

Q4

Interim report and Year-End report

1 January – 31 December 2019

Fourth quarter 2019

- Order intake rose 8% to SEK 4,752 million (4,403). Comparable units decreased by 1%.
- Net sales rose 9% to SEK 4,863 million (4,446). Comparable units were unchanged.
- EBITA increased by 11% to SEK 631 million (568), corresponding to an EBITA margin of 13.0% (12.8%).
- Profit for the quarter rose 8% to SEK 399 million (369), and earnings per share were SEK 3.29 (3.05).
- Cash flow from operating activities totalled SEK 732 million (594).

1 January – 31 December 2019

- Order intake rose 9% to SEK 18,653 million (17,073). Comparable units increased by 2%.
- Net sales rose 9% to SEK 18,411 million (16,848). Comparable units increased by 2%.
- EBITA increased by 12% to SEK 2,330 million (2,087), corresponding to an EBITA margin of 12.7% (12.4%).
- Profit for the year rose 8% to SEK 1,483 million (1,368) and earnings per share were SEK 12.26 (11.31).
- Cash flow from operating activities totalled SEK 1,922 million (1,360).
- The Board of Directors proposes a dividend of SEK 4.75 (4.50) per share for 2019. The dividend corresponds to a dividend payout ratio of 39%. The Board of Directors has decided to revise the financial target for dividends such that the dividend payout ratio shall be in the range of 30% to 50% of net profit.



Financial Development

SEK million	2019 Oct-Dec	2018 Oct-Dec	Change	2019 Jan-Dec	2018 Jan-Dec	Change
Order intake	4,752	4,403	8%	18,653	17,073	9%
Net sales	4,863	4,446	9%	18,411	16,848	9%
Operating profit	546	500	9%	2,016	1,825	10%
EBITA	631	568	11%	2,330	2,087	12%
EBITA margin, %	13.0	12.8		12.7	12.4	
Profit before taxes	509	484	5%	1,892	1,750	8%
Net profit	399	369	8%	1,483	1,368	8%
Earnings per share before dilution, SEK	3.29	3.05	8%	12.26	11.31	8%
Return on capital employed, % ¹⁾	19	21		19	21	
Cash flow from operating activities	732	594	23%	1,922	1,360	41%
Net debt/equity ratio, %	85	63		85	63	

¹⁾ Previously called operating capital.

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CEO's message

Indutrade summarizes 2019 as a successful year, with a strong result for the fourth quarter. In a time of fluctuating and more challenging market conditions, we have been able to continue generating sustainable, profitable growth by developing and acquiring stable, profitable companies in selected niches. Sales amounted to SEK 18.4 billion, with growth of 9% during the year and a record-high EBITA margin of 12.7% for the full year 2019.

Fourth quarter

The market situation during the fourth quarter of 2019 was relatively stable. On the whole, demand remained high, yet with variations between companies, product segments and countries. Order intake increased by 8%, of which -1% was organic, compared to the same period last year. For many of our companies, particularly in the marine and medical technology segments, performance remained strong. However, the weaker economic situation for industrial companies in Europe affected the majority of our business areas and organic order intake was somewhat lower than before. For example, the slowdown in Germany affected the DACH business area to a greater extent than before and the situation in the Finnish market remained challenging.

Sales increased by 9% during the quarter and amounted to SEK 4.9 billion. Comparable units were unchanged. Performance was strongest for the Benelux business area, and for our flow technology companies in the Flow Technology business area. Both order intake and invoicing associated with valves for power generation improved during the quarter, which fuelled growth in the Benelux business area.

In the UK, economic and political uncertainty had a negative impact on the business climate for our companies in the UK business area, with a decline in both sales and margins during the quarter.

The uncertain market conditions put high requirements on a company's ability to adapt and our dedicated MDs are continually striving to adjust their organisations to the prevailing opportunities, while coping with the challenges. Our decentralised organisation allows us to retain the flexibility of a small enterprise, yet with the stability and financial strength of a large company.

EBITA improved by 11% to SEK 631 million, which corresponds to an EBITA margin of 13.0% (12.8%) and that is an all-time high EBITA margin for the fourth quarter. The underlying EBITA margin is, however, on a par with last year given that the improvement is primarily attributable to one-off items. The largest margin improvements are attributable to the Benelux and Industrial Components business areas. For the Benelux business area, there was strong performance from valves for power generation and positive effects from one-off items. For Industrial Components, performance was primarily fuelled by our companies in the medical technology segment. Profit for the period grew 8% to SEK 399 million.



Cash flow improved during the quarter and totalled SEK 732 million, which corresponds to an increase of 23% compared to the same period last year. The level of working capital was still somewhat high.

Acquisitions

Growth via acquisitions of successful, market-leading niche companies is a key component of our business model. A total of 15 acquisitions were made in 2019, of which three were in the fourth quarter. The total annual sales for these acquisitions amount to just over SEK 1.5 billion.

Four additional acquisitions were made subsequent to year-end - the German company Stein Automation, which delivers customised automation solutions, VarioDrive which offers motion control solutions in the Netherlands, the Swedish measurement company AVA Monitoring which manufactures fully automated measurement systems and Sverre Hellum & Sønn which is a supplier of diamond tools on the Norwegian market. We have had a good start in 2020 as regards acquisitions and opportunities remain favourable.

Outlook

The levelling off that we have witnessed during parts of 2019, along with uncertainty about the macroeconomic and political situations, makes it difficult to assess the market. The rate of growth has slowed down in 2019, with significant variations between geographic areas and segments. The Group's diversified structure allows for good risk diversification and is a prerequisite for stability.

We're looking forward to an eventful 2020, where we continue generating sustainable, profitable growth by developing and acquiring successful companies that are led by passionate entrepreneurs. We are quite determined, and I am highly confident, that Indutrade will continue delivering attractive returns to our shareholders.

Bo Annvik, President and CEO

Group performance

Order intake

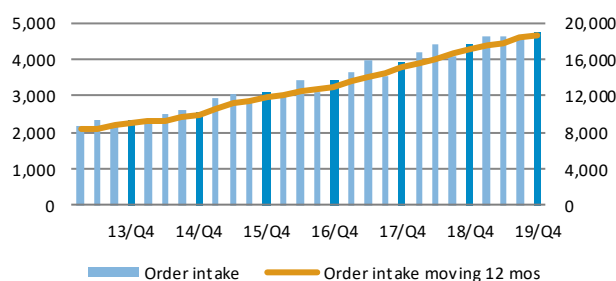
Overall, demand during the fourth quarter was high and relatively stable. Most of the business areas, however, reported a somewhat weaker organic order intake compared to the same period last year, but this was compensated for, by a strong development in certain companies and segments, such as medical and marine technology. Order intake was 2% lower than invoicing and amounted to SEK 4,752 million (4,403), which is an increase of 8%. For comparable units, order intake declined by 1%. Acquired growth was 8% and the effect of divestments was -1%. Currency movements had a positive effect on order intake of 2%.

The strongest organic growth is attributable to the Flow Technology business area, where there was a high demand from customers in the marine and medical technology segments. The development was weakest for the DACH business area. This was primarily due to the fact that order intake on projects from the Swiss process industry was very high at the end of 2018, but also that there was a weaker demand from the German engineering industry.

Order intake totalled SEK 18,653 million (17,073) for the full year, which is an increase of 9%. The increase for comparable units was 2%, acquisitions contributed 7%, and the effect of divestments was -2%. Currency movements had a positive effect on order intake of 2%.

Order intake

SEK million



Net sales

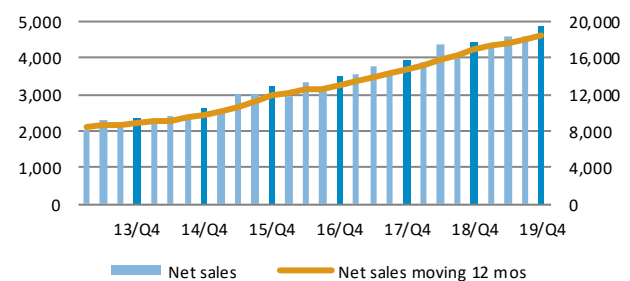
During the fourth quarter, net sales rose by 9% to SEK 4,863 (4,446) million. Comparable units were unchanged, acquisitions contributed 8%, and the effect of divestments was -1%. Currency movements had a positive effect on net sales of 2%.

The strongest performance came from the Benelux and Flow Technology business areas. Growth in the Benelux business area was primarily fuelled by higher deliveries of valves for power generation, where there has been a higher level of demand during the year. In the Flow Technology business area, the main contribution was from companies with customers in the marine and medical technology segments. The Fluids & Mechanical Solutions business area reported the weakest performance compared to last year, which is primarily attributable to lower sales for companies in the industrial segment.

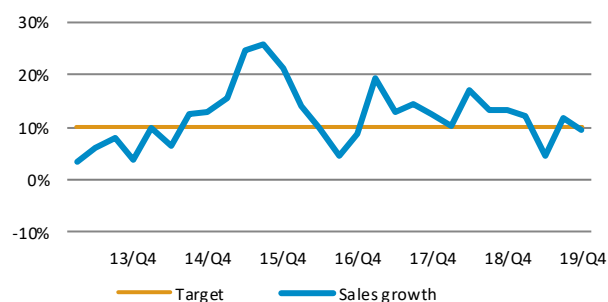
Net sales totalled SEK 18,411 million (16,848) for the full year 2019, which is an increase of 9%. The increase for comparable units was 2%, acquisitions contributed 7%, and the effect of divestments was -2%. Currency movements had a positive effect on net sales of 2%.

Net Sales

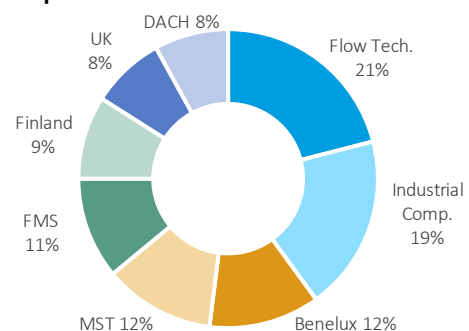
SEK million



Sales growth



Net Sales per Business Area



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Earnings

Operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 631 million (568) for the fourth quarter, which is an improvement of 11%. Comparable units fell by 1%, acquisitions contributed 9% and currency movements had a positive effect on earnings of 3%. The effect of divestments was marginal.

The EBITA margin increased to 13.0% (12.8%). The underlying EBITA margin, however, was on a par with last year. The margin improvement is primarily attributable to one-off items mainly associated with pensions.

The gross margin for the Group was stable in the fourth quarter at 34.2% (34.2%). For the full year, the gross margin was 34.1% (34.1%).

The Benelux and Industrial Components business areas reported the largest improvements in EBITA margin. For the Benelux business area, favourable performance is attributable to valves for power generation and a change of pension liability. Companies in the medical technology segment drove the improvement in the Industrial Components business area. The weakest results in EBITA margin were for the UK business area and this was primarily due to weaker organic sales.

Net financial items for the fourth quarter amounted to SEK -37 million (-16). The change is primarily attributable to higher interest expenses in conjunction with the implementation of IFRS 16, along with a higher level of debt. Tax on profit for the quarter was SEK -110 million (-115), corresponding to a tax charge of 22% (24%). Profit for the quarter rose 8% to SEK 399 million (369). Earnings per share before dilution grew 8% to SEK 3.29 (3.05).

For the full year, operating profit before amortisation of intangible assets attributable to acquisitions (EBITA) amounted to SEK 2,330 million (2,087), an increase of 12%. Comparable units increased by 2%, acquisitions contributed with 8% and currency movements contributed 2%. The effect of divestments was marginal. The EBITA margin increased to 12.7% (12.4%).

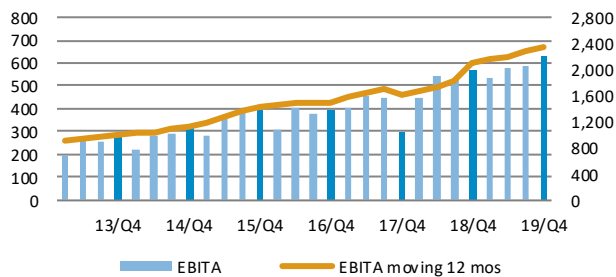
Net financial items for the full year amounted to SEK -124 million (-75). Tax on profit for the period was SEK -409 million (-382), corresponding to a tax charge of 22% (22%). Profit for the period grew 8% to SEK 1,483 million (1,368). Earnings per share before dilution grew 8% to SEK 12.26 (11.31).

Return

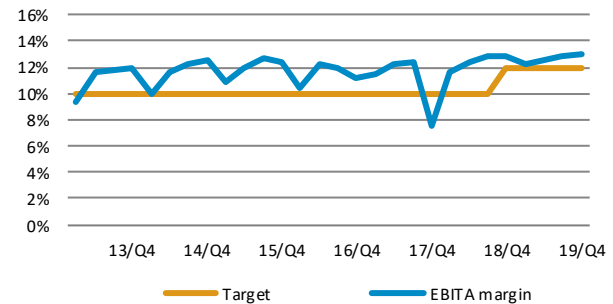
Return on capital employed was slightly lower than last year and it amounted to 19% (21%). The implementation of IFRS 16 had a negative impact on return equal to approximately one percentage point. The change is primarily attributable to higher working capital. Return on equity was 22% (24%).

EBITA

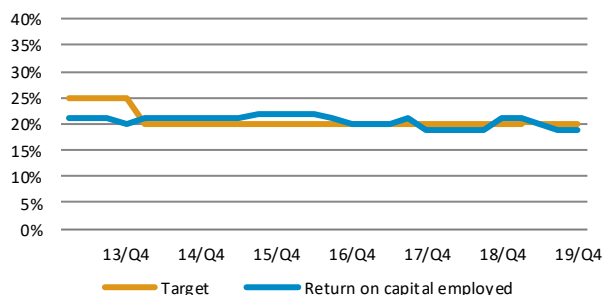
SEK million



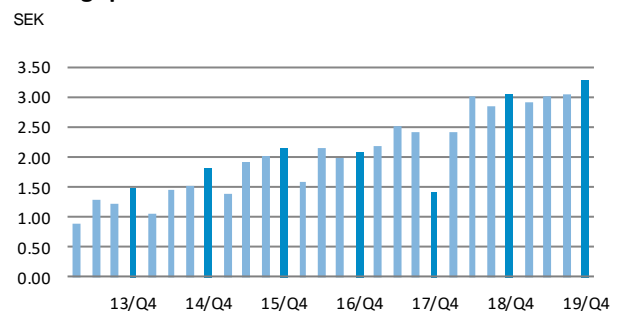
EBITA margin



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 Oct-Dec	2018 Oct-Dec	Change	2019 Jan-Dec	2018 Jan-Dec	Change
Net sales	704	517	36%	2,288	2,045	12%
EBITA	116	76	53%	315	306	3%
EBITA margin, %	16.5	14.7		13.8	15.0	

Net sales rose 36% during the fourth quarter to SEK 704 million (517). Comparable units increased by 9%, acquisitions contributed 23%, and currency movements had a positive effect of 4%.

Demand during the quarter was somewhat weaker for several of the companies in this business area. Demand increased, however, for valves for power generation compared to the same period last year.

During the quarter, invoicing was 5% higher than order intake. Higher sales for comparable units resulted from improved invoicing for valves for power generation.

EBITA for the quarter increased by 53% to SEK 116 million (76), corresponding to an EBITA margin of 16.5% (14.7%). For comparable units, EBITA increased by 34%, acquisitions contributed 14%, and currency movements had a positive effect of 5%.

The significant improvement in EBITA is attributable to higher profitability for valves for power generation, along with a change of pension liability, which is a one-off item. Excluding that change, the EBITA margin for the quarter is on a par with last year.

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 Oct-Dec	2018 Oct-Dec	Change	2019 Jan-Dec	2018 Jan-Dec	Change
Net sales	374	312	20%	1,403	1,225	15%
EBITA	36	35	3%	134	126	6%
EBITA margin, %	9.6	11.2		9.6	10.3	

Net sales rose 20% during the quarter to SEK 374 million (312). For comparable units, sales increased by 1%, acquisitions contributed 14%, and currency movements had a positive effect of 5%. The effect of divestments was marginal.

Demand was weaker during the quarter compared to the same period last year, when order intake on projects from the Swiss process industry was very high. Another reason for the weaker demand was lower activity in the German engineering industry.

Order intake was 12% lower than invoicing.

EBITA for the quarter increased by 3% to SEK 36 million (35), and the EBITA margin was 9.6% (11.2%). Comparable units had an impact of -25%, acquisitions had a positive impact of 24%, and currency movements had a positive effect of 5%. Divestments had a negative impact of -1%.

The negative organic earnings impact was primarily attributable to lower invoicing to the German engineering industry.

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Finland

The Finland business area includes companies that offer sales of components as well as customisation, combinations and installations of products from various suppliers. Customers are in the construction & infrastructure, engineering, water/wastewater, energy and chemical industries. Products range from hydraulics and industrial equipment to measurement technology, valves, service, filters and process technology. The business area has a strong market position in Finland.

SEK million	2019 Oct-Dec	2018 Oct-Dec	Change	2019 Jan-Dec	2018 Jan-Dec	Change
Net sales	436	443	-2%	1,689	1,743	-3%
EBITA	61	61	0%	223	213	5%
EBITA margin, %	14.0	13.8		13.2	12.2	

During the quarter, net sales was 2% lower compared to the prior year and it amounted to SEK 436 million (443). Comparable units had an effect of -4%, currency movements had a positive effect of 3% and divestments had a negative effect of -1%.

The level of demand remained relatively high during the quarter, although it has slowed down somewhat. Order intake was 5% lower than invoicing during the quarter.

During the quarter, EBITA was unchanged compared to the prior year and it amounted to SEK 61 million (61). The EBITA margin increased to 14.0% (13.8%). Comparable units increased by 2%, and currency movements had a positive effect of 3%. Divestments had a negative impact on EBITA of -5%.

The improved EBITA margin was primarily attributable to positive one-off items.

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 Oct-Dec	2018 Oct-Dec	Change	2019 Jan-Dec	2018 Jan-Dec	Change
Net sales	997	914	9%	3,798	3,491	9%
EBITA	134	119	13%	491	414	19%
EBITA margin, %	13.4	13.0		12.9	11.9	

Net sales rose 9% during the quarter to SEK 997 million (914). The increase for comparable units was 5%, acquisitions contributed 4%, and the effect of divestments was -2%. Currency movements had a positive effect of 2%.

Demand remained strong for many of the companies in this business area, particularly those in the marine and medical technology segments. Order intake was 4% higher than invoicing during the quarter.

EBITA for the quarter increased by 13% to SEK 134 million (119), corresponding to an EBITA margin of 13.4% (13.0%). Comparable units increased by 5%, acquisitions contributed 4%, divestments contributed 1% and currency movements had a positive effect of 3%.

The improved EBITA margin is attributable to good organic sales growth and the divestments that were made.

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 Oct-Dec	2018 Oct-Dec	Change	2019 Jan-Dec	2018 Jan-Dec	Change
Net sales	503	499	1%	2,041	1,980	3%
EBITA	64	69	-7%	279	262	6%
EBITA margin, %	12.7	13.8		13.7	13.2	

Net sales rose 1% during the quarter to SEK 503 million (499). Comparable units had an effect of -7%, acquisitions contributed 7% and currency movements had a positive effect of 1%.

The market situation during the quarter was, on the whole, slightly weaker than last year, particularly for the industrial, filter and hydraulics sectors. However, order intake was 1% higher than invoicing for the quarter thanks to large orders that were received by some companies.

EBITA fell by 7% during the quarter to SEK 64 million (69), and the EBITA margin was 12.7% (13.8%). Comparable units had an effect of -17%, acquisitions contributed 10% and currency movements had a marginal impact.

The lower EBITA margin is primarily attributable to weaker performance by companies in the industrial segment.

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 Oct-Dec	2018 Oct-Dec	Change	2019 Jan-Dec	2018 Jan-Dec	Change
Net sales	917	932	-2%	3,513	3,371	4%
EBITA	115	108	6%	432	400	8%
EBITA margin, %	12.5	11.6		12.3	11.9	

Net sales fell 2% during the quarter to SEK 917 million (932). Comparable units had an effect of -4%, acquisitions contributed 3% and the effect of divestments was -1%. Currency movements had a marginal effect.

Demand during the quarter was slightly weaker for many of the companies in this business area, particularly in the hydraulics, process, chemical, construction & infrastructure segments. Order intake was 3% lower than invoicing.

EBITA increased by 6% during the quarter to SEK 115 million (108), and the EBITA margin was 12.5% (11.6%). EBITA for comparable units had an effect of -6%, acquisitions contributed 9% and divestments had a positive effect of 3%. Currency movements had a marginal effect.

The higher EBITA margin is primarily attributable to the divestments and acquisitions that were made, along with a strong performance by companies in the medical technology segment.

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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 Oct-Dec	2018 Oct-Dec	Change	2019 Jan-Dec	2018 Jan-Dec	Change
Net sales	597	558	7%	2,259	1,863	21%
EBITA	95	96	-1%	366	322	14%
EBITA margin, %	15.9	17.2		16.2	17.3	

Net sales rose 7% during the quarter to SEK 597 million (558). Comparable units had an effect of -4%, acquisitions contributed 8% and currency movements had a positive effect of 3%.

The market situation deteriorated slightly during the quarter for most of the companies in this business area. Order intake was 7% lower than invoicing for the quarter.

During the quarter, EBITA fell by 1% compared to the prior year and it amounted to SEK 95 million (96). The EBITA margin amounted to 15.9% (17.2%). For comparable units, EBITA had an impact of -11%, acquisitions contributed 6%, and currency movements had a positive effect of 4%.

The lower EBITA margin was primarily due to lower organic sales.

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 Oct-Dec	2018 Oct-Dec	Change	2019 Jan-Dec	2018 Jan-Dec	Change
Net sales	349	287	22%	1,469	1,183	24%
EBITA	36	38	-5%	208	175	19%
EBITA margin, %	10.3	13.2		14.2	14.8	

Net sales rose 22% during the quarter to SEK 349 million (287). Comparable units had an effect of -3%, acquisitions contributed 18%, and currency movements had a positive effect of 7%.

For most companies, demand was weaker during the quarter compared to the same period last year. Several large orders were received, however, resulting in order intake that was 3% higher than invoicing.

EBITA fell by 5% during the quarter to SEK 36 million (38) and the EBITA margin was 10.3% (13.2%). Comparable units had an effect of -25%, acquisitions contributed 14%, and currency movements had a positive effect of 6%.

The lower EBITA margin was primarily attributable to weaker organic sales.

Other financial information

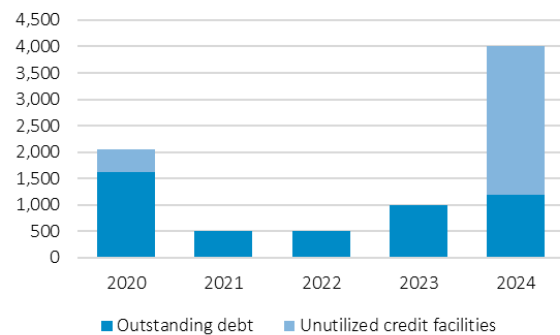
Financial position

In order to secure long-term financing, Indutrade signed an agreement in 2019 for a new revolving credit facility of SEK 3,500 million spanning five years.

Shareholders' equity amounted to SEK 7,170 million (6,218) and the equity ratio was 41% (44%). Cash and cash equivalents amounted to SEK 719 million (708). The Group also had unutilised credit commitments of SEK 3,258 million (2,880). Interest-bearing net debt fell compared to the third quarter and amounted to SEK 6,130 million (3,909) at the end of the period. The increase is partly due to IFRS 16 implementation, which increased liabilities by SEK 902 million. The remainder is primarily attributable to increased borrowing to finance acquisitions.

The net debt/equity ratio was 85% (63%) at year end. Excluding IFRS 16, the net debt/equity ratio was 73%.

Maturity profile - financing ¹⁾
SEK million



¹⁾ 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 during the fourth quarter to SEK 732 million (594). The improvement was partly due to IFRS 16, along with higher earnings and a slight improvement in working capital.

Cash flow after net capital expenditures in intangible non-current assets and in property, plant and equipment (excluding company acquisitions) was SEK 589 million (504).

Working capital remained at a somewhat high level due to having built up inventory last year in order to ensure delivery service and availability.

Cash flow from operating activities amounted to SEK 1,922 million (1,360) for the full year. Cash flow after net capital expenditures in intangible non-current assets and in property, plant and equipment (excluding company acquisitions) was SEK 1,519 million (1,061).

The Group's net capital expenditures (excluding company acquisitions) totalled SEK 403 million (299). Depreciation of property, plant and equipment was SEK 550 million (229). The increase was mainly due to IFRS 16.

Investments in company acquisitions amounted to SEK 1,415 million (566). In addition, earn-out payments for previous years' acquisitions totalled SEK 97 million (98). Divestments amounted to SEK 28 million (78).

Employees

The number of employees was 7,357 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.

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 BV	Benelux	90	32
September	Finkova Oy	Flow Technology	90	12
October	Uniska AG	DACH	50	9
October	Leiderdorp Instruments B.V.	Benelux	30	10
November	Intergate AB	Industrial Components	40	13
Total			1,520	564

*) 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.

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Events after the end of the reporting period

On 10 January, STEIN Automation GmbH & Co. KG was acquired, on 27 January, VarioDrive B.V. was acquired, on 31 January AVA Monitoring AB was acquired and on 4 February Sverre Hellum & Sønn AS was acquired. For more information, see page 22.

On 4 February, an extraordinary general meeting of shareholders was held, where a resolution was passed to approve the transfer of shares in Meson FT Rus LLC to the subsidiary's CEO and Sales Manager.

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 7 million (6) for the full year 2019. The Parent Company's financial assets consist mainly of shares in subsidiaries. During the year the Parent Company acquired shares in four companies. The Parent Company has not made any major investments in intangible assets or in property, plant and equipment. The number of employees on 31 December was 19 (15).

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 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.

For the full year 2019, IFRS 16 has resulted in an approximate increase of depreciation of property, plant and equipment by SEK 290 million and interest expense by SEK 24 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.

Dividend policy

The Board has decided to revise the target for the group as regards dividend payout ratio to between 30% and 50% of net profit (the prior target was 30% to 60% of net profit). As before, the Board's ambition is to offer the shareholders an attractive dividend yield and high dividend growth. Acquisitions have been, and will continue to be, an important key driver for growth. The revised dividend policy enables Indutrade to strengthen the acquisition pace and maintain the good financial position.

The Board of Directors' proposal to the AGM

The Annual General Meeting will be held in Stockholm on 6 May 2020. The Board of Directors proposes a dividend of SEK 4.75 per share (4.50), corresponding to SEK 574 million (544). The proposed dividend is in line with Indutrade's revised dividend policy to distribute 30% to 50% of net profit.

Nomination Committee

The Nomination Committee proposes that Katarina Martinson be re-elected as Chairwoman of the Board at the 2020 Annual General Meeting. The Committee also proposes the re-election of directors Susanna Campbell, Bengt Kjell, Anders Jernhall, Ulf Lundahl, Krister Mellvé, Lars Pettersson and Bo Annvik. The Nomination Committee's proposal entails that the number of directors during the coming mandate period will be unchanged at eight.

Financial Calendar

- End of March 2020:
Publication of the Annual Report
- 27 April 2020:
Interim report 1 January–31 March 2020
- 6 May 2020:
Annual General Meeting is held in Stockholm.
- 17 July 2020:
Interim report 1 January–30 June 2020
- 20 October 2020:
Interim report 1 January–30 September 2020

Stockholm, 5 February 2020
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 the Securities Market Act. The information was submitted for publication by the agency of the following contact persons at 7.30 a.m. (CET) on 5 February 2020.

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 report will be presented via a webcast at 9.30 a.m. (CET) on 5 February 2020 under the following link:

<https://event.on24.com/wcc/r/2177416/4D28A376425684FAEADBEE7BCF44F7B5>

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

SE: +46 8 566 427 06
UK: +44 333 300 92 72
USA: +1 646 722 49 04

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Auditor's review report

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

Introduction

We have reviewed the condensed interim financial information (interim report) of Indutrade AB (publ.), corporate identity number 556017-9367, as per 31 December 2019, and the twelve-month period then ended. The board of directors and the President are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

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

Conclusion

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

Stockholm, 5 February 2020
PricewaterhouseCoopers AB

Michael Bengtsson
Authorised Public Accountant
Auditor in Charge

Indutrade consolidated income statement – condensed

SEK million	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Net sales	4,863	4,446	18,411	16,848
Cost of goods sold	-3,202	-2,924	-12,126	-11,099
Gross profit	1,661	1,522	6,285	5,749
Development costs	-55	-56	-217	-204
Selling costs	-807	-738	-2,990	-2,737
Administrative expenses	-279	-251	-1,103	-991
Other operating income and expenses	26	23	41	8
Operating profit	546	500	2,016	1,825
Net financial items	-37	-16	-124	-75
Profit before taxes	509	484	1,892	1,750
Income Tax	-110	-115	-409	-382
Net profit for the period	399	369	1,483	1,368
<i>Net profit, attributable to:</i>				
Equity holders of the parent company	398	369	1,482	1,367
Non-controlling interests	1	0	1	1
	399	369	1,483	1,368
EBITA	631	568	2,330	2,087
<i>Operating profit includes:</i>				
Amortisation of intangible assets ¹⁾	-96	-76	-349	-295
<i>of which attributable to acquisitions</i>	-85	-68	-314	-262
Depreciation of property, plant and equipment	-145	-58	-550	-229
Earnings per share before dilution, SEK	3.29	3.05	12.26	11.31
Earnings per share after dilution, SEK	3.29	3.05	12.26	11.31

¹⁾ Excluding impairment losses

Indutrade consolidated statement of comprehensive income

SEK million	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Net profit for the period	399	369	1,483	1,368
Other comprehensive income				
Items that can be reversed into income statement				
Fair value adjustment of hedge instruments	4	0	-2	-3
Tax attributable to fair value adjustments	-1	0	0	1
Exchange rate differences	-108	-53	109	134
Items that cannot be reversed into income statement				
Actuarial gains/losses	-79	3	-79	3
Tax on actuarial gains/losses	16	-1	16	-1
Other comprehensive income for the period, net of tax	-168	-51	44	134
Total comprehensive income for the period	231	318	1,527	1,502
<i>Total comprehensive income, attributable to:</i>				
Equity holders of the parent company	230	318	1,526	1,501
Non-controlling interests	1	0	1	1

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Indutrade consolidated balance sheet – condensed

SEK million	2019 31-Dec	2018 31-Dec
Goodwill	4,031	3,170
Other intangible assets	2,672	2,169
Property, plant and equipment	3,002	1,736
Financial assets	182	158
Inventories	3,400	2,834
Accounts receivable, trade	3,025	2,877
Other receivables	513	418
Cash and cash equivalents	719	708
Total assets	17,544	14,070
Equity	7,170	6,218
Non-current interest-bearing liabilities and pension liabilities	4,707	2,811
Other non-current liabilities and provisions	720	619
Current interest-bearing liabilities	2,142	1,806
Accounts payable, trade	1,237	1,168
Other current liabilities	1,568	1,448
Total equity and liabilities	17,544	14,070

Indutrade consolidated statement of changes in equity – condensed

Attributable to equity holders of the parent company SEK million	2019 31-Dec	2018 31-Dec
Opening equity	6,205	5,151
Total comprehensive income for the period	1,526	1,501
New issues	-	7
Dividend ¹⁾	-544	-453
Change in accounting method	-28	0
Acquisition of non-controlling interests	-2	-1
Closing equity	7,157	6,205
¹⁾ Dividend per share for 2018 (2017) was SEK 4.50 (3.75)		
<i>Equity, attributable to:</i>		
Equity holders of the parent company	7,157	6,205
Non-controlling interests	13	13
	7,170	6,218

Indutrade consolidated cash flow statement – condensed

SEK million	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Operating profit	546	500	2,016	1,825
Non-cash items	245	148	895	545
Interests and other financial items, net	-36	-13	-128	-97
Paid tax	-129	-124	-512	-452
Change in working capital	106	83	-349	-461
Cash flow from operating activities	732	594	1,922	1,360
Net capital expenditures in non-current assets	-143	-90	-403	-299
Company acquisitions and divestments	-121	-85	-1,484	-586
Change in other financial assets	3	-3	3	0
Cash flow from investing activities	-261	-178	-1,884	-885
Debt/repayment of debt, net	-449	-240	541	225
Dividend paid out	-	-	-544	-453
New issues	-	-	-	7
Cash flow from financing activities	-449	-240	-3	-221
Cash flow for the period	22	176	35	254
Cash and cash equivalents at start of period	700	531	708	464
Exchange rate differences	-3	1	-24	-10
Cash and cash equivalents at end of period	719	708	719	708

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Key data

Moving 12 mos	2019 31-Dec	2018 31-Dec	2017 31-Dec	2016 31-Dec
Net sales, SEK million	18,411	16,848	14,847	12,955
Sales growth, %	9	13	15	9
EBITA, SEK million	2,330	2,087	1,613	1,484
EBITA margin, %	12.7	12.4	10.9	11.5
Capital employed at end of period, SEK million ²⁾	13,300	10,127	8,997	8,027
Capital employed, average, SEK million ²⁾	12,416	9,839	8,444	7,491
Return on capital employed, % ^{1) 2)}	19	21	19	20
Equity, average, SEK million	6,715	5,715	4,746	3,976
Return on equity, % ¹⁾	22	24	22	24
Interest-bearing net debt at end of period, SEK million	6,130	3,909	3,829	3,628
Net debt/equity ratio, %	85	63	74	82
Net debt/EBITDA, times	2.1	1.7	2.1	2.2
Equity ratio, %	41	44	41	40
Average number of employees	7,167	6,710	6,156	5,495
Number of employees at end of period	7,357	6,778	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	12.26	11.31	8.54	7.80
Earnings per share after dilution, SEK	12.26	11.31	8.53	7.78
Equity per share, SEK	59.22	51.34	42.64	36.58
Cash flow from operating activities per share, SEK	15.90	11.26	12.90	10.06
Average number of shares before dilution, '000	120,855	120,832	120,457	120,000
Average number of shares after dilution, '000	120,918	120,843	120,617	120,251
Number of shares at the end of the period, '000	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.

¹⁾ Calculated on average capital and equity.

²⁾ Previously called operating capital.

Business area performance

	2019	2018	2019	2018
Net sales, SEK million	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Benelux	704	517	2,288	2,045
DACH	374	312	1,403	1,225
Finland	436	443	1,689	1,743
Flow Technology	997	914	3,798	3,491
Fluids & Mechanical Solutions	503	499	2,041	1,980
Industrial Components	917	932	3,513	3,371
Measurement & Sensor Technology	597	558	2,259	1,863
UK	349	287	1,469	1,183
Parent company and Group items	-14	-16	-49	-53
Total	4,863	4,446	18,411	16,848
	2019	2018	2019	2018
EBITA, SEK million	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Benelux	116	76	315	306
DACH	36	35	134	126
Finland	61	61	223	213
Flow Technology	134	119	491	414
Fluids & Mechanical Solutions	64	69	279	262
Industrial Components	115	108	432	400
Measurement & Sensor Technology	95	96	366	322
UK	36	38	208	175
Parent company and Group items	-26	-34	-118	-131
Total	631	568	2,330	2,087
	2019	2018	2019	2018
EBITA margin, %	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Benelux	16.5	14.7	13.8	15.0
DACH	9.6	11.2	9.6	10.3
Finland	14.0	13.8	13.2	12.2
Flow Technology	13.4	13.0	12.9	11.9
Fluids & Mechanical Solutions	12.7	13.8	13.7	13.2
Industrial Components	12.5	11.6	12.3	11.9
Measurement & Sensor Technology	15.9	17.2	16.2	17.3
UK	10.3	13.2	14.2	14.8
Total	13.0	12.8	12.7	12.4

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Business area performance per quarter

Net sales, SEK million	2019				2018			
	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	704	569	543	472	517	492	556	480
DACH	374	375	349	305	312	301	316	296
Finland	436	419	416	418	443	420	483	397
Flow Technology	997	946	965	890	914	909	898	770
Fluids & Mechanical Solutions	503	501	532	505	499	485	519	477
Industrial Components	917	823	883	890	932	756	895	788
Measurement & Sensor Technology	597	584	536	542	558	452	435	418
UK	349	387	374	359	287	315	301	280
Parent company and Group items	-14	-9	-11	-15	-16	-15	-13	-9
Total	4,863	4,595	4,587	4,366	4,446	4,115	4,390	3,897

EBITA, SEK million	2019				2018			
	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	116	71	67	61	76	68	85	77
DACH	36	36	33	29	35	32	29	30
Finland	61	68	51	43	61	61	53	38
Flow Technology	134	122	130	105	119	118	103	74
Fluids & Mechanical Solutions	64	67	73	75	69	58	70	65
Industrial Components	115	101	108	108	108	93	114	85
Measurement & Sensor Technology	95	98	83	90	96	88	73	65
UK	36	59	62	51	38	51	44	42
Parent company and Group items	-26	-34	-33	-25	-34	-44	-28	-25
Total	631	588	574	537	568	525	543	451

EBITA margin, %	2019				2018			
	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
Benelux	16.5	12.5	12.3	12.9	14.7	13.8	15.3	16.0
DACH	9.6	9.6	9.5	9.5	11.2	10.6	9.2	10.1
Finland	14.0	16.2	12.3	10.3	13.8	14.5	11.0	9.6
Flow Technology	13.4	12.9	13.5	11.8	13.0	13.0	11.5	9.6
Fluids & Mechanical Solutions	12.7	13.4	13.7	14.9	13.8	12.0	13.5	13.6
Industrial Components	12.5	12.3	12.2	12.1	11.6	12.3	12.7	10.8
Measurement & Sensor Technology	15.9	16.8	15.5	16.6	17.2	19.5	16.8	15.6
UK	10.3	15.2	16.6	14.2	13.2	16.2	14.6	15.0
Total	13.0	12.8	12.5	12.3	12.8	12.8	12.4	11.6

Disaggregation of revenue

Net sales per geographic market

2019

Oct-Dec, SEK million	Benelux	DACH	Finland	FT	FM	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	13	3	402	594	350	799	131	25	-4	2,313
Other Europe	517	345	31	340	122	103	183	287	-4	1,924
Americas	87	20	1	9	22	11	195	23	-3	365
Asia	85	5	2	33	6	4	60	11	-2	204
Other	2	1	0	21	3	0	28	3	-1	57
	704	374	436	997	503	917	597	349	-14	4,863

Timing of revenue recognition	Benelux	DACH	Finland	FT	FM	IC	MST	UK	Elim. ¹⁾	Total
Over time	1	78	0	41	0	28	54	0	-2	200
Point in time	703	296	436	956	503	889	543	349	-12	4,663
	704	374	436	997	503	917	597	349	-14	4,863

2018

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

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

¹⁾ 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

2019										
Jan-Dec, SEK million	Benelux	DACH	Finland	FT	FM	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	27	10	1,560	2,271	1,430	3,104	495	102	-19	8,980
Other Europe	1,856	1,330	110	1,276	494	353	837	1,202	-16	7,442
Americas	190	41	10	34	81	32	652	90	-6	1,124
Asia	197	15	7	179	29	21	216	60	-5	719
Other	18	7	2	38	7	3	59	15	-3	146
	2,288	1,403	1,689	3,798	2,041	3,513	2,259	1,469	-49	18,411

Timing of revenue recognition	Benelux	DACH	Finland	FT	FM	IC	MST	UK	Elim. ¹⁾	Total
Over time	48	264	0	185	0	151	191	7	-4	842
Point in time	2,240	1,139	1,689	3,613	2,041	3,362	2,068	1,462	-45	17,569
	2,288	1,403	1,689	3,798	2,041	3,513	2,259	1,469	-49	18,411

2018										
Jan-Dec, SEK million	Benelux	DACH	Finland	FT	FM	IC	MST	UK	Elim. ¹⁾	Total
Nordic countries	18	11	1,611	2,106	1,296	2,947	466	76	-23	8,508
Other Europe	1,622	1,152	109	1,173	543	371	680	974	-20	6,604
Americas	221	44	12	28	99	27	526	76	-5	1,028
Asia	141	16	9	164	32	24	162	45	-3	590
Other	43	2	2	20	10	2	29	12	-2	118
	2,045	1,225	1,743	3,491	1,980	3,371	1,863	1,183	-53	16,848

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

¹⁾ 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), Finkova Oy (Finland), Uniska AG (Switzerland), Leiderdorp Instruments B.V. (Netherlands) and Intergate AB (Sweden).

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.

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

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.

On 1 October, Uniska AG (Switzerland) was acquired, with annual sales of SEK 50 million. The company offers glass partition systems to customers in the Swiss market.

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

On 22 November, Intergate AB (Sweden) was acquired, with annual sales of SEK 40 million. The company offers security products such as boom barriers, entry gates, bollards, and security access-controlled gates

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

	Book value	Fair value adjustment	Fair value
Purchase price, incl. contingent earn-out payment totalling SEK 465 million			2,091
Acquired assets and liabilities			
Goodwill	0	810	810
Agencies, trademarks, customer relations, licences, etc.	9	763	772
Property, plant and equipment	247	-	247
Financial assets	1	-	1
Inventories	241	-	241
Other current assets ¹⁾	271	-	271
Cash and cash equivalents	202	-	202
Deferred tax liability	-10	-152	-162
Provisions including pension liabilities	0	-	0
Other operating liabilities	-291	-	-291
Non-controlling interests	0	-	0
	670	1,421	2,091

¹⁾ Mainly trade accounts receivable

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Agencies, customer relationships, licences, etc. will be amortised over a period of 10–20 years, while trademarks are assumed to have indefinite useful life. Trademarks are included at a value of SEK 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 465 million. The contingent earn-out payments fall due for payment within four years and can amount to a maximum of SEK 487 million. If the conditions are not met, the outcome can be in the range of SEK 0–487 million.

Transaction costs for the acquisitions carried out during the period totalled SEK 14 million (3) and are included in Other income and expenses in the income statement. Contingent earn-out payments have been restated in the amount of SEK 30 million (6). Revenue is reported under Other income and expenses in the amount of SEK 30 million (6) and under Net financial items in the amount of SEK 0 million (0).

The purchase price allocation calculations for Thermo Electric Instrumentation B.V. and NRG Automation Ltd, which were acquired during the fourth 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	2,091
Purchase price not paid out	-474
Cash and cash equivalents in acquired companies	-202
Payments pertaining to previous years' acquisitions	97
Total cash flow impact	1,512

Effects of acquisitions carried out in 2018 and 2019

SEK million Business area	Net sales		EBITA	
	Oct-Dec	Jan-Dec	Oct-Dec	Jan-Dec
Benelux	120	272	10	28
DACH	44	95	9	17
Finland	-	-	-	-
Flow Technology	37	116	5	18
Fluids & Mechanical Solutions	37	92	7	17
Industrial Components	29	87	10	17
Measurement & Sensor Technology	45	297	6	43
UK	53	183	6	26
Effect on Group	365	1,142	53	166
Acquisitions carried out in 2018	14	333	2	50
Acquisitions carried out in 2019	351	809	51	116
Effect on Group	365	1,142	53	166

If all acquired units had been consolidated as from 1 January 2019, net sales for the period would have amounted to SEK 19,030 million, and EBITA would have totalled SEK 2,415 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 10 January, STEIN Automation GmbH & Co. KG (Germany) was acquired, with annual sales of SEK 110 million. The company is a supplier of pallet transfer systems for assembly lines. The customers are companies primarily based in Germany within the automotive, consumer goods and medical industries.

On 27 January, VarioDrive B.V. (Netherlands) was acquired, with annual sales of SEK 60 million. The company offers motion control solutions to OEM customers.

On 31 January, AVA Monitoring AB (Sweden) was acquired, with annual sales of SEK 45 million. The company develops, manufactures and sells equipment for measuring ground vibration and noise in connection to construction projects and infrastructure engineering projects.

On 4 February, Sverre Hellum & Sønn AS (Norway) was acquired, with annual sales of SEK 60 million. The company is a supplier of diamond tools on the Norwegian market.

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	-
Total number of shares outstanding after new issues	120,855,000

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 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Average number of shares before dilution, '000	120,855	120,855	120,855	120,832
Number of shares that incur a dilutive effect due to incentive programme, '000	102	-	63	11
Average number of shares after dilution, '000	120,957	120,855	120,918	120,843
Dilutive effect, %	0.08	-	0.05	0.01
Number of shares at end of the period, '000	120,855	120,855	120,855	120,855

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Financial assets and liabilities

31 Dec 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
	Level 2	Level 3						
Valuation classification								
Other shares and participations	-	-	14	-	-	-	14	14
Accounts receivable	-	3,025	-	-	-	-	3,025	3,025
Other receivables	3	5	-	-	-	-	8	8
Cash and cash equivalents	-	719	-	-	-	-	719	719
Total	3	3,749	14	-	-	-	3,766	3,766
Non-current interest-bearing liabilities	-	-	-	411	3,919	-	4,330	4,339
Current interest-bearing liabilities	-	-	-	154	1,988	-	2,142	2,143
Accounts payable	-	-	-	-	1,237	-	1,237	1,237
Other liabilities	8	-	-	-	-	-	8	8
Total	8	-	-	565	7,144	-	7,717	7,727

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
	Level 2	Level 3						
Valuation classification								
Other shares and participations	-	-	14	-	-	-	14	14
Accounts receivable	-	2,877	-	-	-	-	2,877	2,877
Other receivables	1	11	-	-	-	-	12	12
Cash and cash equivalents	-	708	-	-	-	-	708	708
Total	1	3,596	14	-	-	-	3,611	3,611
Non-current interest-bearing liabilities	-	-	-	96	2,419	-	2,515	2,513
Current interest-bearing liabilities	-	-	-	119	1,687	-	1,806	1,806
Accounts payable	-	-	-	-	1,168	-	1,168	1,168
Other liabilities	4	-	-	-	-	-	4	4
Total	4	-	-	215	5,274	-	5,493	5,491

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	31-Dec	31-Dec
Opening book value	215	185
Acquisitions during the year	465	119
Consideration paid	-93	-93
Reclassified via income statement	-32	-6
Interest expenses	7	4
Exchange rate differences	3	6
Closing book value	565	215

Parent company income statement – condensed

SEK million	2019 Oct-Dec	2018 Oct-Dec	2019 Jan-Dec	2018 Jan-Dec
Net sales	7	6	7	6
Gross profit	7	6	7	6
Administrative expenses	-34	-36	-120	-107
Other operating income and expenses	-	-	-	7
Operating profit	-27	-30	-113	-94
Financial income/expenses	13	1	-17	-40
Profit from participation in Group companies	0	-38	981	736
Profit after financial items	-14	-67	851	602
Appropriations	628	594	628	594
Income Tax	-130	-127	-108	-103
Net profit for the period	484	400	1,371	1,093
Amortisation/depreciation of intangible assets and property, plant and equipment	0	0	1	0

Parent company balance sheet – condensed

SEK million	2019 31-Dec	2018 31-Dec
Intangible assets	0	0
Property, plant and equipment	1	2
Financial assets	5,936	5,502
Current receivables	6,861	5,227
Cash and cash equivalents	0	200
Total assets	12,798	10,931
Equity	5,864	5,037
Untaxed reserves	673	647
Non-current interest-bearing liabilities and pension liabilities	3,274	2,324
Other non-current liabilities and provisions	5	5
Current interest-bearing liabilities	2,768	2,669
Current non-interest-bearing liabilities	214	249
Total equity and liabilities	12,798	10,931

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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

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

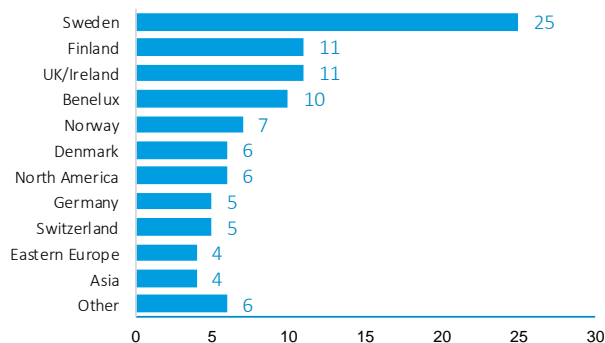
Net debt/equity ratio

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

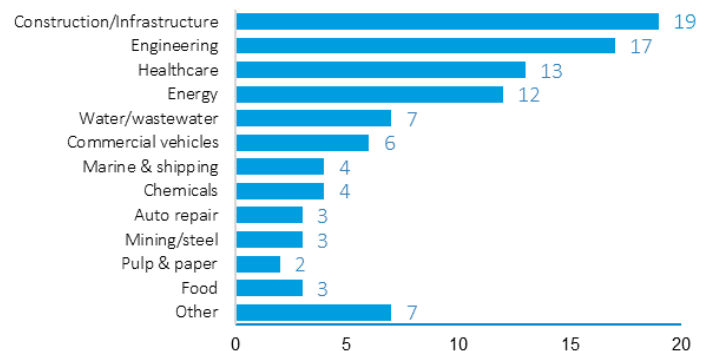
Dividend payout ratio, revised target

- The dividend payout ratio shall range from 30% to 50% of net profit (the prior target was from 30% to 60% of net profit).

Net sales per market, % ¹⁾



Net sales per customer segment, % ¹⁾



¹⁾Financial year 2019

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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VarioDrive – solutions for motion control

On 27 January, Indutrade acquired VarioDrive B.V., which is a niche technical trading company offering motion control solutions from leading suppliers to OEM customers in the Netherlands.

With focus on drive and control technology, the offering includes customised solutions with integrated mechanical and electrical features, including pre-assembly of components and software programming. The motion control market is very diverse and application areas are found in general industries including intracompany logistics, packaging, aerospace and MedTech. Customers are for example system integrators and machine builders.

VarioDrive will be included in Indutrade's Business Area Benelux.



Indutrade has a new website!

We are very proud to present our new website, which has an entirely new design, with many new functions added.

Our website development is a continual process and we are still working on setting up certain parts of it.

Please take a look and see what's new!

We look forward to seeing you!



Acquisition of STEIN Automation in Germany

In January, Indutrade acquired the German company STEIN Automation GmbH & Co. KG. The company is a supplier of pallet transfer systems for assembly lines. The systems are Industry 4.0-ready and built up by standardized modules, providing flexible configuration and re-modelling features, to optimize the customers' production processes.

The customers are companies primarily based in Germany, often with international production facilities, within the automotive, consumer goods and medical industries. Application areas are found in various assembly-line pallet transfer systems for e.g. white goods, electronics and automotive products. Stein Automation, established in 1969, has 45 employees and is based in Villingen-Schwenningen, Germany.

Stein Automation will be included in Indutrade's Business Area DACH.

