



Enhancing
technology
together for
profitable growth

 **Indutrade**



Indutrade in brief

Indutrade has a distinct acquisition strategy. We acquire companies with technical niche expertise. Indutrade today comprises more than 200 companies in 31 countries on four continents, with combined annual sales of almost SEK 15 billion. Our companies are characterised by high-tech know-how and an ability to build enduring, close relationships with customers and suppliers. Indutrade's companies are active in a number of industries such as Engineering, Energy, Water/waste-water, Environment, Transport, Healthcare, Food and Construction&Infrastructure.

Our business philosophy is based on entrepreneurship, decentralisation and profitable growth. We continue to pursue our acquisition strategy of buying successful and well managed companies that work in clearly defined markets with a distinctive offering.

Our business concept is to market and sell components, systems and services with high-tech content in selected niches.

By having good knowledge about customers' systems and processes, combined with high-tech expertise, Indutrade aspires to be the most value-creating business partner for customers and suppliers alike.

Net sales

SEK million

14,847

EBITA

SEK million

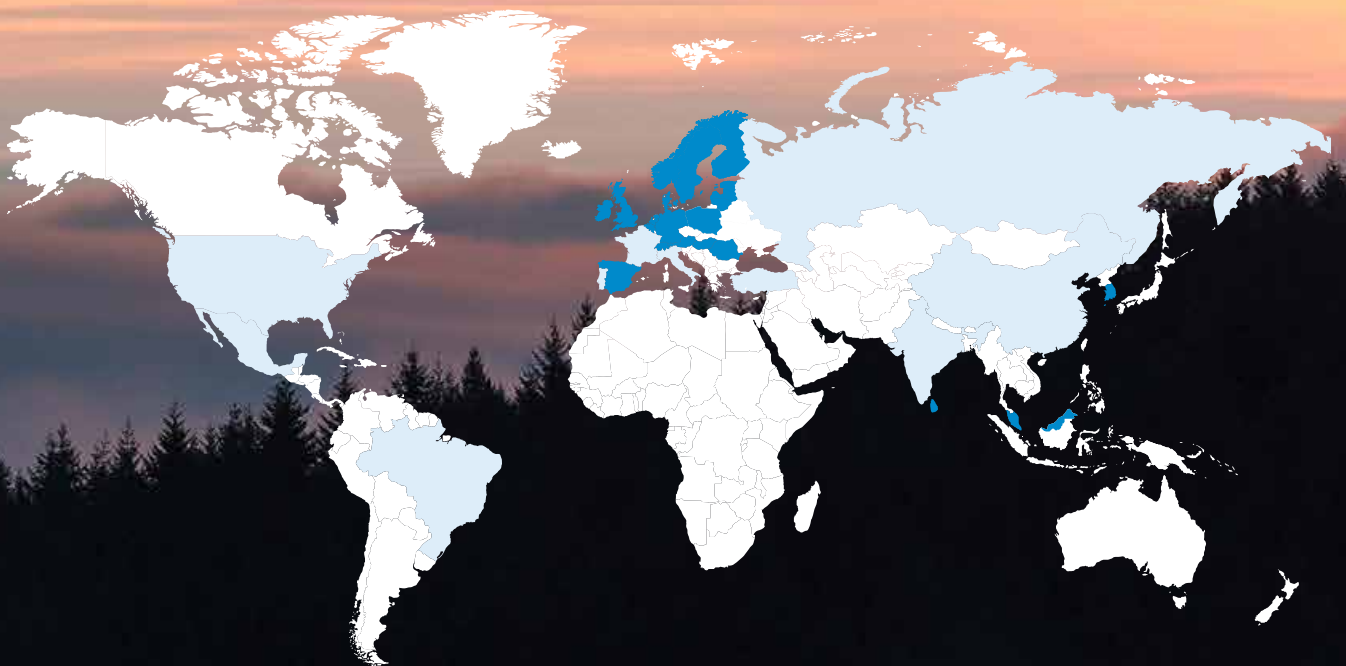
1,613

Adjusted EBITA margin

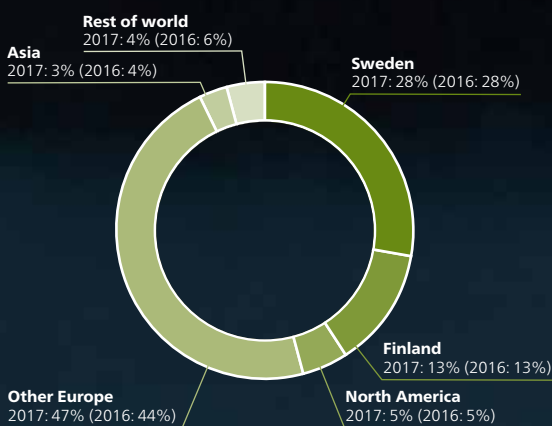
11.8%



Indutrade acquires profitable, well managed companies that we support and develop so that they can grow and be even better.



Net sales per market¹⁾



¹⁾ Based on customer's residence.

31
countries

- | | |
|-----------|-------------|
| Austria | Netherlands |
| Belgium | Norway |
| Brazil | Poland |
| China | Portugal |
| Denmark | Romania |
| Estonia | Russia |
| Finland | Switzerland |
| France | Singapore |
| Germany | Spain |
| Hungary | Sri Lanka |
| India | South Korea |
| Ireland | Sweden |
| Italy | Turkey |
| Latvia | UK |
| Lithuania | USA |
| Malaysia | |

■ Countries where Indutrade's presence is extensive
 ■ Countries where Indutrade's presence is limited



Business concept

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



Develop

Being part of the Indutrade Group means that a company can keep its original identity while gaining access to the combined experience and knowledge of its sister companies in the Group. Indutrade's companies stimulate each other and benefit from knowledge-sharing. Through networking and internal benchmarking, the companies adopt best practice that can be spread throughout the Group. All companies in the Indutrade Group have clearly decentralised responsibility and authority. Indutrade supports them with industrial know-how, business development, financing and objectives-oriented management.



Acquire

We set high standards for the companies we acquire. They are successful and well-managed, with a clearly defined market and distinct customer offering. They are run by entrepreneurs with a passion for their business concept, who want to further develop the business, and who share our values concerning corporate social responsibility. We acquire companies in which the owner wants to continue leading and growing the business, without being the owner. The rationale for selling can vary. Perhaps the company is facing an expansion or investment phase. Or maybe the owner wants to see his life's work live on. Indutrade has no exit strategy, and by selling to Indutrade, the company's future is secured.

People and culture are most important in our companies

Indutrade was established in 1978, and since then has evolved into a group of more than 200 companies. In the course of this journey we have gained immense experience from company acquisitions and working with strong entrepreneurs.

There are many different types of companies that work with company acquisitions. We don't see ourselves as one in the crowd. What sets us apart is our focus on understanding the people and cultures behind the companies we acquire. But there are other dimensions, as well, that make us appreciated as an owner. The best way to understand how we work is to meet entrepreneurs who have sold their companies to us and have actual experience in how it is to belong to the Indutrade Group. This brochure gives a small sampling of this through testimonials from a few of our company MDs (Managing Director).

The fact that we are a long-term owner that acquires companies in order to develop them – without any plans to sell them again – is something that appeals to many privately held companies. Moreover, the fact that we work highly decentralised and emphasise continuity makes most potential sellers even more interested. We want the owners to stay on after the acquisition and to uphold the company culture and retain the company name. We work with clear objectives-oriented management where we focus on a few financial key ratios and delegate responsibility to the company and its MD. This creates the

optimum level of involvement – and customers, suppliers and the companies' employees appreciate their local decision-making power.

As part of Indutrade you gain access to a wealth of knowledge. We strive to create conditions for relevant knowledge-sharing that can be coupled to specific market segments, technology or product areas, international expansion and digitalisation, to give a few examples. We do not, however, work with overarching synergy projects that are "compulsory"; it is up to the individual companies to decide what creates value and what they want to take part in.

Indutrade's success can be credited in large part to our talented company MDs. We therefore put great emphasis on attracting and recruiting leaders, but even more so on developing our existing leaders. While a large measure of this talent is developed in various ways through the job as MD, our companies are all supported by a mentoring Chairman who can provide insight and constructive challenges. We also work with our own internal leadership programmes that are adapted to our view of entrepreneurship, fit in with our company culture, and lead to greater prospects for sustained, profitable growth.



Read inside how Gerd Ruhland is working to take the company GEFA in Germany to the next stage, and on how we are supporting him with a new production strategy and greater investments in in-house machining. At IPS Flow Systems in the UK, Kevin Curran is successfully leading the company through a large digitalisation project, where he is receiving pointed support from sister companies in the Group. Claus Dall-Hansen and Jesper Trier, co-founders of the Danish company Combi-lent, have their sights set on international expansion, and we are supporting them in their quest for value-creating acquisitions.

Bo Annvik
President and CEO, Indutrade

Indutrade's acquisitions 2017

Acquisition	Possession	Country	Business Area	Net sales, SEK million ¹⁾	No. employees
RS Technics BV	January	The Netherlands	Measurement & Sensor Technology	20	12
Sunflower Medical Ltd	January	UK	Special Products	50	45
Ellard Ltd	February	UK	Special Products	100	39
Türenfabrik Safenwil AG	March	Switzerland	Special Products	70	23
Pro-Flex AS	April	Norway	Flow Technology	100	28
MaxxVision GmbH	April	Germany	Industrial Components	80	10
Wennerström Ljuskontroll AB	July	Sweden	Industrial Components	110	23
Elma Instruments A/S	July	Denmark	Industrial Components	180	40
Young Black Ltd	July	UK	Special Products	110	29
Tubeworkx B.V.	July	The Netherlands	Special Products	50	20
Inovatools Group	November	Germany	Special Products	330	193
Tradinco B.V.	December	The Netherlands	Special Products	70	30
Total				1,270	492

¹⁾ Estimated annual sales at time of acquisition.

Decentralised responsibility

Indutrade acquires profitable, well managed companies that we support and develop so that they can grow and be even better. The most important way we do this is through clear delegation of authority and responsibility. We believe that the responsibility to act should always be at the level in the organisation where the consequences of decisions can best be judged. This means that acquired companies are given free reins to continue doing business as previously and keep their management, culture and names. Our overarching management model is distinguished by clear financial targets, information-sharing and decentralised responsibility. We have proven that this model works since our start in 1978.

Entrepreneurial spirit is kept

Indutrade's decentralised structure with a high degree of self-determination for companies even after their acquisition is a key factor for retaining key people in acquired companies. These individuals are often entrepreneurs who are essential for developing the business, for relationships with customers and suppliers, and also for the individual company's culture and way of working.

Decentralisation is also a natural feature of the Group's niche focus. To build up the competence needed to create customer value – and thus profitability – it is necessary to concentrate operations in a number of niches in which the Group has or can establish a leading position. How-

ever, the conditions differ quite a bit between the various niches, which makes it necessary for each subsidiary to be in charge of its own business strategy.

Management by objective and competence development

Indutrade supports its subsidiaries with technical and industrial know-how, business development, financing and management by objective. We are a long-term owner that takes responsibility for our companies' development. The Group's financial strength facilitates expansion and creates stability. At internal networking meetings, company representatives are given opportunities in an informal setting to share ideas and experiences with each

other. Working together with the companies we set clear goals for their businesses for both the near and long term. These are followed up continuously, including at the board level in the respective companies. Based on a set of financial key ratios, every quarter we conduct an internal benchmarking of all the Group's companies to chart out their performance.

Many of Indutrade's subsidiaries serve as problem-solvers for their customers – an ability that is built upon the employees' professional and technical expertise. We therefore put great emphasis on continuous competence development, which also helps attract and retain talented people.

Business philosophy



Companies with
proprietary brands

40%

of Indutrade's sales

Companies with
trading brands

60%

of Indutrade's sales



Network provides valuable knowledge

GEFA's main strength is its ability to offer customised products for various types of applications. "Customers often turn to us with a problem, and we customise a solution that fits their application. Many of our competitors don't have that ability," says Gerd Ruhland, Managing Director.

Gefa

Year established: **1964**

Acquired by Indutrade: **2001**

Managing Director: **Gerd Ruhland**

email: **g.ruhland@gefa.com**

www.gefa.com

GEFA was established in 1964 as a German sales company for Gothenburg-based Gustaf Fagerberg AB. At the end of the 1970s GEFA lost several key agency agreements for the German market, and as a result the company started its own production. Initially the company made primarily standard valves, but this subsequently evolved increasingly into production of specialised products. The company's portfolio today consists to 90% of various types of valves and peripheral products. Butterfly valves are the large product category, followed by knife gate valves, ball valves and check valves.

Customers are primarily in the process industry. Major customer groups include companies working in the chemical, pharmaceutical, food and brewery industries. About 70% of sales are in the German market, but a growing share are exported. In 2009 a subsidiary was formed in China, mainly for sales, but also with a small assembly plant for products for the Chinese market.

GEFA was acquired by Indutrade in 2001 as part of Gothenburg-based Gustaf Fagerberg AB and was thereby one of the first manufacturing companies to become part of Indutrade, which until then had been primarily focused on trade.

"Indutrade's decentralised business model gives us freedom to develop the business based on our own conditions," says Gerd.

At the same time, he sees major benefits in the extensive network that he has access to in Indutrade.

"I know most of the other MDs in the Group," he says. "They work in similar industrial environments as we do, which gives me access to valuable knowledge and experience."

A concrete example of this is the inspiration that GEFA gained from HP Valves, another of the Group's manufacturing companies, to implement a continuous improvement programme (CIP). The pro-

gramme has now been in use for two years and has contributed to many positive changes.

"The CIP has helped us solve a number of specific problems at the same time that it has generally enabled us to work in a more structured manner than previously," says Gerd.

The company's future plans call for continued development of customised special solutions, and the design department was recently reinforced for this purpose. In addition, investments in machinery are planned to increase flexibility and automation, and to drive the digitalisation process.

"We also have the ambition to become more international," Gerd adds. "There is a long list of countries in which we have very small sales, or none at all."

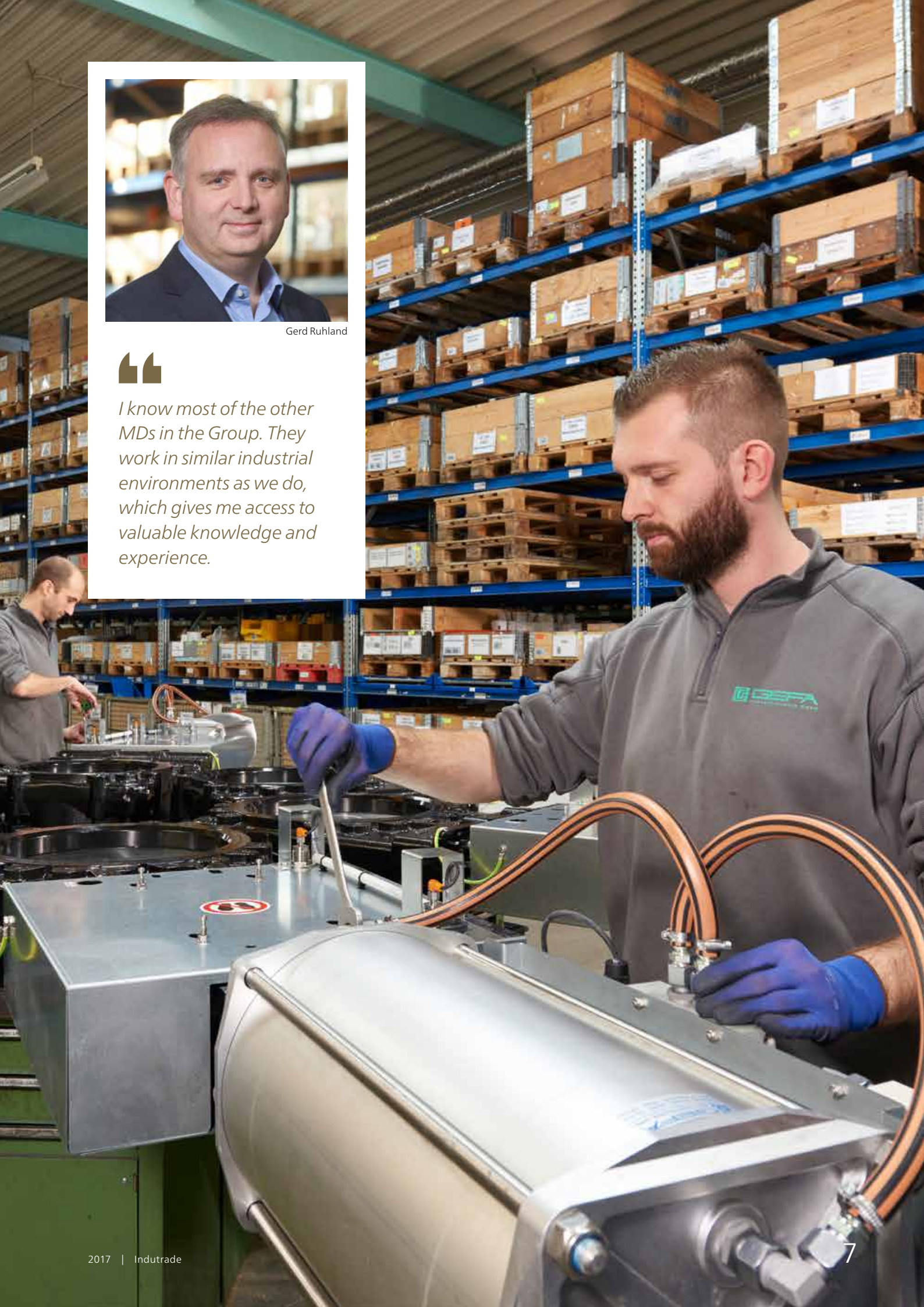




Gerd Ruhland



I know most of the other MDs in the Group. They work in similar industrial environments as we do, which gives me access to valuable knowledge and experience.



Digitalisation with support from sister companies

IPS Flow Systems has achieved long-term stable growth by combining traditional distribution of piping systems with technical problem-solving solutions.

IPS Flow Systems

Year established: **1990**

Acquired by Indutrade: **2007**

Managing Director: **Kevin Curran**

email: kcurran@ipsflowsystems.com

www.ipsflowsystems.com

IPS Flow Systems is one of the UK's leading suppliers of piping systems and valves. In 2016 an office and warehouse was also opened in Dublin, Ireland. The products supplied are mainly plastic, but the stock portfolio is being expanded with a range of metal Press-Fit piping systems. The single largest customer segment is fire protection – mainly sprinkler and mist systems – while the company also has large customer groups in drainage, swimming pool facilities, and the chemical and construction industries. The company has had strong growth during the last ten years, with average annual growth of 8%–9%.

"2017 was a great year for us, thanks in large part to strong performance for new products such as Kessel drainage systems and stainless steel piping," says Kevin Curran, Managing Director of IPS. "Another key factor is that we became more structured in our marketing by selecting a specific product or industry to focus on every quarter."

IPS also puts great emphasis on marketing itself on social media, such as LinkedIn, YouTube and Twitter, and thereby steering more visitors to its website and web shop.

"We see how the number of visitors to our website is rising month by month," says Kevin.

Combining traditional distribution with technical problem-solving is an important competitive tool for IPS.

"We create customer value by participating in early design phases, where we provide advice and training, among other things. Most of our competitors just pull a box off the shelf and send it to the customer."

IPS was established in 1990, and in 2007 it was the first company acquired by Indutrade in the UK. Even then IPS had a strong brand image in the UK market and was financially strong and profitable.

"Indutrade has the ability to identify and acquire successful businesses, and then let us continue to be successful."

"At Indutrade's annual MD conferences I get a chance to meet with some 150 other managing directors who I can be inspired by and share experiences with," says Kevin. "We might talk about how they are developing a product offering, or digitalisation, which is a major issue that all companies are having to manage now."

As an example, IPS has plans to introduce a Product Information Management (PIM) system to combine the company's business system, website and web shop in a single platform. The entire project is expected to take 12 to 18 months to complete.

"We have visited GPA Flow Systems, our sister company in Sweden, which has already installed a similar system," says Kevin. "For such a complicated project it is really helpful for us to be able to learn from any issues or obstacles they had to overcome."

Kevin Curran is striving to future-proof the company's business over the long term by hiring younger people who can grow with the company. The average age of its current employees is 45 and in 2017 the company employed three new apprentices all under 21 years of age.

"My own personal goal is to achieve sales of GBP 20 million by 2020," he says.





Kevin Curran



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Leveraging the Group's strength to drive global growth

Danish company Combilent has built up a strong position in mission critical radio systems in Europe. It's MD Claus Dall-Hansen now wants to expand, and he sees Indutrade as the perfect owner to help him with this.

Combilent

Year established: **2004**

Acquired by Indutrade: **2015**

Managing Director: **Claus Dall-Hansen** and co-founder **Jesper Trier**

email: cdh@combilent.com

www.combilent.com

Combilent develops, manufactures and markets equipment for Professional Mobile Radio (PMR) communication systems. The company's products, including filters, amplifiers and combiners, are used to filter and amplify signals to and from radio stations. Focus is on mission critical systems, with key user groups consisting of police, fire brigades, ambulance operators, the transport sector and the military. Combilent's customers consist primarily of the major European manufacturers of radio systems, including Airbus, Motorola and Teltronic. Sales reached a new record high in 2017.

Combilent is a technological leader in its field. A key advantage of the company's combiners is that they can be remotely controlled. When settings need to be adjusted, this can thus be done without leaving the central control room. In many other systems, technicians have to be dispatched to each of the radio stations, which is common for major national systems such as RAKEL in Sweden and BOSNET in Germany.

The products are also environment-friendly. This is in part because they are all small – often only a fourth as big as their alternatives, which means less use of metals such as copper and silver. Plus, they are energy-efficient since they generate less heat and thereby reduce the need for air conditioning in radio stations.

"One example of this is a system that we delivered to the Dutch government, which paid itself off in six months owing entirely to lower energy costs," says Claus Dall-Hansen, MD, who together with Jesper Trier is a co-founder of Combilent.

Combilent's technologically leading position is based on a strong R&D focus.

"We work often as an extension of our customers' R&D departments," says Claus. "Essentially everything we do is entirely customised to suit our respective customers' radio systems."

Customised products also entail – at least in the near term – that customers do not have any other alternative suppliers.

"This puts high demands on our quality, dependability and delivery reliability, and we strive continuously to offer a highly efficient 'delivery machine' that is closely coupled to our customers' production," Claus adds.

Advanced products and high delivery reliability have earned Combilent a full 80% market share in the TETRA system, which is the EU standard for mission critical radio systems. There is no global standard, since large countries like the USA and China have preferred to develop their own standards. Combilent's technology can be used in all different standards, but its successes outside TETRA have so far been limited.

This is where Indutrade comes in.

"In a technical sense we have very well-positioned products and want to invest in gaining additional market shares also in other radio systems and regions," says Claus. "Our assessment is that in certain regions this will have to be achieved through acquisitions, and here we can benefit from Indutrade's financial strength and experience in acquisitions."

There are several reasons to grow through acquisitions. One is that it is a faster way to gain entry to a market. Another is that customers in certain market segments want suppliers with a broader product offering. A disadvantage of being a relatively small player like Combilent is that certain customers hesitate to award really big contracts to small companies.

Claus Dall-Hansen emphasises the former: "I see major opportunities to grow in a world that is tending to be more uncertain and where governments are investing big money to protect their citizens."

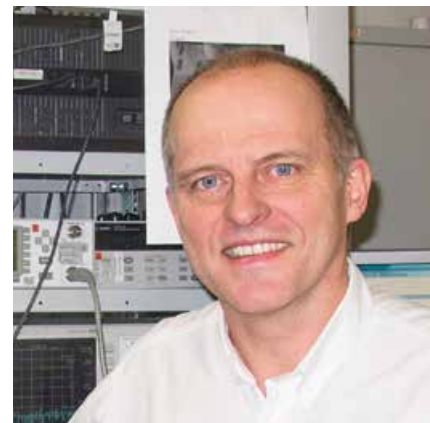
Net sales

EUR m

15

Number of employees

24



Claus Dall-Hansen



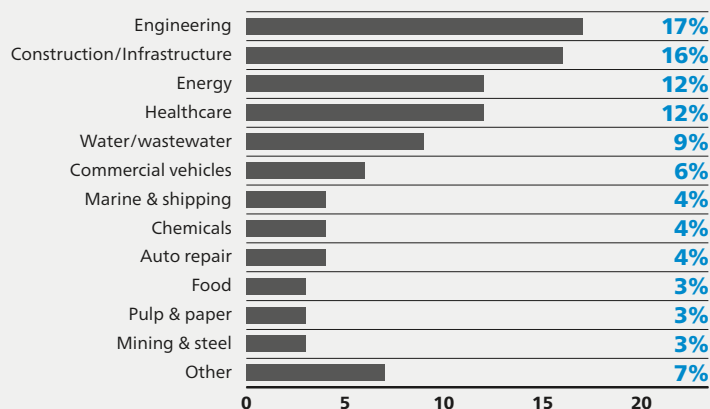
We can benefit from Indutrade's financial strength and experience in acquisitions.

Indutrade in numbers

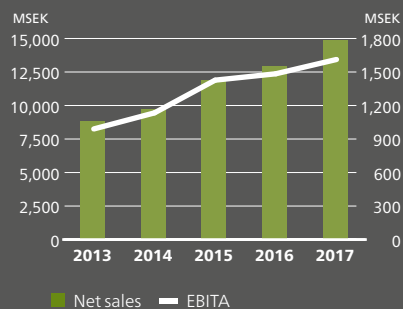
Key data

SEK million	2017	2016
Net sales	14,847	12,955
Operating profit	1,380	1,272
EBITA	1,613	1,484
EBITA margin, %	10.9	11.5
Adjusted EBITA margin, %	11.8	n.a.
Profit after tax	1,310	1,194
Net profit for the year	1,030	936
Earnings per share before dilution, SEK	8.54	7.80
Return on operating capital, %	19	20
Cash flow from operating activities	1,554	1,207
Net debt/equity ratio, %	74	82
Average number of employees	6,156	5,495

Net sales per customer segment



Net sales and earnings



Sales (SEK billion)

15

Sales growth

15%

Number of acquisitions

12

Adjusted EBITA margin

11.8%

Four reasons to invest in Indutrade

1

Sustainable growth

- Average annual sales growth of 12% since stock market listing in 2005
- 625% total return, including reinvested dividends, during last ten-year period
- Long record of experience in successful company acquisitions
- Opportunities to broaden product offering, enhance value creation and expand geographically

2

Stable profitability and strong cash flow

- Historically stable profitability
- Average EBITA margin of 11.4% during last five years
- Average return on operating capital of 20% during last five years
- Strong operating cash flow generated over the years
- High average dividend – 43% of net profit during last five years
- Equity ratio 41% at year-end 2017

3

Attractive market position and risk profile

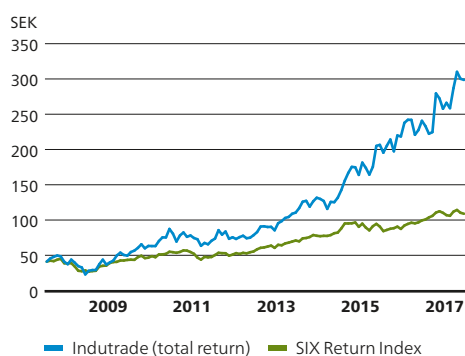
- Leading position in selected, niche segments
- Focus on high quality and technically advanced products for customers with recurring need
- Diversified and stable customer base
- Stable long-term relationships with leading suppliers
- Not dependent on any single supplier

4

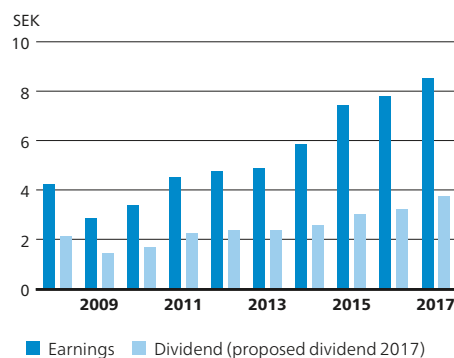
Strong culture and extensive expertise

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

Total return for Indutrade shares 2008–2017



Earnings and dividend per share



Analyst firms that monitor Indutrade

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



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Bo Annvik

President and CEO, Indutrade



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