

# Interim report second quarter

and first half of 2019

## Second quarter 2019

- Order intake rose 6% to SEK 4,653 million (4,391). For comparable units, order intake decreased by 1%.
- Net sales rose 4% to SEK 4,587 million (4,390). For comparable units, net sales decreased by 1%.
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) rose 6% to SEK 574 million (543), corresponding to an EBITA margin of 12.5% (12.4%).
- Profit for the quarter grew marginal to SEK 365 million (364) and earnings per share were SEK 3.02 (3.01).
- Cash flow from operating activities totalled SEK 488 million (290).

## 1 January – 30 June 2019

- Order intake rose 8% to SEK 9,263 million (8,564). For comparable units the increase was 2%.
- Net sales rose 8% to SEK 8,953 million (8,287). For comparable units the increase was 2%.
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) rose 12% to SEK 1,111 million (994), corresponding to an EBITA margin of 12.4% (12.0%).
- Profit for the period grew 9% to SEK 715 million (657) and earnings per share were SEK 5.92 (5.43).
- Cash flow from operating activities totalled SEK 656 million (294).

## Financial Development

SEK million	2019 Apr-Jun	2018 Apr-Jun	Change	2019 Jan-Jun	2018 Jan-Jun	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Order intake	4,653	4,391	6%	9,263	8,564	8%	17,772	17,073
Net sales	4,587	4,390	4%	8,953	8,287	8%	17,514	16,848
Operating profit	496	475	4%	965	866	11%	1,924	1,825
EBITA	574	543	6%	1,111	994	12%	2,204	2,087
EBITA margin, %	12.5	12.4		12.4	12.0		12.6	12.4
Profit before taxes	469	457	3%	911	828	10%	1,833	1,750
Net profit	365	364	0%	715	657	9%	1,426	1,368
Earnings per share before dilution, SEK	3.02	3.01	0%	5.92	5.43	9%	11.80	11.31
Return on capital employed, % <sup>1)</sup>	20	19		20	19		20	21
Cash flow from operating activities	488	290	68%	656	294	123%	1,722	1,360
Net debt/equity ratio, %	99	79		99	79		99	63

<sup>1)</sup> Previously called operating capital.



# Q2

## CEO's message

*Continued good and stable demand with a high pace of acquisitions during the second quarter of 2019.*

### Second quarter

The second quarter of 2019 was characterised by continued good and stable demand. The difference in demand between products, segments and markets has increased slightly, and in a number of segments development has levelled out, such as in construction and automotive.

Order intake exceeded net sales by 1% and reached slightly more than SEK 4.6 billion, growing by a total of 6%. Sales increased by 4%. Many of our companies experienced continued favourable growth, and the UK business area had the strongest organic order growth during the quarter. However, uncertainty surrounding Brexit affected our British companies somewhat more than during the first quarter. The Measurement & Sensor Technology and Flow Technology business areas had good development driven in part by measurement technology and the marine segment. However, due to fewer investment-related projects and slightly weaker demand in certain segments, organic development for several business areas was dampened.

Profitability developed favourably for most of our companies, and five of our eight business areas posted higher operating margins than in the same quarter a year ago. The EBITA margin for the Group as a whole improved slightly to 12.5% (12.4%). The strongest performance was shown in the Flow Technology and UK business areas, mainly driven by a high level of invoicing. Profitability for the Measurement & Sensor Technology business area decreased slightly and was affected by significantly lower demand in North America for one of the larger companies. Profitability remained at a good level.

The market situation and the profitability continued to be challenging in the power generation segment in the Benelux business area. Work with both short-term and more strategic improvement measures continues according to plan.

Cash flow from operating activities increased during the quarter to SEK 488 million (290). Tied-up capital remains at a somewhat high level as a result of high capacity utilisation in many of our companies, customers and suppliers.

During the quarter Indutrade strengthened its long-term financing with a new credit facility, and a bond was issued. The Group's financial strength creates stability and facilitates investments and acquisitions.

We have continued to develop our sustainability work, and in 2019 we have carried out a training programme in sustainability for all of the Group's managing directors. The ambition in 2019 is that all subsidiaries will conduct a materiality analysis and start defining relevant KPIs for their respective companies.



### Acquisitions

We have maintained a high level of acquisition activity, and thus far during the year a total of ten acquisitions have been carried out. Five acquisitions were carried out during the second quarter: QbiQ Group (Netherlands), Adam Equipment and Datum Electronics (UK), Starke Arvid (Sweden), and Färber & Schmid (Switzerland). After the end of the quarter, the Norwegian instruments company Finisterra and the British company Natgraph, a manufacturer of customised drying and curing systems for industrial print applications, were also acquired.

During 2019 we have acquired companies with combined annual sales of approximately SEK 1.2 billion. We have continued to deliver in line with our strategy by investing in successful, well-managed, marketing-leading niche companies with the potential to generate profitable growth. We have an opportunistic acquisition strategy where we pick the cream of the crop, and our future acquisition opportunities remain good.

### Outlook

The prevailing market situation continues to be stable, but with slightly higher variation and a flattening in demand in certain segments. We have a good spread of risk through our diversified structure with many small and flexible companies working in various niches and segments across many countries. Our MDs can independently make fast business decisions and adapt to their customers' needs. We have a stable platform that gives us favourable prospects for sustainable, profitable growth going forward.

Bo Annvik, President and CEO

## Group performance

### Order intake

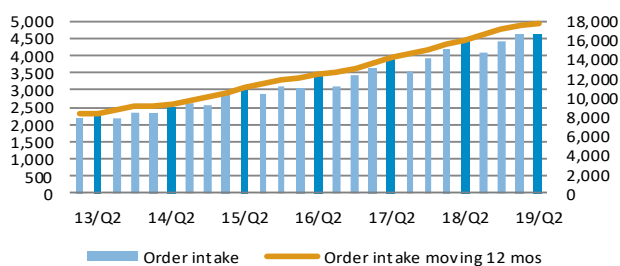
Order intake remained favourable during second quarter. Order intake exceeded invoicing by 1% and totalled SEK 4,653 million (4,391), an increase of 6%. For comparable units, order intake decreased by -1%. Acquired growth was 7%, and divestments affected order intake by -2%. Currency movements had a positive effect on order intake of 2%. Fewer invoicing days compared with the same period a year ago had a slightly negative effect on growth.

The strongest organic growth was reported by the UK and Measurement & Sensor Technology business areas. The favourable performance in the UK business area remained broad-based and can be credited to both domestic- and export-oriented companies. Growth for Measurement & Sensor Technology is attributable to well positioned companies and weak order intake a year ago. Negative organic performance was noted during the quarter in the DACH, Finland, Fluids & Mechanical Solutions and Industrial Components business areas. The weak performance is due in part to fewer large projects during the year and in part to lower demand in certain segments, such as construction and automotive.

Order intake during the period January–June amounted to SEK 9,263 million (8,564), an increase of 8%. The increase for comparable units was 2%, acquisitions contributed 5%, the effect of divestments was -2%, and currency movements had a positive effect on order intake of 3%.

### Order intake

SEK million



### Net sales

Net sales rose 4% to SEK 4,587 million (4,390). For comparable units, net sales decreased by -1%, acquisitions contributed 6%, and the effect of divestments was -3%. Currency movements had a positive effect on net sales of 2%. Growth during the quarter was hurt slightly by fewer invoicing days compared with the same period a year ago.

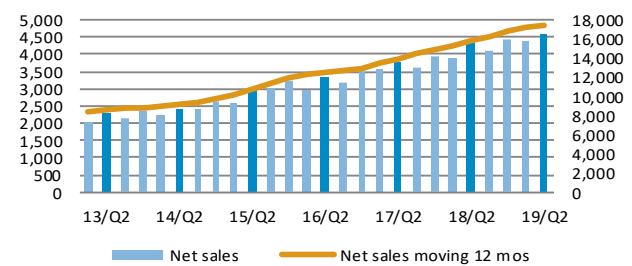
The UK, Flow Technology and DACH business areas showed the strongest organic growth. The favourable performance in the UK remained broad-based and is derived primarily from competitive and well positioned companies. Growth for the Flow Technology business area was good, and most of the business area's companies and segments showed favourable performance. For the DACH business area, the strong order intake in recent quarters from the process industry in Switzerland contributed to favourable development of invoicing.

Negative organic development was noted by the Benelux, Finland and Industrial Components business areas. Development for the Benelux business area was due to lower invoicing for valves for power generation, where order intake was low during the autumn of last year. The negative growth in the Finland and Industrial Components business areas is mainly due to fewer large projects compared with a year ago.

Net sales during the period January–June rose 8% to SEK 8,953 million (8,287). The increase for comparable units was 2%, acquisitions contributed 5%, the effect of divestments was -2%, and currency movements had a positive effect on net sales of 3%.

### Net Sales

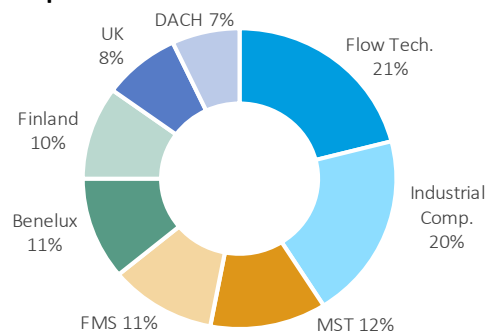
SEK million



### Sales growth



### Net Sales per Business Area



# Q2

## Earnings

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 574 million (543) for the second quarter of the year, an improvement of 6%. For comparable units, operating profit decreased by -1%, acquisitions contributed 8%, divestments had a negative effect of -3%, and currency movements had a positive effect on operating profit of 2%. The EBITA margin increased to 12.5% (12.4%).

The gross margin for the Group was 34.4% (33.6%) for the second quarter. The improvement was mainly organic and attributable to a beneficial mix of products and customers as well as to continued successful work with pricing. Accumulated for the first half of the year, the gross margin was 34.3% (34.1%).

Broken down by business area, Flow Technology and UK posted the largest improvements in the EBITA margin. The margin improvements in both business areas were driven mainly by favourable development of invoicing combined with a positive change in the mix in the UK and good cost control among companies in Flow Technology. The Benelux and Measurement & Sensor Technology business areas showed the weakest EBITA margin performance during the second quarter. In the Benelux business area this was mainly attributable to valves for power generation, where invoicing was low during the quarter as a result of weak order intake in autumn 2018. For the Measurement & Sensor Technology business area, the weak performance is mainly experienced by a large company with significantly lower demand in North America.

Net financial items for the second quarter amounted to SEK -27 million (-18). The decrease is due to recognition of higher interest expenses in connection with the adoption of IFRS 16 and a higher level of debt. Tax on profit for the quarter was SEK -104 million (-93), corresponding to a tax charge of 22% (20%). Profit for the quarter increased marginally to SEK 365 million (364). Earnings per share before dilution increased marginally to SEK 3.02 (3.01).

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 1,111 million (994) for the period January–June, an increase of 12%. The increase for comparable units was 3%, acquisitions contributed 7%, divestments had a negative effect of -1%, and currency movements had a positive effect of 3%. The EBITA margin increased to 12.4% (12.0%).

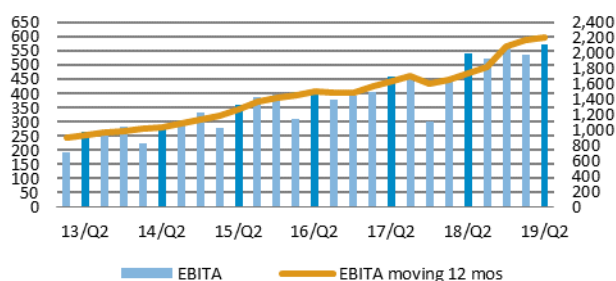
Net financial items for the period January–June amounted to SEK -54 million (-38). Tax on profit for the period was SEK -196 million (-171), corresponding to a tax charge of 22% (21%). Profit for the period rose 9% to SEK 715 million (657). Earnings per share before dilution increased by 9% to SEK 5.92 (5.43).

## Return

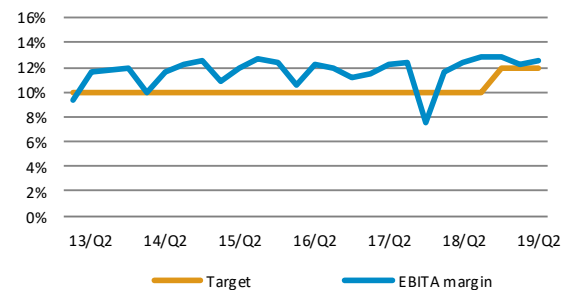
The return on capital employed (previously called operating capital) was 20% (19%), and the return on equity was 23% (22%). The improvements are mainly explained by the fact that the comparison returns for the preceding year were weighed down by restructuring costs for the Sander Meson Group. Adoption of IFRS 16 had a marginally negative effect.

### EBITA

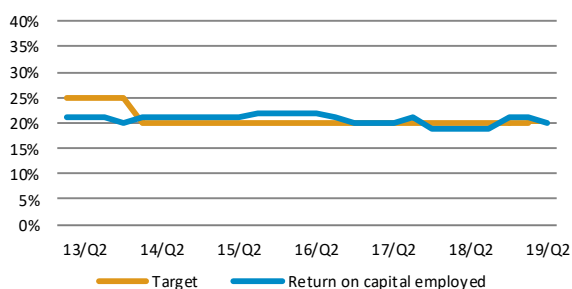
SEK million



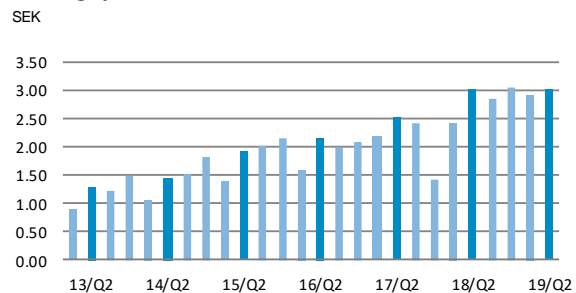
### EBITA margin



### Return



### Earnings per share



## Business Areas

### Benelux

The companies in this 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, and healthcare segments. Product areas include valves, hydraulic and industrial equipment, and measurement technology. The business area has strong market positions in the Benelux area (Belgium, the Netherlands and Luxembourg).

SEK million	2019 Apr-Jun	2018 Apr-Jun	Change	2019 Jan-Jun	2018 Jan-Jun	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	543	556	-2%	1,015	1,036	-2%	2,024	2,045
EBITA	67	85	-21%	128	162	-21%	272	306
EBITA margin, %	12.3	15.3		12.6	15.6		13.4	15.0

Net sales decreased by -2% during the quarter to SEK 543 million (556). For comparable units, sales decreased by -14%, acquisitions contributed 10%, and currency movements had a positive effect of 2%.

The market situation remained favourable and stable for most of the business area's companies. Order intake during the quarter was 8% higher than invoicing. The decrease in net sales is mainly due to weak order intake for valves for power generation during the autumn of 2018.

EBITA for the quarter decreased by -21% to SEK 67 million (85), corresponding to an EBITA margin of 12.3% (15.3%). For comparable units, EBITA decreased by -32%, acquisitions contributed 9%, and currency movements had a positive effect of 2%.

The weak EBITA performance is mainly due to lower sales and production of valves for power generation.

### DACH

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

SEK million	2019 Apr-Jun	2018 Apr-Jun	Change	2019 Jan-Jun	2018 Jan-Jun	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	349	316	10%	654	612	7%	1,267	1,225
EBITA	33	29	14%	62	59	5%	129	126
EBITA margin, %	9.5	9.2		9.5	9.6		10.2	10.3

Net sales increased by 10% during the quarter to SEK 349 million (316). For comparable units, net sales increased by 6%, acquisitions had a positive effect of 5%, divestments had a negative effect of -6%, and currency movements had a positive effect of 5%.

Demand from the process industry in Switzerland remained good during the quarter, while demand was weaker in Germany.

Order intake was 13% lower than invoicing.

EBITA for the quarter increased by 14% to SEK 33 million (29), and the EBITA margin was 9.5% (9.2%). For comparable units, EBITA decreased by -4%, acquisitions made a positive contribution of 9%, divestments had a positive effect of 3%, and currency movements had a positive effect of 6%. As in the first quarter, the negative organic change in EBITA was attributable to a couple of specific companies with weaker performance.

# Q2

## 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	2019 Apr-Jun	2018 Apr-Jun	Change	2019 Jan-Jun	2018 Jan-Jun	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	416	483	-14%	834	880	-5%	1,697	1,743
EBITA	51	53	-4%	94	91	3%	216	213
EBITA margin, %	12.3	11.0		11.3	10.3		12.7	12.2

Net sales decreased by -14% during the quarter to SEK 416 million (483). For comparable units, net sales decreased by -5%, currency movements had a positive effect of 2%, and divestments had a negative effect of -11%.

Demand remained stable during the quarter, and order intake was 6% higher than invoicing. The decrease in net sales is primarily attributable to a couple of companies that had invoicing for large projects in the preceding year.

EBITA for the quarter decreased by -4% to SEK 51 million (53), and the EBITA margin was 12.3% (11.0%). For comparable units, EBITA decreased by -3%, and currency movements had a positive effect of 2%. Divestments had a negative effect on EBITA of -3%.

The improved EBITA margin is mainly attributable to completed divestments and cost improvements.

## Flow Technology

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

SEK million	2019 Apr-Jun	2018 Apr-Jun	Change	2019 Jan-Jun	2018 Jan-Jun	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	965	898	7%	1,855	1,668	11%	3,678	3,491
EBITA	130	103	26%	235	177	33%	472	414
EBITA margin, %	13.5	11.5		12.7	10.6		12.8	11.9

Net sales increased by 7% during the quarter to SEK 965 million (898). For comparable units, net sales increased by 7%, acquisitions contributed 2%, divestments had a negative effect of -3%, and currency movements had a positive effect of 1%.

Demand remained favourable for most of the business area's companies, with strong performance in the marine segment, for example. A somewhat larger variation in demand was noted among the business area's companies.

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

EBITA for the quarter increased by 26% to SEK 130 million (103), corresponding to an EBITA margin of 13.5% (11.5%). For comparable units, EBITA increased by 21%, acquisitions made a positive contribution of 2%, divestments had a positive effect of 1%, and currency movements had a positive effect of 2%.

The improvement in the EBITA margin during the quarter was mainly organic and driven in large part by higher net sales.

## Fluids & Mechanical Solutions

Companies in this business area offer hydraulic and mechanical components to industries in the Nordic countries, other European countries and North America. The business area includes companies with a considerable amount of own manufacturing and proprietary products. 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	2019 Apr-Jun	2018 Apr-Jun	Change	2019 Jan-Jun	2018 Jan-Jun	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	532	519	3%	1,037	996	4%	2,021	1,980
EBITA	73	70	4%	148	135	10%	275	262
EBITA margin, %	13.7	13.5		14.3	13.6		13.6	13.2

Net sales increased by 3% during the quarter to SEK 532 million (519). For comparable units, net sales increased by 1%, acquisitions contributed 5%, divestments had a negative effect of -4%, and currency movements had a positive effect on net sales of 1%.

The market situation remained stable during the quarter in most of the business area's segments, with infrastructure showing the strongest performance and weaker performance for the industrial segment.

Order intake was in line with invoicing during the quarter.

EBITA increased by 4% during the quarter to SEK 73 million (70), and the EBITA margin was 13.7% (13.5%). For comparable units, EBITA decreased by -1%, acquisitions contributed 5%, divestments had a negative effect of -1%, and currency movements had a positive effect of 1%.

The improvement in the EBITA margin during the quarter was mainly attributable to acquired companies.

## Industrial Components

Companies in this business area are mainly technical trading companies and 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. Its customers exist in the following segments: engineering, healthcare, construction and infrastructure. The product areas include hydraulics and industrial equipment, chemical technology and fasteners. The business area has a strong market position in the Nordic countries.

SEK million	2019 Apr-Jun	2018 Apr-Jun	Change	2019 Jan-Jun	2018 Jan-Jun	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	883	895	-1%	1,773	1,683	5%	3,461	3,371
EBITA	108	114	-5%	216	199	9%	417	400
EBITA margin, %	12.2	12.7		12.2	11.8		12.0	11.9

Net sales decreased by -1% during the quarter to SEK 883 million (895). For comparable units, net sales decreased by -4%, acquisitions made a positive contribution of 3%, divestments had a negative effect of -1%, and currency movements had a positive effect of 1%.

Demand during the quarter remained good in most of the business area's segments, but with fewer large projects. The largest sales growth was noted in the medtech segment, while sales were lower for the transmission, automation and infrastructure segments, as the corresponding period a year ago included invoicing for large projects.

Order intake was 1% higher than invoicing.

EBITA decreased by -5% during the quarter to SEK 108 million (114), and the EBITA margin was 12.2% (12.7%). EBITA for comparable units decreased by -9%, acquisitions made a positive contribution of 2%, divestments had a positive effect of 1%, and currency movements had a positive effect of 1%.

The lower EBITA margin is mainly attributable to the decrease in net sales.

# Q2

## Measurement & Sensor Technology

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

SEK million	2019 Apr-Jun	2018 Apr-Jun	Change	2019 Jan-Jun	2018 Jan-Jun	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	536	435	23%	1,078	853	26%	2,088	1,863
EBITA	83	73	14%	173	138	25%	357	322
EBITA margin, %	15.5	16.8		16.0	16.2		17.1	17.3

Net sales increased by 23% during the quarter to SEK 536 million (435). For comparable units, the change in net sales was marginal, acquisitions contributed 21%, and currency movements had a positive effect of 2%.

Demand remained strong during the quarter for many of the business area's companies, and order intake was 6% higher than invoicing.

EBITA increased by 14% during the quarter to SEK 83 million (73), and the EBITA margin was 15.5% (16.8%). For comparable units, EBITA decreased by -8%, acquisitions contributed 19%, and currency movements had a positive effect of 3%.

The lower EBITA margin is mainly attributable to significantly lower demand in North America for one of the business area's larger companies.

## UK

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

SEK million	2019 Apr-Jun	2018 Apr-Jun	Change	2019 Jan-Jun	2018 Jan-Jun	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	374	301	24%	733	581	26%	1,335	1,183
EBITA	62	44	41%	113	86	31%	202	175
EBITA margin, %	16.6	14.6		15.4	14.8		15.1	14.8

Net sales increased by 24% during the quarter to SEK 374 million (301). For comparable units, net sales increased by 8%, acquisitions made a positive contribution of 13%, and currency movements had a positive effect of 3%.

Demand continued to be broad-based and favourable for most of the business area's companies during the quarter. Uncertainty surrounding Brexit had a larger impact than during the first quarter, mainly owing to inventory changes among certain customers and a dampened pace of investment.

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

EBITA increased by 41% during the quarter to SEK 62 million (44), and the EBITA margin was 16.6% (14.6%). For comparable units, EBITA increased by 17%, acquisitions contributed 19%, and currency movements had a positive effect of 5%.

The positive change in the EBITA margin is attributable both to strong organic sales performance and acquired companies.



## Other financial information

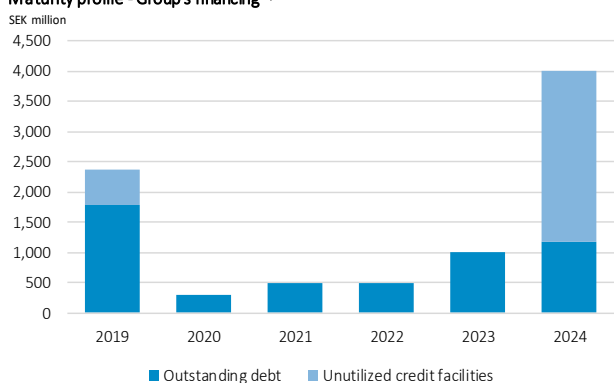
### Financial position

To secure long-term financing, Indutrade has signed a new agreement for a revolving credit facility during the quarter. The new facility is for SEK 3,500 million and has a term of five years with an option for a two-year extension. During the quarter, Indutrade issued an unsecured bond loan of SEK 500 million with a tenor of 5.25 years to shift part of the Group's short-term financing to long-term financing.

Shareholders' equity amounted to SEK 6,492 million (5,616), and the equity ratio was 38% (40%). Cash and cash equivalents amounted to SEK 679 million (534). In addition to this, the Group had unutilised credit promises of SEK 3,412 million (2,834). Interest-bearing net debt amounted to SEK 6,422 million (4,451) at the end of the period. Most of the increase is attributable to financing of extensive acquisition activity during the second quarter and to adoption of IFRS 16, which entailed an increase in recognised liabilities by approximately SEK 880 million.

The net debt/equity ratio was 99% at end of the period (79%). Excluding IFRS 16, the net debt/equity ratio is estimated to be approximately 85%.

Maturity profile - Group's financing<sup>1)</sup>



<sup>1)</sup> Pertains to the Parent Company, which is responsible for most of the Group's financing. Excluding leasing according to IFRS 16.

Month acquired	Acquisitions	Business area	Net sales/SEK m*	No. of employees*
March	Wholesale Welding Supplies Ltd (Weldability Sif)	UK	100	42
March	STRIHL Scandinavia AB	Fluids & Mechanical Solutions	60	18
April	Acumo	Industrial Components	60	10
April	QbiQ Group B.V.	Benelux	320	80
May	Adam Equipment Co Ltd	Measurement & Sensor Technology	150	180
May	Datum Electronics Ltd	Measurement & Sensor Technology	50	26
May	Starke Arvid AB	Fluids & Mechanical Solutions	90	35
May	Färber & Schmid AG	DACH	220	22
<b>Total</b>			<b>1,050</b>	<b>413</b>

\*) 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.

### Cash flow, capital expenditures and depreciation

Cash flow from operating activities increased during the second quarter of the year to SEK 488 million (290). The increase is mainly attributable to a lower build-up of working capital than in the preceding year and an improved operating profit. Working capital remained at a slightly high level, mainly owing to previous inventory build-up carried out to uphold delivery service and maintain a high pace of production.

Cash flow from operating activities was SEK 656 million (294) during the interim period January–June. Cash flow from net capital expenditures in intangible non-current assets and in property, plant and equipment, excluding company acquisitions, was SEK 472 million (154).

The Group's net capital expenditures, excluding company acquisitions, totalled SEK 184 million (140). Depreciation of property, plant and equipment totalled SEK 262 million (112). Investments in company acquisitions amounted to SEK 1,069 million (278). In addition, earn-out payments for previous years' acquisitions totalled SEK 84 million (75). Divestments amounted to SEK 27 million (25).

### Employees

The number of employees was 7,228 at the end of the period, compared with 6,778 at the start of the year.

### Company acquisitions

The Group acquired the following companies, which are consolidated for the first time in 2019.

# Q2

## Events after the end of the reporting period

On 1 July the company Finisterra AS was acquired, and on 3 July the company Natgraph Ltd was acquired. For further information, see page 21.

## 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 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 June was 17 (15).

## Risks and uncertainties

The Indutrade Group conducts business through more than 200 companies in more than 30 countries on six 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 2018 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 2018 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.

The new leasing standard IFRS 16, which has been endorsed by the EU, replaced IAS 17 on 1 January 2019. The standard entails changes primarily for lessees in that the breakdown of leases into operating and finance leases has been removed. Lessees recognise a right-of-use asset that represents a right to use the underlying asset and a lease liability that represents an obligation to make lease payments per lease contract. In the income statement, interest and depreciation are to be reported instead of leasing costs.

Indutrade has reported the transition using the simplified method, which doesn't require restated comparative financial information. Right-of-use assets are measured from the inception date of the contract.

Short-term leases and contracts with a low right-of-use asset value are not reported. Only identifiable assets are included as right-of-use assets and lease liabilities, therefore lease payments for e.g., service contracts with non-identifiable assets are recognised directly through the income statement.

Indutrade's leases are primarily for rental of premises. The standard has been assessed to have had the following impact on the balance sheet as per 1 January 2019: an increase in right-of-use assets, reported as property, plant and equipment, by SEK 807 million, an increase in lease liabilities, reported as current and non-current interest-bearing liabilities, by SEK 842 million, a decrease in equity by SEK 28 million, and an increase in deferred tax assets by SEK 7 million.

During the first half of 2019 IFRS 16 has resulted in an approximate increase of depreciation of property, plant and equipment by SEK 140 million and interest expense by SEK 10 million. These were previously recognised as external operating costs.

In cases where interest has not been specified in the lease contract, an interest rate has been set per currency whereby Indutrade has used a risk-free interest rate with a duration that corresponds to the average term for leases as the basis. A premium has been added to cover the Group's and subsidiaries' assessed credit risk. An adjustment has also been made based on the type of asset.

## Financial Calendar

- The interim report for the period 1 January–30 September 2019 will be published on 25 October 2019.
- The year-end report for the period 1 January–31 December 2019 will be published on 5 February 2020.

## 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 18 July 2019  
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 8 a.m. (CEST) on 18 July 2019.

### Further information

For further information, please contact:  
Bo Annvik, President and CEO, tel.: +46 8 703 03 00, Patrik Johnson, CFO, tel.: +46 70 397 50 30, or Frida Adrian, 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 10.30 a.m. (CEST) on 18 July via the following link:  
<https://event.on24.com/wcc/r/2038369/2D4C0C0BB7D88AE2860F48A2D156A068>

To participate via conference call and ask questions, call:  
UK: +46 8 505 583 57  
SE: +44 333 300 9263  
US: +1 646 722 4904

# Q2

## Indutrade consolidated income statement – condensed

SEK million	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	4,587	4,390	8,953	8,287	17,514	16,848
Cost of goods sold	-3,008	-2,914	-5,885	-5,463	-11,521	-11,099
<b>Gross profit</b>	<b>1,579</b>	<b>1,476</b>	<b>3,068</b>	<b>2,824</b>	<b>5,993</b>	<b>5,749</b>
Development costs	-57	-52	-110	-100	-214	-204
Selling costs	-747	-696	-1,462	-1,359	-2,840	-2,737
Administrative expenses	-283	-253	-543	-497	-1,037	-991
Other operating income and expenses	4	0	12	-2	22	8
<b>Operating profit</b>	<b>496</b>	<b>475</b>	<b>965</b>	<b>866</b>	<b>1,924</b>	<b>1,825</b>
Net financial items	-27	-18	-54	-38	-91	-75
<b>Profit before taxes</b>	<b>469</b>	<b>457</b>	<b>911</b>	<b>828</b>	<b>1,833</b>	<b>1,750</b>
Income Tax	-104	-93	-196	-171	-407	-382
<b>Net profit for the period</b>	<b>365</b>	<b>364</b>	<b>715</b>	<b>657</b>	<b>1,426</b>	<b>1,368</b>
<i>Net profit, attributable to:</i>						
Equity holders of the parent company	365	364	715	656	1,426	1,367
Non-controlling interests	0	0	0	1	0	1
	<b>365</b>	<b>364</b>	<b>715</b>	<b>657</b>	<b>1,426</b>	<b>1,368</b>
<b>EBITA</b>	<b>574</b>	<b>543</b>	<b>1,111</b>	<b>994</b>	<b>2,204</b>	<b>2,087</b>
<i>Operating profit includes:</i>						
Amortisation of intangible assets <sup>1)</sup>	-86	-74	-162	-144	-313	-295
<i>of which attributable to acquisitions</i>	-78	-68	-146	-128	-280	-262
Depreciation of property, plant and equipment	-134	-57	-262	-112	-379	-229
Earnings per share before dilution, SEK	3.02	3.01	5.92	5.43	11.80	11.31
Earnings per share after dilution, SEK	3.02	3.01	5.91	5.43	11.80	11.31

<sup>1)</sup> Excluding impairment losses

## Indutrade consolidated statement of comprehensive income

SEK million	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	2018/19 Moving 12 mos	2018 Jan-Dec
<b>Net profit for the period</b>	<b>365</b>	<b>364</b>	<b>715</b>	<b>657</b>	<b>1,426</b>	<b>1,368</b>
<b>Other comprehensive income</b>						
<b>Items that can be reversed into income statement</b>						
Fair value adjustment of hedge instruments	-4	-6	-7	-5	-5	-3
Tax attributable to fair value adjustments	0	1	1	1	1	1
Exchange rate differences	16	49	140	241	33	134
<b>Items that cannot be reversed into income statement</b>						
Actuarial gains/losses	-	-	-	-	3	3
Tax on actuarial gains/losses	-	-	-	-	-1	-1
<b>Other comprehensive income for the period, net of tax</b>	<b>12</b>	<b>44</b>	<b>134</b>	<b>237</b>	<b>31</b>	<b>134</b>
<b>Total comprehensive income for the period</b>	<b>377</b>	<b>408</b>	<b>849</b>	<b>894</b>	<b>1,457</b>	<b>1,502</b>
<i>Total comprehensive income, attributable to:</i>						
Equity holders of the parent company	377	408	849	893	1,457	1,501
Non-controlling interests	0	0	0	1	0	1

## Indutrade consolidated balance sheet – condensed

SEK million	2019 30-Jun	2018 30-Jun	2018 31-Dec
Goodwill	3,795	3,096	3,170
Other intangible assets	2,615	2,193	2,169
Property, plant and equipment	2,875	1,735	1,736
Financial assets	162	137	158
Inventories	3,269	2,833	2,834
Accounts receivable, trade	3,106	2,990	2,877
Other receivables	668	531	418
Cash and cash equivalents	679	534	708
<b>Total assets</b>	<b>17,169</b>	<b>14,049</b>	<b>14,070</b>
Equity	6,492	5,616	6,218
Non-current interest-bearing liabilities and pension liabilities	4,525	2,343	2,811
Other non-current liabilities and provisions	722	628	619
Current interest-bearing liabilities	2,576	2,642	1,806
Accounts payable, trade	1,298	1,267	1,168
Other current liabilities	1,556	1,553	1,448
<b>Total equity and liabilities</b>	<b>17,169</b>	<b>14,049</b>	<b>14,070</b>

## Indutrade consolidated statement of changes in equity – condensed

Attributable to equity holders of the parent company SEK million	2019 30-Jun	2018 30-Jun	2018 31-Dec
Opening equity	6,205	5,151	5,151
Total comprehensive income for the period	849	893	1,501
New issues	-	7	7
Dividend <sup>1)</sup>	-544	-453	-453
Change in accounting method	-28	-	-
Acquisition of non-controlling interests	-2	-	-1
<b>Closing equity</b>	<b>6,480</b>	<b>5,598</b>	<b>6,205</b>
<sup>1)</sup> Dividend per share for 2018 (2017) was SEK 4,50 (3.75)			
<i>Equity, attributable to:</i>			
Equity holders of the parent company	6,480	5,598	6,205
Non-controlling interests	12	18	13
	<b>6,492</b>	<b>5,616</b>	<b>6,218</b>

# Q2

## Indutrade consolidated cash flow statement – condensed

SEK million	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	2018/19 Moving 12 mos	2018 Jan-Dec
Operating profit	496	475	965	866	1,924	1,825
Non-cash items	215	120	419	243	721	545
Interests and other financial items, net	-46	-48	-63	-63	-97	-97
Paid tax	-118	-93	-274	-238	-488	-452
Change in working capital	-59	-164	-391	-514	-338	-461
<b>Cash flow from operating activities</b>	<b>488</b>	<b>290</b>	<b>656</b>	<b>294</b>	<b>1,722</b>	<b>1,360</b>
Net capital expenditures in non-current assets	-105	-70	-184	-140	-343	-299
Company acquisitions and divestments	-788	-108	-1,126	-328	-1,384	-586
Change in other financial assets	-1	1	-1	2	-3	0
<b>Cash flow from investing activities</b>	<b>-894</b>	<b>-177</b>	<b>-1,311</b>	<b>-466</b>	<b>-1,730</b>	<b>-885</b>
Debt/repayment of debt, net	1,145	362	1,166	713	678	225
Dividend paid out	-544	-453	-544	-453	-544	-453
New issues	-	7	-	7	-	7
<b>Cash flow from financial activities</b>	<b>601</b>	<b>-84</b>	<b>622</b>	<b>267</b>	<b>134</b>	<b>-221</b>
<b>Cash flow for the period</b>	<b>195</b>	<b>29</b>	<b>-33</b>	<b>95</b>	<b>126</b>	<b>254</b>
Cash and cash equivalents at start of period	465	511	708	464	534	464
Exchange rate differences	19	-6	4	-25	19	-10
<b>Cash and cash equivalents at end of period</b>	<b>679</b>	<b>534</b>	<b>679</b>	<b>534</b>	<b>679</b>	<b>708</b>

## Key data

	2019	2018	2018	2017	2016
<b>Moving 12 mos</b>	<b>30-Jun</b>	<b>31-Dec</b>	<b>30-Jun</b>	<b>31-Dec</b>	<b>31-Dec</b>
Net sales, SEK million	17,514	16,848	15,852	14,847	12,955
Sales growth, %	10	13	14	15	9
EBITA, SEK million	2,204	2,087	1,743	1,613	1,484
EBITA margin, %	12.6	12.4	11.0	10.9	11.5
Capital employed at end of period, SEK million <sup>2)</sup>	12,914	10,127	10,067	8,997	8,027
Capital employed, average, SEK million <sup>2)</sup>	10,989	9,839	9,142	8,444	7,491
Return on capital employed, % <sup>1)2)</sup>	20	21	19	19	20
Equity, average, SEK million	6,222	5,715	5,193	4,746	3,976
Return on equity, % <sup>1)</sup>	23	24	22	22	24
Interest-bearing net debt at end of period, SEK million	6,422	3,909	4,451	3,829	3,628
Net debt/equity ratio, %	99	63	79	74	82
Net debt/EBITDA, times	2.5	1.7	2.2	2.1	2.2
Equity ratio, %	38	44	40	41	40
Average number of employees	6,861	6,710	6,522	6,156	5,495
Number of employees at end of period	7,228	6,778	6,767	6,545	5,705
<i>Attributable to equity holders of the parent company</i>					
<i>Key ratios per share</i>					
Earnings per share before dilution, SEK	11.80	11.31	9.28	8.54	7.80
Earnings per share after dilution, SEK	11.80	11.31	9.28	8.53	7.78
Equity per share, SEK	53.62	51.34	46.32	42.64	36.58
Cash flow from operating activities per share, SEK	14.25	11.26	9.85	12.90	10.06
Average number of shares before dilution, '000	120,855	120,832	120,784	120,457	120,000
Average number of shares after dilution, '000	120,855	120,843	120,816	120,617	120,251
Number of shares at the end of the period, '000	120,855	120,855	120,855	120,799	120,000

Lease liabilities and right-of-use assets according to IFRS 16 are included in the key data as of 2019. The comparative financial information has not been restated.

<sup>1)</sup> Calculated on average capital and equity.

<sup>2)</sup> Previously called operating capital.

# Q2

## Business area performance

Net sales, SEK million	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	2018/19 Moving 12 mos	2018 Jan-Dec
Benelux	543	556	1,015	1,036	2,024	2,045
DACH	349	316	654	612	1,267	1,225
Finland	416	483	834	880	1,697	1,743
Flow Technology	965	898	1,855	1,668	3,678	3,491
Fluids & Mechanical Solutions	532	519	1,037	996	2,021	1,980
Industrial Components	883	895	1,773	1,683	3,461	3,371
Measurement & Sensor Technology	536	435	1,078	853	2,088	1,863
UK	374	301	733	581	1,335	1,183
Parent company and Group items	-11	-13	-26	-22	-57	-53
<b>Total</b>	<b>4,587</b>	<b>4,390</b>	<b>8,953</b>	<b>8,287</b>	<b>17,514</b>	<b>16,848</b>

EBITA, SEK million	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	2018/19 Moving 12 mos	2018 Jan-Dec
Benelux	67	85	128	162	272	306
DACH	33	29	62	59	129	126
Finland	51	53	94	91	216	213
Flow Technology	130	103	235	177	472	414
Fluids & Mechanical Solutions	73	70	148	135	275	262
Industrial Components	108	114	216	199	417	400
Measurement & Sensor Technology	83	73	173	138	357	322
UK	62	44	113	86	202	175
Parent company and Group items	-33	-28	-58	-53	-136	-131
<b>Total</b>	<b>574</b>	<b>543</b>	<b>1,111</b>	<b>994</b>	<b>2,204</b>	<b>2,087</b>

EBITA margin, %	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	2018/19 Moving 12 mos	2018 Jan-Dec
Benelux	12.3	15.3	12.6	15.6	13.4	15.0
DACH	9.5	9.2	9.5	9.6	10.2	10.3
Finland	12.3	11.0	11.3	10.3	12.7	12.2
Flow Technology	13.5	11.5	12.7	10.6	12.8	11.9
Fluids & Mechanical Solutions	13.7	13.5	14.3	13.6	13.6	13.2
Industrial Components	12.2	12.7	12.2	11.8	12.0	11.9
Measurement & Sensor Technology	15.5	16.8	16.0	16.2	17.1	17.3
UK	16.6	14.6	15.4	14.8	15.1	14.8
<b>Total</b>	<b>12.5</b>	<b>12.4</b>	<b>12.4</b>	<b>12.0</b>	<b>12.6</b>	<b>12.4</b>



## Business area performance per quarter

Net sales, SEK million	2019	
	Apr-Jun	Jan-Mar
Benelux	543	472
DACH	349	305
Finland	416	418
Flow Technology	965	890
Fluids & Mechanical Solutions	532	505
Industrial Components	883	890
Measurement & Sensor Technology	536	542
UK	374	359
Parent company and Group items	-11	-15
<b>Total</b>	<b>4,587</b>	<b>4,366</b>

Oct-Dec	Jul-Sep	2018	
		Apr-Jun	Jan-Mar
517	492	556	480
312	301	316	296
443	420	483	397
914	909	898	770
499	485	519	477
932	756	895	788
558	452	435	418
287	315	301	280
-16	-15	-13	-9
<b>4,446</b>	<b>4,115</b>	<b>4,390</b>	<b>3,897</b>

EBITA, SEK million	2019	
	Apr-Jun	Jan-Mar
Benelux	67	61
DACH	33	29
Finland	51	43
Flow Technology	130	105
Fluids & Mechanical Solutions	73	75
Industrial Components	108	108
Measurement & Sensor Technology	83	90
UK	62	51
Parent company and Group items	-33	-25
<b>Total</b>	<b>574</b>	<b>537</b>

Oct-Dec	Jul-Sep	2018	
		Apr-Jun	Jan-Mar
76	68	85	77
35	32	29	30
61	61	53	38
119	118	103	74
69	58	70	65
108	93	114	85
96	88	73	65
38	51	44	42
-34	-44	-28	-25
<b>568</b>	<b>525</b>	<b>543</b>	<b>451</b>

EBITA margin, %	2019	
	Apr-Jun	Jan-Mar
Benelux	12.3	12.9
DACH	9.5	9.5
Finland	12.3	10.3
Flow Technology	13.5	11.8
Fluids & Mechanical Solutions	13.7	14.9
Industrial Components	12.2	12.1
Measurement & Sensor Technology	15.5	16.6
UK	16.6	14.2
<b>Total</b>	<b>12.5</b>	<b>12.3</b>

Oct-Dec	Jul-Sep	2018	
		Apr-Jun	Jan-Mar
14.7	13.8	15.3	16.0
11.2	10.6	9.2	10.1
13.8	14.5	11.0	9.6
13.0	13.0	11.5	9.6
13.8	12.0	13.5	13.6
11.6	12.3	12.7	10.8
17.2	19.5	16.8	15.6
13.2	16.2	14.6	15.0
<b>12.8</b>	<b>12.8</b>	<b>12.4</b>	<b>11.6</b>

# Q2

## Disaggregation of revenue

### Net sales per geographic market

2019										
Apr-Jun, SEK million	Benelux	DACH	Finland	FT	FM	IC	MST	UK	Elim. <sup>1)</sup>	Total
Nordic countries	3	3	385	594	372	789	127	26	-5	2,294
Other Europe	455	333	27	315	130	79	201	306	-3	1,843
Americas	35	7	1	8	19	7	147	19	-1	242
Asia	50	6	3	45	9	8	53	20	-1	193
Other	0	0	0	3	2	0	8	3	-1	15
	<b>543</b>	<b>349</b>	<b>416</b>	<b>965</b>	<b>532</b>	<b>883</b>	<b>536</b>	<b>374</b>	<b>-11</b>	<b>4,587</b>

Timing of revenue recognition	Benelux	DACH	Finland	FT	FM	IC	MST	UK	Elim. <sup>1)</sup>	Total
Over time	11	58	0	49	0	25	40	1	-1	183
Point in time	532	291	416	916	532	858	496	373	-10	4,404
	<b>543</b>	<b>349</b>	<b>416</b>	<b>965</b>	<b>532</b>	<b>883</b>	<b>536</b>	<b>374</b>	<b>-11</b>	<b>4,587</b>

2018										
Apr-Jun, SEK million	Benelux	DACH	Finland	FT	FM	IC	MST	UK	Elim. <sup>1)</sup>	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
	<b>556</b>	<b>316</b>	<b>483</b>	<b>898</b>	<b>519</b>	<b>895</b>	<b>435</b>	<b>301</b>	<b>-13</b>	<b>4,390</b>

Timing of revenue recognition	Benelux	DACH	Finland	FT	FM	IC	MST	UK	Elim. <sup>1)</sup>	Total
Over time	19	73	0	10	0	26	46	0	-2	172
Point in time	537	243	483	888	519	869	389	301	-11	4,218
	<b>556</b>	<b>316</b>	<b>483</b>	<b>898</b>	<b>519</b>	<b>895</b>	<b>435</b>	<b>301</b>	<b>-13</b>	<b>4,390</b>

<sup>1)</sup> Parent company & Group items

FT - Flow Technology

FM - Fluids & Mechanical Solutions

IC - Industrial Components

MST - Measurement & Sensor Technology

## Disaggregation of revenue - continued

### Net sales per geographic market

<b>2019</b>										
<b>Jan-Jun, SEK million</b>	<b>Benelux</b>	<b>DACH</b>	<b>Finland</b>	<b>FT</b>	<b>FM</b>	<b>IC</b>	<b>MST</b>	<b>UK</b>	<b>Elim.<sup>1)</sup></b>	<b>Total</b>
Nordic countries	10	5	770	1,117	732	1,579	246	48	-12	4,495
Other Europe	864	623	53	621	245	165	418	605	-9	3,585
Americas	52	15	5	13	41	15	292	42	-2	473
Asia	76	9	4	97	15	12	104	31	-2	346
Other	13	2	2	7	4	2	18	7	-1	54
	<b>1,015</b>	<b>654</b>	<b>834</b>	<b>1,855</b>	<b>1,037</b>	<b>1,773</b>	<b>1,078</b>	<b>733</b>	<b>-26</b>	<b>8,953</b>
<b>Timing of revenue recognition</b>	<b>Benelux</b>	<b>DACH</b>	<b>Finland</b>	<b>FT</b>	<b>FM</b>	<b>IC</b>	<b>MST</b>	<b>UK</b>	<b>Elim.<sup>1)</sup></b>	<b>Total</b>
Over time	22	117	0	96	0	57	101	1	-2	392
Point in time	993	537	834	1,759	1,037	1,716	977	732	-24	8,561
	<b>1,015</b>	<b>654</b>	<b>834</b>	<b>1,855</b>	<b>1,037</b>	<b>1,773</b>	<b>1,078</b>	<b>733</b>	<b>-26</b>	<b>8,953</b>
<b>2018</b>										
<b>Jan-Jun, SEK million</b>	<b>Benelux</b>	<b>DACH</b>	<b>Finland</b>	<b>FT</b>	<b>FM</b>	<b>IC</b>	<b>MST</b>	<b>UK</b>	<b>Elim.<sup>1)</sup></b>	<b>Total</b>
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
	<b>1,036</b>	<b>612</b>	<b>880</b>	<b>1,668</b>	<b>996</b>	<b>1,683</b>	<b>853</b>	<b>581</b>	<b>-22</b>	<b>8,287</b>
<b>Timing of revenue recognition</b>	<b>Benelux</b>	<b>DACH</b>	<b>Finland</b>	<b>FT</b>	<b>FM</b>	<b>IC</b>	<b>MST</b>	<b>UK</b>	<b>Elim.<sup>1)</sup></b>	<b>Total</b>
Over time	34	141	0	17	0	49	91	0	-4	328
Point in time	1,002	471	880	1,651	996	1,634	762	581	-18	7,959
	<b>1,036</b>	<b>612</b>	<b>880</b>	<b>1,668</b>	<b>996</b>	<b>1,683</b>	<b>853</b>	<b>581</b>	<b>-22</b>	<b>8,287</b>

<sup>1)</sup> Parent company & Group items

FT - Flow Technology

FM - Fluids & Mechanical Solutions

IC - Industrial Components

MST - Measurement & Sensor Technology

# Q2

## Acquisitions

### Acquisitions 2019

All of the shares have been acquired in Wholesale Welding Supplies Ltd (UK), STRIHL Scandinavia AB (Sweden), Acumo AB (Sweden), QbiQ Group B.V. (Netherlands), Adam Equipment Co. Ltd (UK), Datum Electronics Ltd (UK), Starke Arvid AB (Sweden), and Färber & Schmid (Switzerland).

### Benelux

On 26 April QbiQ Group B.V. (Netherlands) was acquired, with annual sales of SEK 320 million. The company designs, develops and manufactures fireproof and sound-reduction partition wall solutions.

### DACH

On 31 May the company Färber & Schmid AG (Switzerland) was acquired, with annual sales of SEK 220 million. The company specialises in environment-friendly chemicals for the industrial wastewater treatment and surface treatment markets.

### Fluids & Mechanical solutions

On 4 March STRIHL Scandinavia AB (Sweden) was acquired, with annual sales of SEK 60 million. The company supplies LED products for outdoor lighting of roads, streets, parks and sports venues.

On 17 May Starke Arvid AB (Sweden) was acquired, with annual sales of SEK 90 million. The company develops and supplies material handling products and systems to the construction industry and the road maintenance equipment market.

### Industrial Components

On 1 April Acumo AB and Acumo Communication Solution Nordic AB (Sweden) were acquired, with combined annual sales of SEK 60 million. The companies provide automation solutions in the areas of positioning, measurement and detection.

### Measurement & Sensor Technology

On 2 May Adam Equipment Co. Ltd (UK) was acquired, with annual sales of SEK 150 million. The company develops, manufactures and sells a broad range of precision balances and scales for professional use.

On 3 May Datum Electronics Ltd (UK) was acquired, with annual sales of SEK 50 million. The company develops, produces and sells torque and shaft power measurement solutions.

### UK

On 1 March Wholesale Welding Supplies Ltd (UK) was acquired with annual sales of SEK 100 million. The company supplies equipment and training services to the industrial welding market.

### Acquired assets and liabilities in 2019

*Preliminary purchase price allocations*

#### SEK million

Purchase price, incl. contingent earn-out payment totalling SEK 330 million	1,525
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Acquired assets and liabilities	Book value	Fair value adjustment	Fair value
Goodwill	-	582	582
Agencies, trademarks, customer relations, licences, etc.	7	540	547
Property, plant and equipment	227	0	227
Financial assets	1	-	1
Inventories	191	-	191
Other current assets <sup>1)</sup>	172	-	172
Cash and cash equivalents	107	-	107
Deferred tax liability	-9	-111	-120
Provisions including pension liabilities	0	-	0
Other operating liabilities	-182	-	-182
Non-controlling interests	0	-	0
	<b>514</b>	<b>1,011</b>	<b>1,525</b>

<sup>1)</sup> 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 31 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 330 million. The contingent earn-out payments fall due for payment within four years and can amount to a maximum of SEK 344 million. If the conditions are not met, the outcome can be in the range of SEK 0–344 million.

Transaction costs for the acquisitions carried out during the period totalled SEK 6 million (1) and are included in Other income and expenses in the income statement. Contingent earn-out payments have been remeasured in the amount of SEK 15 million (3). The revenue from this remeasurement is reported under Other income and expenses in the amount of SEK 15 million (3) and under Net financial items in the amount of SEK 0 million (0).

The purchase price allocation calculations for Digitrade GmbH and Precision Parts UK Ltd, which were acquired during the second quarter of 2018, 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	1,525
Purchase price not paid out	-349
Cash and cash equivalents in acquired companies	-107
Payments pertaining to previous years' acquisitions	84
<b>Total cash flow impact</b>	<b>1,153</b>

## Effects of acquisitions carried out in 2018 and 2019

SEK million Business area	Net sales		EBITA	
	Apr-Jun	Jan-Jun	Apr-Jun	Jan-Jun
Benelux	54	68	8	11
DACH	16	16	3	3
Finland	-	-	-	-
Flow Technology	16	61	2	11
Fluids & Mechanical Solutions	22	25	4	5
Industrial Components	24	36	2	3
Measurement & Sensor Technology	91	157	14	24
UK	40	70	8	13
<b>Effect on Group</b>	<b>263</b>	<b>433</b>	<b>41</b>	<b>70</b>
Acquisitions carried out in 2018	100	258	14	40
Acquisitions carried out in 2019	163	175	27	30
<b>Effect on Group</b>	<b>263</b>	<b>433</b>	<b>41</b>	<b>70</b>

If all acquired units had been consolidated as from 1 January 2019, net sales for the period would have amounted to SEK 9,267 million, and EBITA would have totalled SEK 1,154 million

## Divestments 2019

In early February an agreement was signed on the divestment of operations in Wilhelm Sander Fertigung GmbH, Germany, with annual sales of SEK 60 million. The divestment was part of the restructuring of the Sander Meson Group that was begun in 2017.

On 10 May Rostfria VA-system i Storfors AB, with annual sales of SEK 30 million, was sold. The divestment resulted in a marginal capital gain.

On 3 June EssMed AB, Brinch AS and EssMed Oy, with combined annual sales of SEK 40 million, were sold. The divestments resulted in a capital loss of SEK 14 million.

## Acquisitions after the end of the reporting period

On 1 July Finisterra AS (Norway) was acquired, with annual sales of SEK 50 million. The company offers test and measurement instruments to customers in Norway and Sweden.

On 3 July Natgraph Ltd (UK) was acquired, with annual sales of SEK 120 million. The company designs and manufactures customised drying and curing systems for industrial print applications.

# Q2

## Share data

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

Number of shares at the beginning of the year	120,855,000
Number of newly subscribed shares	-
<b>Total number of shares outstanding after new issues</b>	<b>120,855,000</b>

### 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

## Dilutive effects

	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	2018/19 Moving 12 mos	2018 Jan-Dec
Average number of shares before dilution, '000	120,855	120,817	120,855	120,808	120,855	120,832
Number of shares that incur a dilutive effect due to incentive programme, '000	78	17	41	22	-	11
<b>Average number of shares after dilution, '000</b>	<b>120,933</b>	<b>120,834</b>	<b>120,896</b>	<b>120,830</b>	<b>120,855</b>	<b>120,843</b>
Dilutive effect, %	0.06	0.01	0.03	0.02	-	0.01
<b>Number of shares at end of the period, '000</b>	<b>120,855</b>	<b>120,855</b>	<b>120,855</b>	<b>120,855</b>	<b>120,855</b>	<b>120,855</b>

## Financial assets and liabilities

30 Jun 2019 SEK million	Interest rate swaps and currency forward contracts in hedge accounting	Amortised cost	Holdings of shares and participation in unlisted companies	Contingent earn-out payments	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Valuation classification	Level 2		Level 3	Level 3			
Other shares and participations	-	-	15	-	-	15	15
Accounts receivable	-	3,106	-	-	-	3,106	3,106
Other receivables	-	9	-	-	-	9	9
Cash and cash equivalents	-	679	-	-	-	679	679
<b>Total</b>	-	<b>3,794</b>	<b>15</b>	-	-	<b>3,809</b>	<b>3,809</b>
Non-current interest-bearing liabilities	-	-	-	299	3,918	4,217	4,217
Current interest-bearing liabilities	-	-	-	148	2,428	2,576	2,576
Accounts payable	-	-	-	-	1,298	1,298	1,298
Other liabilities	10	-	-	-	-	10	10
<b>Total</b>	<b>10</b>	-	-	<b>447</b>	<b>7,644</b>	<b>8,101</b>	<b>8,101</b>

31 Dec 2018 SEK million	Interest rate swaps and currency forward contracts in hedge accounting	Amortised cost	Holdings of shares and participation in unlisted companies	Contingent earn-out payments	Financial liabilities measured at amortised cost	Total carrying amount	Fair value
Valuation classification	Level 2		Level 3	Level 3			
Other shares and participations	-	-	14	-	-	14	14
Accounts receivable	-	2,877	-	-	-	2,877	2,877
Other receivables	1	11	-	-	-	12	12
Cash and cash equivalents	-	708	-	-	-	708	708
<b>Total</b>	<b>1</b>	<b>3,596</b>	<b>14</b>	-	-	<b>3,611</b>	<b>3,611</b>
Non-current interest-bearing liabilities	-	-	-	96	2,419	2,515	2,513
Current interest-bearing liabilities	-	-	-	119	1,687	1,806	1,806
Accounts payable	-	-	-	-	1,168	1,168	1,168
Other liabilities	4	-	-	-	-	4	4
<b>Total</b>	<b>4</b>	-	-	<b>215</b>	<b>5,274</b>	<b>5,493</b>	<b>5,491</b>

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

No transfers were made between levels 2 and 3 during the period. Contingent earn-out payments have been discounted to present value using an interest rate that is judged to be in line with the market rate at the time of acquisition. Adjustments are not made on a regular basis for changes in the market interest rate, since the effects of these are judged to be negligible.

Contingent earn-out payments SEK million	2019 30-Jun	2018 31-Dec
Opening book value	215	185
Acquisitions during the year	330	119
Consideration paid	-81	-93
Reclassified via income statement	-16	-6
Interest expenses	2	4
Exchange rate differences	-3	6
<b>Closing book value</b>	<b>447</b>	<b>215</b>

# Q2

## Parent company income statement – condensed

SEK million	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	0	0	0	0	6	6
<b>Gross profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>6</b>
Administrative expenses	-34	-27	-61	-51	-117	-107
Other operating income and expenses	0	7	0	7	0	7
<b>Operating profit</b>	<b>-34</b>	<b>-20</b>	<b>-61</b>	<b>-44</b>	<b>-111</b>	<b>-94</b>
Financial income/expenses	-3	-8	-28	-41	-27	-40
Profit from participation in Group companies	971	774	971	774	933	736
<b>Profit after financial items</b>	<b>934</b>	<b>746</b>	<b>882</b>	<b>689</b>	<b>795</b>	<b>602</b>
Appropriations	-	-	-	-	594	594
Income Tax	8	8	17	20	-106	-103
<b>Net profit for the period</b>	<b>942</b>	<b>754</b>	<b>899</b>	<b>709</b>	<b>1,283</b>	<b>1,093</b>
Amortisation/depreciation of intangible assets and property, plant and equipment	0	0	0	0	0	0

## Parent company balance sheet – condensed

SEK million	2019 30-jun	2018 30-jun	2018 31-dec
Intangible assets	0	0	0
Property, plant and equipment	1	2	2
Financial assets	5,801	5,409	5,502
Current receivables	6,103	4,793	5,227
Cash and cash equivalents	134	3	200
<b>Total assets</b>	<b>12,039</b>	<b>10,207</b>	<b>10,931</b>
Equity	5,389	4,653	5,037
Untaxed reserves	647	589	647
Non-current interest-bearing liabilities and pension liabilities	3,285	1,818	2,323
Other non-current liabilities and provisions	5	5	5
Current interest-bearing liabilities	2,673	3,037	2,669
Current non-interest-bearing liabilities	40	105	250
<b>Total equity and liabilities</b>	<b>12,039</b>	<b>10,207</b>	<b>10,931</b>



## 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.

#### Capital employed (previously called 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 capital employed (previously called operating capital)

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

# Q2

## Indutrade in brief

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

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

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

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

The Group's financial targets are that:

### Sales growth

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

### EBITA margin

- The EBITA margin shall amount to a minimum of 12% per year over a business cycle.

### Return on capital employed (previously called operating capital)

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

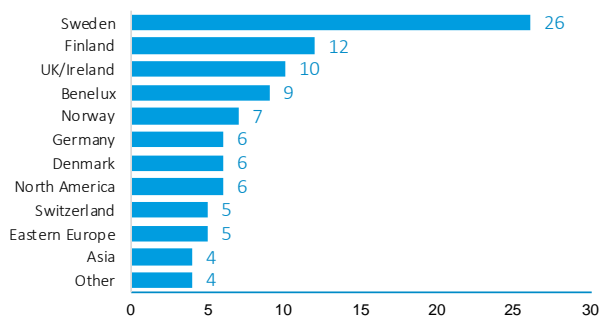
### Net debt/equity ratio

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

### Dividend payout ratio

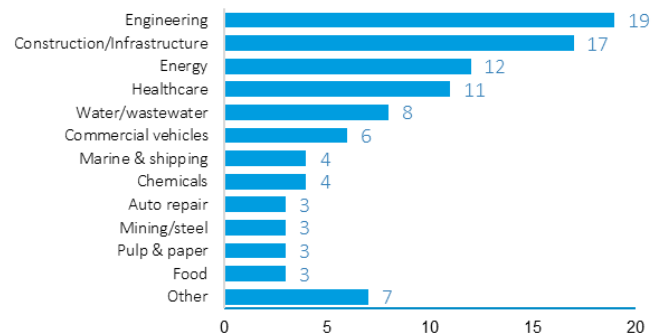
- The dividend payout ratio shall range from 30% to 60% of net profit.

Net sales per market, % <sup>1)</sup>



<sup>1)</sup>Financial year 2018

Net sales per customer segment, % <sup>1)</sup>



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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## Adam Equipment – leading provider of professional balances and scales

On 2 May Indutrade acquired the British company Adam Equipment Co. Ltd. Adam Equipment develops, manufactures and sells a broad range of precision balances and scales for professional use. The company was founded in 1972 and offers an extensive portfolio of scales with varying degrees of precision and for various application areas.

Adam Equipment has customers worldwide in a wide range of segments, including research, healthcare, education, industry and retailing. Its broad product range consists of in-house developed balances and scales that are often customised for specific end markets and application areas.

Adam Equipment has 180 employees and annual sales of approximately GBP 12 million.



## Indutrade's 2019 Annual General Meeting

Indutrade's Annual General Meeting (AGM) was held on 9 May 2019 in Stockholm. The AGM adopted the Board's proposed dividend of SEK 4.50 per share for the 2018 financial year.

Bo Annvik, Susanna Campbell, Anders Jernhall, Bengt Kjell, Ulf Lundahl, Katarina Martinson, Krister Mellvé and Lars Pettersson were re-elected as directors. Katarina Martinson was re-elected as Chairman of the Board.

Further information about the AGM is available at [www.indutrade.com](http://www.indutrade.com)



## Färber & Schmid – specialist in environment-friendly chemicals

In May Indutrade acquired the Swiss company Färber & Schmid AG, a company specialising in environment-friendly chemicals for the industrial wastewater treatment and surface treatment markets. The products are based on environment friendly chemicals, most of which are mixed according to own recipes for wastewater treatment and special cleaning chemicals.

With innovative solutions and custom-made products adapted to the customers' specific needs and wastewater treatment requirements, the company strives to spare and conserve resources to the utmost, both economically and environmentally.

Färber & Schmid has 22 employees and annual sales of approximately CHF 23 million.

