	EUR	CNY	DKK	GBP		SEK	EUR		
Maturity dates for long-term loans, SEK million										
Maturity in year 2024	1,234	7	26	3	3		1,234	–		
Maturity in year 2025	1,116	539	2	3	2		1,116	534		
Maturity in year 2026	1,844	4	2	3	2		1,844	–		
Maturity in 2027 or later	1,002	5	5	38	3		1,000	–		
Total	5,196	555	35	47	10		5,194	534		
Variable (V)/Fixed (F) interest	V&F	V&F	V	V&F	V&F		V&F	F		

2021	Group						Parent company	
	SEK	EUR	CNY	DKK	GBP	KRW	SEK	EUR
Maturity dates for long-term loans, SEK million								
Maturity in year 2023	1,000	300	4	0	3	3	1,000	297
Maturity in year 2024	500	494	–	1	3	–	500	491
Maturity in year 2025	750	2	–	0	2	–	750	–
Maturity in 2026 or later	752	1	6	10	4	–	750	–
Total	3,002	797	10	11	12	3	3,000	788
Variable (V)/Fixed (F) interest	V&F	V&F	V	V&F	V&F	V	V&F	F

2022	Group							Parent company			
	SEK	EUR	DKK	GBP	NOK	CHF	CZK	SEK	DKK	CHF	EUR
Maturity dates for long-term contingent earn-out payment, SEK million											
Maturity in year 2024	123	419	129	–	3	–	–	123	129	–	226
Maturity in year 2025	33	137	–	69	3	54	9	–	–	54	94
Maturity in year 2026	–	–	–	–	–	–	–	–	–	–	–
Maturity in 2027 or later	–	–	–	–	–	–	–	–	–	–	–
Total	156	556	129	69	6	54	9	123	129	54	320
Present value discounting rate, %	2–3	2–3	2–3	2	2	2	2	2–3	2–3	2	2–3

2021	Group							Parent company	
	SEK	EUR	DKK	GBP	NOK	CHF	CZK	SEK	DKK
Maturity dates for long-term contingent earn-out payment, SEK million									
Maturity in year 2023	12	90	53	16	5	49	–	10	53
Maturity in year 2024	10	162	40	–	2	–	–	9	40
Maturity in year 2025	37	–	–	114	2	–	8	–	–
Maturity in 2026 or later	–	–	–	–	–	–	–	–	–
Total	59	252	93	130	9	49	8	19	93
Present value discounting rate, %	2	2	2	2	2	2	2	2	2

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Pension obligations

Accounting principles

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

The liability carried on the balance sheet pertaining to defined benefit pension plans consists of the present value of the defined benefit obligations on the balance sheet date, less the fair value

of the plan assets. The defined benefit obligation is calculated 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 (AA-rated), corresponding to the duration of the liability, in countries in which such a market exists (the Netherlands, the UK and Switzerland).

For calculations of defined benefit pension obligations in Sweden, the discount rate has been set in reference to the interest rate for mortgage bonds with a duration that corresponds to the average duration of the obligations. Indutrade has determined

Note 25 continued

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.

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

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

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

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

Valuation of pension obligations

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

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

Defined benefit plans

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

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

Breakdown of net liability in SEK million

	2022	2021
PRI plan	94	138
Defined benefit plans, Netherlands, Switzerland and the UK	75	147
Total defined benefit plans	169	285
Other pension obligations	74	65
BS Total	243	350

The Group's plan assets, totalling SEK 897 million (972), 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 2022 Indutrade does not have access to such information that would make it possible to report this plan as a defined benefit plan, which is why the plan is reported as a defined contribution plan. Premiums paid during the year for pension plans with Alecta amounted to SEK 39 million (35).

Premiums for 2023 are expected to be in line with 2022. Alecta's collective funding ratio was 172% (172%) in December 2022.

Assumptions used in actuarial computations

Group, 2022	Sweden	Netherlands	Switzerland	Great Britain
Assumptions in calculating pension obligations				
Discount rate, %	4.00	3.70	2.25	4.70
Future salary increases, %	3.25	2.00	1.75	–
Anticipated inflation, %	2.00	2.00	1.75	3.40
Future pension increases, %	2.00	0.50	0.00	2.90
Employee turnover, %	2.00	1)	1)	–

1) Age-related.

Assumptions used in actuarial computations

Group, 2021	Sweden	Netherlands	Switzerland	Great Britain
Assumptions in calculating pension obligations				
Discount rate, %	1.75	1.20	0.40	1.70
Future salary increases, %	3.25	1.80	0.75	–
Anticipated inflation, %	2.00	1.80	0.75	3.90
Future pension increases, %	2.00	0.50	0.00	2.90
Employee turnover, %	2.00	1)	1)	–

1) Age-related.

Duration

Duration, years	2022	2021
Sweden	16	20
Netherlands	17	20
Switzerland	13	15
Great Britain	13	13

Financial statements

Note 25 continued

Sensitivity analysis for changes in significant assumptions

Impact on defined benefit obligation, SEK million	Sweden	Netherlands	Switzerland	Great Britain
Discount rate, increase by 0.50%	-7	-25	-28	-3
Discount rate, decrease by 0.50%	8	28	34	3
Salary increase, increase of 0.50%	4	0	3	-

Amounts reported in the balance sheet

	2022	2021
Present value of funded obligations	972	1,119
Fair value of plan assets	-897	-972
	75	147
Present value of unfunded obligations	94	138
	94	138
Net liability, defined benefit plans, in the balance sheet	169	285

Revaluation in the liability and other comprehensive income

	2022	2021
Experience-based adjustments of defined benefit obligations	17	3
Return on plan assets, excl. interest income	191	29
Demographic adjustments of defined benefit obligations	-1	-25
Financial adjustments of defined benefit obligations	-344	-61
Total	-137	-54

	2022	2021
Present value of pension obligations at start of year	1,257	1,308
Pension costs	25	11
Redemption of pension liability	-	-26
Interest expenses	12	9
Employee contributions	13	11
Pension payments	-31	-25
Actuarial gains (-)/losses (+)	-328	-83
Exchange rate differences	118	52
Present value of pension obligations at year-end	1,066	1,257
Plan assets at start of year	972	943
Interest income	9	6
Employee contributions	13	11
Company contributions	22	19
Pension payments	-27	-21
Return on plan assets, excl. interest income	-191	-29
Exchange rate differences	99	43
Plan assets at year-end	897	972
Net liability at start of year	285	365
Net cost reported in the income statement	28	15
Redemption of pension liability	-	-26
Pension payments	-4	-5
Company contributions	-22	-19
Actuarial gains (-)/losses (+)	-137	-54
Exchange rate differences in foreign plans	19	9
Net liability at year-end	169	285

Amounts reported in income statement	2022			2021		
	Defined benefit plans	Defined contribution plans	Total	Defined benefit plans	Defined contribution plans	Total
Costs relating to service in current and past periods	25	384	409	12	336	348
Interest on obligation	12	-	12	9	-	9
Return on plan assets	-9	-	-9	-6	-	-6
Net cost in income statement	28	384	412	15	336	351
of which, included in selling costs	25	276	301	12	244	256
of which, included in administrative expenses	0	108	108	0	92	92
of which, included in financial items	3	-	3	3	-	3

Anticipated company contributions to defined benefit pension plans in 2023 amount to SEK 22 million.

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Other provisions

Accounting principles

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

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

	Group		Parent company	
	2022	2021	2022	2021
Guarantee commitments	20	22	–	–
Total long-term provisions	20	22	–	–
			Guarantee commitments	
Opening balance, 1 January 2022				22
Guarantee commitments in acquired companies				0
Change in guarantee commitments for the year				–2
BS Closing balance, 31 December 2022				20

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Accrued expenses

	Group		Parent company	
	2022	2021	2022	2021
Accrued vacation pay	292	260	6	6
Other payroll costs	434	367	13	13
Accrued social security costs	121	111	11	10
Accrued expenses for purchase of materials	136	115	–	–
Customer bonuses and discounts	92	79	–	–
Accrued audit and consulting fees	61	48	2	3
Accrued financial expenses	23	8	21	8
Other	96	77	1	1
BS Total	1,255	1,065	54	41

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Pledged assets

	Group		Parent company	
	2022	2021	2022	2021
For own liabilities:				
Real estate mortgages	125	79	–	–
Chattel mortgages	80	20	–	–
Assets subject to liens ¹⁾	251	194	–	–
Blocked funds	10	5	–	–
Total	466	298	–	–

¹⁾ Primarily leases on cars.

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Contingent liabilities

Accounting principles

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

	Group		Parent company	
	2022	2021	2022	2021
Guarantees pledged for subsidiaries' PRI liabilities	–	–	76	64
Guarantees pledged for the benefit of subsidiaries	–	–	81	36
Contingent liabilities for own PRI liabilities	2	1	–	–
Other contingent liabilities	–	–	–	–
Total	2	1	157	100

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Cash and cash equivalents

Accounting principles

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

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

	Group		Parent company	
	2022	2021	2022	2021
Cash and bank balances	1,585	1,456	592	489
Short-term investments	4	4	–	–
BS Total	1,589	1,460	592	489

Cash flow

	Non-cash changes										31 Dec 2022
	1 Jan 2022	Items affecting cash flow	Acquisitions	Divestments	Interest	Transfer from non-current to current	Translation difference	Adjustment in income statement	New loans raised	Fair value	
Current interest-bearing liabilities	804	-574	52	-	-	1,300	11	-	-	-	1,593
Non-current interest-bearing liabilities	3,835	2,799	51	-	-	-1,300	458	-	-	-	5,843
Lease liabilities	1,099	-408	141	-23	-	-	55	-	406	-	1,270
Total, excl. contingent earn-out payment	5,738	1,817	244	-23	-	-	525	-	406	-	8,706
Contingent earn-out payment ¹⁾	861	-235	-	-	14	-	60	-139	659	-	1,220
Total interest-bearing liabilities	6,599	1,582	244	-23	14	-	585	-139	1,065	-	9,926
Financial assets used for hedging purposes ²⁾	-12	-	-	-	-	-	-	-	11	-	-1
Short-term investments	4	0	-	-	-	-	0	-	-	-	4
Cash and bank balances	1,456	46	-	-	-	-	83	-	-	-	1,585
Total cash and bank balances	1,460	46	-	-	-	-	83	-	-	-	1,589

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

²⁾ For liabilities reported in financing activities.

	Non-cash changes										31 Dec 2021
	1 Jan 2021	Items affecting cash flow	Acquisitions	Divestments	Interest	Transfer from non-current to current	Translation difference	Adjustment in income statement	New loans raised	Fair value	
Current interest-bearing liabilities	788	-469	3	-	-	500	-18	-	-	-	804
Non-current interest-bearing liabilities	2,831	1,227	11	-	-	-500	266	-	-	-	3,835
Lease liabilities	1,068	-351	95	-20	-	-	34	-	273	-	1,099
Total, excl. contingent earn-out payment	4,687	407	109	-20	-	-	282	-	273	-	5,738
Contingent earn-out payment ¹⁾	549	-73	-	-	9	-	20	-62	418	-	861
Total interest-bearing liabilities	5,236	334	109	-20	9	-	302	-62	691	-	6,599
Financial assets used for hedging purposes ²⁾	30	-	-	-	-	-	-	-	-42	-	-12
Short-term investments	3	1	-	-	-	-	0	-	-	-	4
Cash and bank balances	755	653	-	-	-	-	48	-	-	-	1,456
Total cash and bank balances	758	654	-	-	-	-	48	-	-	-	1,460

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

²⁾ For liabilities reported in financing activities.

Acquisitions and divestments of subsidiaries

Acquisitions 2022

All of the shares were acquired in the following companies: Autoroll UK Ltd (UK), NTi Audio AG (Liechtenstein), Stabalux GmbH (Germany), PMH International AB (Sweden), acti-Chem A/S (Denmark), Prodia AB (Sweden), Oscar Medtec AB (Sweden), Beck Sensortechnik GmbH (Germany), Primed Fysio och Rehab AB (Sweden), OCI B.V. (Netherlands), Tebra Messen Industrie B.V. (Netherlands), CaTec B.V. (Netherlands), Ingenjörfirman Geotech AB (Sweden), Bramming Plast-Industri A/S (Denmark), Palas GmbH (Germany) and Armaturen Aichhorn GmbH (Austria).

Benelux

On 13 July, OCI B.V. (Netherlands) was acquired, with annual sales of SEK 110 million. OCI offers solutions for connecting energy and water grids from the main network to domestic homes, office buildings and industrial sites.

On 11 August, Tebra Messen Industrie B.V. (Netherlands) was acquired, with annual sales of SEK 52 million. Tebra offers domestic and international clients machine knives used in a range of different sectors and industries such as food processing, rubber, recycling, packaging and hygiene.

On 8 September, CaTec B.V. (Netherlands) was acquired, with annual sales of SEK 100 million. The company is a specialist in climate measurement technology, offering measuring instruments and sensors to customers in the Benelux region.

DACH

On 1 December, Armaturen Aichhorn GmbH (Austria) was acquired, with annual sales of SEK 65 million. Aichhorn is a technical trading company offering valves for industrial and infrastructure applications.

Flow Technology

On 24 May, acti-Chem A/S (Denmark) was acquired, with annual sales of SEK 50 million. The company delivers sustainable water treatment solutions, managing and optimising quality of complex industrial process water.

Fluids & Mechanical Solutions

On 1 April, Stabalux GmbH (Germany) was acquired, with annual sales of SEK 40 million. Stabalux is a manufacturer of profile systems for curtain wall facades. The customer offering includes modular systems with profiles made of steel, aluminium, timber, or bamboo.

On 17 November, the acquisition of Bramming Plast-Industri A/S (Denmark) was acquired, with annual sales of SEK 500 million. BPI manufactures technology-based solutions in polyurethane for industries.

Industrial Components

On 7 April, PMH International AB (Sweden) was acquired, with annual sales of SEK 140 million. PMH is a specialised technical trading company operating in the market segments lifting and material handling equipment as well as industrial and storage halls.

On 31 May, Prodia AB (Sweden) was acquired, with annual sales of SEK 50 million. Prodia is a supplier of drug tests and offers a wide range of rapid tests and laboratory analyses.

On 13 June, Oscar Medtec AB (Sweden) was acquired, with annual sales of SEK 70 million. Oscar Medtec is a supplier of medical refrigerators and examination furniture, such as examination tables, testing chairs and storage solutions.

On 7 July, Primed Fysio och Rehab AB (Sweden) was acquired, with annual sales of SEK 30 million. Primed is a Swedish supplier of professional physiotherapy equipment. The products are used for physiotherapy aimed at patients with a comprehensive rehabilitation need.

On 31 October, Ingenjörfirman Geotech AB (Sweden) was acquired, with annual sales of SEK 100 million. Geotech develops, manufactures and sells equipment for geotechnical investigations.

Measurement & Sensor Technology

On 17 February, NTi Audio AG (Liechtenstein) was acquired, with annual sales of SEK 90 million. The company manufactures test and measurement equipment for acoustics, audio and vibration applications.

On 6 July, Beck Sensortechnik GmbH (German) was acquired, with annual sales of SEK 130 million. The company develops, manufactures and sells pressure switches and pressure transmitters to OEM customers, operating in the fields of HVAC, water and wastewater, medical technology and other industrial applications.

On 24 November, Palas GmbH (Germany) was acquired, with annual sales of SEK 270 million. Palas develops, manufactures and sells high precision equipment for generation, measurement and analysis of particles in the air.

UK

On 4 January, Autoroll UK Ltd (UK) was acquired, with annual sales of SEK 67 million. The company manufactures and supplies steel industrial doors and aluminium roller garage doors.

Financial statements

Note 32 continued

Effects of acquisitions carried out in 2022 and 2021

SEK million	2022		2021	
	Net sales	EBITA	Net sales	EBITA
Business area				
Benelux	147	34	502	98
DACH	128	22	27	3
Finland	120	21	128	23
Flow Technology	148	21	210	40
Fluids & Mechanical Solutions	249	47	123	22
Industrial Components	264	48	152	26
Measurement & Sensor Technology	227	32	125	42
UK	360	51	26	1
Effect on Group	1,643	276	1,293	255
Acquisitions carried out in 2020			470	112
Acquisitions carried out in 2021	997	177	823	143
Acquisitions carried out in 2022	646	99	–	–
Effect on Group	1,643	276	1,293	255

The table above shows the net sales and EBITA that the acquired companies have had since the acquisition date and which are included in the Group's earnings for each period. If all acquired units had been consolidated as from 1 January 2022, net sales for the year would have amounted to SEK 28,176 million, and EBITA would have totalled SEK 4,270 million.

Acquired assets

Preliminary purchase price allocations

SEK million	2022	2021
Purchase price, incl. contingent earn-out payments	3,445	2,272
of which contingent earn-out payment	659	403

Acquired assets	2022			2021		
	Book value	Fair value adjustment	Fair value	Book value	Fair value adjustment	Fair value
Goodwill	38	1,892	1,930	–	1,022	1,022
Agencies, trademarks, customer relations, licences, etc.	4	1,335	1,339	9	900	909
Property, plant and equipment	203	–	203	131	–	131
Financial assets	1	–	1	2	–	2
Inventories	320	–	320	213	–	213
Other current assets ¹⁾	272	–	272	315	–	315
Cash and cash equivalents	242	–	242	222	–	222
Deferred tax liability	–11	–321	–332	–15	–202	–217
Provisions incl. pension obligations	0	–	0	–23	–	–23
Other operating liabilities	–530	–	–530	–302	–	–302
Non-controlling interests	0	–	0			
	539	2,906	3,445	552	1,720	2,272

¹⁾ Primarily trade receivables.

Note 32 continued

Since disclosures about the individual acquisitions are insignificant, they are provided here in aggregate form. The cost amount of the value of customer relationships and agencies is reported on the balance sheet as agencies, trademarks, customer relationships, licences, etc. They will be amortised over a period of 5 to 20 years, with the exception of trademarks, which are assumed to have indefinite useful life. Trademarks are included at a value of SEK 76 million (29). Goodwill is justified by the good profitability and personnel included in the acquired companies.

Indutrade typically uses an acquisition structure entailing a base level of consideration plus a contingent earn-out payment. Initially, the contingent earn-out payment is valued at the present value of the likely outcome, which for the acquisitions made during the year amounts to SEK 659 (403) million. The contingent earn-out payments fall due for payment within three years and can amount to a maximum of SEK 737 million (449). If the conditions are not met, the outcome can be in the range of SEK 0–737 million (0–449).

Transaction costs for the acquisitions carried out during the year totalled SEK 15 million (21) and are included in "Other operating expenses" in the income statement. Contingent earn-out payments have been restated in the amount of SEK 142 million (64). The effect is reported under Other operating income/expenses in the amount of SEK 138 million (62) and under Net financial items in the amount of SEK 4 million (2).

The purchase price allocation calculations for the companies acquired through December 2021 have now been finalised. No significant adjustments have been made to the calculations. For other acquisitions, the purchase price allocation calculations are preliminary. Indutrade regards the calculations as preliminary during the time that uncertainty exists with respect to, for example, the outcome of guarantees in the acquisition agreements concerning inventories and trade receivables.

Cash flow impact

SEK million	2022	2021
Purchase price, incl. contingent earn-out payments	3,445	2,272
Purchase price not paid out	-662	-458
Cash and cash equivalents in acquired companies	-242	-222
Payments pertaining to previous years' acquisitions	287	75
Total cash flow impact	2,828	1,667

Acquisitions and divestments after the end of the reporting period

On 3 January, Sax Lift A/S was acquired, with annual sales of SEK 130 million. Sax Lift manufactures standard and custom-made scissor lift tables.

On 10 January, Hobe GmbH was acquired, with annual sales of SEK 80 million. Hobe is a niche manufacturer of micro precision tools for the shaping of interior profiles in very small bores.

On 19 January, Siersema Komponenten Service B.V was acquired, with annual sales of SEK 390 million. SKS is a specialised technical trading company offering high quality, innovative and sustainable flow technology components to the food and pharmaceutical industry.

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Related party transactions

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

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

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Events after the balance sheet date

During January-March 2023, three company acquisitions were made. For further information, see Note 32.

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

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Disclosures about Parent Company

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

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

The share capital of Indutrade AB as per 31 December 2022 consisted of 364,323,000 shares with a share quota value of SEK 2, for a total of SEK 729 million.

At the Annual General Meeting on 29 March 2023, a dividend of SEK 2.60 per share will be proposed for the 2022 financial year, for a total of SEK 947 million. The proposed dividend has not been reported as a liability in these financial statements.

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Tax allocation reserves

	Parent company	
	2022	2021
Provision 2016		108
Provision 2017	142	142
Provision 2018	120	120
Provision 2019	120	120
Provision 2020	75	75
Provision 2021	190	190
Provision 2022	220	
BS Total	867	755

Audit Report

Unofficial translation

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Indutrade AB (publ) for the year 2022 except for the corporate governance statement on pages 46–53 and the sustainability report on pages 7–15, 21–29, 38–42 and 105–106. The annual accounts and consolidated accounts of the company are included on pages 16–18, 31–35, 37–53, 56 and 58–99 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 46–53 and the sustainability report on pages 7–15, 21–29, 38–42 and 105–106. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Our audit approach

Audit scope

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

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

Indutrade markets and sells components, systems, and services with high-tech content in selected niches to the industry. The Group consists of more than 200 companies in 30 countries and has a clearly defined acquisition strategy. The Group mainly consists of individually small entities with respect to the Group as a total. The most significant balance sheet items are inventories and accounts receivables.

In order to ensure that we in our audit of the consolidated accounts have a common focus on important areas, and to ensure that we obtain sufficient coverage of the Group's net sales, the most significant subsidiaries have been included in the Group audit with common focus areas and reporting to the Group audit team. In addition, local statutory audit procedures are performed for all legal entities within the Group subject to such requirements according to local law.

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

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

Our audit is carried out continuously during the year including a review of the interim report for the third quarter. At year-end, we report our main observations to Group management, the Audit committee and the Board of Directors. For the third quarter, we issued a public review report.

Materiality

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

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

Key audit matters

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

Valuation of inventories

Inventories is a significant item in the consolidated balance sheet. As per December 31, 2022, inventory amounts to SEK 5,6 billion. During the year there have been disruptions in supply chains and inflation. The valuation of inventories is an important factor to consider. The obsolescence provisions are to some extent affected by management's judgments.

Refer to the Annual Report Note 21 Inventories for more information about the line item.

How our audit addressed the key audit matter

In our audit we have mapped and assessed the companies' inventory processes including routines for valuation and assessment of obsolescence in order to gain an understanding of risks and controls. We have also participated in stocktaking and performed audit procedures of pricing of articles in stock.

Considering the company's operations, system support, inventory turnover and other relevant factors we have tested the obsolescence models in the subsidiaries against Indutrade's accounting principles.

We have traced the disclosures information included in Note 21 Inventories to the accounting records and other supporting documentation and ensured that they are in line with the disclosure requirements in IAS 2 Inventory.

Valuation of Earn out liabilities

Acquisitions are usually made following a principle with a base level of consideration plus a contingent earn-out payment. Contingent earn-out payments are typically based on the projected earnings of the acquired company over the next few years. Contingent earn-out payments are remeasured at every reporting date and thus subject to management judgements and estimates. The fair value determinations related to business combinations, including the valuation of contingent considerations, involves a high degree of management judgment as it is based on the Company's own assumptions.

Refer to the Annual Report Note 32 Acquisitions and divestments of subsidiaries for more information.

How our audit addressed the key audit matter

We have examined significant purchase agreements including contingent considerations and evaluated management's assessments and valuations of contingent considerations.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–6, 19, 30, 36, 45, 57 and 107–111 and the statutory sustainability report on pages 7–15, 21–29, 38–42 and 105–106 and remuneration report on pages 54–55. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Director's and the Managing Director

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

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

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

Auditor's responsibility

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

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

Report on other legal and regulatory requirements

The auditor's examination of the administration of the company and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Indutrade AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the

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

Auditor's responsibility

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

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

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

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

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

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Indutrade AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for Opinions

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Indutrade AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The review procedures mainly include validation that the Esef report has been prepared in a valid XHTML and a reconciliation that the Esef report is consistent with the audited annual report and consolidated accounts.

Furthermore, the review also includes an assessment of whether the group's profit and loss, balance sheet and equity statements, cash flow analysis and notes in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 46–53 has been prepared in accordance with the Annual Accounts Act.

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

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

PricewaterhouseCoopers AB, Torsgatan 21, 113 97, was appointed auditor of Indutrade AB (publ) by the general meeting of the shareholders on April 5, 2022 and has been the company's auditor since 1994.

Stockholm March 8, 2023
PricewaterhouseCoopers AB

Anna Rosendal
Authorized Public Accountant
Lead partner

Auditor's report on the statutory sustainability report

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

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2022 on pages 7–15, 21–29, 38–42 and 105–106 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, March 8, 2023
PricewaterhouseCoopers AB

Anna Rosendal
Authorised Public Accountant
Lead partner

Taxonomy

Turnover

Economic activities (1)	Codes (2)	Absolute Turnover (3) SEK 000s	Percentage of Turnover (4) %	Criteria for substantial contribution						Criteria for Do No Significant Harm (DNSH)						Minimum protection measures (17) Yes/No	Taxonomy compatible share of turnover, year 2022 (18) %	Taxonomy compatible share of turnover, year 2021 (19) %	Category (enabling activity or) (20) Enabling	Category (conversion activities) (21) Conversion
				Limitation of climate change (5) %	Adaptation to climate change (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Limitation of climate change (11) Yes/No	Adaptation to climate change (12) Yes/No	Water and marine resources (13) Yes/No	Circular economy (14) Yes/No	Pollution (15) Yes/No	Biodiversity and ecosystems (16) Yes/No					
A. ACTIVITIES COVERED BY THE TAXONOMY																				
A.1. Environmentally sustainable (Taxonomy compatible) activities																				
Turnover of the environmentally sustainable (Taxonomy compatible) activities (A.1)																				
A.2. Activities covered by the Taxonomy but which are not environmentally sustainable (not Taxonomy compatible)																				
Manufacture of energy efficiency equipment for buildings	3.5	75,236	0.3%																	
Manufacturing of other technology with low carbon dioxide emissions	3.6	21,288	0.1%																	
Sales of the activities covered by the Taxonomy but which are not environmentally sustainable (not Taxonomy compatible) (A.2)		96,525	0.4%																	
Total (A1 + A2)		96,525	0.4%																	
B. ACTIVITIES NOT COVERED BY THE TAXONOMY																				
Turnover of activities not covered by the Taxonomy (B)																				
		26,919,680	99.6%																	
Total A+B		27,016,205	100.0%																	

Capex

Economic activities (1)	Codes (2)	Absolute capital expenditure (3) SEK 000s	Percentage of capital expenditure (4) %	Criteria for substantial contribution						Criteria for Do No Significant Harm (DNSH)						Minimum protection measures (17) Yes/No	Taxonomy compatible share of capital expenditure, year 2022 (18) %	Taxonomy compatible share of capital expenditure, year 2021 (19) %	Category (enabling activity or) (20) Enabling	Category (conversion activities) (21) Conversion
				Limitation of climate change (5) %	Adaptation to climate change (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Limitation of climate change (11) Yes/No	Adaptation to climate change (12) Yes/No	Water and marine resources (13) Yes/No	Circular economy (14) Yes/No	Pollution (15) Yes/No	Biodiversity and ecosystems (16) Yes/No					
A. ACTIVITIES COVERED BY THE TAXONOMY																				
A.1. Environmentally sustainable (Taxonomy compatible) activities																				
Capital expenditure for the environmentally sustainable (Taxonomy compatible) activities (A.1)																				
A.2. Activities covered by the Taxonomy but which are not environmentally sustainable (not Taxonomy compatible)																				
Manufacture of energy efficiency equipment for buildings	3.5	1,026	0.0%																	
Manufacturing of other technology with low carbon dioxide emissions	3.6	226	0.0%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	12,066	0.3%																	
Capital expenditure for activities covered by the Taxonomy but which are not environmentally sustainable (not Taxonomy compatible) (A.2)		13,319	0.3%																	
Total (A1 + A2)		13,319	0.3%																	
B. ACTIVITIES NOT COVERED BY THE TAXONOMY																				
Capital expenditure for activities not covered by the Taxonomy (B)																				
		4,563,748	99.7%																	
Total A+B		4,577,066	100.0%																	

Economic activities (1)	Codes (2)	Absolute operating expenditure (3) SEK 000s	Percentage of operating expenditure (4) %	Criteria for substantial contribution						Criteria for Do No Significant Harm (DNSH)						Minimum protection measures (17) Yes/No	Taxonomy compatible share of operating expenditure, year 2022 (18) %	Taxonomy compatible share of operating expenditure, year 2021 (19) %	Category (enabling activity) (20)	Category (conversion activity) (21)
				Limitation of climate change (5) %	Adaptation to climate change (6) %	Water and marine resources (7) %	Circular economy (8) %	Pollution (9) %	Biodiversity and ecosystems (10) %	Limitation of climate change (11) Yes/No	Adaptation to climate change (12) Yes/No	Water and marine resources (13) Yes/No	Circular economy (14) Yes/No	Pollution (15) Yes/No	Biodiversity and ecosystems (16) Yes/No					
A. ACTIVITIES COVERED BY THE TAXONOMY																				
A.1. Environmentally sustainable (Taxonomy compatible) activities																				
Operating expenditure for the environmentally sustainable (Taxonomy compatible) activities (A.1)																				
A.2. Activities covered by the Taxonomy but which are not environmentally sustainable (not Taxonomy compatible)																				
Manufacture of energy efficiency equipment for buildings	3.5	376	0.1%																	
Manufacturing of other technology with low carbon dioxide emissions	3.6	85	0.0%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	1,285	0.3%																	
Operating expenditure for activities covered by the Taxonomy but which are not environmentally sustainable (not Taxonomy compatible) (A.2)		1,746	0.4%																	
Total (A1 + A2)		1,746	0.4%																	
B. ACTIVITIES NOT COVERED BY THE TAXONOMY																				
Operating expenditure for activities not covered by the Taxonomy (B)		481,119	99.6%																	
Total A+B		482,865	100.0%																	

Multi-year overview and definitions

Condensed income statements

SEK million	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Net sales	27,016	21,715	19,217	18,411	16,848	14,847	12,955	11,881	9,746	8,831
Cost of goods sold	-17,654	-14,106	-12,681	-12,126	-11,099	-9,881	-8,607	-7,847	-6,464	-5,833
Development costs	-334	-258	-227	-217	-204	-178	-156	-133	-107	-110
Selling costs	-3,975	-3,279	-3,009	-2,990	-2,737	-2,463	-2,179	-2,044	-1,708	-1,601
Administrative expenses	-1,560	-1,231	-1,123	-1,103	-991	-893	-791	-635	-535	-449
Other operating income/expenses	127	-16	89	41	8	-52	50	13	49	18
Operating profit	3,620	2,825	2,266	2,016	1,825	1,380	1,272	1,235	981	856
Financial income/expenses	-180	-100	-126	-124	-75	-70	-78	-98	-86	-100
Profit after financial items	3,440	2,725	2,140	1,892	1,750	1,310	1,194	1,137	895	756
Income Tax	-759	-628	-471	-409	-382	-280	-258	-243	-192	-169
Net profit for the year	2,681	2,097	1,669	1,483	1,368	1,030	936	894	703	587
EBITA	4,098	3,202	2,615	2,330	2,087	1,613	1,484	1,427	1,134	990
EBITA margin, %	15.2	14.7	13.6	12.7	12.4	10.9	11.5	12.0	11.6	11.2

Condensed balance sheets

SEK million	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Assets										
Goodwill	7,649	5,439	4,306	4,031	3,170	2,845	2,388	1,942	1,572	1,308
Other intangible assets	4,408	3,331	2,693	2,672	2,169	2,102	1,879	1,636	1,445	1,286
Property, plant and equipment	4,045	3,385	3,106	3,002	1,736	1,618	1,451	1,117	971	849
Financial assets	160	204	228	182	158	139	117	101	87	61
Inventories	5,605	4,010	3,307	3,400	2,834	2,517	2,249	1,931	1,617	1,546
Trade receivables	4,452	3,458	2,925	3,025	2,877	2,469	2,292	1,995	1,702	1,435
Other receivables	954	713	639	513	418	412	345	300	336	208
Cash and cash equivalents	1,589	1,460	758	719	708	464	332	339	357	261
Total assets	28,862	22,000	17,962	17,544	14,070	12,566	11,053	9,361	8,087	6,954
Liabilities and equity										
Equity	12,773	10,303	8,634	7,170	6,218	5,168	4,399	3,707	3,162	2,626
Non-current interest-bearing liabilities, incl. pension liabilities	7,903	5,536	4,450	4,707	2,811	1,569	2,274	1,260	1,216	2,201
Other non-current liabilities and provisions	1,300	976	770	720	619	600	563	480	412	353
Current interest-bearing liabilities	2,266	1,413	1,186	2,142	1,806	2,724	1,686	2,028	1,635	381
Trade payables	1,870	1,597	1,136	1,237	1,168	1,081	968	848	763	602
Other current liabilities	2,750	2,175	1,786	1,568	1,448	1,424	1,163	1,038	899	791
Total liabilities and equity	28,862	22,000	17,962	17,544	14,070	12,566	11,053	9,361	8,087	6,954

Lease liabilities and right-of-use assets according to IFRS 16 are included in the key data as of 2019. The comparative financial information has not been restated.

Condensed cash flow statements

SEK million	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Cash flow from operating activities before changes in working capital	3,930	3,195	2,582	2,271	1,821	1,514	1,318	1,315	970	790
Changes in working capital	-1,558	-342	198	-349	-461	40	-111	-239	-66	69
Cash flow from operating activities	2,372	2,853	2,780	1,922	1,360	1,554	1,207	1,076	904	859
Net capital expenditures in non-current assets	-498	-357	-399	-403	-299	-236	-320	-221	-124	-206
Company acquisitions and divestments	-2,826	-1,660	-978	-1,484	-586	-1,007	-1,164	-878	-585	-444
Change in other financial assets	7	17	11	3	0	1	8	-1	3	1
Cash flow from investing activities	-3,317	-2,000	-1,366	-1,884	-885	-1,242	-1,476	-1,100	-706	-649
Net borrowing	1,817	407	-1,407	541	225	116	620	303	165	88
Dividend paid out	-837	-655	-	-544	-453	-384	-360	-310	-282	-282
Payment for issued warrants	-	-	-	-	0	8	-	-	-	-
New issues	11	48	87	-	7	95	-	-	-	-
Cash flow from financing activities	991	-200	-1,320	-3	-221	-165	260	-7	-117	-194
Cash flow for the period	46	653	94	35	254	147	-9	-31	81	16
Cash and cash equivalents at start of year	1,460	758	719	708	464	332	339	357	261	243
Exchange rate differences	83	49	-55	-24	-10	-15	2	13	15	2
Cash and cash equivalents at end of year	1,589	1,460	758	719	708	464	332	339	357	261

Financial metrics

SEK million	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Non-current interest-bearing liabilities	7,903	5,536	4,450	4,707	2,811	1,569	2,274	1,260	1,216	2,201
Current interest-bearing liabilities	2,266	1,413	1,186	2,142	1,806	2,724	1,686	2,028	1,635	381
Cash and cash equivalents	-1,589	-1,460	-758	-719	-708	-464	-332	-339	-357	-261
Interest-bearing net debt	8,580	5,489	4,878	6,130	3,909	3,829	3,628	2,949	2,494	2,321
Net debt/equity ratio, %	67	53	56	85	63	74	82	80	79	88
Interest coverage ratio, times	18.2	27.3	21.0	17.2	25.1	21.1	16.5	14.6	12.2	8.9
Equity ratio, %	44	47	48	41	44	41	40	40	39	38
Net debt/EBITDA, times	1.8	1.4	1.5	2.1	1.7	2.1	2.2	1.8	1.9	2.1
Return measures										
Capital employed, average, SEK million	18,111	14,516	13,541	12,416	9,839	8,444	7,491	6,537	5,324	4,894
Return on capital employed, %	23	22	19	19	21	19	20	22	21	20
Equity, average, SEK million	11,272	9,297	7,899	6,715	5,715	4,746	3,976	3,440	2,818	2,377
Return on equity, %	24	23	21	22	24	22	24	26	25	25
Number of employees										
Average number of employees	8,483	7,715	7,349	7,167	6,710	6,156	5,495	4,978	4,418	4,151
Number of employees at year-end	9,128	8,185	7,270	7,357	6,778	6,545	5,705	5,107	4,578	4,218

Lease liabilities and right-of-use assets according to IFRS 16 are included in the key data as of 2019. The comparative financial information has not been restated.

Key ratios per share ¹⁾

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Share price at 31 December, SEK	211.10	277.2	176.2	111.7	68.5	74.5	61	53.4	34.7	29.8
Market cap at 31 December, SEK million	76,909	100,953	64,069	40,511	24,848	27,011	21,960	19,220	12,480	10,740
Dividend, SEK	2.60 ²⁾	2.30	1.80	–	1.50	1.25	1.07	1.00	0.86	0.78
Earnings before dilution, SEK	7.36	5.76	4.60	4.09	3.77	2.85	2.60	2.48	1.96	1.63
Earnings after dilution, SEK	7.36	5.75	4.59	4.09	3.77	2.84	2.59	2.48	1.96	1.63
Number of shares outstanding, 000s	364,323	364,188	363,615	362,565	362,565	362,397	360,000	360,000	360,000	360,000
Average number of shares before dilution, '000	364,270	363,921	362,721	362,565	362,496	361,371	360,000	360,000	360,000	360,000
Average number of shares after dilution, '000	364,303	364,180	363,320	362,754	362,529	361,851	360,753	360,282	360,000	360,000
Number of shareholders at 31 December	21,022	20,533	12,880	10,287	9,553	9,816	10,518	7,965	5,970	6,038
Highest price paid during the financial year, SEK	280.70	295	179.9	112.8	83.1	77.7	63.7	54.3	35.5	30.3
Lowest price paid during the financial year, SEK	161.95	164.6	73.7	67.6	67.3	55.7	45.4	34.5	26.8	22
Direct yield ³⁾ , %	1.2	0.8	1.0	–	2.2	1.7	1.7	1.9	2.5	2.6
Equity, SEK	35.02	28.26	23.72	19.74	17.11	14.21	12.19	10.29	8.78	7.29
Cash flow from operating activities, SEK	6.51	7.84	7.66	5.30	3.75	4.30	3.35	2.99	2.51	2.39

¹⁾ A 2:1 bonus issue was executed during December 2020. All comparison figures have been restated for the new number of shares.

²⁾ The Board's proposal for 2022.

³⁾ Dividend divided by the share price on 31 December.

Definitions

In this annual report Indutrade presents certain key ratios (Alternative Performance Measures – APMs) that complement the financial measures defined in IFRS. Indutrade believes that these key ratios provide valuable information to readers, as they contribute to assessment of the Group's performance, trends, ability to repay debt and invest in new business opportunities, and they reflect the Group's acquisition-intensive business model.

Since not all companies calculate their financial key ratios in the same way, they are not always comparable. They should therefore not be regarded as a substitute for the key ratios defined in IFRS. Following are definitions of Indutrade's key ratios, of which most are APMs.

Capital employed

Shareholders' equity plus interest-bearing net debt.

Earnings per share after dilution

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

Earnings per share before dilution

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

Definition according to IFRS.

EBITA

Operating profit before amortisation of intangible non-current assets arising in connection with company acquisitions (Earnings Before Interest, Tax and Amortisation). EBITA is the principal measure of the Group's earnings.

EBITA margin

EBITA divided by net sales.

EBITDA

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

Equity per share

Shareholders' equity attributable to owners of the parent divided by the number of shares outstanding.

Equity ratio

Shareholders' equity divided by total assets.

Gross margin

Gross profit divided by net sales.

Interest-bearing net debt

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

Interest coverage ratio

Operating profit/loss plus interest income divided by interest expenses.

Net capital expenditures

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

Net debt/equity ratio

Interest-bearing net debt divided by shareholders' equity.

Net debt/EBITDA

Interest-bearing net debt at the end of the period divided by EBITDA on a moving 12-month basis.

Return on capital employed

EBITA calculated on a moving 12-month basis divided by average capital employed per month.

Return on equity

Net profit for the period on a moving 12-month basis divided by average shareholders' equity per month.

Quarterly overview

Net sales

SEK million	2022					2021				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	4,084	1,153	1,012	970	949	3,331	843	823	864	801
DACH	2,111	534	552	521	504	1,661	457	424	409	371
Finland	2,220	605	565	545	505	1,826	525	462	453	386
Flow Technology	5,407	1,370	1,387	1,385	1,265	4,301	1,109	1,045	1,144	1,003
Fluids & Mechanical Solutions	2,970	781	714	753	722	2,367	643	596	603	525
Industrial Components	5,396	1,514	1,270	1,342	1,270	4,473	1,192	1,015	1,113	1,153
Measurement & Sensor Technology	2,949	821	749	692	687	2,372	622	570	610	570
UK	1,994	480	490	504	520	1,467	360	377	375	355
Parent company and Group items	-115	-30	-32	-29	-24	-83	-25	-22	-19	-17
	27,016	7,228	6,707	6,683	6,398	21,715	5,726	5,290	5,552	5,147

EBITA

SEK million	2022					2021				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	599	167	139	155	138	464	127	100	122	115
DACH	316	80	88	78	70	236	69	63	59	45
Finland	370	96	105	96	73	283	81	81	76	45
Flow Technology	882	222	224	236	200	668	168	175	185	140
Fluids & Mechanical Solutions	453	116	108	116	113	382	108	105	96	73
Industrial Components	867	227	204	218	218	733	184	167	196	186
Measurement & Sensor Technology	535	142	134	128	131	428	112	104	113	99
UK	231	51	53	59	68	158	32	43	45	38
Parent company and Group items	-155	-20	-20	-63	-52	-150	-45	-28	-49	-28
	4,098	1,081	1,035	1,023	959	3,202	836	810	843	713

EBITA margin

SEK million	2022					2021				
	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Total	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	14.7	14.5	13.7	16.0	14.5	13.9	15.1	12.2	14.1	14.4
DACH	15.0	15.0	15.9	15.0	13.9	14.2	15.1	14.9	14.4	12.1
Finland	16.7	15.9	18.6	17.6	14.5	15.5	15.4	17.5	16.8	11.7
Flow Technology	16.3	16.2	16.1	17.0	15.8	15.5	15.1	16.7	16.2	14.0
Fluids & Mechanical Solutions	15.3	14.9	15.1	15.4	15.7	16.1	16.8	17.6	15.9	13.9
Industrial Components	16.1	15.0	16.1	16.2	17.2	16.4	15.4	16.5	17.6	16.1
Measurement & Sensor Technology	18.1	17.3	17.9	18.5	19.1	18.0	18.0	18.2	18.5	17.4
UK	11.6	10.6	10.8	11.7	13.1	10.8	8.9	11.4	12.0	10.7
	15.2	15.0	15.4	15.3	15.0	14.7	14.6	15.3	15.2	13.9

Annual General Meeting and reporting dates

Annual General Meeting

Time and place

Indutrade AB (publ) (CIN 556017–9367) will hold its AGM on 29 March 2023, at 4:30 PM at IVA Konferenscenter, Grev Turegatan 16, Stockholm.

The Board of Directors has decided that shareholders may exercise their voting rights at the Annual General Meeting also by postal voting in accordance with the provisions of Indutrade's Articles of Association.

Right to participate and notice of participation

A person who wishes to attend the meeting venue in person or by proxy must:

- be listed as a shareholder in the presentation of the share register prepared by Euroclear Sweden AB concerning the circumstances on Tuesday, 21 March 2023; and
- give notice of participation no later than Thursday, 23 March 2023, via Indutrade's website www.indutrade.com or <https://anmalan.vpc.se/euroclearproxy>, by post to Indutrade Aktiebolag, "AGM", c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden, by e-mail to generalmeetingservice@euroclear.com or by phone +46 8 401 43 12 (Monday-Friday 9 a.m. to 4 p.m.). The notification must state the shareholder's name, personal identification number/corporate registration number, address, phone number, and the number of any assistants (no more than two).

If a shareholder is represented by proxy, a written and dated power of attorney signed by the shareholder shall be issued for the proxy. Proxy forms are available on the Company's website, www.indutrade.com. A power of attorney is valid for one year from its issue date or such longer time period as set out in the power of attorney, however, no more than five years. If the shareholder is a legal entity, a registration certificate or corresponding authorisation document must be enclosed. In order to facilitate registration at the Meeting, the power of attorney, registration certificate and other authorisation documents should be sent to the Company at the address stated above in connection with the notice of participation.

In order to be entitled to participate in the Meeting, a shareholder whose shares are registered in the name of a nominee must, in addition to giving notice of participation in the Meeting, register its shares in its own name so that the shareholder is listed in the presentation of the share register as of the record date, Tuesday, 21 March 2023. Such registration may be temporary (so-called voting rights registration), and request for such voting rights registration shall be made to the nominee, in accordance with the nominee's routines, at such time in advance as decided by the nominee. Voting rights registrations made by the nominee no later than Thursday, 23 March 2023 will be taken into account in the presentation of the share register.

Participation by postal voting

A person who wishes to participate in the Annual General Meeting by postal voting must:

- be listed as a shareholder in the presentation of the share register prepared by Euroclear Sweden AB concerning the circumstances on Tuesday, 21 March 2023; and
- give notice of participation no later than Thursday, 23 March 2023, by casting its postal vote in accordance with the instructions below so that the postal vote is received by Euroclear Sweden AB no later than that day.

Shareholders wishing to attend the meeting venue in person or by proxy must give notice in accordance with a) above. Hence, a notice of participation only through postal voting is not sufficient for a shareholder who wishes to attend the meeting venue.

A special form shall be used for postal voting. The form is available on the Company's website, www.indutrade.com. The completed and signed postal voting form must be received by Euroclear Sweden AB no later than Thursday, 23 March 2023. The form can be sent by post to Indutrade Aktiebolag, "AGM", c/o Euroclear Sweden AB, P.O. Box 191, SE-101 23 Stockholm, Sweden, or by e-mail to generalmeetingservice@euroclear.com. Shareholders may also cast their postal votes electronically through verification with BankID in accordance with instructions at <https://anmalan.vpc.se/euroclearproxy>.

Shareholders may not provide special instructions or conditions to the postal voting form. If so, the postal vote in its entirety is invalid. Further instructions and conditions are included in the postal voting form.

If a shareholder submits its postal vote by proxy, a written and dated power of attorney signed by the shareholder shall be enclosed with the postal voting form. Proxy forms are available on the Company's website, www.indutrade.com. A power of attorney is valid for one year from its issue date or such longer time period as set out in the power of attorney, however, no more than five years. If the shareholder is a legal entity, a registration certificate or corresponding authorisation document must be enclosed with the form.

Dividend

The Board proposes a dividend of SEK 2.60 per share.

The proposed reconciliation date for the dividend is Friday 31 March 2023. If the AGM resolves to approve the proposal, it is expected that the dividend will be paid via Euroclear Sweden AB on Wednesday 5 April 2023.

Reporting dates

Interim reports

1 January–31 March 2023	27 April 2023
1 January–30 June 2023	20 July 2023
1 January–30 September 2023	27 October 2023

Production: Indutrade and Addira

Photo: Fond&Fond and Ola Olson.

Print: Larsson Offsettryck

Paper: Cover 300 g Galerie Art Silk
Insert 130 g Galerie Art Silk

 Nordic Swan Ecolabel, printed matter, 3041 0298



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