

Interim report and Year-End report

1 January – 31 December 2018

Fourth quarter 2018

- Order intake rose 13% to SEK 4,403 million (3,895). For comparable units the increase was 6%.
- Net sales rose 13% to SEK 4,446 million (3,932). For comparable units the increase was 7%.
- EBITA excluding restructuring costs in 2017 rose 32% to SEK 568 million (431), corresponding to an EBITA margin of 12.8% (11.0%).
- Profit for the quarter grew 113% to SEK 369 million (173), and earnings per share were SEK 3.05 (1.42).
- Cash flow from operating activities increased by 16% to SEK 594 million (513).

1 January – 31 December 2018

- Order intake rose 13% to SEK 17,073 million (15,051). For comparable units the increase was 4%.
- Net sales rose 13% to SEK 16,848 million (14,847). For comparable units the increase was 4%.
- EBITA excluding restructuring costs in 2017 rose 20% to SEK 2,087 million (1,745), corresponding to an EBITA margin of 12.4% (11.8%), the highest ever for a full year.
- Profit for the year grew 33% to SEK 1,368 million (1,030), and earnings per share were SEK 11.31 (8.54).
- Cash flow from operating activities decreased by 12% to SEK 1,360 million (1,554).
- The Board of Directors proposes a dividend for 2018 of SEK 4.50 per share (3.75).

Financial Development

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change	2018 Jan-Dec	2017 Jan-Dec	Change
Order intake	4,403	3,895	13%	17,073	15,051	13%
Net sales	4,446	3,932	13%	16,848	14,847	13%
Operating profit	500	239	109%	1,825	1,380	32%
EBITA	568	299	90%	2,087	1,613	29%
EBITA margin, %	12.8	7.6		12.4	10.9	
Adjusted EBITA margin*, %	12.8	11.0		12.4	11.8	
Profit after financial items	484	222	118%	1,750	1,310	34%
Net profit	369	173	113%	1,368	1,030	33%
Earnings per share before dilution, SEK	3.05	1.42	115%	11.31	8.54	32%
Return on operating capital, %	21	19		21	19	
Cash flow from operating activities	594	513	16%	1,360	1,554	-12%
Net debt/equity ratio, %	63	74		63	74	

*The adjustment pertains to restructuring cost in 2017 of SEK 132 million for the Sander Meson Group



Q4

CEO's message

2018 was a strong year for Indutrade, with focus on profitable growth. Sales increased by 13%, resulting in full-year sales of nearly SEK 17 billion and an EBITA margin of 12.4%, which is an all-time high for Indutrade. We have continued to deliver on our strategy – to generate profitable growth through acquisitions and development of stable and profitable companies in selected niches.

Fourth quarter

The business climate remained favourable during the fourth quarter, and demand in most sectors and market segments remained stable at a high level.

Order intake was strong and grew 13%, of which 6% was organic. Most of the business areas showed good growth, but development was especially strong for companies in the UK and DACH business areas. The DACH business area benefited primarily by successful work in the process industry in Switzerland. Demand in the business area Finland remained high, but owing to fewer projects, order growth was slightly negative.

Sales rose 13%, of which 7% was organic. All of the business areas developed well, with the strongest growth in UK and Fluids & Mechanical Solutions. The companies in these business areas are well-positioned and competitive, and in UK demand was strong both for export- and domestic-oriented companies. The Fluids & Mechanical Solutions business area also showed a broad improvement, with the strongest growth in the industry and infrastructure segments.

Profitability developed well in the majority of our companies, and seven of our eight business areas showed improved margins compared with a year ago. The companies' dedicated customer- and result-oriented work is generating profitable growth, and it is impressive to see the level of drive and commitment within the Group. The EBITA margin for the Group as a whole improved to 12.8% (7.6%) for the fourth quarter. The earnings improvement is partly explained by the fact that profit for 2017 was charged with SEK 132 million in restructuring costs for the Sander Meson Group. This restructuring went according to plan and is now basically concluded.

Cash flow improved during the quarter, but tied-up capital is still at a slightly high level as a result of longer lead times from suppliers and high capacity utilisation in our production.

Acquisitions

During the quarter two add-on acquisitions were carried out with combined annual sales of SEK 175 million: Thermo Electric (Netherlands), which develops and manufactures temperature sensors, and NRG Automation (UK), which is a system supplier of door and shutter automation solutions. Both acquisitions strengthen our market positions and give us further growth opportunities.



During 2018 we carried out a total of nine acquisitions with combined annual sales of SEK 660 million. The majority of the acquired companies have their own products, which improves the balance between companies with proprietary products and technical trading companies. The acquisitions will have a positive impact on our earnings and financial position during the coming year. We sense that Indutrade's business model continues to attract owners who are considering selling their companies, and we have a positive outlook on our prospects for continued acquisitions in and outside of the Nordic region.

Outlook

2019 has begun with continued high and stable demand for most of our companies, but we are closely watching developments given the prevailing uncertain macroeconomic and political climates. Our decentralised business model, where the management teams of our more than 200 companies can make quick operational decisions, creates commitment, responsibility and opportunity for the companies to adapt their operations in the face of changed demand.

I and my colleagues look forward to work together on further developing Indutrade in 2019 into an even more profitable, growing company. My hope and ambition is that Indutrade will provide our shareholders a competitive return also in 2019.

Bo Annvik, President and CEO

Group performance

Order intake

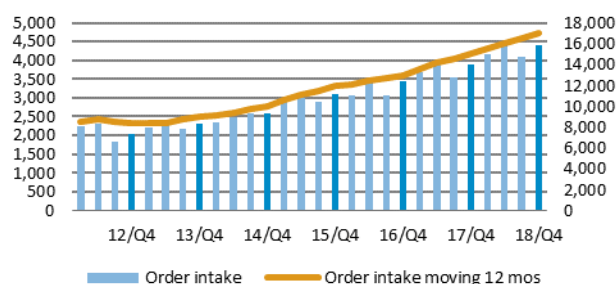
Order intake totalled SEK 4,403 million (3,895) during the fourth quarter, an increase of 13%. For comparable units, order intake grew 6%, while acquired growth was 6% and divestments affected growth by -3%. Currency movements had a positive effect on order intake, of 4%.

Demand remained high and stable during the fourth quarter, with improved organic growth. Development of organic growth was strongest in the DACH business area, which had higher order intake from the process industry in Switzerland. In the UK business area, growth remained broad-based and strong. Negative organic development was noted in Finland and Benelux. In Finland the weaker development was mainly due to fewer project orders compared with a year ago, while the downturn in Benelux was attributable to lower order intake for valves for power generation compared with the preceding year's strong finish.

Order intake for the full year amounted to SEK 17,073 million (15,051), an increase of 13%. The increase for comparable units was 4%, acquisitions contributed 7%, divestments had a negative effect of -2%, and currency movements had a positive effect on order intake of 4%.

Order intake

SEK million



Net sales

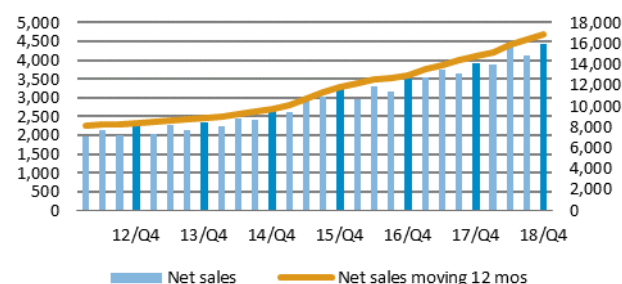
Net sales rose 13% during the fourth quarter of the year to SEK 4,446 million (3,932). Sales for comparable units increased by 7%, acquisitions contributed 5%, and divestments had a negative effect of -3%. Currency movements had a positive effect on net sales of 4%.

All of the business areas showed organic growth in net sales during the fourth quarter. The UK and Fluids & Mechanical Solutions business areas had the strongest performance. The positive development in the UK continued to be broad-based, and export- as well as domestic-oriented companies experienced strong demand. In the Fluids & Mechanical Solutions business area as well, the improvement was favourable in most segments, with companies in the industry and infrastructure segments showing the strongest growth.

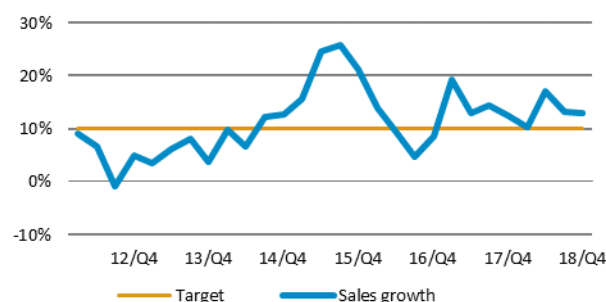
Net sales rose 13% for the full year to SEK 16,848 million (14,847). The increase for comparable units was 4%, acquisitions contributed 7%, divestments had a negative effect of -2%, and currency movements had a positive effect on net sales of 4%.

Net Sales

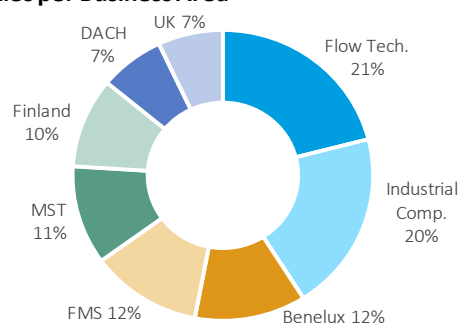
SEK million



Sales growth



Net Sales per Business Area



Q4

Earnings

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 568 million (299) for the fourth quarter, an improvement of 90%. The sharp increase is partly explained by the fact that the preceding year's operating profit was charged with SEK 132 million in restructuring costs in the Sander Meson Group. EBITA excluding restructuring costs in 2017 increased by 32%.

Excluding restructuring costs, earnings for comparable units increased by 14%, acquisitions contributed 9%, and divestments contributed 4%. Currency movements had a positive effect on EBITA of 5%. The EBITA margin increased to 12.8% (7.6%). The adjusted EBITA margin for the fourth quarter a year ago was 11.0%.

The gross margin for the Group was 34.2% (33.0%) for the fourth quarter. The improvement can be credited to successful pricing work, positive changes in the mix and divestments. The gross margin for the full year was 34.1% (33.4%).

During the quarter the operating margins improved for most of Indutrade's business areas. The largest increases were noted in the DACH and Finland business areas, and were largely related to divestments that have been carried out. In the Industrial Components business area, the operating margin was unchanged compared with a year ago, which is mainly explained by positive one-off items during the same period a year ago.

Net financial items for the fourth quarter amounted to SEK -16 million (-17). Tax on profit for the quarter was SEK -115 million (-49), corresponding to a tax charge of 24% (22%).

Profit for the quarter grew 113% to SEK 369 million (173). Earnings per share before dilution increased by 115% to SEK 3.05 (1.42).

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 2,087 million (1,613) for the year, an increase of 29%. Adjusted EBITA excluding restructuring costs in 2017 increased by 20%. For comparable units, EBITA increased by 6%, acquisitions contributed 9%, divestments contributed 1%, and currency movements had a positive effect of 4%. The EBITA margin was the highest ever for a full year, reaching 12.4% (10.9%). The adjusted EBITA margin for the preceding year was 11.8%.

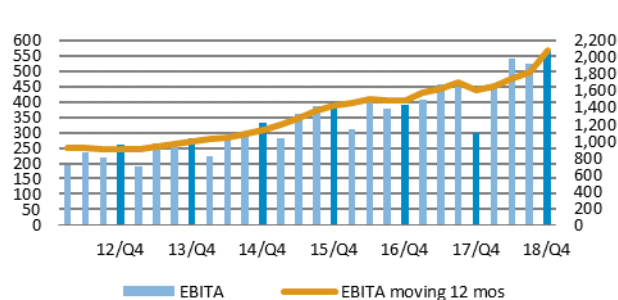
Net financial items for the full year amounted to SEK -75 million (-70). Tax on profit for the year was SEK -382 million (-280), corresponding to a tax charge of 22% (21%). Profit for the year grew 33% to SEK 1,368 million (1,030). Earnings per share before dilution grew 32% to SEK 11.31 (8.54).

Return

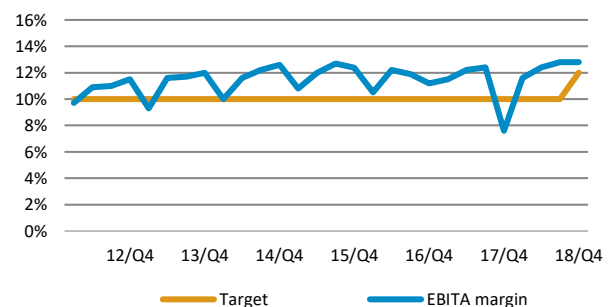
The return on operating capital increased to 21% (19%), and the return on equity increased to 24% (22%). The improvement is mainly explained by the fact that the preceding year's return was weighed down by restructuring costs for the Sander Meson Group.

EBITA

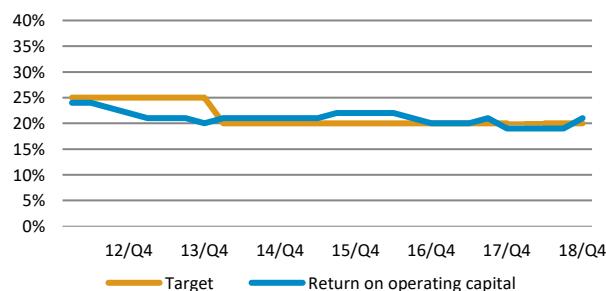
SEK million



EBITA margin

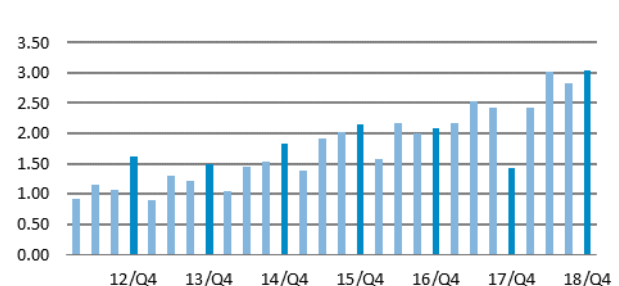


Return



Earnings per share

SEK



Business Areas

Benelux

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

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change	2018 Jan-Dec	2017 Jan-Dec	Change
Net sales	517	416	24%	2,045	1,695	21%
EBITA	76	49	55%	306	237	29%
EBITA margin, %	14.7	11.8		15.0	14.0	

Net sales rose 24% during the quarter to SEK 517 million (416). For comparable units, sales increased by 4%, acquisitions contributed 15%, and currency movements had a positive effect of 5%.

The market situation remained strong and stable for the business area's companies.

Order intake during the quarter was 5% higher than invoicing.

EBITA for the quarter increased by 55% to SEK 76 million (49), corresponding to an EBITA margin of 14.7% (11.8%). For comparable units, EBITA increased by 15%, acquisitions contributed 35%, and currency movements had a positive effect of 5%.

The improved EBITA margin is mainly attributable to acquired units and partly to positive one-off effects.

DACH

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

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change	2018 Jan-Dec	2017 Jan-Dec	Change
Net sales	312	280	11%	1,225	945	30%
EBITA	35	15	133%	126	79	59%
EBITA margin, %	11.2	5.4		10.3	8.4	

Net sales rose 11% during the quarter to SEK 312 million (280). For comparable units, net sales increased by 3%, acquisitions made a positive contribution of 12%, divestments had a negative effect of -9%, and currency movements had a positive effect of 5%.

Demand remained high during the quarter in Germany and improved considerably in Switzerland.

Order intake was 12% higher than invoicing during the fourth quarter, mainly owing to large orders from the process industry in Switzerland.

EBITA for the quarter increased by 133% to SEK 35 million (15), and the EBITA margin was 11.2% (5.4%). For comparable units, EBITA decreased by 13%, acquisitions made a positive contribution of 33%, divestments had a positive effect of 102% and currency movements had a positive effect of 11%.

The improved EBITA margin is mainly attributable to divestments and acquisitions. The decrease in earnings for comparable units is mainly explained by a positive revaluation of earn-outs in the preceding year.

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.

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change	2018 Jan-Dec	2017 Jan-Dec	Change
Net sales	443	461	-4%	1,743	1,729	1%
EBITA	61	43	42%	213	179	19%
EBITA margin, %	13.8	9.3		12.2	10.4	

Net sales decreased by 4% during the quarter to SEK 443 million (461). For comparable units, net sales increased by 1%, currency movements had a positive effect of 5%, and divestments had a negative effect of -10%. Demand remained at a stable high level during the quarter.

Order intake was 4% lower than invoicing during the quarter, mainly owing to fewer large projects compared with a year ago.

EBITA for the quarter increased by 42% to SEK 61 million (43), and the EBITA margin was 13.8% (9.3%). For comparable units, EBITA increased by 28%, and currency movements had a positive effect of 8%. EBITA was favourably affected by divestments, by 6%.

The improved EBITA margin is mainly attributable to successful restructuring and divestments, positive changes in the product mix, and good cost control in the companies.

Flow Technology

The Flow Technology business area's companies 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 other Nordic countries.

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change	2018 Jan-Dec	2017 Jan-Dec	Change
Net sales	914	794	15%	3,491	3,135	11%
EBITA	119	82	45%	414	343	21%
EBITA margin, %	13.0	10.3		11.9	10.9	

Net sales rose 15% during the quarter to SEK 914 million (794). For comparable units, net sales increased by 8% and acquisitions contributed 4%. Currency movements had a positive effect of 3%.

Demand remained favourable for most of the business area's companies.

Invoicing was 3% higher than order intake during the quarter, partly driven by larger project deliveries,

EBITA for the quarter increased by 45% to SEK 119 million (82), corresponding to an EBITA margin of 13.0% (10.3%). For comparable units, EBITA increased by 34%, acquisitions made a positive contribution of 8%, and currency movements had a positive effect of 3%.

The restructuring in the Sander Meson Group that was communicated at the end of 2017 continued according to plan during the quarter and is now essentially complete. Together with higher invoicing, improvements in the Sander Meson Group contributed to the improved EBITA margin.

Fluids & Mechanical Solutions

The Fluids & Mechanical Solutions business area's companies offer hydraulic and mechanical components to industries in the Nordic countries, other European countries and North America. Customer segments include construction & infrastructure, auto repair, engineering, water/wastewater and commercial vehicles. Key product areas are filters, hydraulics, tools & transmission, industrial springs, valves, water and wastewater fittings, steel profiles, compressors, folding and movable walls, product labelling and construction plastics. The business area has a strong market position in the Nordic countries.

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change	2018 Jan-Dec	2017 Jan-Dec	Change
Net sales	499	474	5%	1,980	1,859	7%
EBITA	69	52	33%	262	233	12%
EBITA margin, %	13.8	11.0		13.2	12.5	

Net sales rose 5% during the quarter to SEK 499 million (474). For comparable units, net sales increased by 10%, currency movements had a positive effect of 2%, and divestments had a negative effect of -7%.

The business climate remained positive during the quarter in all of the business area's segments. Companies in the industrial and infrastructure segments performed especially well.

Order intake was 1% lower than invoicing during the quarter.

EBITA increased by 33% during the quarter to SEK 69 million (52), and the EBITA margin was 13.8% (11.0%). For comparable units, EBITA increased by 31%, divestments had a marginal effect, and currency movements had a positive effect of 2%.

The improvement in the EBITA margin during the quarter was mainly driven by higher volumes, but also by completed divestments.

Industrial Components

The Industrial Components business area's companies offer a wide range of technically advanced components and systems for industrial production and maintenance, and medical technology equipment. The products consist mainly of consumables. Customers are in the engineering, construction & infrastructure, commercial vehicles, energy, and healthcare segments. Product areas include chemical technology, hydraulics and industrial equipment, fasteners, tools, electronics and medical technology. The business area has a strong market position in the Nordic countries.

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change	2018 Jan-Dec	2017 Jan-Dec	Change
Net sales	932	831	12%	3,371	2,924	15%
EBITA	108	96	13%	400	324	23%
EBITA margin, %	11.6	11.6		11.9	11.1	

Net sales rose 12% during the quarter to SEK 932 million (831). The increase for comparable units was 9%, acquisitions contributed 1%, and currency movements had a positive effect of 2%.

Demand continued to be strong in all of the business area's segments during the quarter.

The pace of invoicing increased during the quarter, which was partly seasonally driven, and contributed to invoicing exceeding order intake by 3%.

EBITA increased by 13% during the quarter to SEK 108 million (96), and the EBITA margin was 11.6% (11.6%). EBITA for comparable units increased by 7%, while acquisitions made a positive contribution of 3%. Currency movements had a positive effect of 3%.

The unchanged EBITA margin is mainly explained by the fact that EBITA for the preceding year included a positive revaluation of earn-outs.

Measurement & Sensor Technology

The Measurement & Sensor Technology business area includes companies that sell design solutions, 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. Examples of customer segments include various types of manufacturing industries, such as electronics, automotive and energy, but also the forest industry, shipping, and healthcare. Product areas in the business area include sensors, measurement technology, electronics, control and regulation, and industrial equipment. The business area's companies work globally and have the entire world as the market for their products, with established production and sales companies on four continents.

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change	2018 Jan-Dec	2017 Jan-Dec	Change
Net sales	558	447	25%	1,863	1,675	11%
EBITA	96	75	28%	322	291	11%
EBITA margin, %	17.2	16.8		17.3	17.4	

Net sales rose 25% during the quarter to SEK 558 million (447). For comparable units, net sales increased by 7%, acquisitions contributed 13%, and currency movements had a positive effect of 5%.

Demand remained strong during the quarter for most of the business area's companies.

Invoicing was 6% higher than order intake, partly owing to seasonal variations and partly to strong order intake earlier in the year.

EBITA increased by 28% during the quarter to SEK 96 million (75), and the EBITA margin was 17.2% (16.8%). For comparable units, EBITA increased by 13%, acquisitions contributed 9%, and currency movements had a positive effect of 6%.

The improved EBITA margin was mainly organic and attributable mainly to higher invoicing.

UK

The companies in the UK business area offer custom-manufactured niche products, design solutions, aftermarket service and assembly, and customisation. The business area includes companies with a considerable amount of own manufacturing and proprietary products. Examples of customer segments include the energy, construction & infrastructure, healthcare, engineering, chemical, marine, aeronautics, and oil and gas industries. Product areas include springs, piston rings, press work, valve channels, pipes and pipe systems, non-metallic and composite seals, manifolds, drive axles and industrial equipment. The individual companies all have strong market positions in the UK, and most are market leaders in their respective niches.

SEK million	2018 Oct-Dec	2017 Oct-Dec	Change	2018 Jan-Dec	2017 Jan-Dec	Change
Net sales	287	243	18%	1,183	932	27%
EBITA	38	29	31%	175	127	38%
EBITA margin, %	13.2	11.9		14.8	13.6	

Net sales rose 18% during the quarter to SEK 287 million (243). For comparable units, net sales increased by 11%, acquisitions contributed 1%, and currency movements had a positive effect of 6%.

During the quarter both domestic- and export-oriented companies noted continued broad and strong demand.

Order intake was 1% lower than invoicing during the quarter.

EBITA increased by 31% during the quarter to SEK 38 million (29), and the EBITA margin was 13.2% (11.9%). For comparable units, EBITA increased by 25% and currency movements had a positive effect of 6%. EBITA was affected only marginally by acquisitions.

The stronger EBITA margin was attributable mainly to the strong organic growth in invoicing.

Other financial information

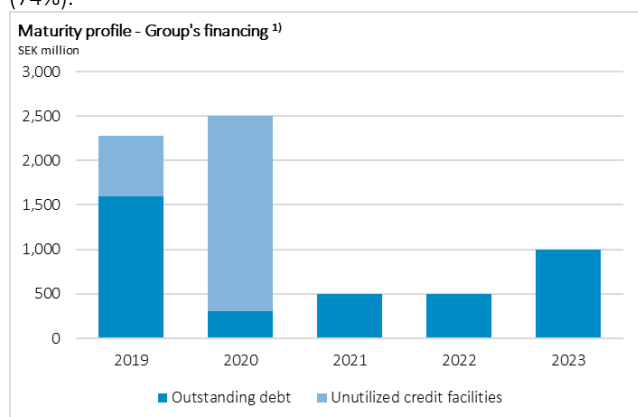
Financial position

Shareholders' equity amounted to SEK 6,218 million (5,168), and the equity ratio was 44% (41%).

Cash and cash equivalents amounted to SEK 708 million (464). In addition to this, the Group had unutilised credit promises of SEK 2,880 million (2,752). Interest-bearing net debt amounted to SEK 3,909 million (3,829) at the end of the period.

During the first quarter Indutrade established a Medium Term Note (MTN) programme with a framework amount of SEK 3 billion. To refinance existing loans, during the first quarter two unsecured bonds totalling SEK 1,000 million were issued with a tenor of five years, and during the fourth quarter an additional unsecured bond of SEK 500 million was issued with a tenor of 3.25 years.

The net debt/equity ratio was 63% at end of the period (74%).



¹⁾ Pertains to the Parent Company, which is responsible for most of the Group's financing.

Cash flow, capital expenditures and depreciation

Cash flow from operating activities increased by 16% during the fourth quarter, to SEK 594 million (513). The improvement is mainly attributable to the improved earnings.

Cash flow from operating activities amounted to SEK 1,360 million (1,554) for the full year. Cash flow after net capital expenditures in intangible non-current assets and in property, plant and equipment was SEK 1,061 million (1,318). The decrease is attributable to a higher level of working capital during the first half of the year, partly driven by generally higher volumes and partly by inventory build-up to maintain delivery service.

The Group's net capital expenditures, excluding company acquisitions, totalled SEK 299 million (236). Depreciation of property, plant and equipment totalled SEK 229 million (206). Investments in company acquisitions amounted to SEK 566 million (957). In addition, earn-out payments for previous years' acquisitions totalled SEK 98 million (50). Divestments amounted to SEK 78 million (–).

Employees

The number of employees was 6,778 at the end of the period, compared with 6,545 at the start of the year. A total of 254 employees were added during the year through acquisitions, while 207 employees left the Group in connection with divestments.

Company acquisitions

The Group acquired the following companies, which are consolidated for the first time in 2018.

Month acquired	Acquisitions	Business area	Net sales/SEK m*	No. of employees*
February	Zijtveld Grijpers B.V.	Benelux	130	40
February	RA Howarth Engineering Ltd	UK	20	16
February	Gaveco AB	Flow Technology	15	5
May	Digitrade GmbH	DACH	15	7
May	Precision Parts UK Ltd	Flow Technology	130	40
July	Norsecraft Tec AS	Industrial Components	55	18
August	TXRX System	Measurement & Sensor Technology	120	56
October	Thermo Electric Instrumentation B.V.	Measurement & Sensor Technology	115	55
December	NRG Automation Ltd	UK	60	17
Total			660	254

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

Further information about completed company acquisitions can be found on page 21 of this year-end report.

Events after the end of the reporting period

In early February an agreement was reached to divest Wilhelm Sander Fertigung GmbH in Germany.

The divested business had annual sales of SEK 60 million. The divestment is part of the restructuring that was started 2017 regarding the Sander Meson Group.

Parent company

The main functions of Indutrade AB are to take responsibility for business development, acquisitions, financing, business control, analysis and communication. The Parent Company's sales, which consist exclusively of intercompany invoicing of services, amounted to SEK 6 million (5) during the full year 2018. The Parent Company's financial assets consist mainly of shares in subsidiaries. During the year the Parent Company acquired shares in one company. The Parent Company has not made any major investments in intangible assets or in property, plant and equipment. The number of employees on 31 December was 15 (13).

Risks and uncertainties

The Indutrade Group conducts business through more than 200 companies in some 30 countries on four continents. This diversification, together with a large number of customers in various industries and a large number of suppliers, mitigates the business and financial risks. Apart from the risks and uncertainties described in Indutrade's 2017 Annual Report, no significant risks or uncertainties are judged to have emerged or been eliminated. Since the Parent Company is responsible for the Group's financing, it is exposed to financing risk.

The Parent Company's other activities are not exposed to risks other than indirectly via subsidiaries. For a more detailed account of risks that affect the Group and Parent Company, please see the 2017 Annual Report.

Related party transactions

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

Accounting principles

Indutrade reports in accordance with International Financial Reporting Standards (IFRS). This interim report has been prepared in accordance with IAS 34 and RFR 1. The Parent Company applies RFR 2. The same accounting principles and calculation methods are used for the Group and Parent Company in this report as those used in the most recent annual report, except for the changed accounting principles described below.

Indutrade began applying IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on 1 January 2018. The effects of the transition to IFRS 9 and IFRS 15 are described below.

IFRS 9 Financial Instruments, which took effect on 1 January 2018, has replaced IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 entails changes in how financial assets are classified, measured and recognised. The standard introduces, among other things, an impairment model based on expected credit losses. Indutrade's bad debt losses over the years have been very limited, and the effects of IFRS 9 are marginal. No adjustments have been made of opening balances.

IFRS 15 Revenue from Contracts with Customers, which took effect on 1 January 2018, has replaced IAS 18 Revenue and IAS 11 Construction Contracts. The effects of this change for Indutrade's subsidiaries have been identified in a project that was begun in 2016. Adoption of IFRS 15 has not had any effect on the consolidated financial statements other than expanded disclosure requirements.

Most of Indutrade's revenues consist of sales of products that are recognised as revenue at a set point in time. Revenue from a sale is recognised when control of the products has been transferred, which typically takes place when the products are delivered to the customer. Certain contracts include services, such as for installation of a product. 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 standalone selling prices. 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. A few companies work with larger projects and meet the requirements to recognise revenue over time. Estimations of revenue, expenses and the percentage of completion are revised when circumstances change.

The new leasing standard IFRS 16, which has been endorsed by the EU, replaced the current IAS 17 on 1 January 2019. The standard entails changes primarily for lessees in that the breakdown of leases into operating and finance leases is removed. With a few exceptions, assets and liabilities attributable to all leases are to be recognised on the balance sheet. In the income statement, interest and depreciation are to be reported instead of lease expenses.

Indutrade has chosen to report the transition using the simplified method, without requirement for recalculation of comparison periods. Assets have been measured based on the contracts' actual commencement dates. Short-term leases and low value leases are not reported. A borrowing rate has been set per currency. Indutrade's leases consist mainly of premises rental contracts.

Adoption of the standard is expected to have the following effects on the balance sheet: an increase in right-of-use assets by SEK 807 million, an increase in lease liabilities by SEK 842 million, a decrease in shareholders' equity by SEK 28 million, and an increase in deferred tax assets by SEK 7 million. IFRS 16 is assessed to have a small, positive effect on operating profit and a small, negative effect on net financial items.

The Board's proposal to the AGM

The Annual General Meeting will be held on 9 May 2019, in Stockholm.

The Board of Directors proposes a dividend of SEK 4.50 per share (3.75), corresponding to SEK 544 million (453). The proposed dividend is in line with Indutrade's dividend policy to distribute 30%-60% of net profit.

Nomination Committee

The Nomination Committee proposes re-election of Katarina Martinson as Chairwoman of the Board at the 2019 Annual General Meeting. The Committee also proposes the re-election of Board members Susanna Campbell, Bengt Kjell, Anders Jernhall, Ulf Lundahl, Krister Mellvé, Lars Pettersson and Bo Annvik.

The Nomination Committee's proposal entails that the number of Board members (eight) will remain unchanged during the forthcoming term of office.

Financial Calendar

- The Annual Report will be published in early April 2019
- 25 April 2019:
Interim report 1 January–31 March 2019
- The Annual General Meeting will be held in Stockholm on 9 May 2019
- 18 July 2019:
Interim report 1 January–30 June 2019
- 25 October 2019:
Interim report 1 January–30 September 2019

Stockholm, 13 February 2019
Indutrade AB (publ)

Bo Annvik
President and CEO

Note

The information in this report is such that Indutrade AB is obligated to make public in accordance with the EU Market Abuse Act. The information was submitted for publication by the agency of the following contact persons at 7.30 a.m. (CET) on 13 February 2019.

Further information

For further information, please contact:
Bo Annvik, President and CEO, tel.: +46 8 703 03 00, Patrik Johnson, CFO, tel.: +46 70 397 50 30, or Frida Adrian, Communications, Sustainability & IR, tel.: +46 70 930 93 24

This report will be commented upon as follows:

The report will be presented via a webcast at 11 a.m. (CET) on 13 February via the following link:
<http://event.on24.com/wcc/r/1919079-1/516315636BD441035A7AE73833EF94E0?partnerref=rss-events>

To participate in the conference call and to ask questions, please call:

SE: +46 8 566 427 94
UK: +44 333 300 92 60
USA: +1 646 722 4904

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Auditor's review report

Auditor's review report on interim financial information in summary (interim report), prepared in accordance with IAS 34 and Ch. 9 of the Swedish Annual Accounts Act.

Introduction

We have reviewed the condensed interim financial information (interim report) of Indutrade AB (publ.), corporate identity number 556017-9367, as per 31 December 2018, and the twelve-month period then ended. The board of directors and the President are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with

International Standards on Auditing (ISA) and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for the Group, and in accordance with the Annual Accounts Act for the Parent Company.

Stockholm, 13 February 2019
PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant
Auditor in Charge

Indutrade consolidated income statement – condensed

SEK million	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	4,446	3,932	16,848	14,847
Cost of goods sold	-2,924	-2,633	-11,099	-9,881
Gross profit	1,522	1,299	5,749	4,966
Development costs	-56	-48	-204	-178
Selling costs	-738	-721	-2,737	-2,463
Administrative expenses	-251	-235	-991	-893
Other operating income and expenses	23	-56	8	-52
Operating profit	500	239	1,825	1,380
Net financial items	-16	-17	-75	-70
Profit after financial items	484	222	1,750	1,310
Income Tax	-115	-49	-382	-280
Net profit for the period	369	173	1,368	1,030
<i>Net profit, attributable to:</i>				
Equity holders of the parent company	369	172	1,367	1,029
Non-controlling interests	0	1	1	1
	369	173	1,368	1,030
EBITA	568	299	2,087	1,613
<i>Operating profit includes:</i>				
Amortisation of intangible assets ¹⁾	-76	-66	-295	-258
<i>of which attributable to acquisitions</i>	-68	-60	-262	-233
Depreciation of property, plant and equipment	-58	-54	-229	-206
Earnings per share before dilution, SEK	3.05	1.42	11.31	8.54
Earnings per share after dilution, SEK	3.05	1.42	11.31	8.53

¹⁾ Excluding impairment losses

Indutrade consolidated statement of comprehensive income

SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Net profit for the period	369	173	1,368	1,030
Other comprehensive income				
Items that can be reversed into income statement				
Fair value adjustment of hedge instruments	0	4	-3	17
Tax attributable to fair value adjustments	0	-1	1	-4
Exchange rate differences	-53	78	134	2
Items that cannot be reversed into income statement				
Actuarial gains/losses	3	1	3	1
Tax on actuarial gains/losses	-1	0	-1	0
Other comprehensive income for the period, net of tax	-51	82	134	16
Total comprehensive income for the period	318	255	1,502	1,046
<i>Total comprehensive income, attributable to:</i>				
Equity holders of the parent company	318	254	1,501	1,045
Non-controlling interests	0	1	1	1

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Indutrade consolidated balance sheet – condensed

SEK million	2018 31-Dec	2017 31-Dec
Goodwill	3,170	2,845
Other intangible assets	2,169	2,102
Property, plant and equipment	1,736	1,618
Financial assets	158	139
Inventories	2,834	2,517
Accounts receivable, trade	2,877	2,469
Other receivables	418	412
Cash and cash equivalents	708	464
Total assets	14,070	12,566
Equity	6,218	5,168
Non-current interest-bearing liabilities and pension liabilities	2,811	1,569
Other non-current liabilities and provisions	619	600
Current interest-bearing liabilities	1,806	2,724
Accounts payable, trade	1,168	1,081
Other current liabilities	1,448	1,424
Total equity and liabilities	14,070	12,566

Indutrade consolidated statement of changes in equity – condensed

Attributable to equity holders of the parent company SEK million	2018 31-Dec	2017 31-Dec
Opening equity	5,151	4,389
Total comprehensive income for the period	1,501	1,045
Payment for issued warrants	-	8
New issues	7	95
Dividend ¹⁾	-453	-384
Acquisition of non-controlling interests	-1	-2
Closing equity	6,205	5,151
 ¹⁾ Dividend per share for 2017 (2016) was SEK 3.75 (3.20)		
Equity, attributable to:		
Equity holders of the parent company	6,205	5,151
Non-controlling interests	13	17
	6,218	5,168

Indutrade consolidated cash flow statement

– condensed

SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Operating profit	500	239	1,825	1,380
Non-cash items	148	172	545	547
Interests and other financial items, net	-13	-15	-97	-62
Paid tax	-124	-105	-452	-351
Change in working capital	83	222	-461	40
Cash flow from operating activities	594	513	1,360	1,554
Net capital expenditures in non-current assets	-90	-86	-299	-236
Company acquisitions and divestments	-85	-326	-586	-1,007
Change in other financial assets	-3	5	0	1
Cash flow from investing activities	-178	-407	-885	-1,242
Net borrowings/amortisation	-240	-13	225	116
Dividend paid out	-	-	-453	-384
Payment for issued warrants	-	0	0	8
New issues	-	6	7	95
Cash flow from financial activities	-240	-7	-221	-165
Cash flow for the period	176	99	254	147
Cash and cash equivalents at start of period	531	375	464	332
Exchange rate differences	1	-10	-10	-15
Cash and cash equivalents at end of period	708	464	708	464

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Key data

	2018 31-Dec	2017 31-Dec	2016 31-Dec	2015 31-Dec
Moving 12 mos				
Net sales, SEK million	16,848	14,847	12,955	11,881
Sales growth, %	13	15	9	22
EBITA, SEK million	2,087	1,613	1,484	1,427
EBITA margin, %	12.4	10.9	11.5	12.0
Operating capital at end of period, SEK million	10,127	8,997	8,027	6,656
Operating capital, average, SEK million	9,839	8,444	7,491	6,537
Return on operating capital, % ¹⁾	21	19	20	22
Equity, average, SEK million	5,715	4,746	3,976	3,440
Return on equity, % ¹⁾	24	22	24	26
Interest-bearing net debt at end of period, SEK million	3,909	3,829	3,628	2,949
Net debt/equity ratio, %	63	74	82	80
Net debt/EBITDA, times	1.7	2.1	2.2	1.8
Equity ratio, %	44	41	40	40
Average number of employees	6,710	6,156	5,495	4,978
Number of employees at end of period	6,778	6,545	5,705	5,107
<i>Attributable to equity holders of the parent company</i>				
<i>Key ratios per share</i>				
Earnings per share before dilution, SEK	11.31	8.54	7.80	7.44
Earnings per share after dilution, SEK	11.31	8.53	7.78	7.44
Equity per share, SEK	51.34	42.64	36.58	30.86
Cash flow from operating activities per share, SEK	11.26	12.90	10.06	8.97
Average number of shares before dilution, '000	120,832	120,457	120,000	120,000
Average number of shares after dilution, '000	120,843	120,617	120,251	120,094
Number of shares at the end of the period, '000	120,855	120,799	120,000	120,000

¹⁾ Calculated on average capital and equity.

Business area performance

Net sales, SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Benelux	517	416	2,045	1,695
DACH	312	280	1,225	945
Finland	443	461	1,743	1,729
Flow Technology	914	794	3,491	3,135
Fluids & Mechanical Solutions	499	474	1,980	1,859
Industrial Components	932	831	3,371	2,924
Measurement & Sensor Technology	558	447	1,863	1,675
UK	287	243	1,183	932
Parent company and Group items	-16	-14	-53	-47
Total	4,446	3,932	16,848	14,847
EBITA, SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Benelux	76	49	306	237
DACH	35	15	126	79
Finland	61	43	213	179
Flow Technology	119	82	414	343
Fluids & Mechanical Solutions	69	52	262	233
Industrial Components	108	96	400	324
Measurement & Sensor Technology	96	75	322	291
UK	38	29	175	127
Parent company and Group items	-34	-142	-131	-200
Total	568	299	2,087	1,613
EBITA margin, %	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Benelux	14.7	11.8	15.0	14.0
DACH	11.2	5.4	10.3	8.4
Finland	13.8	9.3	12.2	10.4
Flow Technology	13.0	10.3	11.9	10.9
Fluids & Mechanical Solutions	13.8	11.0	13.2	12.5
Industrial Components	11.6	11.6	11.9	11.1
Measurement & Sensor Technology	17.2	16.8	17.3	17.4
UK	13.2	11.9	14.8	13.6
	12.8	7.6	12.4	10.9

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Business area performance per quarter

Net sales, SEK million	2018			
	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	517	492	556	480
DACH	312	301	316	296
Finland	443	420	483	397
Flow Technology	914	909	898	770
Fluids & Mechanical Solutions	499	485	519	477
Industrial Components	932	756	895	788
Measurement & Sensor Technology	558	452	435	418
UK	287	315	301	280
Parent company and Group items	-16	-15	-13	-9
Total	4,446	4,115	4,390	3,897

	2017			
	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
	416	391	430	458
	280	218	231	216
	461	415	452	401
	794	810	799	732
	474	441	487	457
	831	719	706	668
	447	399	434	395
	243	251	220	218
	-14	-11	-10	-12
	3,932	3,633	3,749	3,533

EBITA, SEK million	2018			
	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	76	68	85	77
DACH	35	32	29	30
Finland	61	61	53	38
Flow Technology	119	118	103	74
Fluids & Mechanical Solutions	69	58	70	65
Industrial Components	108	93	114	85
Measurement & Sensor Technology	96	88	73	65
UK	38	51	44	42
Parent company and Group items	-34	-44	-28	-25
Total	568	525	543	451

	2017			
	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
	49	52	60	76
	15	21	23	20
	43	53	51	32
	82	99	91	71
	52	57	64	60
	96	81	79	68
	75	70	80	66
	29	34	30	34
	-142	-17	-20	-21
	299	450	458	406

EBITA margin, %	2018			
	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	14.7	13.8	15.3	16.0
DACH	11.2	10.6	9.2	10.1
Finland	13.8	14.5	11.0	9.6
Flow Technology	13.0	13.0	11.5	9.6
Fluids & Mechanical Solutions	13.8	12.0	13.5	13.6
Industrial Components	11.6	12.3	12.7	10.8
Measurement & Sensor Technology	17.2	19.5	16.8	15.6
UK	13.2	16.2	14.6	15.0
	12.8	12.8	12.4	11.6

	2017			
	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
	11.8	13.3	14.0	16.6
	5.4	9.6	10.0	9.3
	9.3	12.8	11.3	8.0
	10.3	12.2	11.4	9.7
	11.0	12.9	13.1	13.1
	11.6	11.3	11.2	10.2
	16.8	17.5	18.4	16.7
	11.9	13.5	13.6	15.6
	7.6	12.4	12.2	11.5

Disaggregation of revenue

Net sales per geographic market

2018

Oct-Dec, SEK million	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	7	2	413	557	333	793	135	12	-6	2,246
Other Europe	443	298	25	294	127	120	203	240	-4	1,746
Americas	19	9	4	10	28	7	156	21	-3	251
Asia	42	3	1	51	8	12	47	12	-2	174
Other	6	0	0	2	3	0	17	2	-1	29
Total	517	312	443	914	499	932	558	287	-16	4,446

Timing of revenue recognition	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Over time	17	68	0	8	1	26	58	0	-1	177
At a point in time	500	244	443	906	498	906	500	287	-15	4,269
Total	517	312	443	914	499	932	558	287	-16	4,446

2017

Oct-Dec, SEK million	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	3	2	431	505	306	740	133	12	-7	2,125
Other Europe	330	265	28	257	135	80	156	197	-5	1,443
Americas	31	10	1	4	21	5	104	16	-2	190
Asia	41	3	1	23	9	5	49	13	0	144
Other	11	0	0	5	3	1	5	5	0	30
Total	416	280	461	794	474	831	447	243	-14	3,932

Timing of revenue recognition	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Over time	14	64	0	7	1	24	48	0	-1	157
At a point in time	402	216	461	787	473	807	399	243	-13	3,775
Total	416	280	461	794	474	831	447	243	-14	3,932

2018

Jan-Dec, SEK million	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	18	11	1,611	2,106	1,296	2,947	466	76	-23	8,508
Other Europe	1,622	1,152	109	1,173	543	371	680	974	-20	6,604
Americas	221	44	12	28	99	27	526	76	-5	1,028
Asia	141	16	9	164	32	24	162	45	-3	590
Other	43	2	2	20	10	2	29	12	-2	118
Total	2,045	1,225	1,743	3,491	1,980	3,371	1,863	1,183	-53	16,848

Timing of revenue recognition	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Over time	66	281	0	31	1	96	200	0	-2	673
At a point in time	1,979	944	1,743	3,460	1,979	3,275	1,663	1,183	-51	16,175
Total	2,045	1,225	1,743	3,491	1,980	3,371	1,863	1,183	-53	16,848

2017

Jan-Dec, SEK million	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	15	4	1,616	1,998	1,209	2,607	496	49	-20	7,974
Other Europe	1,347	894	102	1,018	531	280	592	761	-17	5,508
Americas	124	34	5	19	82	18	390	61	-6	727
Asia	161	10	5	87	31	16	179	47	-2	534
Other	48	3	1	13	6	3	18	14	-2	104
Total	1,695	945	1,729	3,135	1,859	2,924	1,675	932	-47	14,847

Timing of revenue recognition	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Over time	58	227	0	31	1	89	189	0	-2	593
At a point in time	1,637	718	1,729	3,104	1,858	2,835	1,486	932	-45	14,254
Total	1,695	945	1,729	3,135	1,859	2,924	1,675	932	-47	14,847

¹⁾ Parent company & Group items

FT - Flow Technology

FM - Fluids & Mechanical Solutions

IC - Industrial Components

MST - Measurement & Sensor Technology

Acquisitions

Acquisitions 2018

All of the shares have been acquired in Zijtveld Grijpers B.V. (Netherlands), Gaveco AB (Sweden), RA Howarth Engineering Ltd (UK), Digitrade GmbH (Switzerland), Precision Parts UK Ltd (UK), Norsecraft Tec AS (Norway), TXRX System (USA), Thermo Electric Instrumentation B.V. (Netherlands), and NRG Automation Ltd (UK).

Benelux

On 21 February Zijtveld Grijpers B.V. (Netherlands) was acquired, with annual sales of SEK 130 million. The company designs, manufactures and markets hydraulic grabs for construction machinery. The grabs are used in a wide range of application areas, including demolition, construction, infrastructure, the recycling industry, and materials handling.

DACH

On 23 April Digitrade GmbH (Switzerland) was acquired, with annual sales of SEK 15 million. The company offers gas measurement products and gas alarm systems.

Flow Technology

On 16 February Gaveco AB (Sweden) was acquired, with annual sales of SEK 15 million. The company manufactures components and systems for high pressure gases.

On 8 May Precision Parts UK Ltd (UK) was acquired, with annual sales of SEK 130 million. The company manufactures and supplies medical gas pipeline equipment for hospitals and healthcare facilities.

Industrial Components

On 20 July Norsecraft Tec AS (Norway) was acquired, with annual sales of SEK 55 million. The company offers automatic lubrication systems for construction machinery and industrial applications.

Measurement & Sensor Technology

On 31 August all of the assets were acquired in the company TXRX System (USA), with annual sales of SEK 120 million. The company is a manufacturer of products and technical solutions for Professional Mobile Radio (PMR) systems.

On 25 October Thermo Electric Instrumentation B.V. (Netherlands) was acquired, with annual sales of SEK 115 million. The company develops, manufactures, markets and calibrates temperature sensors.

UK

On 6 February RA Howarth Engineering Ltd (UK) was acquired, with annual sales of SEK 20 million. The company offers niche CNC machining.

On 30 November NRG Automation Ltd (UK) was acquired, with annual sales of SEK 60 million. The company is a system supplier of drives, motors and controls for doors and shutters.

Acquired assets and liabilities in 2018

Preliminary purchase price allocation

SEK million

Purchase price, incl. contingent earn-out payment totalling SEK 119 million	756
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Acquired assets and liabilities	Book value	Fair value adjustment	Fair value
Goodwill	-	266	266
Agencies, trademarks, customer relations, licences, etc.	3	285	288
Property, plant and equipment	31	4	35
Financial assets	2	-	2
Inventories	83	-	83
Other current assets ¹⁾	151	-	151
Cash and cash equivalents	71	-	71
Deferred tax liability	-1	-45	-46
Provisions including pension liabilities	-1	-	-1
Other operating liabilities	-93	-	-93
	246	510	756

¹⁾ Mainly trade accounts receivable

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Agencies, customer relationships, licences, etc. will be amortised over a period of 10–20 years, while trademarks are assumed to have indefinite useful life. Trademarks are included at a value of SEK 14 million.

Indutrade normally 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 to date amount to SEK 119 million. The contingent earn-out payments fall due for payment within three years and can amount to a maximum of SEK 124 million. If the conditions are not met, the outcome can be in the range of SEK 0–124 million.

Transaction costs for the acquisitions carried out during the period totalled SEK 3 million (15) and are included in Other income and expenses in the income statement. Contingent earn-out payments have been revalued in the amount of SEK 6 million (30). Revenue is reported under Other income and expenses in the amount of SEK 6 million (30) and under Net financial items in the amount of SEK 0 million (0).

The purchase price allocation calculations for Inovatools Group and Tradinco B.V., which were acquired during the fourth quarter of 2017, 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	
Purchase price, incl. contingent earn-out payments	756
Purchase price not paid out	-119
Cash and cash equivalents in acquired companies	-71
Payments pertaining to previous years' acquisitions	98
Total cash flow impact	664

Effects of acquisitions carried out in 2017 and 2018

SEK million Business area	Net sales		EBITA	
	Oct-Dec	Jan-Dec	Oct-Dec	Jan-Dec
Benelux	62	252	17	60
DACH	32	300	6	39
Finland	-	-	-	-
Flow Technology	36	125	6	22
Fluids & Mechanical Solutions	-	-	-	-
Industrial Components	13	195	2	22
Measurement & Sensor Technology	60	69	6	8
UK	3	97	0	12
Effect on Group	206	1,038	37	163
Acquisitions carried out in 2017	52	685	11	100
Acquisitions carried out in 2018	154	353	26	63
Effect on Group	206	1,038	37	163

If all acquired units had been consolidated as from 1 January 2018, net sales for the year would have amounted to SEK 17,147 million, and EBITA would have totalled SEK 2,123 million.

Divestments

The Tecalemit companies in Finland and the Baltic countries, with combined annual sales of SEK 120 million, have been divested, for a marginal capital loss.

The property company Stålprofil PK Invest AB has been divested. The company had only internal net sales, and the capital gain was SEK 7 million.

Parts of the operations of Novisol GmbH in Germany have been divested. Annual sales for the divested operations amounted to SEK 90 million, and a capital loss of SEK -7 million was realised.

The Lithuanian company UAB Industek, with annual sales of SEK 70 million, has been divested, for a capital loss of SEK -8 million.

The operations of Recair Oy in Finland were divested on two occasions during the year. Annual sales for the divested operations amounted to SEK 110 million, and a marginal capital loss was realised.

Share data

At the end of the interim period the share capital amounted to SEK 242 million

Number of shares at the beginning of the year	120,798,600
Number of newly subscribed shares	56,400
Total number of shares outstanding after new issues	120,855,000

LTI 2014

In April 2014 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTI 2014) comprising a combined maximum of 460,000 warrants in two series for senior executives and other key persons in the Indutrade Group. Shares were subscribed during specially stipulated subscription periods through Friday, 18 May 2018.

LTI 2017

In April 2017 the Annual General Meeting of Indutrade AB resolved to introduce a long-term incentive programme (LTI 2017) comprising a combined maximum of 704,000 warrants in two series for senior executives and other key persons in the Indutrade Group. Shares can be subscribed during specially stipulated subscription periods through Friday, 20 May 2022.

Outstanding incentive programmes

Outstanding programme	Number of options	Corresponding number of shares	Proportion of total shares	Price per warrant, SEK	Initial exercise price, SEK	Adjusted exercise price, SEK	Number of exercised warrants	Corresponding number of shares	Expiration period
2017/2022, Series I	526,000	526,000	0.4%	15.0	244.9	-	-	-	27 April 2020 – 20 May 2022
2017/2022, Series II	60,000	60,000	0.0%	13.4	276.8	-	-	-	27 April 2020 – 20 May 2022
2014/2018, Series I	257,500	772,500	0.6%	15.2	356.3	118.8	257,500	772,500	11 May 2017 – 18 May 2018
2014/2018, Series II	27,500	82,500	0.1%	11.6	350.0	116.7	27,500	82,500	11 May 2017 – 18 May 2018

Dilutive effects

	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Average number of shares before dilution, '000	120,855	120,777	120,832	120,457
Number of shares that incur a dilutive effect due to incentive programme, '000	-	36	11	160
Average number of shares after dilution, '000	120,855	120,813	120,843	120,617
Dilutive effect, %	-	0.03	0.01	0.13
Number of shares at end of the period, '000	120,855	120,799	120,855	120,799

Financial assets and liabilities

SEK million	31 Dec 2018					
	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
Accounts receivable	-	2 877	-	-	-	2 877 2 877
Other receivables	1	11	-	-	-	12 12
Cash and cash equivalents	-	708	-	-	-	708 708
Total	1	3 596	14	-	-	3 611 3 611
Non-current interest-bearing liabilities	-	-	-	96	2 419	2 515 2 513
Current interest-bearing liabilities	-	-	-	119	1 687	1 806 1 806
Accounts payable	-	-	-	-	1 168	1 168 1 168
Other liabilities	4	-	-	-	-	4 4
Total	4	-	-	215	5 274	5 493 5 491

SEK million	31 Dec 2017					
	Interest rate swaps and currency forward contracts in hedge accounting	Loans and accounts receivable	Available-for-sale financial assets	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
Accounts receivable	-	2469	-	-	-	2469 2469
Other receivables	5	1	-	-	-	6 6
Cash and cash equivalents	-	464	-	-	-	464 464
Total	5	2934	14	-	-	2953 2953
Current interest-bearing liabilities	-	-	-	88	1197	1285 1285
Current interest-bearing liabilities	-	-	-	97	2627	2724 2724
Accounts payable	-	-	-	-	1081	1081 1081
Other liabilities	5	-	-	-	-	5 5
Total	5	-	-	185	4 905	5 095 5 095

Financial instruments are measured at fair value, based on the classification of the fair value hierarchy: other observable data for assets and liabilities than quoted prices [level 2], non-observable market data [level 3].

No transfers were made between levels 2 and 3 during the period. 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.

Contingent earn-out payments	2018	2017
SEK million	31-Dec	31-Dec
Opening book value	185	129
Acquisitions during the year	119	128
Consideration paid	-93	-47
Reclassified via income statement	-6	-30
Interest expenses	4	3
Exchange rate differences	6	2
Closing book value	215	185

Parent company income statement – condensed

SEK million	2018 Oct-Dec	2017 Oct-Dec	2018 Jan-Dec	2017 Jan-Dec
Net sales	6	5	6	5
Gross profit	6	5	6	5
Administrative expenses	-36	-18	-107	-79
Other operating income and expenses	-	-	7	-
Operating profit	-30	-13	-94	-74
Financial income/expenses	1	-1	-40	-13
Profit from participation in Group companies	-38	0	736	753
Profit after financial items	-67	-14	602	666
Appropriations	594	594	594	594
Income Tax	-127	-128	-103	-114
Net profit for the period	400	452	1,093	1,146
Amortisation/depreciation of intangible assets and property, plant and equipment	0	0	0	0

Parent company balance sheet – condensed

SEK million	2018 31-Dec	2017 31-Dec
Intangible assets	0	0
Property, plant and equipment	2	1
Financial assets	5,502	5,408
Current receivables	5,227	4,496
Cash and cash equivalents	200	0
Total assets	10,931	9,905
Equity	5,037	4,390
Untaxed reserves	647	589
Non-current interest-bearing liabilities and pension liabilities	2,323	1,080
Other non-current liabilities and provisions	5	5
Current interest-bearing liabilities	2,669	3,529
Current non-interest-bearing liabilities	250	312
Total equity and liabilities	10,931	9,905

Definitions

Alternative Performance Measures

In this interim report Indutrade presents Alternative Performance Measures (APMs) that complement the key financial ratios defined in IFRS. The company believes that these APMs provide valuable information to stakeholders, as they contribute to assessment of the company'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.

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.

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.

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.

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.

Operating capital

Shareholders' equity plus interest-bearing net debt.

Return on equity

Net profit for the period on a moving 12-month basis divided by average shareholders' equity per month.

Return on operating capital

EBITA calculated on a moving 12-month basis divided by average operating capital per month.

Indutrade in brief

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

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

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

The Group is structured into eight business areas: Benelux, DACH, Finland, Flow Technology, Fluids & Mechanical Solutions, Industrial Components, Measurement & Sensor Technology and UK.

The Group's financial targets are that:

Sales growth

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

EBITA margin

- The EBITA margin shall amount to a minimum of 12% per year (previously 10%) over a business cycle

Return on operating capital

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

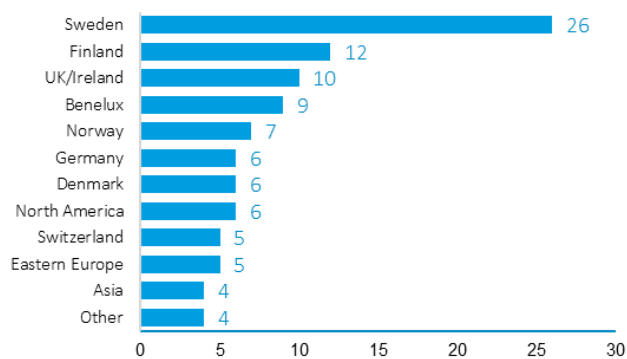
Net debt/equity ratio

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

Dividend payout ratio

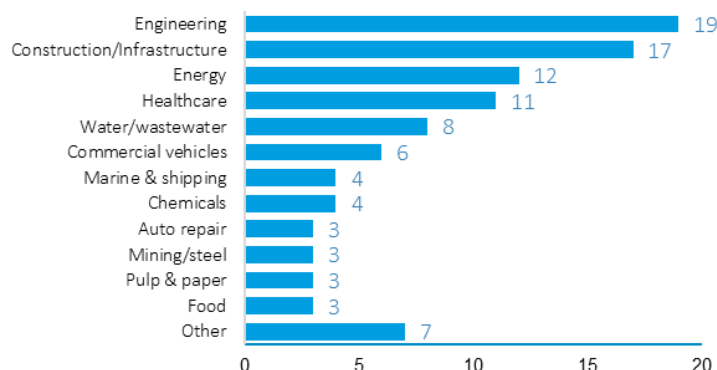
- The dividend payout ratio shall range from 30% to 60% of net profit.

Net sales per market, % ¹⁾



¹⁾Financial year 2018

Net sales per customer segment, % ¹⁾



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.

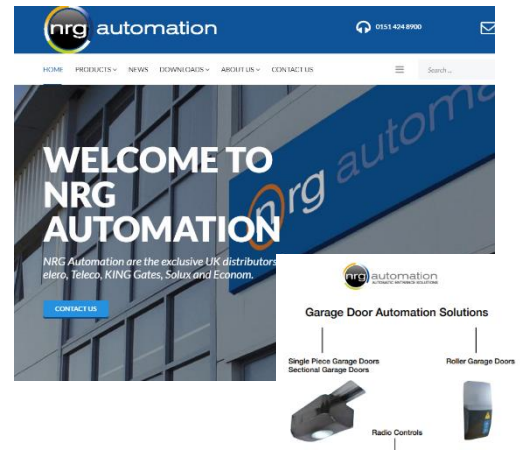
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Indutrade acquires NRG Automation

On 3 December 2018 NRG Automation Limited (<http://www.nrgautomation.co.uk>) was acquired in the UK. NRG Automation is a system supplier of drives, motors and controls for industrial, commercial and residential doors and shutters. The company also offers a wide range of gate and barrier automation solutions. Customers are manufacturers and installation contractors of doors, shutters and gates in the UK and Ireland.

NRG Automation will be part of Indutrade's British company Ellard Ltd in the UK business area.



Capital Markets Day 2018

Indutrade's Capital Markets Day was held in Kista on 4 December 2018. During the day Indutrade presented its business model and strategy for profitable growth. CEO Bo Annvik and other members of the Management Team elaborated on strategic initiatives to increase value creation and business performance. Presentations also covered Indutrade's operating model, acquisition strategy and way of working.

Indutrade's overall strategic direction is to deliver sustainable profitable growth through structured development of the Group's companies, and further acquisitions of stable and well managed technical trading and industrial companies.

Presentations from the Capital Markets Day can be viewed here:
https://sverige.videosync.fi/indutrade-cmd_2018-12-04



Bond of SEK 500 million issued

In November Indutrade issued a senior unsecured bond of SEK 500 million with a tenor of 3.25 years. The bond carries a floating interest rate of three months STIBOR +0.95%. The proceeds from the bond issue will be used to refinance existing loans and for general corporate purposes.

"Through this bond issue we have further diversified our financing, and it is a natural step in our growth strategy," commented Bo Annvik, President and CEO of Indutrade.

