

Interim report second quarter

and first half of 2018

Second quarter 2018

- Order intake rose 11% to SEK 4,391 million (3,952). For comparable units the increase was 2%.
- Net sales rose 17% to SEK 4,390 million (3,749). For comparable units the increase was 6%.
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) rose 19% to SEK 543 million (458), corresponding to an EBITA margin of 12.4% (12.2%).
- Profit for the quarter grew 20% to SEK 364 million (303) and earnings per share were of SEK 3.01 (2.52).

1 January – 30 June 2018

- Order intake rose 12% to SEK 8,564 million (7,624). For comparable units the increase was 2%.
- Net sales rose 14% to SEK 8,287 million (7,282). For comparable units the increase was 3%.
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) rose 15% to SEK 994 million (864), corresponding to an EBITA margin of 12.0% (11.9%).
- Profit for the period grew 16% to SEK 657 million (564), and earnings per share were SEK 5.43 (4.69).



Financial Development

SEK million	2018 Apr-Jun	2017 Apr-Jun	Change	2018 Jan-Jun	2017 Jan-Jun	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Order intake	4,391	3,952	11%	8,564	7,624	12%	15,991	15,051
Net sales	4,390	3,749	17%	8,287	7,282	14%	15,852	14,847
Operating profit	475	400	19%	866	751	15%	1,495	1,380
EBITA	543	458	19%	994	864	15%	1,743	1,613
EBITA margin, %	12.4	12.2		12.0	11.9		11.0	10.9
Profit after financial items	457	384	19%	828	717	15%	1,421	1,310
Net profit	364	303	20%	657	564	16%	1,123	1,030
Earnings per share before dilution, SEK	3.01	2.52	19%	5.43	4.69	16%	9.28	8.54
Return on operating capital, %	19	20		19	20		19	19
Cash flow from operating activities	290	334	-13%	294	658	-55%	1,190	1,554
Net debt/equity ratio, %	79	79		79	79		79	74

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CEO's message

A quarter of strong earnings and favourable growth.

Second quarter

The market situation remained favourable, and sales rose 17% during the second quarter, of which 6% was organic. The favourable organic sales growth can be credited primarily to strong performance for companies in the Industrial Components and UK business areas. Demand in most sectors and market segments remained at a stable, high level. Order intake increased by 11%, of which 2% was organic. Sales and order intake during the quarter were positively affected by both exchange rate movements and slightly more invoicing days than the same quarter a year ago.

Most of the business areas showed favourable development during the quarter and reported good growth. In the Industrial Components business area, which offers technically advanced consumables in a number of different segments and sectors primarily in Scandinavia, the market situation was particularly strong, and sales grew 27%, of which 14% was organic. We also saw favourable development in the UK business area, with higher sales and improved earnings.

We saw weaker performance in the DACH business area, however, where organic growth was negatively affected by lower construction activity in the process industry in Switzerland. Owing to large orders and projects during the preceding year, growth for the Measurement & Sensor Technology business area was somewhat weaker during the quarter, but nevertheless remained at a satisfactory level.

Our customer- and result-oriented companies are working continuously to strengthen their profitability, which led to a 19% improvement in EBITA during the quarter, of which 5% was organic, to SEK 543 million. The EBITA margin for the second quarter was 12.4%, which is a high level in a historical perspective and an increase over the EBITA margin for the same period a year ago, which was 12.2%.

The cash flow continued to be adversely affected by high capacity utilization and longer lead times from our suppliers.

Acquisitions

During the second quarter the British company Precision UK Ltd was acquired and a few add-on acquisitions. Precision UK Ltd is a manufacturer and supplier of medical gas pipeline equipment that is used in hospitals and healthcare facilities to supply and regulate medical gases. Its proprietary products are sold under the CPX brand. After the end of the quarter the Norwegian company Norsecraft Tec was acquired, a leading technical trading company that



offers automated lubrication systems for construction machinery and industrial applications.

Indutrade is a stable owner that takes responsibility for its subsidiaries' long-term development. Of the more than 200 companies in the Group, there are only a few businesses with less satisfactory profitability. We are working actively and focused with action programmes for these companies.

Our acquisition opportunities continue to be favourable, with a steady stream of attractive companies. Our decentralised structure with a high degree of autonomy continues to attract entrepreneurs who are considering selling their companies.

Outlook

Our business model – to develop and acquire successful companies with technological niche expertise – works well. We experienced favourable development during the first half of 2018, and the prevailing business climate gives us confidence about positive development also during the second half of the year. We continue to work for sustainable, profitable growth in order to generate a competitive return to our shareholders.

Bo Annvik, President and CEO

Group performance

Order intake

Order intake totalled SEK 4,391 million (3,952) during the second quarter, an increase of 11%. For comparable units, order intake grew 2%, while acquired growth was 6%. Currency movements had a positive effect on order intake, of 3%.

Demand during the second quarter remained favourable and stable. Order intake a year ago was positively affected by large orders and projects. As a result, growth for the quarter was dampened compared with the same quarter a year ago. Order intake during the quarter was level with invoicing. A positive effect was noted in both order intake and invoicing from a slightly larger number of work days compared with the same period a year ago. The Flow Technology business area showed the strongest organic growth.

DACH, Benelux and Measurement & Sensor Technology had negative organic growth during the quarter, mainly owing to larger orders and projects in the corresponding period a year ago.

Order intake for valves for power generation was level with the first quarter but down slightly compared with the same quarter a year ago.

Order intake during the period January–June amounted to SEK 8,564 million (7,624), an increase of 12%. The increase for comparable units was 2%, acquisitions contributed 7%, and currency movements had a positive effect on order intake of 3%.

Net sales

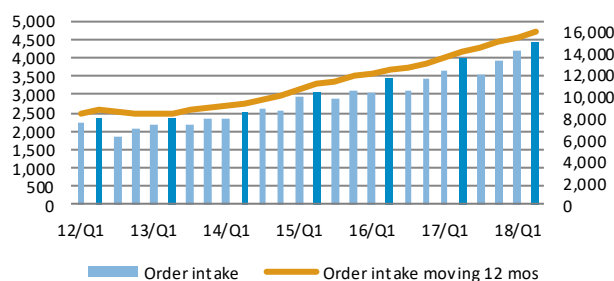
Net sales rose 17% during the second quarter of the year to SEK 4,390 million (3,749). Sales for comparable units increased by 6%, and acquisitions contributed 7%. Currency movements had a positive effect on net sales of 4%.

The largest organic growth in net sales was shown in the Industrial Components and UK business areas, owing to a broad and strong market development and well-positioned companies. Organic sales development for the DACH and Measurement & Sensor Technology business areas was negative during the quarter. The decline for DACH is mainly attributable to weak development in the building and construction sectors in Switzerland, while the decline for Measurement & Sensor Technology is explained by very strong invoicing by a couple of companies a year ago.

Net sales rose 14% during the period January–June to SEK 8,287 million (7,282). The increase for comparable units was 3%, acquisitions contributed 8%, and currency movements had a positive effect on net sales of 3%.

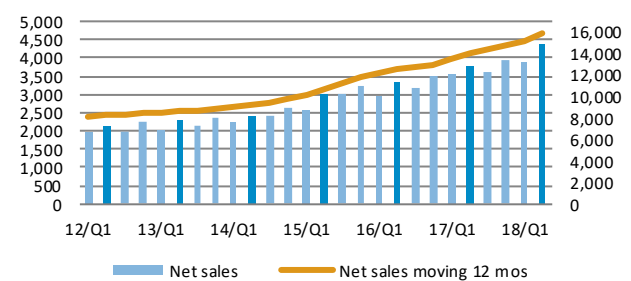
Order intake

SEK million

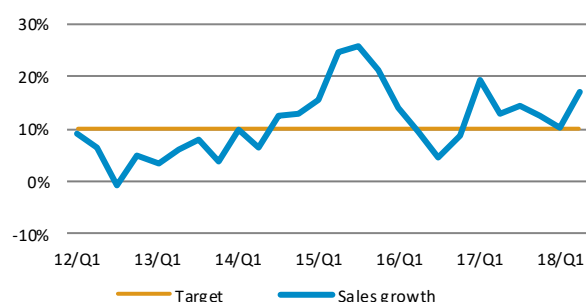


Net Sales

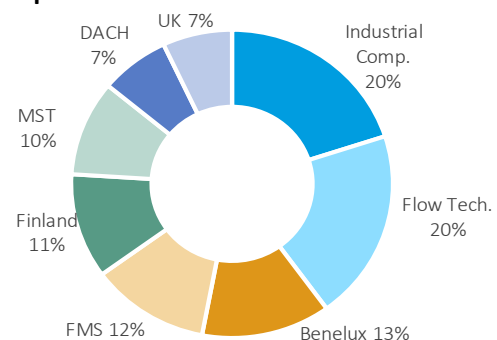
SEK million



Sales growth



Net Sales per Business Area



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Earnings

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 543 million (458) for the second quarter, an increase of 19%. For comparable units, EBITA increased by 5%, acquisitions contributed 10%, and currency movements had a positive effect of 4%. The EBITA margin increased to 12.4% (12.2%).

The gross margin for the Group was 33.6% (33.8%) during the second quarter, which was relatively stable compared with the same quarter a year ago despite higher purchasing prices and a weaker Swedish krona. The gross margin for the period January–June was 34.1% (33.9%).

Broken down by business areas, Benelux, Industrial Components and UK showed the largest improvements in EBITA margin. The improvement in Industrial Components and UK can be credited to strong organic growth, while the higher margin in Benelux was driven by acquisitions. The DACH and Measurement & Sensor Technology business areas had lower margins than a year ago due to lower organic growth.

The restructuring in the Sander Meson Group announced last year is proceeding according to plan, and most of the activities have been carried out. The measures will be concluded during the year.

Net financial items during the second quarter amounted to SEK -18 million (-16). Tax on profit for the quarter was SEK -93 million (-81), corresponding to a tax charge of 20% (21%).

The forthcoming reduction in the Swedish corporate tax rate starting in 2019 had a positive tax effect for the quarter of SEK 5 million.

Profit for the quarter grew 20% to SEK 364 million (303). Earnings per share before dilution increased by 19% to SEK 3.01 (2.52).

For the period January–June, operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 994 million (864), an increase of 15%. For comparable units, EBITA increased by 2%, acquisitions contributed 10%, and currency movements had a positive effect of 3%. The EBITA margin increased to 12.0% (11.9%).

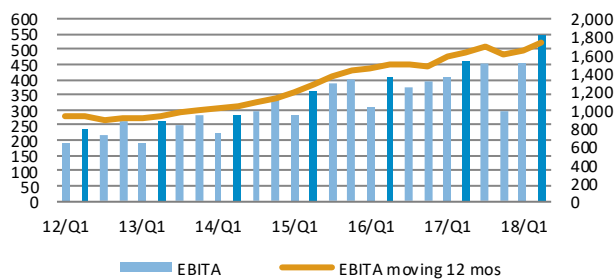
Net financial items for the interim period January–June amounted to SEK -38 million (-34). Tax on profit for the period was SEK -171 million (-153), corresponding to a tax charge of 21% (21%). Profit for the period grew 16% to SEK 657 million (564). Earnings per share before dilution grew 16% to SEK 5.43 (4.69).

Return

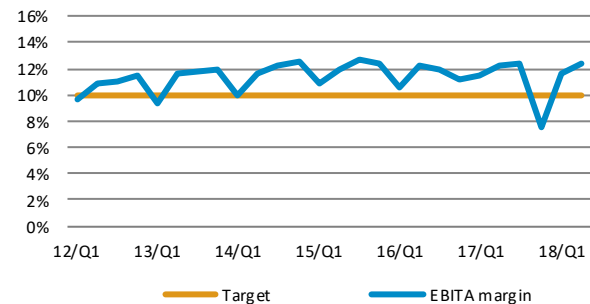
The return on operating capital decreased slightly to 19% (20%), and the return on equity decreased to 22% (24%). The decrease is attributable to the non-recurring restructuring costs that were recognised during the fourth quarter of the preceding year. Excluding these restructuring costs, the return on operating capital was 21%, and the return on equity was 24%.

EBITA

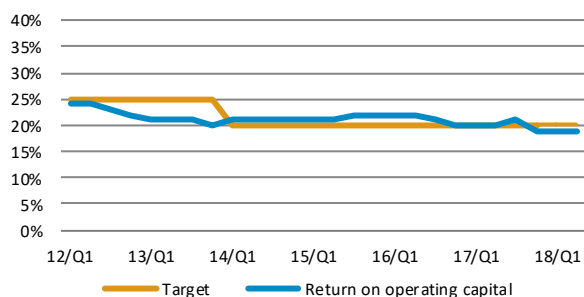
SEK million



EBITA margin

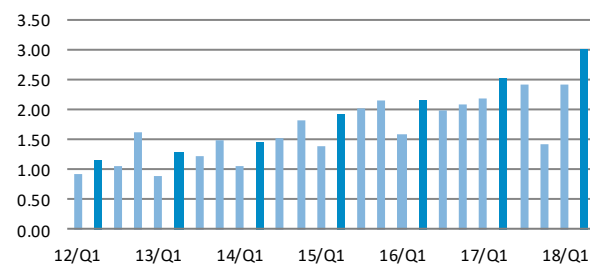


Return



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 Apr-Jun	2017 Apr-Jun	Change	2018 Jan-Jun	2017 Jan-Jun	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	556	430	29%	1,036	888	17%	1,843	1,695
EBITA	85	60	42%	162	136	19%	263	237
EBITA margin, %	15.3	14.0		15.6	15.3		14.3	14.0

Net sales rose 29% during the quarter to SEK 556 million (430). For comparable units, sales increased by 6%, acquisitions contributed 17% and currency movements had a positive effect of 6%.

The market situation continued to be stable in the region and the majority of companies increased order intake and net sales compared to last year. Order intake was 10% lower than invoicing during the quarter.

Invoicing for valves for power generation was slightly stronger during the quarter than the same period a year ago.

EBITA for the quarter increased by 42% to SEK 85 million (60), corresponding to an EBITA margin of 15.3% (14.0%). For comparable units, EBITA increased by 3%, acquisitions contributed 31%, and currency movements contributed 8%.

The improved EBITA margin was mainly attributable to acquired units.

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 Apr-Jun	2017 Apr-Jun	Change	2018 Jan-Jun	2017 Jan-Jun	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	316	231	37%	612	447	37%	1,110	945
EBITA	29	23	26%	59	43	37%	95	79
EBITA margin, %	9.2	10.0		9.6	9.6		8.6	8.4

Net sales rose 37% during the quarter to SEK 316 million (231). For comparable units, net sales decreased by 1%, acquisitions made a positive contribution of 38%, and currency movements had a marginal effect.

Demand in the business area was strong in Germany during the quarter. However, organic growth was negatively affected by lower construction activity in the process industry in Switzerland.

Net sales exceeded order intake by 8% during the quarter.

EBITA for the quarter increased by 26% to SEK 29 million (23), and the EBITA margin was 9.2% (10.0%). For comparable units, EBITA decreased by 14%, acquisitions made a positive contribution of 43%, and currency movements had a negative effect of 3%.

The weaker EBITA margin is attributable to lower net sales and costs for development investments in certain companies.

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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 Apr-Jun	2017 Apr-Jun	Change	2018 Jan-Jun	2017 Jan-Jun	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	483	452	7%	880	853	3%	1,756	1,729
EBITA	53	51	4%	91	83	10%	187	179
EBITA margin, %	11.0	11.3		10.3	9.7		10.6	10.4

Net sales rose 7% during the quarter to SEK 483 million (452). For comparable units, net sales increased by 5%, and currency movements had a positive effect of 7%. Early in the year Tecalemit Oy was divested, accounting for a 5% reduction in net sales.

Demand remained stable during the quarter, with high capacity utilisation in most customer segments.

Order intake exceeded net sales by 1% during the quarter.

EBITA for the quarter increased by 4% to SEK 53 million (51), and the EBITA margin was 11.0% (11.3%). For comparable units, EBITA increased by 1%, and currency movements had a positive effect of 3%. Divestments had a marginal effect on EBITA.

The slightly lower EBITA margin was partly attributable to a higher cost level from strategic growth investments in a couple of 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 Apr-Jun	2017 Apr-Jun	Change	2018 Jan-Jun	2017 Jan-Jun	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	898	799	12%	1,668	1,531	9%	3,272	3,135
EBITA	103	91	13%	177	162	9%	358	343
EBITA margin, %	11.5	11.4		10.6	10.6		10.9	10.9

Net sales rose 12% during the quarter to SEK 898 million (799). For comparable units, net sales increased by 6% and acquisitions contributed 3%. Currency movements had a positive effect of 3%.

Demand remained good in most of the business area's markets, except for Russia.

Order intake exceeded invoicing by 5% during the quarter. Invoicing developed in a positive direction compared with the preceding year for most of the companies at the same time that the corresponding period a year ago included large project-related invoices in Russia.

EBITA for the quarter increased by 13% to SEK 103 million (91), corresponding to an EBITA margin of 11.5% (11.4%). For comparable units, EBITA increased by 4%, acquisitions made a positive contribution of 6%, and currency movements had a positive effect of 3%.

The restructuring in the Sander Meson Group announced last year is proceeding according to plan, and most of the activities have been carried out. The measures will be concluded during the year.

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	2017	Change	2018	2017	Change	2017/18	2017
	Apr-Jun	Apr-Jun		Jan-Jun	Jan-Jun		Moving 12 mos	Jan-Dec
Net sales	519	487	7%	996	944	6%	1,911	1,859
EBITA	70	64	9%	135	124	9%	244	233
EBITA margin, %	13.5	13.1		13.6	13.1		12.8	12.5

Net sales rose 7% during the quarter to SEK 519 million (487). For comparable units, net sales increased by 6%, and currency movements had a positive effect of 2%. Early in the year the Tecalemit companies in the Baltic countries were divested, which reduced net sales by 1%.

The market situation remained positive during the quarter in most of the business area's markets. Order intake exceeded invoicing by 6% during the quarter.

EBITA increased by 9% during the quarter to SEK 70 million (64), and the EBITA margin was 13.5% (13.1%). For comparable units, EBITA increased by 9%, while divestments and currency movements had a marginal effect.

The improved EBITA margin was mainly attributable to strong performance for the business area's companies that are active in the automotive aftermarket, filters and hydraulics segments.

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	2017	Change	2018	2017	Change	2017/18	2017
	Apr-Jun	Apr-Jun		Jan-Jun	Jan-Jun		Moving 12 mos	Jan-Dec
Net sales	895	706	27%	1,683	1,374	22%	3,233	2,924
EBITA	114	79	44%	199	147	35%	376	324
EBITA margin, %	12.7	11.2		11.8	10.7		11.6	11.1

Net sales rose 27% during the quarter to SEK 895 million (706). The increase for comparable units was 14%, acquisitions contributed 11%, and currency movements had a positive effect of 2%.

The market situation remained strong during the quarter in all of the business area's segments.

Net sales exceeded order intake by 1% during the quarter.

EBITA for the quarter increased by 44% to SEK 114 million (79), and the EBITA margin was 12.7% (11.2%). EBITA for comparable units increased by 32%, while acquisitions made a positive contribution of 11%. Currency movements had a positive effect of 1%.

Most companies showed improved EBITA margins compared with the preceding year, mainly driven by the higher level of invoicing.

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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 Apr-Jun	2017 Apr-Jun	Change	2018 Jan-Jun	2017 Jan-Jun	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	435	434	0%	853	829	3%	1,699	1,675
EBITA	73	80	-9%	138	146	-5%	283	291
EBITA margin, %	16.8	18.4		16.2	17.6		16.7	17.4

Net sales rose marginally during the quarter to SEK 435 million (434). For comparable units, net sales decreased by 2%, and currency movements had a positive effect of 2%.

Demand was stable during the quarter. Organic net sales decreased slightly, but should be compared with a strong quarter a year earlier with large orders and projects in some of the companies.

Order intake and invoicing were level with each other during the quarter.

EBITA decreased by 9% during the quarter to SEK 73 million (80), and the EBITA margin was 16.8% (18.4%). For comparable units, EBITA decreased by 10%, and currency movements had a positive effect of 1%.

The lower margin is mainly attributable to weak invoicing and was also affected by greater investments in markets and development.

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 Apr-Jun	2017 Apr-Jun	Change	2018 Jan-Jun	2017 Jan-Jun	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	301	220	37%	581	438	33%	1,075	932
EBITA	44	30	47%	86	64	34%	149	127
EBITA margin, %	14.6	13.6		14.8	14.6		13.9	13.6

Net sales rose 37% during the quarter to SEK 301 million (220). For comparable units, net sales increased by 13%, acquisitions contributed 19%, and currency movements had a positive effect of 5%.

Demand remained favourable during the quarter, driven both by the domestic market and by export industries.

Order intake exceeded invoicing by 1% during the quarter.

EBITA increased by 47% during the quarter to SEK 44 million (30), and the EBITA margin was 14.6% (13.6%). For comparable units, EBITA increased by 23%, acquisitions contributed 19%, and currency movements had a positive effect of 5%.

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

Other financial information

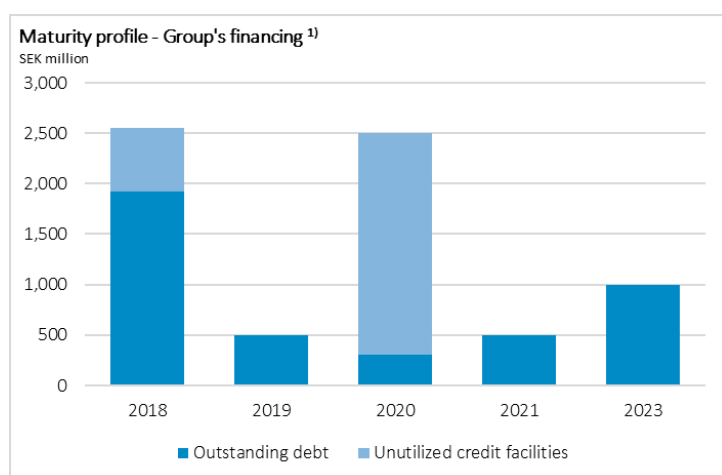
Financial position

Shareholders' equity amounted to SEK 5,616 million (4,651), and the equity ratio was 40% (40%).

Cash and cash equivalents amounted to SEK 534 million (351). In addition to this, the Group had unutilised credit promises of SEK 2,834 million (2,766). Interest-bearing net debt amounted to SEK 4,451 million (3,683) 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. On 19 February 2018 Indutrade issued two unsecured bonds totalling SEK 1,000 million with a tenor of five years.

The net debt/equity ratio was 79% at end of the period (79%).



¹⁾ Concerns Parent company, which is responsible for the majority of the group's financing.

Cash flow, capital expenditures and depreciation

Cash flow from operating activities was SEK 294 million (658) during the interim period January–June. Cash flow after net capital expenditures in intangible non-current assets and in property, plant and equipment (excluding company acquisitions) was SEK 154 million (554). The change is mainly attributable to a higher level of working capital, 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 140 million (104). Depreciation of property, plant and equipment totalled SEK 112 million (100). Investments in company acquisitions amounted to SEK 278 million (270). In addition, earn-out payments for previous years' acquisitions totalled SEK 75 million (41). Divestments amounted to SEK 25 million (–).

Employees

The number of employees was 6,767 at the end of the period, compared with 6,545 at the start of the year. A total of 108 employees were added during the period through acquisitions.

Company acquisitions

The Group has 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
April	Digitrade GmbH	DACH	15	7
May	Precision Parts UK Ltd	Flow Technology	130	40
Total			310	108

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

Further information about completed company acquisitions can be found on page 19 of this interim report.

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Events after the end of the reporting period

On 1 September Åsa Wirsenius will take office as VP Group Human Resources with responsibility for the Group's Talent Management, among other things. Åsa Wirsenius has served most recently as People Director at Belron UK and has extensive HR experience and expertise from both Swedish and international companies. Åsa will be a member of Indutrade's Group Management. To further drive and support the Group's communication and sustainability work, Frida Adrian, VP Communications, Sustainability and IR, will also become a member of Indutrade's Group Management effective 1 September. Frida Adrian was employed by Indutrade in November 2017.

On 20 July Norsecraft Tec AS was acquired, see page 20.

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 0 million (0) during the period January–June. The Parent Company's financial assets consist mainly of shares in subsidiaries. During the period January–June the Parent Company did not acquire shares in any company. The Parent Company has not made any major investments in intangible assets or in property, plant and equipment during the period. The number of employees on 30 June was 15 (11).

Risks and uncertainties

The Indutrade Group conducts business in 31 countries on four continents, through some 200 companies. This diversification, together with a large number of customers in various industries and a large number of suppliers, mitigates the business and financial risks. Apart from the risks and uncertainties described in Indutrade's 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 has begun applying IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers as from 1 January 2018. The effects of the changeover to IFRS 9 and IFRS 15 are described below.

IFRS 9 Financial Instruments, which took effect on 1 January 2018, and 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 in the 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. The sale is recognised as revenue when control of the products has been transferred, which typically takes place when the products are delivered to the customer. 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 obligation by reference to their stand-alone 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, replaces 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 leasing costs. A project is currently under way to analyse the effects. For an indication of the scope of the change, see the 2017 Annual Report, Note 9, Operating leases. Indutrade will implement the new standard starting on 1 January 2019.

Financial Calendar

- The interim report for the period 1 January–30 September 2018 will be published on 8 November 2018.
- The year-end report for the period 1 January–31 December 2018 will be published on 13 February 2019.

The Board's assurance

The Board of Directors and President certify that the half-year interim report gives a true and fair view of the Company's and Group's operations, position and result of operations, and describes material risks and uncertainties facing the Company and companies included in the Group.

Stockholm 25 July 2018
Indutrade AB (publ)

Katarina Martinson
Chairman

Bengt Kjell
Vice Chairman

Susanna Campbell
Director

Anders Jernhall
Director

Ulf Lundahl
Director

Krister Mellvé
Director

Lars Petterson
Director

Bo Annvik
Director, President and CEO

This report has not been reviewed by the company's auditors.

Note

The information in this report is such that Indutrade AB is obligated to make public in accordance with the EU Market Abuse Act and the Swedish Securities Market Act. The information was submitted for publication by the agency of the following contact persons at 1 p.m. (CET) on 25 July 2018.

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, Head of Communication and Investor Relations, tel.: +46 70 930 93 24.

This report will be commented upon as follows:

The interim report will be presented via a webcast at 2 p.m. (CET) on 25 July under the following link:
<https://bit.ly/2zsQv7y>

To participate via conference call and ask questions, call:
UK: +44 203 008 9809
SE: +46 8 566 426 96
US: +1 8 558 315 946

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Indutrade consolidated income statement – condensed

	2018	2017	2018	2017	2017/18	2017
SEK million	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Moving 12 mos	Jan-Dec
Net sales	4,390	3,749	8,287	7,282	15,852	14,847
Cost of goods sold	-2,914	-2,481	-5,463	-4,817	-10,527	-9,881
Gross profit	1,476	1,268	2,824	2,465	5,325	4,966
Development costs	-52	-46	-100	-90	-188	-178
Selling costs	-696	-593	-1,359	-1,178	-2,644	-2,463
Administrative expenses	-253	-228	-497	-446	-944	-893
Other operating income and expenses	0	-1	-2	0	-54	-52
Operating profit	475	400	866	751	1,495	1,380
Net financial items	-18	-16	-38	-34	-74	-70
Profit after financial items	457	384	828	717	1,421	1,310
Income Tax	-93	-81	-171	-153	-298	-280
Net profit for the period	364	303	657	564	1,123	1,030
<i>Net profit, attributable to:</i>						
Equity holders of the parent company	364	303	656	564	1,121	1,029
Non-controlling interests	0	0	1	0	2	1
	364	303	657	564	1,123	1,030
EBITA	543	458	994	864	1,743	1,613
<i>Operating profit includes:</i>						
¹⁾ Amortisation of intangible assets	-74	-64	-144	-125	-277	-258
¹⁾ of which attributable to acquisitions	-68	-58	-128	-113	-248	-233
¹⁾ Depreciation of property, plant and equipment	-57	-51	-112	-100	-218	-206
Earnings per share before dilution, SEK	3.01	2.52	5.43	4.69	9.28	8.54
Earnings per share after dilution, SEK	3.01	2.51	5.43	4.68	9.28	8.53

¹⁾ Excluding impairment losses

Indutrade consolidated statement of comprehensive income

	2018	2017	2018	2017	2017/18	2017
SEK million	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Moving 12 mos	Jan-Dec
Net profit for the period	364	303	657	564	1,123	1,030
Other comprehensive income						
Items that can be reversed into income statement						
Fair value adjustment of hedge instruments	-6	4	-5	9	3	17
Tax attributable to fair value adjustments	1	-1	1	-2	-1	-4
Exchange rate differences	49	-29	241	-29	272	2
Items that cannot be reversed into income statement						
Actuarial gains/losses	-	-	-	-	1	1
Tax on actuarial gains/losses	-	-	-	-	0	0
Other comprehensive income for the period, net of tax	44	-26	237	-22	275	16
Total comprehensive income for the period	408	277	894	542	1,398	1,046
<i>Total comprehensive income, attributable to:</i>						
Equity holders of the parent company	408	277	893	542	1,396	1,045
Non-controlling interests	0	0	1	0	2	1

Indutrade consolidated balance sheet – condensed

SEK million	2018 30-Jun	2017 30-Jun	2017 31-Dec
Goodwill	3,096	2,514	2,845
Other intangible assets	2,193	1,906	2,102
Property, plant and equipment	1,735	1,482	1,618
Financial assets	137	121	139
Inventories	2,833	2,348	2,517
Accounts receivable, trade	2,990	2,489	2,469
Other receivables	531	401	412
Cash and cash equivalents	534	351	464
Total assets	14,049	11,612	12,566
Equity	5,616	4,651	5,168
Non-current interest-bearing liabilities and pension liabilities	2,343	1,445	1,569
Other non-current liabilities and provisions	628	569	600
Current interest-bearing liabilities	2,642	2,589	2,724
Accounts payable, trade	1,267	1,059	1,081
Other current liabilities	1,553	1,299	1,424
Total equity and liabilities	14,049	11,612	12,566

Indutrade consolidated statement of changes in equity – condensed

Attributable to equity holders of the parent company SEK million	2018 30-Jun	2017 30-Jun	2017 31-Dec
Opening equity	5,151	4,389	4,389
Total comprehensive income for the period	893	542	1,045
Payment for issued warrants	-	8	8
New issues	7	89	95
Dividend ¹⁾	-453	-384	-384
Acquisition of non-controlling interests	-	-2	-2
Closing equity	5,598	4,642	5,151
¹⁾ Dividend per share for 2017 was SEK 3.75 (3.20)			
<i>Equity, attributable to:</i>			
Equity holders of the parent company	5,598	4,642	5,151
Non-controlling interests	18	9	17
	5,616	4,651	5,168

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Indutrade consolidated cash flow statement – condensed

SEK million	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun	2017/18 Moving 12 mos	2017 Jan-Dec
Operating profit	475	400	866	751	1,495	1,380
Non-cash items	120	123	243	244	546	547
Interests and other financial items, net	-48	-18	-63	-31	-94	-62
Paid tax	-93	-97	-238	-167	-422	-351
Change in working capital	-164	-74	-514	-139	-335	40
Cash flow from operating activities	290	334	294	658	1,190	1,554
Net capital expenditures in non-current assets	-70	-54	-140	-104	-272	-236
Company acquisitions and divestments	-108	-162	-328	-311	-1,024	-1,007
Change in other financial assets	1	-2	2	-2	5	1
Cash flow from investing activities	-177	-218	-466	-417	-1,291	-1,242
Net borrowings	362	-17	713	68	761	116
Dividend paid out	-453	-384	-453	-384	-453	-384
Payment for issued warrants	-	8	-	8	-	8
New issues	7	89	7	89	13	95
Cash flow from financial activities	-84	-304	267	-219	321	-165
Cash flow for the period	29	-188	95	22	220	147
Cash and cash equivalents at start of period	511	546	464	332	351	332
Exchange rate differences	-6	-7	-25	-3	-37	-15
Cash and cash equivalents at end of period	534	351	534	351	534	464

Key data

	2018 30-Jun	2017 31-Dec	2017 30-Jun	2016 31-Dec	2015 31-Dec
Moving 12 mos					
Net sales, SEK million	15,852	14,847	13,957	12,955	11,881
Sales growth, %	14	15	11	9	22
EBITA, SEK million	1,743	1,613	1,632	1,484	1,427
EBITA margin, %	11.0	10.9	11.7	11.5	12.0
Operating capital at end of period, SEK million	10,067	8,997	8,334	8,027	6,656
Operating capital, average, SEK million	9,142	8,444	8,061	7,491	6,537
Return on operating capital, % ¹⁾	19	19	20	20	22
Equity, average, SEK million	5,193	4,746	4,338	3,976	3,440
Return on equity, % ¹⁾	22	22	24	24	26
Interest-bearing net debt at end of period, SEK million	4,451	3,829	3,683	3,628	2,949
Net debt/equity ratio, %	79	74	79	82	80
Net debt/EBITDA, times	2.2	2.1	2.0	2.2	1.8
Equity ratio, %	40	41	40	40	40
Average number of employees	6,522	6,156	5,802	5,495	4,978
Number of employees at end of period	6,767	6,545	6,078	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	9.28	8.54	8.76	7.80	7.44
Earnings per share after dilution, SEK)	9.28	8.53	8.74	7.78	7.44
Equity per share, SEK	46.32	42.64	38.44	36.58	30.86
Cash flow from operating activities per share, SEK	9.85	12.90	11.85	10.06	8.97
Average number of shares before dilution, '000	120,784	120,457	120,068	120,000	120,000
Average number of shares after dilution, '000	120,816	120,617	120,317	120,251	120,094
Number of shares at the end of the period, '000	120,855	120,799	120,747	120,000	120,000

¹⁾ Calculated on average capital and equity.

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Business area performance

	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales, SEK million						
Benelux	556	430	1,036	888	1,843	1,695
DACH	316	231	612	447	1,110	945
Finland	483	452	880	853	1,756	1,729
Flow Technology	898	799	1,668	1,531	3,272	3,135
Fluids & Mechanical Solutions	519	487	996	944	1,911	1,859
Industrial Components	895	706	1,683	1,374	3,233	2,924
Measurement & Sensor Technology	435	434	853	829	1,699	1,675
UK	301	220	581	438	1,075	932
Parent company and Group items	-13	-10	-22	-22	-47	-47
Total	4,390	3,749	8,287	7,282	15,852	14,847

	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun	2017/18 Moving 12 mos	2017 Jan-Dec
EBITA, SEK million						
Benelux	85	60	162	136	263	237
DACH	29	23	59	43	95	79
Finland	53	51	91	83	187	179
Flow Technology	103	91	177	162	358	343
Fluids & Mechanical Solutions	70	64	135	124	244	233
Industrial Components	114	79	199	147	376	324
Measurement & Sensor Technology	73	80	138	146	283	291
UK	44	30	86	64	149	127
Parent company and Group items	-28	-20	-53	-41	-212	-200
Total	543	458	994	864	1,743	1,613

	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun	2017/18 Moving 12 mos	2017 Jan-Dec
EBITA margin, %						
Benelux	15.3	14.0	15.6	15.3	14.3	14.0
DACH	9.2	10.0	9.6	9.6	8.6	8.4
Finland	11.0	11.3	10.3	9.7	10.6	10.4
Flow Technology	11.5	11.4	10.6	10.6	10.9	10.9
Fluids & Mechanical Solutions	13.5	13.1	13.6	13.1	12.8	12.5
Industrial Components	12.7	11.2	11.8	10.7	11.6	11.1
Measurement & Sensor Technology	16.8	18.4	16.2	17.6	16.7	17.4
UK	14.6	13.6	14.8	14.6	13.9	13.6
Total	12.4	12.2	12.0	11.9	11.0	10.9

Business area performance per quarter

Net sales, SEK million	2018		2017			
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	556	480	416	391	430	458
DACH	316	296	280	218	231	216
Finland	483	397	461	415	452	401
Flow Technology	898	770	794	810	799	732
Fluids & Mechanical Solutions	519	477	474	441	487	457
Industrial Components	895	788	831	719	706	668
Measurement & Sensor Technology	435	418	447	399	434	395
UK	301	280	243	251	220	218
Parent company and Group items	-13	-9	-14	-11	-10	-12
Total	4,390	3,897	3,932	3,633	3,749	3,533

EBITA, SEK million	2018		2017			
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	85	77	49	52	60	76
DACH	29	30	15	21	23	20
Finland	53	38	43	53	51	32
Flow Technology	103	74	82	99	91	71
Fluids & Mechanical Solutions	70	65	52	57	64	60
Industrial Components	114	85	96	81	79	68
Measurement & Sensor Technology	73	65	75	70	80	66
UK	44	42	29	34	30	34
Parent company and Group items	-28	-25	-142	-17	-20	-21
Total	543	451	299	450	458	406

EBITA margin, %	2018		2017			
	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	15.3	16.0	11.8	13.3	14.0	16.6
DACH	9.2	10.1	5.4	9.6	10.0	9.3
Finland	11.0	9.6	9.3	12.8	11.3	8.0
Flow Technology	11.5	9.6	10.3	12.2	11.4	9.7
Fluids & Mechanical Solutions	13.5	13.6	11.0	12.9	13.1	13.1
Industrial Components	12.7	10.8	11.6	11.3	11.2	10.2
Measurement & Sensor Technology	16.8	15.6	16.8	17.5	18.4	16.7
UK	14.6	15.0	11.9	13.5	13.6	15.6
Total	12.4	11.6	7.6	12.4	12.2	11.5

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Disaggregation of revenue

Net sales per geographic market

2018										
Apr-Jun, SEK million	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	3	5	436	525	344	787	99	21	-6	2,214
Other Europe	410	290	37	307	134	95	168	252	-6	1,687
Americas	105	13	5	8	28	10	138	16	-1	322
Asia	22	7	4	51	9	3	30	8	0	134
Other	16	1	1	7	4	0	0	4	0	33
	556	316	483	898	519	895	435	301	-13	4,390

2017										
Apr-Jun, SEK million	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	3	1	427	536	310	623	112	11	-3	2,020
Other Europe	361	219	22	240	143	72	176	181	-3	1,411
Americas	19	8	2	6	26	6	105	13	-2	183
Asia	44	3	1	14	8	5	38	13	-1	125
Other	3	0	0	3	0	0	3	2	-1	10
	430	231	452	799	487	706	434	220	-10	3,749

2018										
Jan-Jun, SEK million	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	7	6	807	1,016	655	1,490	223	36	-9	4,231
Other Europe	792	570	60	557	270	170	316	481	-9	3,207
Americas	140	24	6	13	49	15	235	34	-2	514
Asia	67	10	5	72	17	7	74	22	-1	273
Other	30	2	2	10	5	1	5	8	-1	62
	1,036	612	880	1,668	996	1,683	853	581	-22	8,287

2017										
Jan-Jun, SEK million	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	9	2	798	976	615	1,226	245	23	-7	3,887
Other Europe	707	423	48	498	270	130	294	359	-7	2,722
Americas	64	16	3	10	42	9	193	29	-4	362
Asia	83	5	3	42	15	7	88	22	-2	263
Other	25	1	1	5	2	2	9	5	-2	48
	888	447	853	1,531	944	1,374	829	438	-22	7,282

¹⁾ Parent company and Group items

FT - Flow Technology

FMS - Fluids & Mechanical Solutions

IC - Industrial Components

MST - Measurement & Sensor Technology

Acquisitions

Acquisitions 2018

All of the shares have been acquired in Zijtveld Grippers B.V. (Netherlands), Gaveco AB (Sweden), RA Howarth Engineering Ltd (UK), Digitrade GmbH (Switzerland), and Precision Parts UK Ltd (UK).

Benelux

On 21 February Zijtveld Grippers 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.

UK

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

Acquired assets and liabilities in 2018

Preliminary purchase price allocation

SEK million

	Purchase price, incl. contingent earn-out payment totalling SEK 90 million	422	
	Book value	Fair value adjustment	Fair value
Acquired assets			
Goodwill	-	137	137
Agencies, trademarks, customer relations, licences, etc.	-	137	137
Property, plant and equipment	22	-	22
Inventories	38	-	38
Other current assets ¹⁾	103	-	103
Cash and cash equivalents	54	-	54
Deferred tax liability	-1	-30	-31
Provisions including pension liabilities	-1	-	-1
Other operating liabilities	-37	-	-37
	178	244	422

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 0 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 90 million. The contingent earn-out payments fall due for payment within three years and can amount to a maximum of SEK 94 million. If the conditions are not met, the outcome can be in the range of SEK 0–94 million.

Transaction costs for the acquisitions carried out during the period totalled SEK 1 million (3) and are included in Other income and expenses in the income statement. Contingent earn-out payments have been restated in the amount of SEK 3 million (3). Revenue is reported under Other income and expenses in the amount of SEK 3 million (3) and under Net financial items in the amount of SEK 0 million (0).

The purchase price allocation calculations Pro-Flex AS and MaxxVision GmbH, which were acquired during the second 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	422
Purchase price not paid out	-90
Cash and cash equivalents in acquired companies	-54
Payments pertaining to previous years' acquisitions	75
Total cash flow impact	353

Effects of acquisitions carried out in 2017 and 2018

SEK million Business area	Net sales		EBITA	
	Apr-Jun	Jan-Jun	Apr-Jun	Jan-Jun
Benelux	73	132	19	29
DACH	86	181	10	23
Finland	-	-	-	-
Flow technology	24	48	5	8
Fluids & Mechanical Solutions	-	-	-	-
Industrial Components	74	171	8	18
Measurement & Sensor Technology	-	-	-	-
UK	41	89	5	11
Effect on Group	298	621	47	89
Acquisitions carried out in 2017	232	526	36	73
Acquisitions carried out in 2018	66	95	11	16
Effect on Group	298	621	47	89

If all acquired units had been consolidated as from 1 January 2018, net sales for the period would have amounted to SEK 8,351 million, and EBITA would have totalled SEK 1,000 million.

Acquisitions after the end of the reporting period

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.

Divestments 2018

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

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.

At the end of the second quarter an agreement was reached on the sale of parts of the business of Novisol GmbH in Germany. Annual sales for the divested business amounted to SEK 90 million, and the sale resulted in a capital loss of SEK -6 million.

Share data

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

Number of shares outstanding 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, Serie I	526,000	526,000	0.4%	15.0	244.9	-	-	-	27 April 2020 – 20 May 2022
2017/2022, Serie II	60,000	60,000	0.0%	13.4	276.8	-	-	-	27 April 2020 – 20 May 2022
2014/2018, Serie 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, Serie 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 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun	2017/18 Moving 12 mos	2017 Jan-Dec
Average number of shares before dilution, '000	120,817	120,291	120,808	120,140	120,784	120,457
Number of shares that incur a dilutive effect due to incentive programme, '000	17	224	22	256	32	160
Average number of shares after dilution, '000	120,834	120,515	120,830	120,396	120,816	120,617
Dilutive effect, %	0.01	0.19	0.02	0.21	0.03	0.13
Number of shares at end of the period, '000	120,855	120,747	120,855	120,747	120,855	120,799

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Fair value

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

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

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

The Group's assets and liabilities measured at fair value

SEK million	30 Jun 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Holdings of shares and participations in unlisted companies	-	-	14	14
Derivative instruments held for hedging purposes	-	1	-	1
Liabilities				
Derivative instruments held for hedging purposes	-	5	-	5
Contingent consideration	-	-	211	211

SEK million	31 Dec 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	-	-	14	14
Derivative instruments held for hedging purposes	-	5	-	5
Liabilities				
Derivative instruments held for hedging purposes	-	5	-	5
Contingent consideration	-	-	185	185

Contingent earn-out payments SEK million	2018	2017
	30-Jun	31-Dec
Opening book value	185	129
Acquisitions during the year	90	128
Consideration paid	-74	-47
Reclassified via income statement	-3	-30
Interest expenses	2	3
Exchange rate differences	11	2
Closing book value	211	185

Parent company income statement – condensed

SEK million	2018 Apr-Jun	2017 Apr-Jun	2018 Jan-Jun	2017 Jan-Jun	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	0	0	0	0	5	5
Gross profit	0	0	0	0	5	5
Administrative expenses	-27	-25	-51	-43	-87	-79
Other operating income and expenses	7	-	7	-	7	-
Operating profit	-20	-25	-44	-43	-75	-74
Financial income/expenses	-8	-7	-41	-8	-46	-13
Profit from participation in Group companies	774	739	774	753	774	753
Profit after financial items	746	707	689	702	653	666
Appropriations	-	-	-	-	594	594
Income Tax	8	5	20	9	-103	-114
Net profit for the period	754	712	709	711	1,144	1,146
Amortisation/depreciation of intangible assets and property, plant and equipment	0	0	0	0	0	0

Parent company balance sheet – condensed

SEK million	2018 30-Jun	2017 30-Jun	2017 31-Dec
Intangible assets	0	0	0
Property, plant and equipment	2	2	1
Financial assets	5,409	4,753	5,408
Current receivables	4,793	3,810	4,496
Cash and cash equivalents	3	0	0
Total assets	10,207	8,565	9,905
Equity	4,653	3,945	4,390
Untaxed reserves	589	553	589
Non-current interest-bearing liabilities and pension liabilities	1,818	1,016	1,080
Other non-current liabilities and provisions	5	13	5
Current interest-bearing liabilities	3,037	3,006	3,529
Current noninterest-bearing liabilities	105	32	312
Total equity and liabilities	10,207	8,565	9,905

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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:

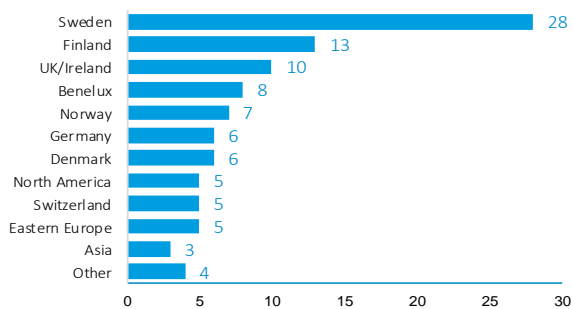
- High-tech products for recurring needs
- Growth through a structured and tried-and-tested acquisition strategy
- A decentralised organisation characterised by an entrepreneurial spirit

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

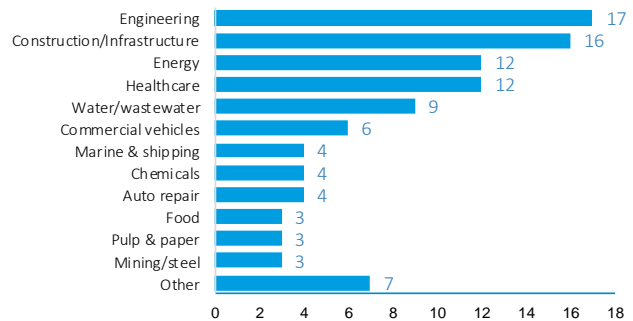
The Group's financial targets are that:

- Average sales growth shall amount to a minimum of 10% per year over a business cycle
- The EBITA margin shall amount to a minimum of 10% per year over a business cycle
- The return on operating capital shall be a minimum of 20% per year on average over a business cycle
- The net debt/equity ratio should normally not exceed 100%
- The dividend payout ratio shall range from 30% to 60% of net profit

Net sales per market, % ¹⁾



Net sales per customer segment, % ¹⁾



¹⁾Financial year 2017

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's latest acquisition Norsecraft Tec AS

On 20 July 2018 Norsecraft Tec AS (Norway) was acquired. Norsecraft Tec is a leading technical trading company that offers automatic lubrication systems for construction machinery and industrial applications.

A lubrication system ensures continuous lubricant delivery in machines to optimize operation and minimize stops. The company also offer installation and has an extensive service network, covering entire Norway.

Norsecraft Tec has 18 employees and net sales of approximately NOK 50 million.

NORSECRRAFT



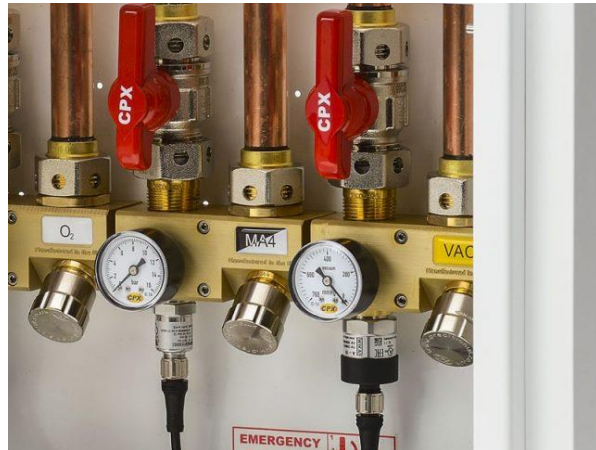
Precision UK Ltd – part of Indutrade since May

In May Precision UK Ltd was acquired, which is a leading manufacturer and supplier of medical gas pipeline equipment.

Their systems and products are used in hospitals and other healthcare facilities and are essential for supplying and regulating medical gas, such as oxygen and nitrous oxide. The proprietary products are sold with the brand name CPX. The company is a significant supplier in the British market and exports its products to over 50 countries worldwide.

Precision UK Ltd has about 40 employees and reported net sales of approximately £11 million in 2017.

CPX PRECISION UK Ltd



Easy Lasers – wins design award

Easy laser is one of the leading manufacturers and suppliers of laser-based measurement and alignment systems. Their proprietary product laser system: EasyLaser is used for industrial shaft alignment, belt alignment and geometric measurement.

In May Easy Laser was rewarded Red Dot Design Award for its XT11 display unit.



EASY-LASER®

