

# Interim report third quarter

1 January – 30 September 2019

## Third quarter 2019

- Order intake rose 13% to SEK 4,638 million (4,106). The increase for comparable units was 5%.
- Net sales rose 12% to SEK 4,595 million (4,115). The increase for comparable units was 3%.
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) rose 12% to SEK 588 million (525), corresponding to an EBITA margin of 12.8% (12.8%).
- Profit for the quarter rose 8% to SEK 369 million (342), and earnings per share were SEK 3.05 (2.83).
- Cash flow from operating activities totalled SEK 534 million (472).

## 1 January – 30 September 2019

- Order intake rose 10% to SEK 13,901 million (12,670). The increase for comparable units was 3%.
- Net sales rose 9% to SEK 13,548 million (12,402). The increase for comparable units was 3%.
- Operating profit before amortisation of intangible non-current assets attributable to acquisitions (EBITA) rose 12% to SEK 1,699 million (1,519), corresponding to an EBITA margin of 12.5% (12.2%).
- Profit for the period rose 9% to SEK 1,084 million (999), and earnings per share were SEK 8.97 (8.26).
- Cash flow from operating activities totalled SEK 1,190 million (766).

## Financial Development

SEK million	2019 Jul-Sep	2018 Jul-Sep	Change	2019 Jan-Sep	2018 Jan-Sep	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Order intake	4,638	4,106	13%	13,901	12,670	10%	18,304	17,073
Net sales	4,595	4,115	12%	13,548	12,402	9%	17,994	16,848
Operating profit	505	459	10%	1,470	1,325	11%	1,970	1,825
EBITA	588	525	12%	1,699	1,519	12%	2,267	2,087
EBITA margin, %	12.8	12.8		12.5	12.2		12.6	12.4
Profit before taxes	472	438	8%	1,383	1,266	9%	1,867	1,750
Net profit	369	342	8%	1,084	999	9%	1,453	1,368
Earnings per share before dilution, SEK	3.05	2.83	8%	8.97	8.26	9%	12.02	11.31
Return on capital employed, % <sup>1)</sup>	19	19		19	19		19	21
Cash flow from operating activities	534	472	13%	1,190	766	55%	1,784	1,360
Net debt/equity ratio, %	91	73		91	73		91	63

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



# Q3

## CEO's message

*Stable level of earnings and continued high pace of acquisitions.*

### Third quarter

The market situation was stable, and demand in general remained at a good level. However, the variation in demand between companies and segments increased during the quarter, and demand overall flattened out.

Order intake grew by 13% during the quarter, of which 5% was organic. Performance in the Benelux business area was especially positive, driven by improved order intake for valves for power generation. Despite a dampening of demand from Germany, the DACH business area also showed strong organic order development, mainly driven by demand from the chemical and pharmaceutical industry in Switzerland.

Sales increased by 12%, of which 3% was organic. Sales grew organically in seven of our eight business areas, with the strongest growth in the DACH and Industrial Components business areas.

The continued uncertainty surrounding Brexit has impeded business opportunities for our British companies, and the UK business area was negatively affected to a greater extent than earlier in the year. We are seeing a reduced willingness to invest and greater variation among the various companies and sectors, and as a result of this the business area's sales and margin decreased somewhat during the quarter. Profitability remained at a favourable level.

EBITA improved by 12% to SEK 588 million (525), corresponding to an EBITA margin of 12.8% (12.8%). The Finland and Fluids & Mechanical Solutions business areas reported the strongest margin improvements compared with a year ago. In Finland the improvement was mainly a result of cost efficiency measures and positive effects of the extraordinary divestments. In the Fluids & Mechanical Solutions business area, good organic development for a number of companies contributed, especially in the vehicle aftermarket segment.

### Acquisitions

Acquisition activity remained high, and we closed four acquisitions during the third quarter. After the end of the quarter we also acquired Uniska, a specialist supplier of glass partition systems to customers in the Swiss market, and the Dutch niche manufacturer Leiderdorp Instruments, which develops and produces sensors for geotechnical measurement solutions.



In total this year we have acquired 14 companies with combined annual sales of approximately SEK 1.5 billion. Our decentralised structure with the subsidiaries having local earnings and business responsibility is attractive for entrepreneurs who are considering selling their companies, and we see continued good opportunities for future acquisitions.

### Outlook

Demand is still favourable, but is flattening out and varies among the companies. Uncertainty about the macroeconomic development is growing, but our diversified structure with agile companies that work near their customers makes us well-prepared for changes in the market situation. We are convinced that our business model of developing and acquiring small and medium-sized entrepreneur-led companies will continue to be successful. We have a stable platform that gives us favourable prospects for continued sustainable, profitable growth going forward.

Bo Annvik, President and CEO

## Group performance

### Order intake

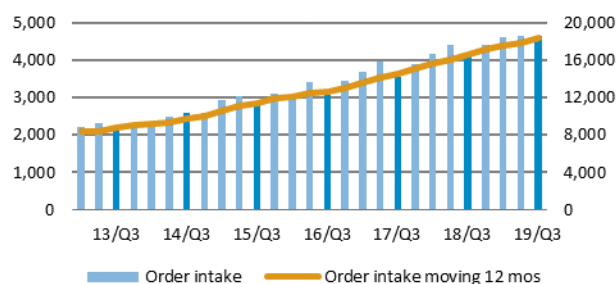
Demand remained stable during the third quarter. Order intake exceeded invoicing by 1% and totalled SEK 4,638 million (4,106), an increase of 13%. For comparable units, order intake increased by 5%, acquired growth was 8%, and divestments affected order intake by -2%. Currency movements had a positive effect on order intake of 2%. Growth during the quarter was positively affected to a slight extent by a larger number of working days compared with the same period a year ago.

The most positive organic performance was in the Benelux and DACH business areas. The favourable development in the Benelux business area is attributable to higher order intake for valves for power generation, while in the DACH business area it can be mainly credited to strong demand from the Swiss process industry. The weakest order intake was noted for the Measurement & Sensor Technology business area – mainly owing to strong comparables a year ago, when several large orders were booked.

Order intake during the period January–September amounted to SEK 13,901 million (12,670), an increase of 10%. The increase for comparable units was 3%, acquisitions contributed 6%, the effect of divestments was -2%, and currency movements had a positive effect on order intake of 3%.

### Order intake

SEK million



### Net sales

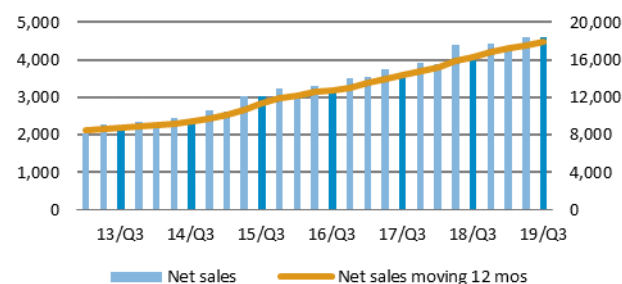
Net sales rose 12% to SEK 4,595 million (4,115). The increase for comparable units was 3%, acquisitions contributed 9%, the effect of divestments was -2%, and currency movements had a positive effect on net sales of 2%. Growth during the quarter was positively affected to a slight extent by a larger number of working days compared with the same period a year ago.

Seven of the Group's eight business areas showed growth in organic sales during the quarter. DACH and Industrial Components had the strongest performance. Growth for the DACH business area was driven primarily by demand from the Swiss process industry, while in Industrial Components it was derived from companies in the medical technology segment. The Benelux business area posted a decrease in organic net sales during the quarter owing to lower invoicing for valves for power generation, where order intake was low in the preceding year.

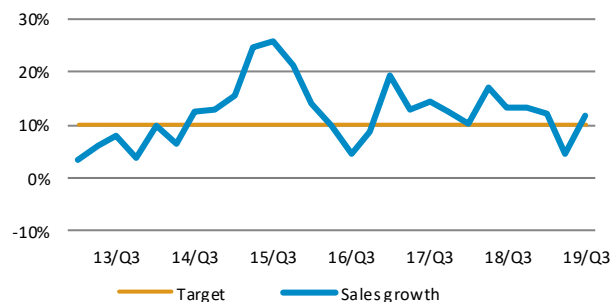
Net sales during the period January–September rose 9% to SEK 13,548 million (12,402). The increase for comparable units was 3%, acquisitions contributed 6%, the effect of divestments was -2%, and currency movements had a positive effect on net sales of 2%.

### Net Sales

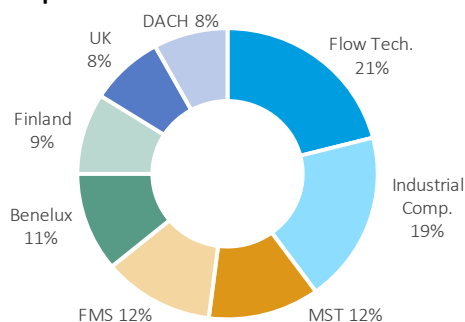
SEK million



### Sales growth



### Net Sales per Business Area



# Q3

## Earnings

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 588 million (525) for the third quarter, an improvement of 12%. The increase for comparable units was 1%, acquisitions contributed 8%, the effect of divestments was 1%, and currency movements had a positive effect on operating profit of 2%. The EBITA margin was stable at 12.8% (12.8%).

The gross margin for the Group was stable during the third quarter at 33.9% (34.1%). For the period January – September the gross margin was 34.1% (34.1%).

The Finland and Fluids & Mechanical Solutions business areas posted the largest improvements in the EBITA margin. The margin improvements were driven partly by favourable organic performance among the business areas' companies and partly by completed divestments. The weakest EBITA margin performance was noted by Measurement & Sensor Technology, mainly owing to high comparables a year ago. Profitability in the business area remained at a good level.

Net financial items for the third quarter amounted to SEK -33 million (-21). The worsening is mainly due to higher interest expenses in connection with the adoption of IFRS 16, but also to the higher level of debt. Tax on profit for the quarter was SEK -103 million (-96), corresponding to a tax charge of 22% (22%).

Profit for the quarter grew 8% to SEK 369 million (342). Earnings per share before dilution increased by 8% to SEK 3.05 (2.83).

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 1,699 million (1,519) for the period January–September, an increase of 12%. The increase for comparable units was 3%, acquisitions contributed 7%, and currency movements had a positive effect of 2%. Divestments had a marginal effect. The EBITA margin increased to 12.5% (12.2%).

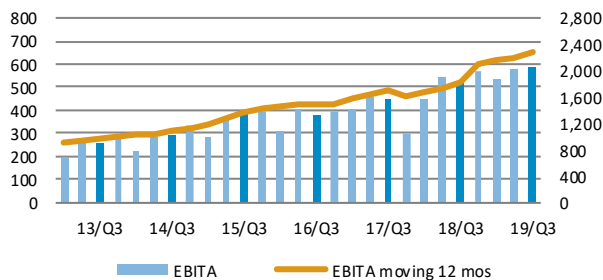
Net financial items for the period January–September amounted to SEK -87 million (-59). Tax on profit for the period was SEK -299 million (-267), corresponding to a tax charge of 22% (21%). Profit for the period rose 9% to SEK 1,084 million (999). Earnings per share before dilution increased by 9% to SEK 8.97 (8.26).

## Return

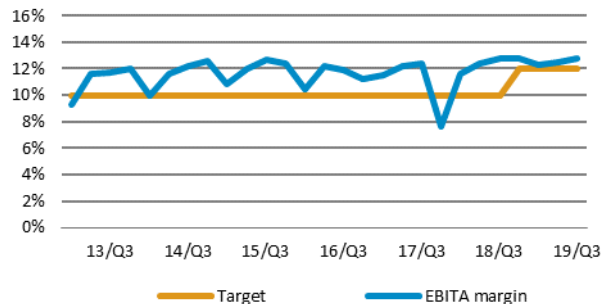
The return on capital employed (previously called operating capital) was in line with the preceding year at 19% (19%). Adoption of IFRS 16 had a negative effect of approximately one percentage point. The return on equity was 22% (21%).

### EBITA

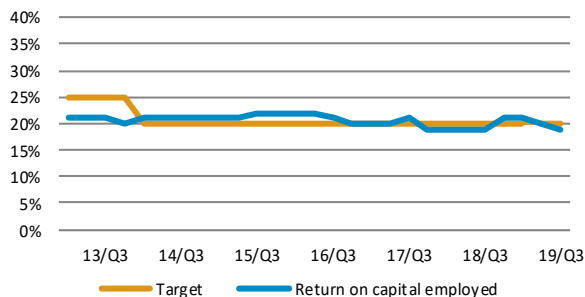
SEK million



### EBITA margin

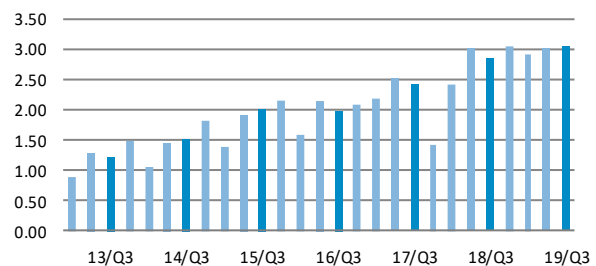


### Return



### Earnings per share

SEK



## 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 Jul-Sep	2018 Jul-Sep	Change	2019 Jan-Sep	2018 Jan-Sep	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	569	492	16%	1,584	1,528	4%	2,101	2,045
EBITA	71	68	4%	199	230	-13%	275	306
EBITA margin, %	12.5	13.8		12.6	15.1		13.1	15.0

Net sales increased by 16% during the third quarter to SEK 569 million (492). For comparable units, net sales decreased by -3%, acquisitions contributed 17%, and currency movements had a positive effect of 2%.

Demand during the quarter was down slightly for several of the business area's companies. However, demand for valves for power generation increased, which contributed to order intake during the quarter outpacing invoicing by 8%. The decrease in net sales for comparable units is mainly explained by the previously weak order intake for valves for power generation.

EBITA for the quarter increased by 4% to SEK 71 million (68), corresponding to an EBITA margin of 12.5% (13.8%). For comparable units, EBITA decreased by -8%, acquisitions contributed 9%, and currency movements had a positive effect of 3%.

The weak organic EBITA performance is mainly due to the weaker net sales.

### 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 Jul-Sep	2018 Jul-Sep	Change	2019 Jan-Sep	2018 Jan-Sep	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	375	301	25%	1,029	913	13%	1,341	1,225
EBITA	36	32	13%	98	91	8%	133	126
EBITA margin, %	9.6	10.6		9.5	10.0		9.9	10.3

Net sales increased by 25% during the quarter to SEK 375 million (301). For comparable units, net sales increased by 7%, acquisitions contributed 12% and currency movements had a positive effect of 6%. Divestments had a marginal effect.

Demand related to construction projects in the Swiss process industry remained strong during the quarter, while demand was down somewhat in Germany.

Order intake was 8% higher than invoicing.

EBITA for the quarter increased by 13% to SEK 36 million (32), and the EBITA margin was 9.6% (10.6%). For comparable units, EBITA decreased by -11%, acquisitions contributed 17%, divestments had a positive effect of 2%, and currency movements had a positive effect of 5%.

As in the first half of the year, the negative organic change in EBITA was attributable to a couple of specific companies with weaker performance.

# Q3

## 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 Jul-Sep	2018 Jul-Sep	Change	2019 Jan-Sep	2018 Jan-Sep	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	419	420	0%	1,253	1,300	-4%	1,696	1,743
EBITA	68	61	11%	162	152	7%	223	213
EBITA margin, %	16.2	14.5		12.9	11.7		13.1	12.2

Net sales were unchanged during the quarter compared with the preceding year and amounted to SEK 419 million (420). For comparable units, net sales increased by 2%, currency movements had a positive effect of 2%, and divestments had a negative effect of -4%.

Demand remained stable during the quarter. Order intake was 7% lower than invoicing during the quarter, mainly owing to fewer large projects.

EBITA for the quarter increased by 11% to SEK 68 million (61), the EBITA margin increased and was 16.2% (14.5%). For comparable units, EBITA increased by 11%, and currency movements had a positive effect of 2%. Divestments had a negative effect on EBITA of -2%.

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

## 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 Jul-Sep	2018 Jul-Sep	Change	2019 Jan-Sep	2018 Jan-Sep	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	946	909	4%	2,801	2,577	9%	3,715	3,491
EBITA	122	118	3%	357	295	21%	476	414
EBITA margin, %	12.9	13.0		12.7	11.4		12.8	11.9

Net sales increased by 4% during the quarter to SEK 946 million (909). For comparable units, net sales increased by 2%, acquisitions contributed 2%, and divestments had a negative effect of -1%. Currency movements had a positive effect of 1%.

Demand remained favourable for many of the business area's companies, for example in the marine segment.

Order intake was 2% higher than invoicing during the quarter.

EBITA for the quarter increased by 3% to SEK 122 million (118), corresponding to an EBITA margin of 12.9% (13.0%). For comparable units, EBITA decreased by -1%, acquisitions made a positive contribution of 2%, divestments had a positive effect of 2%, and currency movements had a marginal effect.

The slightly weaker EBITA margin is partly attributable to acquisition-related non-recurring costs and weaker performance for a few specific companies.

## 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	2018	Change	2019	2018	Change	2018/19	2018
	Jul-Sep	Jul-Sep		Jan-Sep	Jan-Sep		Moving 12 mos	Jan-Dec
Net sales	501	485	3%	1,538	1,481	4%	2,037	1,980
EBITA	67	58	16%	215	193	11%	284	262
EBITA margin, %	13.4	12.0		14.0	13.0		13.9	13.2

Net sales increased by 3% during the quarter to SEK 501 million (485). For comparable units, net sales increased by 2%, acquisitions contributed 6% and divestments had a negative effect of -6%. Currency movements had a positive effect on net sales of 1%.

The market situation remained stable during the quarter, with positive development of net sales for most of the business area's companies except for those in the industry segment and in the Baltic countries.

Order intake was 2% lower than invoicing during the quarter.

EBITA increased by 16% during the quarter to SEK 67 million (58), and the EBITA margin was 13.4% (12.0%). For comparable units, EBITA increased by 7%, acquisitions contributed 10% and divestments had a negative effect of -2%. Currency movements had a positive effect of 1%.

The positive development of the EBITA margin is mainly attributable to the automotive aftermarket segment and to completed acquisitions and divestments.

## 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	2018	Change	2019	2018	Change	2018/19	2018
	Jul-Sep	Jul-Sep		Jan-Sep	Jan-Sep		Moving 12 mos	Jan-Dec
Net sales	823	756	9%	2,596	2,439	6%	3,528	3,371
EBITA	101	93	9%	317	292	9%	425	400
EBITA margin, %	12.3	12.3		12.2	12.0		12.0	11.9

Net sales increased by 9% during the quarter to SEK 823 million (756). For comparable units, net sales increased by 7%, acquisitions made a positive contribution of 3% and divestments had a negative effect of -1%. Currency movements had a marginal effect.

Demand during the quarter remained good in most of the business area's companies, with the medical technology segment showing the strongest performance.

Order intake was 1% lower than invoicing.

EBITA increased by 9% during the quarter to SEK 101 million (93), and the EBITA margin was 12.3% (12.3%). For comparable units, EBITA increased by 3%, acquisitions made a positive contribution of 4% and divestments had a positive effect of 2%. Currency movements had a marginal effect.

The slightly weaker organic earnings performance during the quarter was largely due to a less favourable mix than in the preceding year.

# Q3

## 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 Jul-Sep	2018 Jul-Sep	Change	2019 Jan-Sep	2018 Jan-Sep	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	584	452	29%	1,662	1,305	27%	2,220	1,863
EBITA	98	88	11%	271	226	20%	367	322
EBITA margin, %	16.8	19.5		16.3	17.3		16.5	17.3

Net sales increased by 29% during the quarter to SEK 584 million (452). For comparable units, net sales increased by 6%, acquisitions contributed 21%, and currency movements had a positive effect of 2%.

Demand remained stable during the quarter, but with lower order intake than a year ago, when several large orders were registered.

However, during the quarter order intake was 1% higher than invoicing.

EBITA increased by 11% during the quarter to SEK 98 million (88), and the EBITA margin was 16.8% (19.5%). For comparable units, EBITA decreased by -4%, acquisitions contributed 14%, and currency movements had a positive effect of 1%.

The decrease in the EBITA margin is partly attributable to high comparables in the preceding year and partly to slightly lower margins in newly acquired 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 Jul-Sep	2018 Jul-Sep	Change	2019 Jan-Sep	2018 Jan-Sep	Change	2018/19 Moving 12 mos	2018 Jan-Dec
Net sales	387	315	23%	1,120	896	25%	1,407	1,183
EBITA	59	51	16%	172	137	26%	210	175
EBITA margin, %	15.2	16.2		15.4	15.3		14.9	14.8

Net sales increased by 23% during the quarter to SEK 387 million (315). For comparable units, net sales increased by 2%, acquisitions contributed 19%, and currency movements had a positive effect of 2%.

Demand remained favourable for most companies during the quarter, but growth subsided and the variation among the companies increased, partly driven by the uncertainty surrounding Brexit.

Order intake was 2% lower than invoicing during the quarter.

EBITA increased by 16% during the quarter to SEK 59 million (51), and the EBITA margin was 15.2% (16.2%). For comparable units, EBITA decreased by -1%, acquisitions contributed 16%, and currency movements had a positive effect of 1%.

The slightly weaker EBITA margin is largely attributable to strong comparables in the preceding year and a less favourable product mix.



## Other financial information

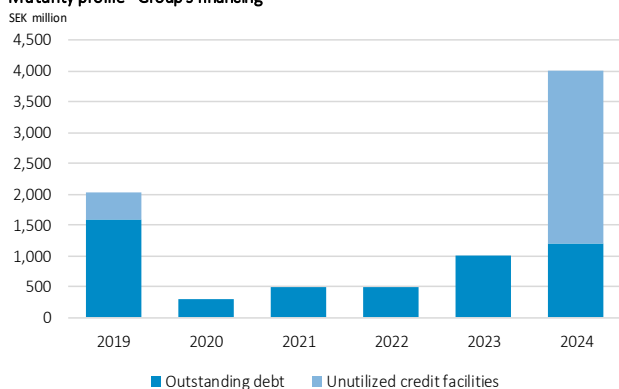
### Financial position

To secure its long-term financing, during the year Indutrade signed an agreement for a new revolving credit facility. The new facility is for SEK 3,500 million and has a term of five years.

Shareholders' equity amounted to SEK 6,939 million (5,906), and the equity ratio was 39% (42%). Cash and cash equivalents amounted to SEK 700 million (531). In addition to this, the Group had unutilised credit promises of SEK 3,246 million (2,699). Interest-bearing net debt decreased compared with the second quarter and was SEK 6,342 million at the end of the period (4,324). The increase compared with a year ago is due, in part, to adoption of IFRS 16, which has resulted in an increase in recognised liabilities by SEK 909 million. The remaining increase in net debt is attributable to higher borrowing to finance completed acquisitions.

The net debt/equity ratio was 91% at end of the period (73%). Excluding the change due to IFRS 16, the net debt/equity ratio was 78%.

**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.

### Cash flow, capital expenditures and depreciation

Cash flow from operating activities increased to SEK 534 million (472) during the third quarter. Cash flow after net capital expenditures in intangible non-current assets and in property, plant and equipment, excluding company acquisitions, was SEK 458 million (403).

Working capital remained at a slightly high level, mainly owing to inventory build-up in the preceding year to ensure delivery service and availability.

Cash flow from operating activities was SEK 1,190 million (766) during the interim 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 930 million (557).

The Group's net capital expenditures, excluding company acquisitions, totalled SEK 260 million (209). Depreciation of property, plant and equipment totalled SEK 405 million (171). Investments in company acquisitions amounted to SEK 1,303 million (472). In addition, earn-out payments for previous years' acquisitions totalled SEK 85 million (94). Divestments amounted to SEK 25 million (65).

### Employees

The number of employees was 7,388 at the end of the period, compared with 6,778 at the start of the year.

### Company acquisitions

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

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 AB	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
July	Finisterra AS	Industrial Components	50	8
July	Natgraph Ltd	UK	120	67
July	Sensor Groep B.V.	Benelux	90	32
September	Finkova Oy	Flow Technology	90	12
<b>Total</b>			<b>1,400</b>	<b>532</b>

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

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

# Q3

## Events after the end of the reporting period

On 1 October Uniska AG was acquired, and on 8 October Leiderdorp Instruments B.V. was acquired. For further information, see page 22.

## 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 year to date the Parent Company has acquired shares in three companies. 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 18 (14).

## Risks and uncertainties

The Indutrade Group conducts business through more than 200 companies in some 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 reported instead of leasing costs.

Indutrade has reported the transition using the simplified method, which does not 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, and therefore lease payments for e.g., service contracts with non-identifiable assets are recognised directly in 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 under property, plant and equipment, by SEK 807 million; an increase in lease liabilities, reported as current and noncurrent 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.

As a result of adoption of IFRS 16, during the period January–September 2019 depreciation of property, plant and equipment increased by approximately SEK 210 million, and interest expenses increased by approximately SEK 15 million. Previously these items were recognised as external operating expenses.

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.

## 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 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 (Chairwoman of the Board of Indutrade), Henrik Didner (Didner & Gerge Funds), Dick Bergqvist (AMF Insurance and AMF Funds), and Bo Selling (Alecta Pension Insurance).

Information on how to contact the Nomination Committee is provided on Indutrade's website: [www.indutrade.com](http://www.indutrade.com)

## Financial Calendar

- 5 February 2020:  
Year-end report 1 January–31 December 2019
- 27 April 2020:  
Interim report 1 January – 31 March 2020
- 6 May 2020:  
Annual General Meeting, which will be held in Stockholm
- 17 July 2020:  
Interim report 1 January – 30 June 2020
- 20 October 2020:  
Interim report 1 January – 30 September 2020

Stockholm 25 October 2019  
Indutrade AB (publ)

Bo Annvik  
President and CEO

### Note

The information in this report is such that Indutrade AB is obligated to make public in accordance with the EU Market Abuse Act and Swedish Securities Market Act. The information was submitted for publication by the agency of the following contact persons at 7.30 a.m. (CET) on 25 October 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, Vice President Communications, Sustainability and IR, tel.: +46 70 930 93 24.

### This report will be commented upon as follows:

The report will be presented via a webcast at 10.30 a.m. (CET) on 25 October via the following link:  
<https://event.on24.com/wcc/r/2109863/08AB1E6B9FC4ABABEDB1165E8E7AE506>

To participate in conference call and ask questions, call:  
SE: +46 8 505 583 53  
UK: +44 333 300 92 73  
USA: +1 6 467 224 903

# Q3

## 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 2019, 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, 25 October 2019  
PricewaterhouseCoopers AB

Michael Bengtsson  
Authorised Public Accountant  
Auditor in Charge

## Indutrade consolidated income statement – condensed

SEK million	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018/2019 Moving 12 mos	2018 Jan-Dec
Net sales	4,595	4,115	13,548	12,402	17,994	16,848
Cost of goods sold	-3,039	-2,712	-8,924	-8,175	-11,848	-11,099
<b>Gross profit</b>	<b>1,556</b>	<b>1,403</b>	<b>4,624</b>	<b>4,227</b>	<b>6,146</b>	<b>5,749</b>
Development costs	-52	-48	-162	-148	-218	-204
Selling costs	-721	-640	-2,183	-1,999	-2,921	-2,737
Administrative expenses	-281	-243	-824	-740	-1,075	-991
Other operating income and expenses	3	-13	15	-15	38	8
<b>Operating profit</b>	<b>505</b>	<b>459</b>	<b>1,470</b>	<b>1,325</b>	<b>1,970</b>	<b>1,825</b>
Net financial items	-33	-21	-87	-59	-103	-75
<b>Profit before taxes</b>	<b>472</b>	<b>438</b>	<b>1,383</b>	<b>1,266</b>	<b>1,867</b>	<b>1,750</b>
Income Tax	-103	-96	-299	-267	-414	-382
<b>Net profit for the period</b>	<b>369</b>	<b>342</b>	<b>1,084</b>	<b>999</b>	<b>1,453</b>	<b>1,368</b>
<i>Net profit, attributable to:</i>						
Equity holders of the parent company	369	342	1,084	998	1,453	1,367
Non-controlling interests	0	0	0	1	0	1
	<b>369</b>	<b>342</b>	<b>1,084</b>	<b>999</b>	<b>1,453</b>	<b>1,368</b>
<b>EBITA</b>	<b>588</b>	<b>525</b>	<b>1,699</b>	<b>1,519</b>	<b>2,267</b>	<b>2,087</b>
<i>Operating profit includes:</i>						
Amortisation of intangible assets <sup>1)</sup>	-91	-75	-253	-219	-329	-295
<i>of which attributable to acquisitions</i>	-83	-66	-229	-194	-297	-262
Depreciation of property, plant and equipment	-143	-59	-405	-171	-463	-229
Earnings per share before dilution, SEK	3.05	2.83	8.97	8.26	12.02	11.31
Earnings per share after dilution, SEK	3.05	2.83	8.97	8.26	12.02	11.31

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

## Indutrade consolidated statement of comprehensive income

SEK million	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018/19 Moving 12 mos	2018 Jan-Dec
<b>Net profit for the period</b>	<b>369</b>	<b>342</b>	<b>1,084</b>	<b>999</b>	<b>1,453</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	1	2	-6	-3	-6	-3
Tax attributable to fair value adjustments	0	0	1	1	1	1
Exchange rate differences	77	-54	217	187	164	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>78</b>	<b>-52</b>	<b>212</b>	<b>185</b>	<b>161</b>	<b>134</b>
<b>Total comprehensive income for the period</b>	<b>447</b>	<b>290</b>	<b>1,296</b>	<b>1,184</b>	<b>1,614</b>	<b>1,502</b>
<i>Total comprehensive income, attributable to:</i>						
Equity holders of the parent company	447	290	1,296	1,183	1,614	1,501
Non-controlling interests	0	0	0	1	0	1

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## Indutrade consolidated balance sheet – condensed

SEK million	2019 30-Sep	2018 30-Sep	2018 31-Dec
Goodwill	3,984	3,156	3,170
Other intangible assets	2,702	2,204	2,169
Property, plant and equipment	2,963	1,707	1,736
Financial assets	168	140	158
Inventories	3,394	2,832	2,834
Accounts receivable, trade	3,165	2,956	2,877
Other receivables	670	618	418
Cash and cash equivalents	700	531	708
<b>Total assets</b>	<b>17,746</b>	<b>14,144</b>	<b>14,070</b>
Equity	6,939	5,906	6,218
Non-current interest-bearing liabilities and pension liabilities	4,603	2,333	2,811
Other non-current liabilities and provisions	737	611	619
Current interest-bearing liabilities	2,439	2,522	1,806
Accounts payable, trade	1,295	1,205	1,168
Other current liabilities	1,733	1,567	1,448
<b>Total equity and liabilities</b>	<b>17,746</b>	<b>14,144</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-Sep	2018 30-Sep	2018 31-Dec
Opening equity	6,205	5,151	5,151
Total comprehensive income for the period	1,296	1,183	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>6,927</b>	<b>5,888</b>	<b>6,205</b>

<sup>1)</sup> Dividend per share for 2018 (2017) was SEK 4.50 (3.75)

### Equity, attributable to:

Equity holders of the parent company	6,927	5,888	6,205
Non-controlling interests	12	18	13
	<b>6,939</b>	<b>5,906</b>	<b>6,218</b>

## Indutrade consolidated cash flow statement – condensed

SEK million	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018/19 Moving 12 mos	2018 Jan-Dec
Operating profit	505	459	1,470	1,325	1,970	1,825
Non-cash items	231	154	650	397	798	545
Interests and other financial items, net	-29	-21	-92	-84	-105	-97
Paid tax	-109	-90	-383	-328	-507	-452
Change in working capital	-64	-30	-455	-544	-372	-461
<b>Cash flow from operating activities</b>	<b>534</b>	<b>472</b>	<b>1,190</b>	<b>766</b>	<b>1,784</b>	<b>1,360</b>
Net capital expenditures in non-current assets	-76	-69	-260	-209	-350	-299
Company acquisitions and divestments	-237	-173	-1,363	-501	-1,448	-586
Change in other financial assets	1	1	0	3	-3	0
<b>Cash flow from investing activities</b>	<b>-312</b>	<b>-241</b>	<b>-1,623</b>	<b>-707</b>	<b>-1,801</b>	<b>-885</b>
Debt/repayment of debt, net	-176	-248	990	465	750	225
Dividend paid out	-	-	-544	-453	-544	-453
New issues	-	-	-	7	-	7
<b>Cash flow from financial activities</b>	<b>-176</b>	<b>-248</b>	<b>446</b>	<b>19</b>	<b>206</b>	<b>-221</b>
<b>Cash flow for the period</b>	<b>46</b>	<b>-17</b>	<b>13</b>	<b>78</b>	<b>189</b>	<b>254</b>
Cash and cash equivalents at start of period	679	534	708	464	531	464
Exchange rate differences	-25	14	-21	-11	-20	-10
<b>Cash and cash equivalents at end of period</b>	<b>700</b>	<b>531</b>	<b>700</b>	<b>531</b>	<b>700</b>	<b>708</b>

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## Key data

<b>Moving 12 mos</b>	<b>2019 30-Sep</b>	<b>2018 31-Dec</b>	<b>2018 30-Sep</b>	<b>2017 31-Dec</b>	<b>2016 31-Dec</b>
Net sales, SEK million	17,994	16,848	16,334	14,847	12,955
Sales growth, %	10	13	13	15	9
EBITA, SEK million	2,267	2,087	1,818	1,613	1,484
EBITA margin, %	12.6	12.4	11.1	10.9	11.5
Capital employed at end of period, SEK million <sup>2)</sup>	13,281	10,127	10,230	8,997	8,027
Capital employed, average, SEK million <sup>2)</sup>	11,711	9,839	9,505	8,444	7,491
Return on capital employed, % <sup>1) 2)</sup>	19	21	19	19	20
Equity, average, SEK million	6,469	5,715	5,454	4,746	3,976
Return on equity, % <sup>1)</sup>	22	24	21	22	24
Interest-bearing net debt at end of period, SEK million	6,342	3,909	4,324	3,829	3,628
Net debt/equity ratio, %	91	63	73	74	82
Net debt/EBITDA, times	2.3	1.7	2.1	2.1	2.2
Equity ratio, %	39	44	42	41	40
Average number of employees	7,019	6,710	6,633	6,156	5,495
Number of employees at end of period	7,388	6,778	6,728	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	12.02	11.31	9.68	8.54	7.80
Earnings per share after dilution, SEK	12.02	11.31	9.68	8.53	7.78
Equity per share, SEK	57.32	51.34	48.72	42.64	36.58
Cash flow from operating activities per share, SEK	14.76	11.26	10.59	12.90	10.06
Average number of shares before dilution, '000	120,855	120,832	120,812	120,457	120,000
Average number of shares after dilution, '000	120,882	120,843	120,832	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.



## Business area performance

	2019	2018	2019	2018	2018/19	2018
<b>Net sales, SEK million</b>	<b>Jul-Sep</b>	<b>Jul-Sep</b>	<b>Jan-Sep</b>	<b>Jan-Sep</b>	<b>Moving 12 mos</b>	<b>Jan-Dec</b>
Benelux	569	492	1,584	1,528	2,101	2,045
DACH	375	301	1,029	913	1,341	1,225
Finland	419	420	1,253	1,300	1,696	1,743
Flow Technology	946	909	2,801	2,577	3,715	3,491
Fluids & Mechanical Solutions	501	485	1,538	1,481	2,037	1,980
Industrial Components	823	756	2,596	2,439	3,528	3,371
Measurement & Sensor Technology	584	452	1,662	1,305	2,220	1,863
UK	387	315	1,120	896	1,407	1,183
Parent company and Group items	-9	-15	-35	-37	-51	-53
<b>Total</b>	<b>4,595</b>	<b>4,115</b>	<b>13,548</b>	<b>12,402</b>	<b>17,994</b>	<b>16,848</b>
	2019	2018	2019	2018	2018/19	2018
<b>EBITA, SEK million</b>	<b>Jul-Sep</b>	<b>Jul-Sep</b>	<b>Jan-Sep</b>	<b>Jan-Sep</b>	<b>Moving 12 mos</b>	<b>Jan-Dec</b>
Benelux	71	68	199	230	275	306
DACH	36	32	98	91	133	126
Finland	68	61	162	152	223	213
Flow Technology	122	118	357	295	476	414
Fluids & Mechanical Solutions	67	58	215	193	284	262
Industrial Components	101	93	317	292	425	400
Measurement & Sensor Technology	98	88	271	226	367	322
UK	59	51	172	137	210	175
Parent company and Group items	-34	-44	-92	-97	-126	-131
<b>Total</b>	<b>588</b>	<b>525</b>	<b>1,699</b>	<b>1,519</b>	<b>2,267</b>	<b>2,087</b>
	2019	2018	2019	2018	2018/19	2018
<b>EBITA margin, %</b>	<b>Jul-Sep</b>	<b>Jul-Sep</b>	<b>Jan-Sep</b>	<b>Jan-Sep</b>	<b>Moving 12 mos</b>	<b>Jan-Dec</b>
Benelux	12.5	13.8	12.6	15.1	13.1	15.0
DACH	9.6	10.6	9.5	10.0	9.9	10.3
Finland	16.2	14.5	12.9	11.7	13.1	12.2
Flow Technology	12.9	13.0	12.7	11.4	12.8	11.9
Fluids & Mechanical Solutions	13.4	12.0	14.0	13.0	13.9	13.2
Industrial Components	12.3	12.3	12.2	12.0	12.0	11.9
Measurement & Sensor Technology	16.8	19.5	16.3	17.3	16.5	17.3
UK	15.2	16.2	15.4	15.3	14.9	14.8
<b>Total</b>	<b>12.8</b>	<b>12.8</b>	<b>12.5</b>	<b>12.2</b>	<b>12.6</b>	<b>12.4</b>

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## Business area performance per quarter

Net sales, SEK million	2019			2018			
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	569	543	472	517	492	556	480
DACH	375	349	305	312	301	316	296
Finland	419	416	418	443	420	483	397
Flow Technology	946	965	890	914	909	898	770
Fluids & Mechanical Solutions	501	532	505	499	485	519	477
Industrial Components	823	883	890	932	756	895	788
Measurement & Sensor Technology	584	536	542	558	452	435	418
UK	387	374	359	287	315	301	280
Parent company and Group items	-9	-11	-15	-16	-15	-13	-9
<b>Total</b>	<b>4,595</b>	<b>4,587</b>	<b>4,366</b>	<b>4,446</b>	<b>4,115</b>	<b>4,390</b>	<b>3,897</b>

EBITA, SEK million	2019			2018			
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	71	67	61	76	68	85	77
DACH	36	33	29	35	32	29	30
Finland	68	51	43	61	61	53	38
Flow Technology	122	130	105	119	118	103	74
Fluids & Mechanical Solutions	67	73	75	69	58	70	65
Industrial Components	101	108	108	108	93	114	85
Measurement & Sensor Technology	98	83	90	96	88	73	65
UK	59	62	51	38	51	44	42
Parent company and Group items	-34	-33	-25	-34	-44	-28	-25
<b>Total</b>	<b>588</b>	<b>574</b>	<b>537</b>	<b>568</b>	<b>525</b>	<b>543</b>	<b>451</b>

EBITA margin, %	2019			2018			
	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	12.5	12.3	12.9	14.7	13.8	15.3	16.0
DACH	9.6	9.5	9.5	11.2	10.6	9.2	10.1
Finland	16.2	12.3	10.3	13.8	14.5	11.0	9.6
Flow Technology	12.9	13.5	11.8	13.0	13.0	11.5	9.6
Fluids & Mechanical Solutions	13.4	13.7	14.9	13.8	12.0	13.5	13.6
Industrial Components	12.3	12.2	12.1	11.6	12.3	12.7	10.8
Measurement & Sensor Technology	16.8	15.5	16.6	17.2	19.5	16.8	15.6
UK	15.2	16.6	14.2	13.2	16.2	14.6	15.0
<b>Total</b>	<b>12.8</b>	<b>12.5</b>	<b>12.3</b>	<b>12.8</b>	<b>12.8</b>	<b>12.4</b>	<b>11.6</b>

## Disaggregation of revenue

### Net sales per geographic market

<b>2019</b>										
<b>Jul-Sep, 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	4	2	388	560	348	726	118	29	-3	2,172
Other Europe	475	362	26	315	127	85	236	310	-3	1,933
Americas	51	6	4	12	18	6	165	25	-1	286
Asia	36	1	1	49	8	5	52	18	-1	169
Other	3	4	0	10	0	1	13	5	-1	35
	<b>569</b>	<b>375</b>	<b>419</b>	<b>946</b>	<b>501</b>	<b>823</b>	<b>584</b>	<b>387</b>	<b>-9</b>	<b>4,595</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	25	69	0	48	0	66	36	6	0	250
Point in time	544	306	419	898	501	757	548	381	-9	4,345
	<b>569</b>	<b>375</b>	<b>419</b>	<b>946</b>	<b>501</b>	<b>823</b>	<b>584</b>	<b>387</b>	<b>-9</b>	<b>4,595</b>
<b>2018</b>										
<b>Jul-Sep, 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	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
	<b>492</b>	<b>301</b>	<b>420</b>	<b>909</b>	<b>485</b>	<b>756</b>	<b>452</b>	<b>315</b>	<b>-15</b>	<b>4,115</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	15	72	0	6	0	21	51	0	3	168
Point in time	477	229	420	903	485	735	401	315	-18	3,947
	<b>492</b>	<b>301</b>	<b>420</b>	<b>909</b>	<b>485</b>	<b>756</b>	<b>452</b>	<b>315</b>	<b>-15</b>	<b>4,115</b>

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

FT - Flow Technology

FM - Fluids & Mechanical Solutions

IC - Industrial Components

MST - Measurement & Sensor Technology

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## Disaggregation of revenue – continued

### Net sales per geographic market

<b>2019</b>										
<b>Jan-Sep, 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	14	7	1,158	1,677	1,080	2,305	364	77	-15	6,667
Other Europe	1,339	985	79	936	372	250	654	915	-12	5,518
Americas	103	21	9	25	59	21	457	67	-3	759
Asia	112	10	5	146	23	17	156	49	-3	515
Other	16	6	2	17	4	3	31	12	-2	89
	<b>1,584</b>	<b>1,029</b>	<b>1,253</b>	<b>2,801</b>	<b>1,538</b>	<b>2,596</b>	<b>1,662</b>	<b>1,120</b>	<b>-35</b>	<b>13,548</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	47	186	0	144	0	123	137	7	-2	642
Point in time	1,537	843	1,253	2,657	1,538	2,473	1,525	1,113	-33	12,906
	<b>1,584</b>	<b>1,029</b>	<b>1,253</b>	<b>2,801</b>	<b>1,538</b>	<b>2,596</b>	<b>1,662</b>	<b>1,120</b>	<b>-35</b>	<b>13,548</b>

<b>2018</b>										
<b>Jan-Sep, 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	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
	<b>1,528</b>	<b>913</b>	<b>1,300</b>	<b>2,577</b>	<b>1,481</b>	<b>2,439</b>	<b>1,305</b>	<b>896</b>	<b>-37</b>	<b>12,402</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	49	213	0	23	0	70	142	0	-1	496
Point in time	1,479	700	1,300	2,554	1,481	2,369	1,163	896	-36	11,906
	<b>1,528</b>	<b>913</b>	<b>1,300</b>	<b>2,577</b>	<b>1,481</b>	<b>2,439</b>	<b>1,305</b>	<b>896</b>	<b>-37</b>	<b>12,402</b>

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

FT - Flow Technology

FM - Fluids & Mechanical Solutions

IC - Industrial Components

MST - Measurement & Sensor Technology

## 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), Färber & Schmid (Switzerland), Finisterra AS (Norway), Natgraph Ltd (UK), Sensor Groep B.V. (Netherlands) and Finkova Oy (Finland).

### 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.

On 24 July Sensor Groep B.V. (Netherlands) was acquired, with annual sales of SEK 90 million. The company offers sensors for industrial automation.

### DACH

On 31 May 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.

### Flow Technology

On 2 September Finkova Oy (Finland) was acquired, with annual sales of SEK 90 million. The company offers valve solutions to the process industry and boiler manufacturers.

### 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.

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.

### 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 innovative 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, consumables and education services to the industrial welding market.

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

## Acquired assets and liabilities in 2019

### Preliminary purchase price allocations

#### SEK million

Purchase price, incl. contingent earn-out payment totalling SEK 386 million	1,876
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Acquired assets and liabilities	Book value	Fair value adjustment	Fair value
Goodwill	-	708	708
Agencies, trademarks, customer relations, licences, etc.	8	673	681
Property, plant and equipment	244	-	244
Financial assets	1	-	1
Inventories	232	-	232
Other current assets <sup>1)</sup>	250	-	250
Cash and cash equivalents	162	-	162
Deferred tax liability	-10	-138	-148
Provisions including pension liabilities	0	-	0
Other operating liabilities	-254	-	-254
Non-controlling interests	0	-	0
	<b>633</b>	<b>1,243</b>	<b>1,876</b>

<sup>1)</sup> Mainly trade accounts receivable

# Q3

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 measured at the present value of the likely outcome, which for the acquisitions made during the year to date amount to SEK 386 million. The contingent earn-out payments fall due for payment within four years and can amount to a maximum of SEK 402 million. If the conditions are not met, the outcome can be in the range of SEK 0–402 million.

Transaction costs for the acquisitions carried out during the period totalled SEK 12 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 effect 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 Norsecraft Tec AS and TXRX System, which were acquired during the third 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	1,876
Purchase price not paid out	-411
Cash and cash equivalents in acquired companies	-162
Payments pertaining to previous years' acquisitions	85
<b>Total cash flow impact</b>	<b>1,388</b>

## Effects of acquisitions carried out in 2018 and 2019

SEK million Business area	Net sales		EBITA	
	Jul-Sep	Jan-Sep	Jul-Sep	Jan-Sep
Benelux	84	152	7	18
DACH	35	51	5	8
Finland	-	-	-	-
Flow Technology	18	79	2	13
Fluids & Mechanical Solutions	30	55	5	10
Industrial Components	22	58	4	7
Measurement & Sensor Technology	95	252	13	37
UK	60	130	7	20
<b>Effect on Group</b>	<b>344</b>	<b>777</b>	<b>43</b>	<b>113</b>
Acquisitions carried out in 2018	61	319	8	48
Acquisitions carried out in 2019	283	458	35	65
<b>Effect on Group</b>	<b>344</b>	<b>777</b>	<b>43</b>	<b>113</b>

If all acquired units had been consolidated as from 1 January 2019, net sales for the period would have amounted to SEK 14,062 million, and EBITA would have totalled SEK 1,759 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 October Uniska AG (Liechtenstein) was acquired, with annual sales of SEK 50 million. The company offers a broad range of glass partition systems to customers in the Swiss market.

On 8 October Leiderdorp Instruments B.V. (Netherlands) was acquired, with annual sales of SEK 30 million. The company manufactures sensors for geotechnical measurement solutions, including groundwater level sensors and infrastructure vibration sensors.

## 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 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	2018/19 Moving 12 mos	2018 Jan-Dec
Average number of shares before dilution, '000	120,855	120,855	120,855	120,824	120,855	120,832
Number of shares that incur a dilutive effect due to incentive programme, '000	67	-	51	15	27	11
<b>Average number of shares after dilution, '000</b>	<b>120,922</b>	<b>120,855</b>	<b>120,906</b>	<b>120,839</b>	<b>120,882</b>	<b>120,843</b>
Dilutive effect, %	0.06	-	0.04	0.01	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>

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## Financial assets and liabilities

30 Sep 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	-	3,165	-	-	-	3,165	3,165
Other receivables	2	10	-	-	-	12	12
Cash and cash equivalents	-	700	-	-	-	700	700
<b>Total</b>	<b>2</b>	<b>3,875</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>3,892</b>	<b>3,892</b>
Non-current interest-bearing liabilities	-	-	-	333	3,953	4,286	4,294
Current interest-bearing liabilities	-	-	-	182	2,257	2,439	2,439
Accounts payable	-	-	-	-	1,295	1,295	1,295
Other liabilities	11	-	-	-	-	11	11
<b>Total</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>515</b>	<b>7,505</b>	<b>8,031</b>	<b>8,039</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>-</b>	<b>-</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>-</b>	<b>-</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	2019	2018
SEK million	30-Sep	31-Dec
Opening book value	215	185
Acquisitions during the year	386	119
Consideration paid	-81	-93
Reclassified via income statement	-16	-6
Interest expenses	5	4
Exchange rate differences	6	6
<b>Closing book value</b>	<b>515</b>	<b>215</b>



## Parent company income statement – condensed

SEK million	2019 Jul-Sep	2018 Jul-Sep	2019 Jan-Sep	2018 Jan-Sep	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	-25	-20	-86	-71	-122	-107
Other operating income and expenses	0	0	0	7	0	7
<b>Operating profit</b>	<b>-25</b>	<b>-20</b>	<b>-86</b>	<b>-64</b>	<b>-116</b>	<b>-94</b>
Financial income/expenses	-2	0	-30	-41	-29	-40
Profit from participation in Group companies	10	-	981	774	943	736
<b>Profit after financial items</b>	<b>-17</b>	<b>-20</b>	<b>865</b>	<b>669</b>	<b>798</b>	<b>602</b>
Appropriations	-	-	-	-	594	594
Income Tax	5	4	22	24	-105	-103
<b>Net profit for the period</b>	<b>-12</b>	<b>-16</b>	<b>887</b>	<b>693</b>	<b>1,287</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-Sep	2018 30-Sep	2018 31-Dec
Intangible assets	0	0	0
Property, plant and equipment	1	2	2
Financial assets	5,802	5,457	5,502
Current receivables	6,273	4,727	5,227
Cash and cash equivalents	0	0	200
<b>Total assets</b>	<b>12,076</b>	<b>10,186</b>	<b>10,931</b>
Equity	5,379	4,638	5,037
Untaxed reserves	647	589	647
Non-current interest-bearing liabilities and pension liabilities	3,291	1,825	2,323
Other non-current liabilities and provisions	5	5	5
Current interest-bearing liabilities	2,675	3,093	2,669
Current non-interest-bearing liabilities	79	36	250
<b>Total equity and liabilities</b>	<b>12,076</b>	<b>10,186</b>	<b>10,931</b>

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## Definitions

### Alternative Performance Measures

In this interim report Indutrade presents Alternative Performance Measures (APMs) that complement the key financial ratios defined in IFRS. The company believes that these APMs provide valuable information to stakeholders, as they contribute to assessment of the company's performance, trends, ability to repay debt and invest in new business opportunities, and they reflect the Group's acquisition-intensive business model.

Since not all companies calculate their financial key ratios in the same way, they are not always comparable. They should therefore not be regarded as a substitute for the key ratios defined in IFRS. Following are definitions of Indutrade's key ratios, of which most are APMs.

#### Earnings per share before dilution

Net profit for the period attributable to owners of the parent divided by the average number of shares outstanding. Definition according to IFRS.

#### Earnings per share after dilution

Net profit for the period attributable to owners of the parent divided by the average number of shares outstanding after dilution.

#### EBITA

Operating profit before amortisation of intangible non-current assets arising in connection with company acquisitions (Earnings Before Interest, Tax and Amortisation). EBITA is the principal measure of the Group's earnings.

#### EBITA-margin

EBITA divided by net sales.

#### EBITDA

Operating profit before depreciation and amortisation (Earnings Before Interest, Tax, Depreciation and Amortisation).

#### Equity per share

Shareholders' equity attributable to owners of the parent divided by the number of shares outstanding.

#### Equity ratio

Shareholders' equity divided by total assets.

#### Gross margin

Gross profit divided by net sales.

#### Interest-bearing net debt

Interest-bearing liabilities including pension liability and estimated earn-outs for acquisitions, less cash and cash equivalents.

#### Net capital expenditures

Purchases less sales of intangible non-current assets and of property, plant and equipment, excluding those included in acquisitions and divestments of subsidiaries and operations.

#### Net debt/equity ratio

Interest-bearing net debt divided by shareholders' equity.

#### Net debt/EBITDA

Interest-bearing net debt at the end of the period divided by EBITDA on a moving 12-month basis.

#### 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.

## 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.

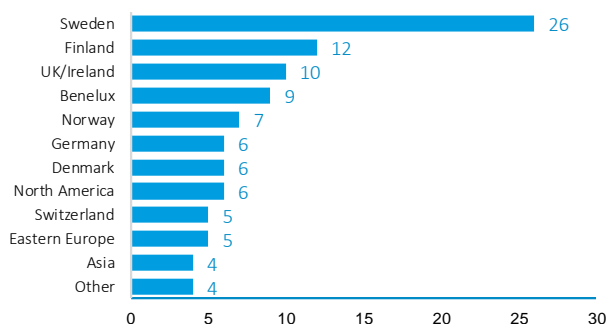
### Net debt/equity ratio

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

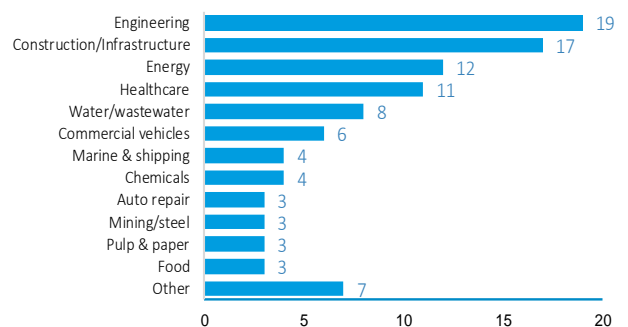
### Dividend payout ratio

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

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



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



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

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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# Q3

## Leiderdorp Instruments – Indutrade’s most recent acquisition

On 8 October Indutrade acquired Leiderdorp Instruments, a niche manufacturer of sensors for geotechnical measurement solutions in the Dutch market. The company’s proprietary product range focuses mainly on two product groups: groundwater level sensors and infrastructure vibration sensors.

Leiderdorp is an add-on acquisition to Indutrade’s Dutch company Hitma Instrumentatie BV, which is part of the Benelux business area. Hitma Instrumentatie provides measurement instruments for measuring pressure, flow and temperature.

The combined offerings provide significant growth opportunities as the companies complement and strengthen each other in product offering and market position.



## Sustainability as a business opportunity

During 2019 Indutrade has continued to develop its sustainability work and carried out a sustainability training initiative for all of the Group’s company MDs.

During the quarter Indutrade’s Finnish company Lining, a leading supplier of water technology products, took a number of important steps in its sustainability work. The company’s MD, Pasi Mönkäre, gathered all of the company’s employees to discuss sustainability – What are the most important issues for them as a company? – How can they make sure they are taking advantage of the best opportunities? – Are they managing the greatest risks on the sustainability agenda?



## Acquisition of Finkova – Finnish supplier of industrial valves

In September Indutrade acquired the Finnish company Finkova Oy, a technical trading business that offers valve solutions to the process industry and boiler manufacturers.

The product range consists of a wide variety of valves such as control valves, safety valves and on/off high-pressure valves. The company’s customers, which are active both globally and in the Finnish market, are in the pulp and paper, petrochemical, energy and steel industries, among others. The offering is complemented by services and extensive technical expertise.

Finkova is included in Indutrade’s Flow Technology business area.

