

Interim report third quarter

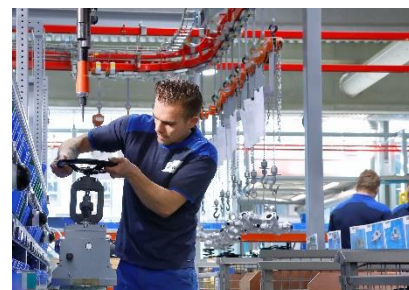
Third quarter 2018

- Order intake rose 16% to SEK 4,106 million (3,532). For comparable units the increase was 6%.
- Net sales rose 13% to SEK 4,115 million (3,633). For comparable units the increase was 3%.
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) rose 17% to SEK 525 million (450), corresponding to an EBITA margin of 12.8% (12.4%).
- Profit for the quarter grew 17% to SEK 342 million (293), and earnings per share were SEK 2.83 (2.43).



1 January – 30 September 2018

- Order intake rose 14% to SEK 12,670 million (11,156). For comparable units the increase was 4%.
- Net sales rose 14% to SEK 12,402 million (10,915). For comparable units the increase was 3%.
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) rose 16% to SEK 1,519 million (1,314), corresponding to an EBITA margin of 12.2% (12.0%).
- Profit for the period grew 17% to SEK 999 million (857), and earnings per share were SEK 8.26 (7.12).



Events after the end of the quarter

- On 8 November 2018 the Board of Directors decided to increase the target for the EBITA margin for the Indutrade Group to a minimum of 12% (previously 10%) per year over a business cycle.

Financial Development

SEK million	2018 Jul-Sep	2017 Jul-Sep	Change	2018 Jan-Sep	2017 Jan-Sep	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Order intake	4,106	3,532	16%	12,670	11,156	14%	16,565	15,051
Net sales	4,115	3,633	13%	12,402	10,915	14%	16,334	14,847
Operating profit	459	390	18%	1,325	1,141	16%	1,564	1,380
EBITA	525	450	17%	1,519	1,314	16%	1,818	1,613
EBITA margin, %	12.8	12.4		12.2	12.0		11.1	10.9
Profit after financial items	438	371	18%	1,266	1,088	16%	1,488	1,310
Net profit	342	293	17%	999	857	17%	1,172	1,030
Earnings per share before dilution, SEK	2.83	2.43	16%	8.26	7.12	16%	9.68	8.54
Return on operating capital, %	19	21		19	21		19	19
Cash flow from operating activities	472	383	23%	766	1,041	-26%	1,279	1,554
Net debt/equity ratio, %	73	77		73	77		73	74

Q3

CEO's message

Continued good demand and earnings growth during the third quarter of 2018.

Third quarter

The positive market situation continued during the third quarter, with stable sales at a high level.

Demand was good and order intake grew 16% during the quarter, of which 6% was organic. This reflects positive development and a sequential improvement in the rate of growth. Invoicing increased by 13%, of which 3% was organic, which was stable at a continued favourable level.

The Group's companies performed well on the whole. All business areas showed positive earnings development, where companies in the Measurement & Sensor Technology, UK and Finland business areas accounted for the strongest margin improvements. The advanced technological solutions used within measurement and sensor technology to create for example "smart" products, were in demand in many customer segments, and contributed to the quarter's strong growth. The UK business area had favourable growth also during the third quarter, mainly owing to well positioned and competitive companies. Profitability for the Finland business area improved mainly as a result of focused restructuring work. The business situation remained challenging for some of the companies in Switzerland as a result of lower investment activity in parts of the process industry.

Profitability strengthened both organically and driven by acquisitions. EBITA grew 17%, of which 3% was organic, to SEK 525 million. The EBITA margin for the third quarter was 12.8%, which is a high level from an historical perspective and an increase over the preceding year's margin of 12.4%. Earnings per share increased by 16% to SEK 2.83.

Cash flow improved during the third quarter, however working capital remained at a slightly high level driven by high capacity utilisation and longer delivery times from suppliers.

Acquisitions

During the quarter Indutrade acquired Norsecraft Tec, a leading Norwegian technology sales company that offers automatic lubrication systems for construction machinery and industrial applications. The add-on acquisition of the American company TXRX was also concluded during the quarter. TXRX is a leading manufacturer of products and technical solutions for Professional Mobile Radio (PMR) systems and complements our Danish company Combilent very well. Combilent has a leading position in the same product areas in the European market.

After the end of the quarter we completed the add-on acquisition of Thermo Electric, a Dutch company that develops, manufactures, markets and calibrates temperature sensors. Thermo Electric will be a subsidiary of Indutrade's Swedish company Pentronic AB. Add-on acquisitions are part of Indutrade's strategy to acquire companies also through our existing companies in order to strengthen their market positions in attractive segments.



Activity in the acquisition market remains high, and we have a steady inflow of interesting companies. Through our acquisition history, size and good reputation, we have the experience and resources needed to carry out value-creating acquisitions. We are continuously engaged in talks with a number of interesting companies, where we are in various phases of the acquisition process.

Increased target for EBITA margin

After the end of the quarter the Board of Directors, following its annual strategic review, decided to increase the target for the EBITA margin to a minimum of 12% per year over a business cycle. The financial targets are ambitious and reflect my conviction that our work will result in continued, sustainable profitable growth.

Outlook

The current macroeconomic and political climate is giving rise to somewhat elevated uncertainty surrounding the business climate in the coming quarters, but today we do not see any clear signs of a changed demand situation. Our companies work closely with their customers, they are flexible, and if needed they can act swiftly and adapt to prevailing demand. The Group's diversified structure with more than 200 companies in different segments and countries creates stability, and with our financial strength, the prospects for competitive value creation are favourable.

We are determined, and I am highly confident that Indutrade will continue to create customer and shareholder value.

Bo Annvik, President and CEO

Group performance

Order intake

Order intake totalled SEK 4,106 million (3,532) during the third quarter, an increase of 16%. For comparable units, order intake grew 6%, while acquired growth was 6% and divestments affected growth by -2%. Currency movements had a positive effect on order intake, of 6%.

Demand remained favourable and stable during the third quarter, with a number of large orders. Organic growth in order intake was strongest in the Measurement & Sensor Technology and UK business areas. Negative organic development was noted in the Benelux, DACH and Finland business areas. In Benelux the weaker performance was entirely attributable to fewer closings of project bids for valves used in power generation. Fewer construction projects in the process industry in Switzerland had a continued negative effect on the DACH business area during the third quarter, and performance in Finland was weaker as a result of fewer project orders compared with the same period a year ago.

Order intake during the period January–September amounted to SEK 12,670 million (11,156), an increase of 14%. The increase for comparable units was 4%, acquisitions contributed 7%, divestments had a negative effect of -1%, and currency movements had a positive effect on order intake of 4%.

Net sales

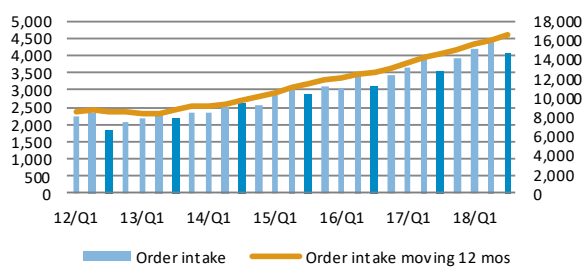
Net sales rose 13% during the third quarter of the year to SEK 4,115 million (3,633). Sales for comparable units increased by 3%, acquisitions contributed 6%, and divestments had a negative effect of -2%. Currency movements had a positive effect on net sales of 6%.

All of the business areas posted organic growth in net sales during the third quarter. Companies in the UK and Fluids & Mechanical Solutions business areas accounted for the strongest growth. The favourable development in the UK was broad-based, while domestic- as well as export-oriented companies noted strong demand. In the Fluids & Mechanical Solutions business areas, companies in the industry and vehicle aftermarket segments made the most notable contribution to the positive development.

Net sales rose 14% during the period January–September to SEK 12,402 million (10,915). The increase for comparable units was 3%, acquisitions contributed 8%, divestments had a negative effect of -1%, and currency movements had a positive effect on net sales of 4%.

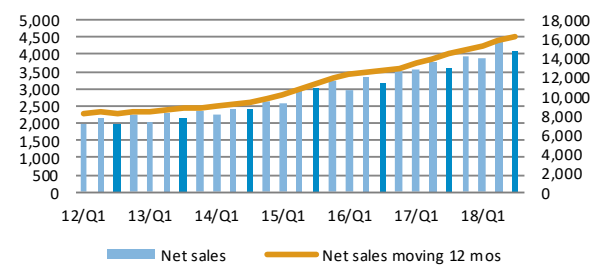
Order intake

SEK million

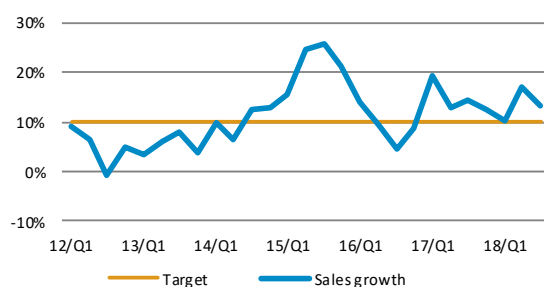


Net Sales

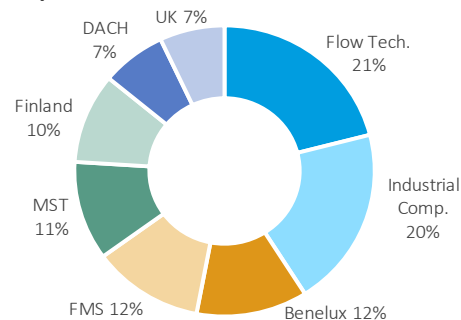
SEK million



Sales growth



Net Sales per Business Area



Q3

Earnings

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 525 million (450) for the third quarter, an increase of 17%. For comparable units, EBITA increased by 3%, acquisitions contributed 8%, divestments had a negative effect of -1%, and currency movements had a positive effect of 7%. The EBITA margin increased to 12.8% (12.4%).

The organic improvement in the operating profit includes one-off costs related to improvement projects in a few of the companies. Excluding these costs, EBITA improved organically by 7%.

The gross margin for the Group as a whole improved somewhat over the corresponding quarter a year ago, mainly owing to higher volumes, successful pricing work and a relatively high margin for newly acquired companies. The gross margin for the period January–September was 34.1% (33.6%).

The UK, Measurement & Sensor Technology and Finland business areas showed the largest improvements in EBITA margin. The improvements for UK and Measurement & Sensor Technology were mainly organic and attributable to strong invoicing. In Finland the improvement was mainly driven by completed divestments and restructuring. The Fluids & Mechanical Solutions business area showed a slightly lower margin for the quarter than a year ago, among other things owing to higher component and raw material costs and development investments by a couple of companies.

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 project will be concluded by year-end.

Net financial items during the third quarter amounted to SEK -21 million (-19). Tax on profit for the quarter was SEK -96 million (-78), corresponding to a tax charge of 22% (21%).

Profit for the quarter grew 17% to SEK 342 million (293). Earnings per share before dilution increased by 16% to SEK 2.83 (2.43).

For the period January–September, operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 1,519 million (1,314), an increase of 16%. For comparable units, EBITA increased by 3%, acquisitions contributed 10%, divestments had a negative effect of -1%, and currency movements had a positive effect of 4%. The EBITA margin increased to 12.2% (12.0%).

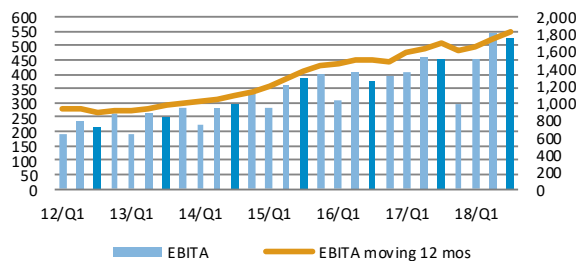
Net financial items for the period January–September amounted to SEK -59 million (-53). Tax on profit for the period was SEK -267 million (-231), corresponding to a tax charge of 21% (21%). Profit for the period grew 17% to SEK 999 million (857). Earnings per share before dilution grew 16% to SEK 8.26 (7.12).

Return

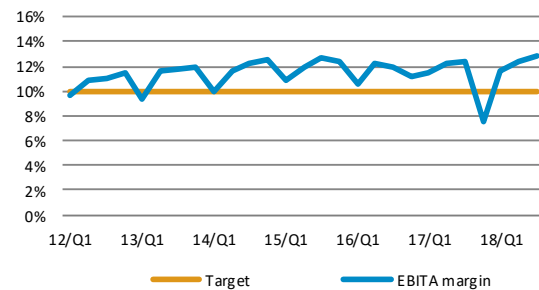
The return on operating capital decreased slightly to 19% (21%), and the return on equity decreased to 21% (24%). The decrease is attributable to one-off restructuring costs that were recognised during the fourth quarter of 2017. Excluding these restructuring costs, the return on operating capital was 21%, and the return on equity was 23%.

EBITA

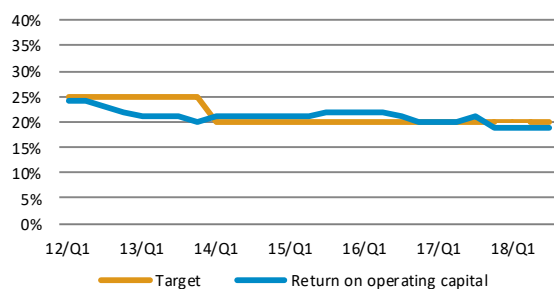
SEK million



EBITA margin

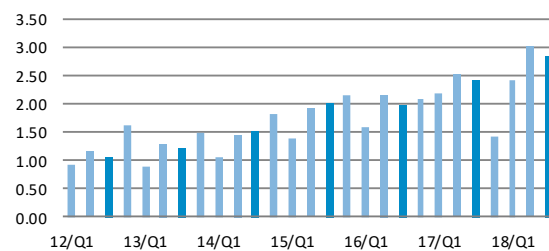


Return



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 Jul-Sep	2017 Jul-Sep	Change	2018 Jan-Sep	2017 Jan-Sep	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	492	391	26%	1,528	1,279	19%	1,944	1,695
EBITA	68	52	31%	230	188	22%	279	237
EBITA margin, %	13.8	13.3		15.1	14.7		14.4	14.0

Net sales rose 26% during the quarter to SEK 492 million (391). For comparable units, sales increased by 1%, acquisitions contributed 15%, and currency movements had a positive effect of 10%.

The market situation remained strong and stable in the region. However, order intake was 11% lower than invoicing during the quarter, mainly as a result of fewer closings of project bids during the period for valves used in power generation.

EBITA for the quarter increased by 31% to SEK 68 million (52), corresponding to an EBITA margin of 13.8% (13.3%). For comparable units, EBITA decreased by 4%, acquisitions contributed 27%, and currency movements had a positive effect of 8%.

The organic earnings performance was primarily attributable to negative mix changes and costs for higher growth investments in a few companies.

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 Jul-Sep	2017 Jul-Sep	Change	2018 Jan-Sep	2017 Jan-Sep	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	301	218	38%	913	665	37%	1,193	945
EBITA	32	21	52%	91	64	42%	106	79
EBITA margin, %	10.6	9.6		10.0	9.6		8.9	8.4

Net sales rose 38% during the quarter to SEK 301 million (218). For comparable units, net sales increased by 2%, acquisitions made a positive contribution of 40%, divestments had a negative effect of -11%, and currency movements had a positive effect of 7%.

Demand in the business area remained strong in Germany during the quarter. In Switzerland, lower activity was noted, mainly related to fewer construction projects in the process industry.

Order intake was 3% lower than invoicing.

EBITA for the quarter increased by 52% to SEK 32 million (21), and the EBITA margin was 10.6% (9.6%). For comparable units, EBITA decreased by 13%, acquisitions made a positive contribution of 52%, divestments had a positive effect of 4%, and currency movements had a positive effect of 9%.

The weak organic earnings performance is mainly attributable to costs associated with additional development investments in a few 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 Jul-Sep	2017 Jul-Sep	Change	2018 Jan-Sep	2017 Jan-Sep	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	420	415	1%	1,300	1,268	3%	1,761	1,729
EBITA	61	53	15%	152	136	12%	195	179
EBITA margin, %	14.5	12.8		11.7	10.7		11.1	10.4

Net sales rose 1% during the quarter to SEK 420 million (415). For comparable units, net sales increased marginally, currency movements had a positive effect of 9%, and divestments had a negative effect of -8%.

Demand remained at a stable high level during the quarter. Order intake was 5% lower than invoicing during the quarter.

EBITA for the quarter increased by 15% to SEK 61 million (53), and the EBITA margin was 14.5% (12.8%). For comparable units, EBITA increased by 5%, and currency movements had a positive effect of 10%. EBITA was affected marginally by divestments.

The improved EBITA margin is mainly attributable to completed divestments and restructuring, however, owing to positive changes in the product mix, the margin improved also organically.

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 Jul-Sep	2017 Jul-Sep	Change	2018 Jan-Sep	2017 Jan-Sep	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	909	810	12%	2,577	2,341	10%	3,371	3,135
EBITA	118	99	19%	295	261	13%	377	343
EBITA margin, %	13.0	12.2		11.4	11.1		11.2	10.9

Net sales rose 12% during the quarter to SEK 909 million (810). For comparable units, net sales increased by 2% and acquisitions contributed 5%. Currency movements had a positive effect of 5%.

Demand was good in most of the business area's markets. Order intake was 5% lower than invoicing during the quarter, mainly owing to fewer project orders in Russia.

Invoicing developed favourably for most of the companies, although a slight dampening in overall development reflects a number of large project invoices in the same period a year ago.

EBITA for the quarter increased by 19% to SEK 118 million (99), corresponding to an EBITA margin of 13.0% (12.2%). For comparable units, EBITA increased by 4%, acquisitions made a positive contribution of 8%, and currency movements had a positive effect of 7%.

The restructuring in the Sander Meson Group that was communicated last year is proceeding according to plan and contributed to an improved EBITA margin for the business area during the quarter.

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 Jul-Sep	2017 Jul-Sep	Change	2018 Jan-Sep	2017 Jan-Sep	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	485	441	10%	1,481	1,385	7%	1,955	1,859
EBITA	58	57	2%	193	181	7%	245	233
EBITA margin, %	12.0	12.9		13.0	13.1		12.5	12.5

Net sales rose 10% during the quarter to SEK 485 million (441). For comparable units, net sales increased by 8%, currency movements had a positive effect of 4%, and divestments had a negative effect of -2%.

The business climate remained positive during the quarter in most of the business area's markets. Companies in the industrial and vehicle aftermarket segments performed especially well.

Order intake exceeded invoicing by 1% during the quarter.

EBITA increased by 2% during the quarter to SEK 58 million (57), and the EBITA margin was 12.0% (12.9%). For comparable units, EBITA increased by 1%, divestments had a negative effect of -1%, and currency movements had a positive effect of 2%.

The slightly lower EBITA margin is mainly attributable to higher component and raw material costs, and costs related to development investments by a couple of companies.

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 Jul-Sep	2017 Jul-Sep	Change	2018 Jan-Sep	2017 Jan-Sep	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	756	719	5%	2,439	2,093	17%	3,270	2,924
EBITA	93	81	15%	292	228	28%	388	324
EBITA margin, %	12.3	11.3		12.0	10.9		11.9	11.1

Net sales rose 5% during the quarter to SEK 756 million (719). The increase for comparable units was 1%, acquisitions contributed 1%, and currency movements had a positive effect of 3%.

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

Order intake exceeded invoicing during the quarter by 3%.

EBITA for the quarter increased by 15% to SEK 93 million (81), and the EBITA margin was 12.3% (11.3%). EBITA for comparable units increased by 9%, while acquisitions made a positive contribution of 2%. Currency movements had a positive effect of 4%.

The improved EBITA margin is attributable to higher invoicing combined with strong pricing work and good cost control among the companies.

Q3

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 Jul-Sep	2017 Jul-Sep	Change	2018 Jan-Sep	2017 Jan-Sep	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	452	399	13%	1,305	1,228	6%	1,752	1,675
EBITA	88	70	26%	226	216	5%	301	291
EBITA margin, %	19.5	17.5		17.3	17.6		17.2	17.4

Net sales rose 13% during the quarter to SEK 452 million (399). For comparable units, net sales increased by 5%, acquisitions contributed to 2% and currency movements had a positive effect of 6%.

Demand was good during the quarter, with several large orders and projects. Order intake exceeded invoicing by 18% during the quarter.

EBITA increased by 26% during the quarter to SEK 88 million (70), and the EBITA margin was 19.5% (17.5%). For comparable units, EBITA increased by 17%, acquisitions contributed 2%, and currency movements had a positive effect of 7%.

The improved margin was driven by strong invoicing and a favourable change in the mix.

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 Jul-Sep	2017 Jul-Sep	Change	2018 Jan-Sep	2017 Jan-Sep	Change	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales	315	251	25%	896	689	30%	1,139	932
EBITA	51	34	50%	137	98	40%	166	127
EBITA margin, %	16.2	13.5		15.3	14.2		14.6	13.6

Net sales rose 25% during the quarter to SEK 315 million (251). For comparable units, net sales increased by 13%, acquisitions contributed 2%, and currency movements had a positive effect of 10%.

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

Order intake exceeded invoicing by 3% during the quarter.

EBITA increased by 50% during the quarter to SEK 51 million (34), and the EBITA margin was 16.2% (13.5%). For comparable units, EBITA increased by 33%, acquisitions contributed 4%, and currency movements had a positive effect of 13%.

The earnings improvement was generated mainly by the positive invoicing trend together with good cost control.

Other financial information

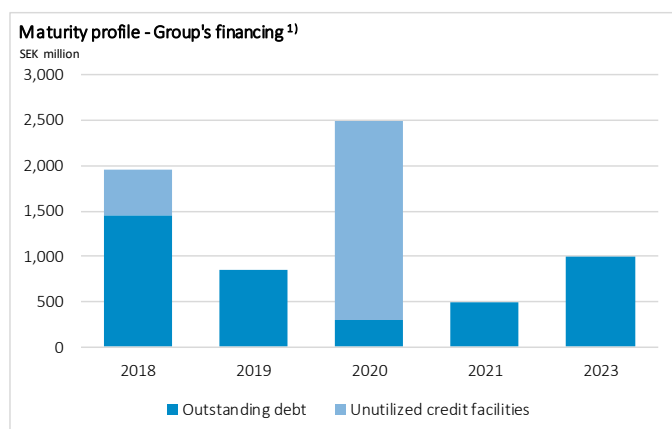
Financial position

Shareholders' equity amounted to SEK 5,906 million (4,900), and the equity ratio was 42% (40%).

Cash and cash equivalents amounted to SEK 531 million (375). In addition to this, the Group had unutilised credit promises of SEK 2,699 million (2,852). Interest-bearing net debt amounted to SEK 4,324 million (3,775) at the end of the period.

During the first quarter Indutrade established a Medium Term Note programme (MTN) 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 73% (77%) at end of the period.



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

Cash flow, capital expenditures and depreciation

Cash flow from operating activities increased by 23% during the third quarter, to SEK 472 million (383). The improvement is mainly attributable to the improved earnings.

Cash flow from operating activities amounted to SEK 766 million (1,041) for the period January–September. Cash flow after net capital expenditures in intangible non-current assets and in property, plant and equipment (excluding company acquisitions) was SEK 557 million (891). The change is attributable to a higher level of working capital during the first and second quarters, 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 209 million (150). Depreciation of property, plant and equipment totalled SEK 171 million (152). Investments in company acquisitions amounted to SEK 472 million (634). In addition, earn-out payments for previous years' acquisitions totalled SEK 94 million (47). Divestments amounted to SEK 65 million (–).

Employees

The number of employees was 6,728 at the end of the period, compared with 6,545 at the start of the year. A total of 182 employees have been added during the year through acquisitions.

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
Total			485	182

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

Further information about completed company acquisitions can be found on page 20 of this interim report.

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Events after the end of the reporting period

On 25 October, Thermo Electric Instrumentation B.V. was acquired. For more information, see page 21.

On 31 October the remaining part of Recair Oy was divested. For more information, see page 21.

On 8 November Indutrade's board of directors decided to increase the target for the EBITA margin, see page 26.

In other respects, no significant events have taken place after the end of the reporting period.

Parent company

The main functions of Indutrade AB are to take responsibility for business development, acquisitions, financing, business control, 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–September. The Parent Company's financial assets consist mainly of shares in subsidiaries. During the period January–September 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 30 September was 14 (11).

Risks and uncertainties

The Indutrade Group conducts business through more than 200 companies in 31 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 changeover 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 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 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, 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.

Nomination Committee

Indutrade's Annual General Meeting on 6 May 2013 adopted an instruction for the Nomination Committee of Indutrade AB (publ) that applies until further notice. According to this instruction, the Nomination Committee shall be composed of representatives of four of the largest shareholders in terms of votes (owner-grouped), plus the Chairman of the Board. The member representing the largest shareholder shall serve as committee chair. In the event a member resigns from the Nomination Committee prior to the completion of its work, if the Nomination Committee finds it suitable a replacement shall be appointed from the same shareholder or, if such shareholder is no longer one of the largest shareholders, from the shareholder that is next in turn in terms of size. If the ownership conditions otherwise change significantly before the Nomination Committee's assignment has been completed, if the Nomination Committee so decides, it shall be possible to make a change in the composition of the committee in a manner deemed suitable by the Nomination Committee.

The composition of the Nomination Committee ahead of the 2019 Annual General Meeting shall be based on shareholder information from Euroclear Sweden AB's register as per the last trading day in August, and shall be announced as soon as the members are appointed, but not later than six months prior to the Annual General Meeting. No fees shall be paid to the members of the Nomination Committee. Any costs incurred for the Nomination Committee's work shall be borne by the company. The Nomination Committee's mandate period continues until the composition of the subsequent Nomination Committee has been made public.

Accordingly, the following persons have been appointed as members of the Nomination Committee: Claes Boustedt (L E Lundbergföretagen, committee chair), Katarina Martinson (Chairman of the Board of Indutrade), Henrik Didner (Didner & Gerge Fonder), Dick Bergqvist (AMF Insurance and AMF Fonder), and Niklas Johansson (Handelsbanken Fonder).

Information on how to contact the Nomination Committee is provided on Indutrade's website: www.indutrade.com.

Financial Calendar

- 13 February 2019:
Year-end report 1 January–31 December 2018
- 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, 8 November 2018
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 2 p.m. (CET) on 8 November 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, Communications, Sustainability & IR, tel.: +46 70 930 93 24

This report will be commented upon as follows:

The interim report will be presented via a webcast at 3 p.m. (CET) on 8 November under the following link:
<https://bit.ly/2ymuILB>

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

UK: +44 203 008 9807
SE: +46 8 506 39 549
USA: +1 855 831 5945

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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 30 September 2018, and the nine-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, 8 November 2018
PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant
Auditor in Charge

Indutrade consolidated income statement – condensed

SEK million	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017/2018 Moving 12 mos	2017 Jan-Dec
Net sales	4,115	3,633	12,402	10,915	16,334	14,847
Cost of goods sold	-2,712	-2,431	-8,175	-7,248	-10,808	-9,881
Gross profit	1,403	1,202	4,227	3,667	5,526	4,966
Development costs	-48	-40	-148	-130	-196	-178
Selling costs	-640	-564	-1,999	-1,742	-2,720	-2,463
Administrative expenses	-243	-212	-740	-658	-975	-893
Other operating income and expenses	-13	4	-15	4	-71	-52
Operating profit	459	390	1,325	1,141	1,564	1,380
Net financial items	-21	-19	-59	-53	-76	-70
Profit after financial items	438	371	1,266	1,088	1,488	1,310
Income Tax	-96	-78	-267	-231	-316	-280
Net profit for the period	342	293	999	857	1,172	1,030
<i>Net profit, attributable to:</i>						
Equity holders of the parent company	342	293	998	857	1,170	1,029
Non-controlling interests	0	0	1	0	2	1
	342	293	999	857	1,172	1,030
EBITA	525	450	1,519	1,314	1,818	1,613
<i>Operating profit includes:</i>						
Amortisation of intangible assets ¹⁾	-75	-67	-219	-192	-285	-258
<i>of which attributable to acquisitions</i>	-66	-60	-194	-173	-254	-233
Depreciation of property, plant and equipment	-59	-52	-171	-152	-225	-206
Earnings per share before dilution, SEK	2.83	2.43	8.26	7.12	9.68	8.54
Earnings per share after dilution, SEK	2.83	2.43	8.26	7.11	9.68	8.53

¹⁾ Excluding impairment losses

Indutrade consolidated statement of comprehensive income

SEK million	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017/18 Moving 12 mos	2017 Jan-Dec
Net profit for the period	342	293	999	857	1,172	1,030
Other comprehensive income						
Items that can be reversed into income statement						
Fair value adjustment of hedge instruments	2	4	-3	13	1	17
Tax attributable to fair value adjustments	0	-1	1	-3	0	-4
Exchange rate differences	-54	-47	187	-76	265	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	-52	-44	185	-66	267	16
Total comprehensive income for the period	290	249	1,184	791	1,439	1,046
<i>Total comprehensive income, attributable to:</i>						
Equity holders of the parent company	290	249	1,183	791	1,437	1,045
Non-controlling interests	0	0	1	0	2	1

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Indutrade consolidated balance sheet – condensed

SEK million	2018 30-Sep	2017 30-Sep	2017 31-Dec
Goodwill	3,156	2,667	2,845
Other intangible assets	2,204	2,019	2,102
Property, plant and equipment	1,707	1,494	1,618
Financial assets	140	123	139
Inventories	2,832	2,466	2,517
Accounts receivable, trade	2,956	2,620	2,469
Other receivables	618	393	412
Cash and cash equivalents	531	375	464
Total assets	14,144	12,157	12,566
Equity	5,906	4,900	5,168
Non-current interest-bearing liabilities and pension liabilities	2,333	1,511	1,569
Other non-current liabilities and provisions	611	593	600
Current interest-bearing liabilities	2,522	2,639	2,724
Accounts payable, trade	1,205	1,077	1,081
Other current liabilities	1,567	1,437	1,424
Total equity and liabilities	14,144	12,157	12,566

Indutrade consolidated statement of changes in equity – condensed

Attributable to equity holders of the parent company SEK million	2018 30-Sep	2017 30-Sep	2017 31-Dec
Opening equity	5,151	4,389	4,389
Total comprehensive income for the period	1,183	791	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	5,888	4,891	5,151
¹⁾ Dividend per share for 2017 (2016) was SEK 3,75 (3.20)			
<i>Equity, attributable to:</i>			
Equity holders of the parent company	5,888	4,891	5,151
Non-controlling interests	18	9	17
	5,906	4,900	5,168

Indutrade consolidated cash flow statement – condensed

SEK million	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017/18 Moving 12 mos	2017 Jan-Dec
Operating profit	459	390	1,325	1,141	1,564	1,380
Non-cash items	154	131	397	375	569	547
Interests and other financial items, net	-21	-16	-84	-47	-99	-62
Paid tax	-90	-79	-328	-246	-433	-351
Change in working capital	-30	-43	-544	-182	-322	40
Cash flow from operating activities	472	383	766	1,041	1,279	1,554
Net capital expenditures in non-current assets	-69	-46	-209	-150	-295	-236
Company acquisitions and divestments	-173	-370	-501	-681	-827	-1,007
Change in other financial assets	1	-2	3	-4	8	1
Cash flow from investing activities	-241	-418	-707	-835	-1,114	-1,242
Net borrowings/amortisation	-248	61	465	129	452	116
Dividend paid out	-	-	-453	-384	-453	-384
Payment for issued warrants	-	-	-	8	-	8
New issues	-	-	7	89	13	95
Cash flow from financial activities	-248	61	19	-158	12	-165
Cash flow for the period	-17	26	78	48	177	147
Cash and cash equivalents at start of period	534	351	464	332	375	332
Exchange rate differences	14	-2	-11	-5	-21	-15
Cash and cash equivalents at end of period	531	375	531	375	531	464

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Key data

Moving 12 mos	2018 30-Sep	2017 31-Dec	2017 30-Sep	2016 31-Dec	2015 31-Dec
Net sales, SEK million	16,334	14,847	14,414	12,955	11,881
Sales growth, %	13	15	14	9	22
EBITA, SEK million	1,818	1,613	1,705	1,484	1,427
EBITA margin, %	11.1	10.9	11.8	11.5	12.0
Operating capital at end of period, SEK million	10,230	8,997	8,675	8,027	6,656
Operating capital, average, SEK million	9,505	8,444	8,270	7,491	6,537
Return on operating capital, % ¹⁾	19	19	21	20	22
Equity, average, SEK million	5,454	4,746	4,529	3,976	3,440
Return on equity, % ¹⁾	21	22	24	24	26
Interest-bearing net debt at end of period, SEK million	4,324	3,829	3,775	3,628	2,949
Net debt/equity ratio, %	73	74	77	82	80
Net debt/EBITDA, times	2.1	2.1	2.0	2.2	1.8
Equity ratio, %	42	41	40	40	40
Average number of employees	6,633	6,156	5,964	5,495	4,978
Number of employees at end of period	6,728	6,545	6,333	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	9.68	8.54	9.20	7.80	7.44
Earnings per share after dilution, SEK	9.68	8.53	9.18	7.78	7.44
Equity per share, SEK	48.72	42.64	40.51	36.58	30.86
Cash flow from operating activities per share, SEK	10.59	12.90	12.45	10.06	8.97
Average number of shares before dilution, '000	120,812	120,457	120,261	120,000	120,000
Average number of shares after dilution, '000	120,832	120,617	120,517	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.

Business area performance

	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017/18 Moving 12 mos	2017 Jan-Dec
Net sales, SEK million						
Benelux	492	391	1,528	1,279	1,944	1,695
DACH	301	218	913	665	1,193	945
Finland	420	415	1,300	1,268	1,761	1,729
Flow Technology	909	810	2,577	2,341	3,371	3,135
Fluids & Mechanical Solutions	485	441	1,481	1,385	1,955	1,859
Industrial Components	756	719	2,439	2,093	3,270	2,924
Measurement & Sensor Technology	452	399	1,305	1,228	1,752	1,675
UK	315	251	896	689	1,139	932
Parent company and Group items	-15	-11	-37	-33	-51	-47
Total	4,115	3,633	12,402	10,915	16,334	14,847

	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017/18 Moving 12 mos	2017 Jan-Dec
EBITA, SEK million						
Benelux	68	52	230	188	279	237
DACH	32	21	91	64	106	79
Finland	61	53	152	136	195	179
Flow Technology	118	99	295	261	377	343
Fluids & Mechanical Solutions	58	57	193	181	245	233
Industrial Components	93	81	292	228	388	324
Measurement & Sensor Technology	88	70	226	216	301	291
UK	51	34	137	98	166	127
Parent company and Group items	-44	-17	-97	-58	-239	-200
Total	525	450	1,519	1,314	1,818	1,613

	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017/18 Moving 12 mos	2017 Jan-Dec
EBITA margin, %						
Benelux	13.8	13.3	15.1	14.7	14.4	14.0
DACH	10.6	9.6	10.0	9.6	8.9	8.4
Finland	14.5	12.8	11.7	10.7	11.1	10.4
Flow Technology	13.0	12.2	11.4	11.1	11.2	10.9
Fluids & Mechanical Solutions	12.0	12.9	13.0	13.1	12.5	12.5
Industrial Components	12.3	11.3	12.0	10.9	11.9	11.1
Measurement & Sensor Technology	19.5	17.5	17.3	17.6	17.2	17.4
UK	16.2	13.5	15.3	14.2	14.6	13.6
Total	12.8	12.4	12.2	12.0	11.1	10.9

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Business area performance per quarter

Net sales, SEK million	2018			2017			
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	492	556	480	416	391	430	458
DACH	301	316	296	280	218	231	216
Finland	420	483	397	461	415	452	401
Flow Technology	909	898	770	794	810	799	732
Fluids & Mechanical Solutions	485	519	477	474	441	487	457
Industrial Components	756	895	788	831	719	706	668
Measurement & Sensor Technology	452	435	418	447	399	434	395
UK	315	301	280	243	251	220	218
Parent company and Group items	-15	-13	-9	-14	-11	-10	-12
Total	4,115	4,390	3,897	3,932	3,633	3,749	3,533

EBITA, SEK million	2018			2017			
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	68	85	77	49	52	60	76
DACH	32	29	30	15	21	23	20
Finland	61	53	38	43	53	51	32
Flow Technology	118	103	74	82	99	91	71
Fluids & Mechanical Solutions	58	70	65	52	57	64	60
Industrial Components	93	114	85	96	81	79	68
Measurement & Sensor Technology	88	73	65	75	70	80	66
UK	51	44	42	29	34	30	34
Parent company and Group items	-44	-28	-25	-142	-17	-20	-21
Total	525	543	451	299	450	458	406

EBITA margin, %	2018			2017			
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	13.8	15.3	16.0	11.8	13.3	14.0	16.6
DACH	10.6	9.2	10.1	5.4	9.6	10.0	9.3
Finland	14.5	11.0	9.6	9.3	12.8	11.3	8.0
Flow Technology	13.0	11.5	9.6	10.3	12.2	11.4	9.7
Fluids & Mechanical Solutions	12.0	13.5	13.6	11.0	12.9	13.1	13.1
Industrial Components	12.3	12.7	10.8	11.6	11.3	11.2	10.2
Measurement & Sensor Technology	19.5	16.8	15.6	16.8	17.5	18.4	16.7
UK	16.2	14.6	15.0	11.9	13.5	13.6	15.6
Total	12.8	12.4	11.6	7.6	12.4	12.2	11.5

Disaggregation of revenue

Net sales per geographic market

2018										
Jul-Sep	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	4	3	391	533	308	664	108	28	-8	2,031
Other Europe	387	284	24	322	146	81	161	253	-7	1,651
Americas	62	11	2	5	22	5	135	21	0	263
Asia	32	3	3	41	7	5	41	11	0	143
Other	7	0	0	8	2	1	7	2	0	27
	492	301	420	909	485	756	452	315	-15	4,115

2017										
Jul-Sep	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	3	0	387	517	288	641	118	14	-6	1,962
Other Europe	310	206	26	263	126	70	142	205	-5	1,343
Americas	29	8	1	5	19	4	93	16	0	175
Asia	37	2	1	22	7	4	42	12	0	127
Other	12	2	0	3	1	0	4	4	0	26
	391	218	415	810	441	719	399	251	-11	3,633

2018										
Jan-Sep	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	11	9	1,198	1,549	963	2,154	331	64	-17	6,262
Other Europe	1,179	854	84	879	416	251	477	734	-16	4,858
Americas	202	35	8	18	71	20	370	55	-2	777
Asia	99	13	8	113	24	12	115	33	-1	416
Other	37	2	2	18	7	2	12	10	-1	89
	1,528	913	1,300	2,577	1,481	2,439	1,305	896	-37	12,402

2017										
Jan-Sep	Benelux	DACH	Finland	FT	FMS	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	12	2	1,185	1,493	903	1,867	363	37	-13	5,849
Other Europe	1,017	629	74	761	396	200	436	564	-12	4,065
Americas	93	24	4	15	61	13	286	45	-4	537
Asia	120	7	4	64	22	11	130	34	-2	390
Other	37	3	1	8	3	2	13	9	-2	74
	1,279	665	1,268	2,341	1,385	2,093	1,228	689	-33	10,915

¹⁾ Parent company and Group items

FT - Flow Technology

FMS - Fluids & Mechanical Solutions

IC - Industrial Components

MST - Measurement & Sensor Technology

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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), and TXRX System (USA).

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 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.

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

SEK million			
Purchase price, incl. contingent earn-out payment totalling SEK 109 million			
			639
Acquired assets and liabilities	Book value	Fair value adjustment	Fair value
Goodwill	-	225	225
Agencies, trademarks, customer relations, licences, etc.	-	238	238
Property, plant and equipment	25	4	29
Inventories	58	-	58
Other current assets ¹⁾	114	-	114
Cash and cash equivalents	58	-	58
Deferred tax liability	-1	-35	-36
Provisions including pension liabilities	-1	-	-1
Other operating liabilities	-46	-	-46
	207	432	639

¹⁾ Mainly trade accounts receivable

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 amount to SEK 109 million. The contingent earn-out payments fall due for payment within three years and can amount to a maximum of SEK 113 million. If the conditions are not met, the outcome can be in the range of SEK 0–113 million.

Transaction costs for the acquisitions carried out during the period totalled SEK 1 million (5) 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 for Wennerström Ljuskontroll AB, Elma Instruments A/S, Young Black Ltd and Tubeworkx B.V., which were acquired during the third 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	639
Purchase price not paid out	-109
Cash and cash equivalents in acquired companies	-58
Payments pertaining to previous years' acquisitions	94
Total cash flow impact	566

Effects of acquisitions carried out in 2017 and 2018

SEK million Business area	Net sales		EBITA	
	Jul-Sep	Jan-Sep	Jul-Sep	Jan-Sep
Benelux	58	190	14	43
DACH	87	268	10	33
Finland	-	-	-	-
Flow technology	41	89	8	16
Fluids & Mechanical Solutions	-	-	-	-
Industrial Components	11	182	2	20
Measurement & Sensor Technology	9	9	2	2
UK	5	94	1	12
Effect on Group	211	832	37	126
Acquisitions carried out in 2017	107	633	17	89
Acquisitions carried out in 2018	104	199	20	37
Effect on Group	211	832	37	126

If all acquired units had been consolidated as from 1 January 2018, net sales for the period would have amounted to SEK 12,567 million, and EBITA would have totalled SEK 1,544 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.

Parts of the operations of Recair Oy in Finland have been divested. Annual sales for the divested operations amounted to SEK 65 million, and a marginal capital loss was realised.

Acquisitions and divestments after the end of the reporting period

On 25 October Thermo Electric Instrumentation B.V. (Netherlands) was acquired, with annual sales of SEK 110 million. The company develops, manufactures, markets and calibrates temperature sensors.

On 31 October the remaining part of Recair Oy in Finland was divested. Annual sales for the divested operations amounted to SEK 45 million and a marginal capital loss was realised. The entire operations of Recair Oy are thereby divested.

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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, 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 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	2017/18 Moving 12 mos	2017 Jan-Dec
Average number of shares before dilution, '000	120,855	120,747	120,824	120,350	120,812	120,457
Number of shares that incur a dilutive effect due to incentive programme, '000	-	44	15	189	20	160
Average number of shares after dilution, '000	120,855	120,791	120,839	120,539	120,832	120,617
Dilutive effect, %	-	0.04	0.01	0.16	0.02	0.13
Number of shares at end of the period, '000	120,855	120,747	120,855	120,747	120,855	120,799

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 Sep 2018			Total
	Level 1	Level 2	Level 3	
Assets				
Holdings of shares and participation in unlisted companies	-	-	14	14
Derivative instruments held for hedging purposes	-	1	-	1
Liabilities				
Derivative instruments held for hedging purposes	-	3	-	3
Contingent consideration	-	-	208	208

SEK million	31 Dec 2017			Total
	Level 1	Level 2	Level 3	
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-Sep	31-Dec
Opening book value	185	129
Acquisitions during the year	109	128
Consideration paid	-94	-47
Reclassified via income statement	-3	-30
Interest expenses	3	3
Exchange rate differences	8	2
Closing book value	208	185

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Parent company income statement – condensed

SEK million	2018 Jul-Sep	2017 Jul-Sep	2018 Jan-Sep	2017 Jan-Sep	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	-20	-18	-71	-61	-89	-79
Other operating income and expenses	-	-	7	-	7	-
Operating profit	-20	-18	-64	-61	-77	-74
Financial income/expenses	0	-4	-41	-12	-42	-13
Profit from participation in Group companies	-	-	774	753	774	753
Profit after financial items	-20	-22	669	680	655	666
Appropriations	-	-	-	-	594	594
Income Tax	4	5	24	14	-104	-114
Net profit for the period	-16	-17	693	694	1,145	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-Sep	2017 30-Sep	2017 31-Dec
Intangible assets	0	0	0
Property, plant and equipment	2	1	1
Financial assets	5,457	5,020	5,408
Current receivables	4,727	3,791	4,496
Cash and cash equivalents	0	0	0
Total assets	10,186	8,812	9,905
Equity	4,638	3,930	4,390
Untaxed reserves	589	553	589
Non-current interest-bearing liabilities and pension liabilities	1,825	1,057	1,080
Other non-current liabilities and provisions	5	11	5
Current interest-bearing liabilities	3,093	3,196	3,529
Current non-interest-bearing liabilities	36	65	312
Total equity and liabilities	10,186	8,812	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.

Q3

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.

On 8 November Indutrade's board of directors decided to increase the target for the EBITA margin for the Indutrade Group to a minimum of 12% (previously 10%) per year over a business cycle.

Financial targets:

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 (updated)

- 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

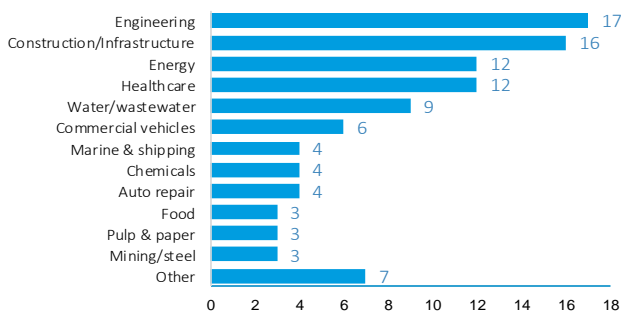
Net debt/equity ratio

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

Dividend payout ratio

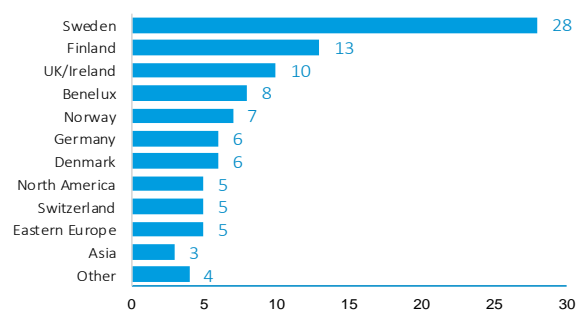
- The dividend payout ratio shall range from 30% to 60% of net profit.

Net sales per customer segment, % ¹⁾



¹⁾Financial year 2017

Net sales per market, % 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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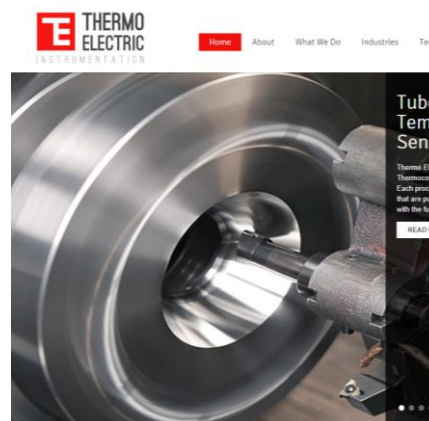
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Thermo Electric – Indutrade’s most recent acquisition

On 25 October the Dutch company Thermo Electric Instrumentation was acquired. Thermo Electric develops, manufactures, markets and calibrates temperature sensors. The company has developed a wide range of temperature sensors that are customised to customers’ specific needs and requirements. Thermo Electric has 55 employees and annual sales of approximately EUR 11 million.

Thermo Electric will be a subsidiary of Indutrade’s Swedish company Pentronic AB, which is part of the Measurement & Sensor Technology business area. Pentronic is one of Scandinavia’s leading manufacturers of temperature sensors, and this add-on acquisition of Thermo Electric complements and strengthens Indutrade’s cluster of companies in this niche.



Acquisition of US company TXRX – a leader in PMR

On 31 August, all of the assets in the company TXRX System were acquired from Bird Technologies.

TXRX is a leading manufacturer of products and technical solutions for Professional Mobile Radio (PMR) systems for the US market. TXRX offers a broad range of combiners, filters and antennas to primarily the system integrator market for PMR systems. The end customers are within public safety, first responders, public transportation and utility services. TXRX has net sales of approximately USD 13 million and 56 employees.

TXRX will be a part of Indutrade’s Danish company Combilent, in the Measurement & Sensor Technology business area. Combilent holds a leading position in the same product areas in the European market.



Welcome to Indutrade’s 2018 Capital Market Day

Indutrade welcomes representatives from the financial market and media to our Capital Market Day in Kista on 4 December 2018, from 9 a.m. (registration opens at 8.30) to approximately 2 p.m (CET).

The purpose of the Capital Market Day is to present Indutrade’s strategy for profitable growth. Speakers will include members of Indutrade’s executive management and managing directors of a few of our subsidiaries.

Location: Indutrade’s head offices, Raseborgsgatan 9, Kista

Registration: If you wish to attend Indutrade’s Capital Market Day, please register at the email address CMD2018@indutrade.com by 25 November 2018 at the latest.

We look forward to seeing you!

