Instalco

Interim report January – June 2020

Continued high rate of acquisition and profitability

April – June 2020

- Net sales increased by 22.7 percent to SEK 1,725 (1,406) million. Organic growth, adjusted for currency effects, was 2.3 (2.7) percent.
- EBIT increased to SEK 154 (145) million which corresponds to an EBITA margin of 8.9 (10.3) percent.
- Cash flow from operating activities for the period was SEK 190 (107) million.
- Five acquisitions were made during the quarter, which, on an annual basis, contribute an estimated total sales of SEK 336 million.
- Earnings per share for the period amounted to SEK 2.38 (2.40).

January – June 2020

- Net sales increased by 29.6 percent to SEK 3,401 (2,624) million. Organic growth, adjusted for currency effects, was 7.6 (2.0) percent.
- EBIT increased to SEK 274 (235) million which corresponds to an EBITA margin of 8.1 (9.0) percent.
- Cash flow from operating activities for the period was SEK 321 (229) million.
- 8 acquisitions were made during the period, which, on an annual basis, contribute an estimated total sales of SEK 501 million.
- Earnings per share for the period amounted to SEK 4.03 (3.77).

Key figures

SEK m	April-June 2020	April-June 2019	Jan-June 2020	Jan-June 2019	12-months rolling 2019/2020	Jan-Dec 2019
Net sales	1,725	1,406	3,401	2,624	6,469	5,692
Operating profit/loss (EBIT)	154	145	274	235	531	492
EBIT margin, %	8.9	10.3	8.1	9.0	8.2	8.6
EBITA	154	145	274	235	532	493
EBITA margin, %	9.0	10.3	8.1	9.0	8.2	8.7
Adjusted EBITA[1)]	150	123	281	215	565	500
Adjusted EBITA margin, %[1)]	8.7	8.8	8.3	8.2	8.7	8.8
Earnings before taxes	152	143	260	228	506	473
Cash flow from operating activities	190	107	321	229	587	495
Order backlog	6,006	4,508	6,006	4,508	6,006	4,865
Earnings per share, SEK[2)]	2.38	2.40	4.03	3.77	7.86	7.58

1) Adjusted for items associated with, inter alia, acquisitions.
2) Calculated in relation to the number of shares before dilution at the end of the reporting period.

CEO Comments

Instalco had a strong second quarter for the 2020 financial year, despite the ongoing Corona pandemic. Sales in the second quarter were SEK 1,725 (1,406) million, which corresponds to a growth rate of 22.7 percent, where 2.3 percent was organic growth. Adjusted EBITA for the second quarter was SEK 150 (123) million, which corresponds to an adjusted EBITA margin of 8.7 (8.8) percent. Order backlog has remained strong and at the end of the quarter, it amounted to SEK 6,006 (4,508) million, which corresponds to an increase of 33.2 percent.

Very little impact on our industry

During the second quarter, our observation was that the construction and installation industry has essentially been able to carry out business as usual during the Corona pandemic so far. We take the recommendations from government authorities very seriously and, after having made the necessary adaptations, have been able to run the business essentially as usual. Deliveries have been without disturbances and customers have continued placing new orders. There was very little variation between the months of April, May and June. For the Rest of Nordic business area, however, performance was slightly weaker than what we would have liked to have seen.

It is still difficult to assess the market and we are preparing for a variety of scenarios where we could possibly be more affected by the pandemic in future quarters.

High rate of acquisition

The Corona pandemic has not impacted our rate of acquisition. During the second quarter, we acquired five high-quality companies, all of which have contributed to our strong results. Four of the acquisitions were in Sweden and one was in Finland. In Sweden, we enhanced our operations in three regions, with the acquisition of Norrtech in Umeå, Teampipe in Uppsala and Avent in Kalmar. Teampipe has established a niche in welding services in sensitive environments, such as the pharmaceutical industry.

The acquisition of Miljöventilation establishes Instalco for the first time in the Sundsvall area, which is a new and exciting market for us. In Finland, we expanded operations in the northern part of the country with the acquisition of Sähkö-Arktia, an electrical installation company located in Uleåborg. It will be an excellent supplement to the heating & plumbing services we already offer there.

Part of our business concept involves identifying and nurturing new leaders for the future. We work closely with the management teams of our subsidiaries and during the quarter, we appointed new CEOs at five of our subsidiaries.

Focus on middle segment

The ongoing pandemic has had very little impact on order intake. During the first quarter, we signed contracts for new installation and service assignments, both large and small, with a focus on what we call the middle segment, i.e. medium-sized projects in the range of SEK 1 to 75 million.

PoB:s Elektriska and El-Pågarna have, jointly, signed a new 3-year framework agreement with JM for electrical installations in conjunction with future construction projects. Since the end of the 1980s, PoB:s Elektriska has worked in close collaboration with JM as a supplier of electrical installations in conjunction with new housing construction.

Creating synergies and cross-selling between our companies are fundamental cornerstones of Instalco's business model. We frequently have situations where two or more Instalco companies are working on the same project, which simplifies things for the customer and provides value added. Once such example is Bi-Vent and Sprinklerbolaget Syd, which have been contracted by Skanska for installation of the ventilation and sprinkler systems for E.ON's new Nordic head office in Malmö.

Besides its work at large construction sites, Instalco also offers installation services to retail shops, primarily via Rikelektro, which recently completed the comprehensive renovation of Åhléns City in Stockholm. It is a good example of the breadth, but also highly specialised nature of our expertise.

Benefits to society

Instalco aims to, every single day, generate benefits to society via its climate-smart, energy-efficient installations that lead to lower consumption of resources and thus a more sustainable planet. Our projects benefit schools, hospitals and other critical public services, helping them function optimally, every day, year round. Instalco also has a new sustainability program called "Sustainable Installations" where there is much focus on energy efficiency. During the quarter, we implemented the program in our markets in Sweden, Norway and Finland.

Per Sjöstrand
CEO

Performance of the Instalco Group

The Nordic market of installation services

The market for technical installation and service in Sweden, Norway and Finland has been stable over time. Despite the Corona pandemic, there has been very little impact on the installation sector in the Nordic region, especially in Sweden. The future outlook, however, is difficult to assess.

To a large extent, the market is fuelled by several long-term trends and developments in society such as urbanisation, housing shortage, technological progress, infrastructure investments and ageing property holdings. Our customers have also demonstrated more environmental awareness, interest in generating benefits to society and the importance of sustainable entrepreneurship.

Net sales

Second quarter

Sales for the third quarter amounted to SEK 1,725 (1,406) million, which is an increase of 22.7 percent. Adjusted for currency effects, organic growth was 2.3 (2.7) percent and acquired growth was 22.6 percent. Currency fluctuations had a negative impact on net sales of –1.8 percent. Five new company acquisitions were made during the quarter.

January-June

Net sales for the period amounted to SEK 3,401 (2,624) million, which is an increase of 29.6 percent. Adjusted for currency effects, organic growth was 7.6 (2.0) percent and acquired growth was 23.5 percent. Currency fluctuations had a negative impact on net sales of –1.1 percent. Instalco aquired eight companies during the period.

Earnings

Second quarter

Adjusted EBITA for the second quarter amounted to SEK 150 (123) million. The adjustment during the quarter of SEK –4 million is primarily attributable to a revaluation of additional consideration. Net financial items for the quarter amounted to SEK –2 (–2) million. Interest expense on external loans was SEK –5 (–3) million. Earnings for the period were SEK 120 (117) million, which corresponds to earnings per share of SEK 2.38 (2.40). Tax for the quarter was SEK –32 (–26) million.

January-June

Adjusted EBITA for the period amounted to SEK 281 (215) million. The adjustment during the quarter of SEK 7 million is primarily attributable to to a revaluation of additional consideration. Net financial items for the period amounted to SEK –14 (–7) million. Interest expense on external loans was SEK –9 (–6) million. Earnings for the period were SEK 203 (183) million, which corresponds to earnings per share of SEK 4.03 (3.77). Tax for the period was SEK –57 (–45) million.

Order backlog

January – June

Order backlog at the end of the third quarter amounted to SEK 6,006 (4,508) million, which is an increase of 33.2 percent. For comparable units, order backlog increased by 21.6 percent and acquired growth was 14.1 percent.

During the quarter, Instalco won an assignment at its most northerly location to date. It will be carried out north of Narvik, at Setermoen in Bardu municipality, where our Norwegian subsidiary, Teknisk Ventilasjon has been engaged for services associated with construction of a new school. They will be installing the ventilation system.

Cash flow

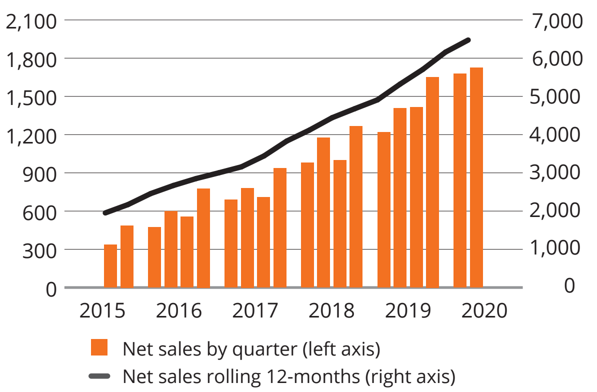
Second quarter

Cash flow from operating activities for the period was SEK 190 (107) million. Instalco's cash flow varies over time, primarily because of work-in-progress. There can be significant fluctuations when making comparisons between quarters and this applies in particular to accounts receivable, accounts payable and work-in-progress.

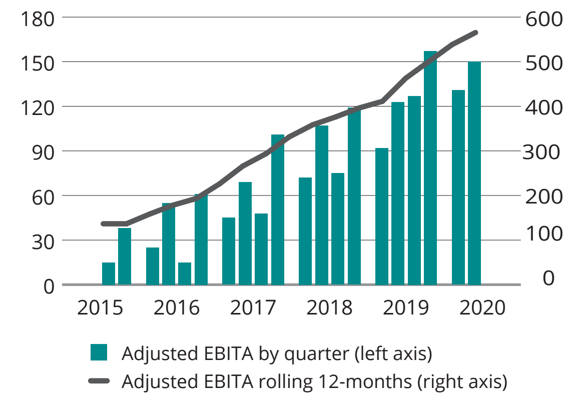
January – June

Cash flow from operating activities for the period was SEK 321 (229) million.

NET SALES BY QUARTER, SEK M



ADJUSTED EBITA BY QUARTER, SEK M



Operations in Sweden

Market

Because of the Corona pandemic, it is difficult to assess the market outlook over the long term. For the installation market however, the level of activity has remained high. The rate of growth for construction in the public sector (e.g. schools, preschools, hospitals, clinics and nursing homes) remains high. The same applies to construction of commercial property, such as offices. New construction of residential property continues, primarily rental apartments, although at a slightly lower level than before.

Net sales

Second quarter

Sales for the second quarter increased by SEK 268 million to SEK 1,309 (1,041) million compared to the same period last year. Organic growth was 5.5 percent and acquired growth was 20.2 percent.

January-June

Net sales for the period increased by SEK 623 million to SEK 2,569 (1,946) million compared to the same period last year. Organic growth was 10.7 percent and acquired growth was 21.4 percent.

Earnings

Second quarter

EBITA for the quarter was SEK 125 (83) million, which corresponds to a margin of 9.6 (8.0) percent.

January-June

EBITA for the period was SEK 253 (160) million, which corresponds to a margin of 9.9 (8.2) percent. The year started of strong for Sweden. Projects have continued to progress well, which has also resulted in three strong quarters.

Order backlog

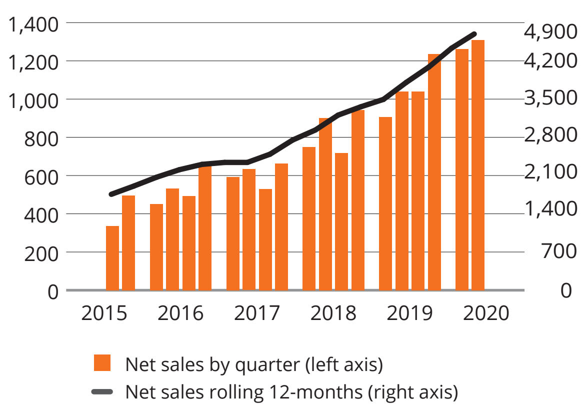
January – June

Order backlog at the end of the period amounted to SEK 4,802 (3,340) million, which is an increase of 43.8 percent. For comparable units, order backlog increased by 33.2 percent and acquired growth was 10.6 percent.

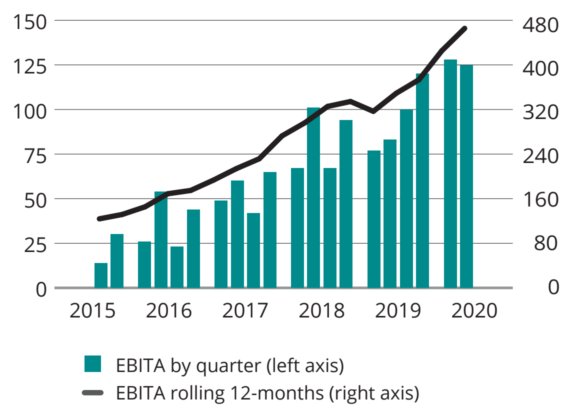
During the second quarter, Instalco companies (via, for example, El-Pågarna, Rörläggaren and Bi-Vent) were engaged by JM for joint installation work of electrical, heating & plumbing and ventilation systems. The project is construction of 105 apartments in Malmö at new buildings named Operan and Operetten.

Order backlog was also impacted by the hospital project at Södermanland, which was announced during the first quarter. Most of that project was included in order intake during the second quarter.

NET SALES BY QUARTER, SEK M



EBITA BY QUARTER, SEK M



Key figures for Sweden

SEK m	April-June 2020	April-June 2019	Jan-June 2020	Jan-June 2019	12-months rolling 2019/2020	Jan-Dec 2019
Net sales	1,309	1,041	2,569	1,946	4,845	4,221
EBITA	125	83	253	160	473	379
EBITA margin, %	9.6	8.0	9.9	8.2	9.8	9.0
Operating profit/loss (EBIT)	125	83	253	160	472	379
Operating profit/loss (EBIT), %	9.6	8.0	9.8	8.2	9.8	9.0
Earnings before taxes	125	83	252	159	430	337
Order backlog	4,802	3,340	4,802	3,340	4,802	3,741

Operations in Rest of Nordic

Market

The short-term outlook for the Norwegian market is stability, despite a period of close down due to the Corona pandemic that affected the market somewhat. Over the longer term, there is more uncertainty and the market is difficult to assess. The public sector is investing in public buildings and infrastructure. Construction of new residential property fell slightly from the very high levels of late. The service market recovered to the normal level subsequent to shutdowns that were in place earlier, at the height of the Corona pandemic.

The market in Finland has grown in recent years, but is now levelling off. The market is still primarily being fuelled by the major metropolitan regions. The market is starting to recover to the normal level subsequent to shutdowns that were in place earlier, at the height of the Corona pandemic. The future prospects are, however, still difficult to assess due to the prevailing situation.

Net sales

Second quarter

Net sales for the second quarter increased by SEK 51 million to SEK 416 (365) million compared to the same period last year. Organic growth, adjusted for currency effects, was –7.0 percent and acquired growth was 29.5 percent.

January-June

Net sales for the period increased by SEK 154 million to SEK 832 (678) million compared to the same period last year. Organic growth, adjusted for currency effects, was –1.2 percent and acquired growth was 29.8 percent.

Earnings

Second quarter

EBITA for the quarter was SEK 24 (32) million, which corresponds to a margin of 5.7 (8.9) percent.

January-June

EBITA for the period was SEK 42 (45) million, which corresponds to a margin of 5.1 (6.6) percent. The decline is partly due to the Corona pandemic and a reserve for some loss projects in Norway.

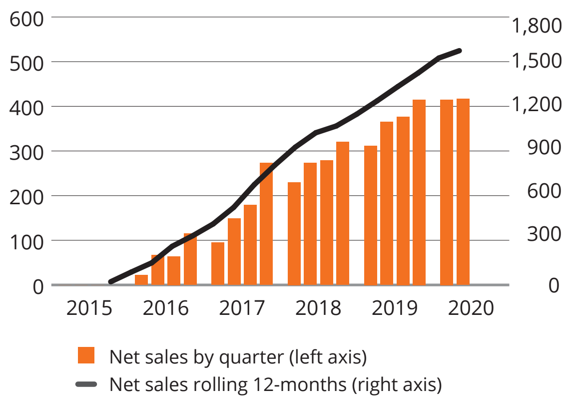
Order backlog

January – June

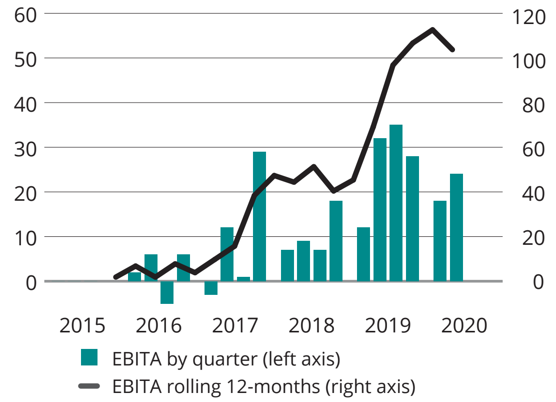
Order backlog at the end of the period amounted to SEK 1,205 (1,168) million, which is an increase of 3.2 percent, adjusted for currency effects. For comparable units, order backlog decreased by 11.6 percent and acquired growth was 24.2 percent.

During the second quarter, Instalco companies such as LVI-Urakointi Paavola in Finland were engaged for installation of the heating & plumbing and ventilation systems at Gasum's biogas plant at Lohja, near Helsinki. The plant will process a total of 60,000 tonnes of biowaste annually.

NET SALES BY QUARTER, SEK M



ADJUSTED EBITA BY QUARTER, SEK M



Key figures, Rest of Nordic

SEK m	April-June 2020	April-June 2019	Jan-June 2020	Jan-June 2019	12-months rolling 2019/2020	Jan-Dec 2019
Net sales	416	365	832	678	1,624	1,470
EBITA	24	32	42	45	105	108
EBITA margin, %	5.7	8.9	5.1	6.6	6.5	7.3
Operating profit/loss (EBIT)	24	32	42	45	105	108
Operating profit/loss (EBIT), %	5.7	8.9	5.1	6.6	6.5	7.3
Earnings before taxes	23	32	41	45	103	107
Order backlog	1,205	1,168	1,205	1,168	1,205	1,124

Acquisitions

Instalco made eight acquisitions during the first half of 2020. For each of them, 100 percent of the shares were acquired.

In accordance with agreements on conditional consideration, the Group must pay cash for future earnings. The maximum, non-discounted amount that could be paid to prior owners is SEK 176 million, of which SEK 88 million is acquisitions that were made in 2020. The total amount of accrued additional consideration is SEK 84 million, of which SEK 37 million is for acquisitions made in 2020. The acquisition costs for the year amounted to SEK 6 (3) million. They are reported among Other operating expenses in the income statement.

The fair value of the conditional consideration is at Level 3 in the IFRS fair value hierarchy.

Goodwill of SEK 196 million that has arisen via the acquisitions represents future economic benefits that could not be individually identified and recognized separately.

Company acquisitions

Instalco made the following company acquisitions during the period January – June 2020.

Access gained	Acquisitions	Segment	Assessed annual sales, SEK m	Number of employees
January	Elinstallationer Ullsand Bengtsson AB (ELUB)	Sweden	69	30
February	Haug og Ruud VVS AS	Rest of Nordic	71	32
March	Östersjö Elektriska AB	Sweden	25	17
April	Avent companies	Sweden	108	60
April	Norrtech VVS and Industri AB	Sweden	36	16
April	Teampipe Sweden AB in Uppsala	Sweden	49	35
June	Miljöventilation i Mellannorrland AB	Sweden	60	23
June	Sähkö-Arktia Oy	Rest of Nordic	83	39
Total			**501**	**252**

Impact of acquisitions

Acquisitions had the following impact on the Group's assets and liabilities. None of the acquisitions in the period have been assessed as individually significant, which is why the disclosures cover them as a whole.

SEK m	Fair value of Group
Intangible assets	0
Deferred tax receivable	0
Other non-current assets	8
Other current assets	96
Cash and cash equivalents	70
Deferred tax liability	–2
Current liabilities	–90
Total identifiable assets and liabilities (net)	**82**
Goodwill	**196**
Consideration paid	
Cash and cash equivalents	241
Non-controlling interests	0
Conditional consideration	37
Total transferred consideration	**278**
Impact on cash and cash equivalents	
Cash consideration paid	241
Cash and cash equivalents of the acquired units	–70
Total impact on cash and cash equivalents	**171**
Total settled, including revaluation	57
Exchange rate difference	0
Total impact on cash and cash equivalents	**227**
Impact on operating income and earnings in 2020	
Operating income	114
Earnings	15

Financial information

Financial position

Equity at the end of the period amounted to SEK 1,598 (1,263) million. Interest-bearing net debt as of 30 June 2020 was SEK 903 (763) million.

Currency changes impacted net debt by SEK 19 million. The gearing ratio was 56.7 (60.5) percent. During the period, net financial items amounted to SEK –14 (–7) million, of which net interest income/expense was SEK –10 (–6) million. The Group's cash and cash equivalents, together with its other short-term investments amounted to SEK 313 (366) million as of 30 June 2020. The Group's interest-bearing liabilities were SEK 1,215 (1,129) million, including leasing in accordance with IFRS 16. Instalco's total amount of granted credit, not including leasing, was SEK 1,201 million, of which SEK 978 million had been utilised as of 30 June 2020. For the second quarter, the change in working capital was SEK 39 (–18) million and it is primarily attributable to a change in work-in-progress and accounts payable.

Investments, depreciation and amortisation

For the first half of the year, the Group's net investments, not including company acquisitions, amounted to SEK 1 (1) million. Depreciation of fixed assets was SEK –63 (–43) million. Investments in company acquisitions amounted to SEK 227 (243) million. That amount includes conditional consideration on prior year acquisitions that was paid out in the amount of SEK 55 (30) million.

Parent Company

The main operations of Instalco AB are head office activities like group-wide management and administration, along with finance and accounting. The comments below pertain to the period 1 January through 30 June 2020. Net sales for the Parent Company amounted to SEK 12 (11) million. Operating profit/loss was SEK 1 (1) million. Net financial items amounted to SEK –1 (–1) million. Earnings before taxes were SEK 0 (–1) million and earnings for the period were SEK 0 (–1) million. Cash and cash equivalents at the end of the period amounted to SEK 65 (27) million.

Risks and uncertainties

Instalco is active in the Nordic market, where the primary risk factors for the business are market conditions and external factors such as financial turmoil and political decisions that affect the demand for new housing and commercial premises, as well as investments from the public sector and industry. Cyclical fluctuations have less of an impact on the demand for service and maintenance work. The operating risks are attributable to daily operations, like tendering, price risks, expertise, capacity utilisation and revenue recognition.

The Group recognizes revenue in its projects over time in accordance with the percentage of completion method. This involves comparing actual expenditure to the total expected expenditure at any given time. The Group has a well-established process for following up on the percentage of completion and total expected costs of each project. It includes monitoring and assessing the risk of losses that could occur in the project.

The Group is also exposed to impairment of fixed price projects, along with various types of financial risks, like currency, interest and credit risks.

A detailed description of the Group's risks is provided on pages 34-36 of the 2019 Annual Report.

Corona situation

As of the reporting date, the Corona crises and our adaptations to it have not resulted in any significant disturbances at the Group level. There have, however, been some minor disturbances in some projects and with service activities. Most projects have been able to continue essentially as usual even with adaptations to the prevailing situation and order intake has been robust. Due to the ongoing pandemic, the future market outlook remains uncertain, however.

It is still difficult to assess the long-term effects and we are actively monitoring developments. We are monitoring operations in our business areas and subsidiaries so that we can take additional measures to limit any negative consequences. Due to prevailing pandemic, some extra customer provisions have been made at the Group level.

Incentive program

At the end of the second quarter, the incentive program decided on 27 April 2017 expired. In total, 1,859,470 warrants were exercised to subscribe for 1,952,426 shares in the company. Of these, 798,132 shares had been registered in June and the remaining 1,154,294 will be registered in July.

At Instalco's AGM on 7 May 2020, it was decided to implement an incentive program for the Group's senior executives and other key individuals at the company. The total scope of the program is, at most, 989,256 warrants. The price of the warrants corresponded to the market value. The dilution effect corresponds to, at most, 2.0 percent of the share capital and votes. The warrants may be exercised from 22 May 2023 through 16 June 2023.

Transactions with related parties

During the period, there were no transactions between Instalco and related parties that had a significant impact on the company's financial position or earnings.

Revenue and earnings by segment

Revenue by segment	Operations	
	Contract	Service
Sweden	2,096	474
Rest of Nordic	676	156
Group	2,771	630

Revenue and earnings by segment				
	Sweden	Rest of Nordic	Group-wide and eliminations	Total
Net sales	2,569	832	0	3,401
Earnings before taxes	252	41	–33	260

Events after the end of the reporting period

During the third quarter of 2020, Instalco acquired the following companies: VentPartner Group with expected annual sales of SEK 250 million and 100 employees, FTX Teknik & Serivce AB with expected annual sales of SEK 45 million and 30 employees and Uudenmaan Lämpötekniikka Oy in Helsinki with expected annual sales of SEK 75 million and 46 employees.

Effects of acquisitions after the end of the reporting period

Acquisitions had the following impact on the Group's assets and liabilities.

Fair value of consideration at the time of acquisition	SEK m
Conditional consideration	159
Cash and cash equivalents	46
Total consideration	**206**

Carrying amount of identifiable net assets	
Intangible assets	–
Other non-current assets	15
Other current assets	57
Cash and cash equivalents	43
Deferred tax liability	–1
Other liabilities	–82
Total identifiable net assets	**32**
Goodwill from acquisitions	173

New bank agreement

In July, Instalco signed a new agreement with Danske Bank to increase the credit facility by an additional SEK 300 million.

The current credit facility thus amounts to SEK 1,501 million.

Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) along with interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission for application within the EU. The standards and interpretations that have been applied are the ones that go into effect as of 1 January 2020 and which have been adopted by the EU. The Company has also applied recommendations from the Swedish Financial Reporting Board, RFR 1 Supplementary Accounting Rules for Groups. The consolidated financial statements for the interim period have been prepared in accordance with IAS 34 Interim Financial Reporting. Preparation has also been in accordance with the applicable requirements stated in the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act, which is in accordance with RFR 2 Accounting for Legal Entities.

New standards and interpretations that enter into for in 2020 and beyond

As of the date that these financial reports were approved, no other new standards, amendments and interpretations of existing standards that have not yet entered into force or have been published by the IASB have been early-adopted by the Group.

Other

Instalco only has conditional consideration valued at fair value reported in its financial statements. Such consideration is valued at fair value via profit or loss. The valuation of conditional consideration is based on other observable data for assets or liabilities, i.e. Level 3 in the IFRS fair value hierarchy. There have not been any reclassifications between the different levels in the hierarchy during the period. The total amount of conditional consideration recognised as a liability amounts to SEK 84 million.

Condensed consolidated income statement and statement of comprehensive income

AMOUNTS IN SEK M	April-June 2020	April-June 2019	Jan-June 2020	Jan-June 2019	12-months rolling 2019/2020	Jan-Dec 2019
Net sales	1,725	1,406	3,401	2,624	6,469	5,692
Other operating income	19	40	24	48	46	70
Operating income	**1,744**	**1,446**	**3,425**	**2,672**	**6,515**	**5,762**
Materials and purchased services	–920	–717	–1,792	–1,348	–3,382	–2,937
Other external services	–83	–92	–197	–165	–370	–338
Personnel costs	–549	–458	–1,079	–861	–2,054	–1,836
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	–32	–21	–63	–43	–115	–95
Other operating expenses	–6	–13	–20	–21	–63	–64
Operating expenses	**–1,590**	**–1,301**	**–3,151**	**–2,437**	**–5,984**	**–5,270**
Operating profit/loss (EBIT)	**154**	**145**	**274**	**235**	**531**	**492**
Net financial items	–2	–2	–14	–7	–26	–19
Earnings before taxes	**152**	**143**	**260**	**228**	**506**	**473**
Tax on profit for the year	–32	–26	–57	–45	–113	–101
Earnings for the period	**120**	**117**	**203**	**183**	**392**	**372**
Other comprehensive income						
Translation difference	–27	12	–64	42	–88	17
Comprehensive income for the period	**93**	**129**	**139**	**225**	**304**	**390**
Comprehensive income for the period attributable to:						
Parent Company's shareholders	37	145	136	224	300	388
Non-controlling interests	2	0	3	1	4	2
Earnings per share for the period, before dilution, SEK	2.38	2.40	4.03	3.77	7.86	7.58
Earnings per share for the period, after dilution, SEK	2.34	2.31	3.95	3.63	7.70	7.30
Average number of shares before dilution	49,700,123	48,665,429	49,581,476	48,558,997	49,355,534	48,844,291
Average number of shares after dilution[3)]	50,761,469	50,524,907	50,642,822	50,418,475	50,416,880	50,703,769

3) In total, the company has three warrant schemes outstanding totalling 2,088,600 warrants, of which two had expired in June 2020 (see Incentive program).

Condensed consolidated balance sheet

AMOUNTS IN SEK M	30 June 2020	30 June 2019	31 Dec 2019
Goodwill	2,343	1,867	2,189
Right-of-use assets	245	175	222
Other non-current assets	53	41	50
Total non-current assets	**2,640**	**2,083**	**2,461**
Accounts receivable	889	793	874
Contractual assets	470	278	322
Other current assets	184	127	203
Cash and cash equivalents	313	366	317
Total current assets	**1,856**	**1,565**	**1,715**
Total assets	**4,496**	**3,648**	**4,176**
Equity	1,592	1,261	1,483
Non-controlling interests	6	1	2
Total equity	**1,598**	**1,263**	**1,485**
Non-current liabilities	1,065	1,021	1,057
Lease liabilities	149	96	129
Total non-current liabilities	**1,214**	**1,116**	**1,186**
Lease liabilities	86	72	84
Accounts payable	566	433	420
Contractual liabilities	400	286	357
Other current liabilities	633	478	643
Total current liabilities	**1,685**	**1,269**	**1,504**
Total liabilities	**2,899**	**2,385**	**2,690**
Total equity and liabilities	**4,496**	**3,648**	**4,176**
Of which interest-bearing liabilities	1,215	1,129	1,188
Equity attributable to:			
Parent Company shareholders	1,592	1,261	1,483
Non-controlling interests	6	1	2

Condensed statement of changes in equity

AMOUNTS IN SEK M	30 June 2020	30 June 2019	31 Dec 2019
Opening equity, after restatement as per IFRS 16	**1,485**	**1,068**	**1,068**
Total comprehensive income for the period	136	224	388
New issues	88	33	89
Unregistered share capital	0	9	11
Issue warrants	0	–	–
Dividend, external	–115	–73	–73
Other	0	0	0
Non-controlling interests	3	1	2
Closing equity	**1,598**	**1,263**	**1,485**
Equity attributable to:			
Parent Company's shareholders	1,592	1,261	1,483
Non-controlling interests	6	1	2

Condensed consolidated cash flow statement

AMOUNTS IN SEK M	April-June 2020	April-June 2019	Jan-June 2020	Jan-June 2019	12-months rolling 2019/2020	Jan-Dec 2019
Cash flow from operating activities						
Earnings before taxes	152	143	260	228	506	473
Adjustment for items not included in cash flow	25	7	82	32	154	105
Tax paid	–26	–25	–62	–62	–103	–103
Changes in working capital	39	–18	42	32	31	21
Cash flow from operating activities	**190**	**107**	**321**	**229**	**587**	**495**
Investing activities						
Acquisition of subsidiaries and businesses	–139	–127	–227	–243	–544	–560
Divestment of subsidiaries	–	0	–	0	–	0
Other	–2	0	–1	–1	–3	–2
Cash flow from investing activities	**–141**	**–128**	**–229**	**–244**	**–547**	**–562**
Financing activities						
New issue	72	21	88	42	146	100
Other capital contributions	0	–	0	–	0	–
New loans	70	208	70	273	128	331
Repayment of loan	0	–40	–65	–55	–126	–116
Amortisation of lease liability	–28	–18	–55	–37	–101	–83
Dividends	–115	–73	–115	–73	–114	–73
Cash flow from financing activities	**–1**	**96**	**–78**	**149**	**–67**	**159**
Cash flow for the period	**48**	**75**	**15**	**134**	**–26**	**93**
Cash and cash equivalents at the beginning of the period	272	287	317	218	366	218
Translation differences in cash and cash equivalents	–7	4	–19	13	–27	5
Cash and cash equivalents at the end of the period	**313**	**366**	**313**	**366**	**313**	**317**

Condensed Parent Company income statement

AMOUNTS IN SEK M	April-June 2020	April-June 2019	Jan-June 2020	Jan-June 2019	12-months rolling 2019/2020	Jan-Dec 2019
Net sales	6	6	12	11	25	23
Operating expenses	–6	–6	–11	–10	–21	–21
Operating profit/loss	**0**	**1**	**1**	**1**	**3**	**3**
Net financial items	–1	–1	–1	–1	–2	–2
Profit/loss after net financial items	**0**	**0**	**0**	**–1**	**1**	**0**
Group contributions received	–	–	–	–	5	5
Earnings before taxes	**0**	**0**	**0**	**–1**	**5**	**5**
Tax	–	–	–	–	–1	–1
Earnings for the period	**0**	**0**	**0**	**–1**	**5**	**4**

Condensed Parent Company balance sheet

AMOUNTS IN SEK M	30 June 2020	30 June 2019	31 Dec 2019
Shares in subsidiaries	1,315	1,315	1,315
Total non-current assets	**1,315**	**1,315**	**1,315**
Receivables from Group companies	12	11	5
Other current assets	0	0	0
Cash and cash equivalents	65	27	102
Total current assets	**78**	**38**	**107**
Total assets	**1,393**	**1,354**	**1,422**
Equity	1,243	1,207	1,270
Total equity	**1,243**	**1,207**	**1,270**
Non-current liabilities	142	142	142
Total non-current liabilities	**142**	**142**	**142**
Accounts payable	0	0	0
Other current liabilities	7	5	5
Total current liabilities	**7**	**5**	**5**
Total liabilities	**150**	**146**	**152**
Total equity and liabilities	**1,393**	**1,354**	**1,422**

Quarterly data

AMOUNTS IN SEK M	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net sales	1,725	1,676	1,652	1,416	1,406	1,218	1,264	998
Growth in net sales, %	22.7	37.6	30.7	41.9	19.8	24.4	35.1	40.8
Operating profit/loss (EBIT)	154	120	144	113	145	90	125	68
EBITA	154	120	145	113	145	90	125	68
EBITDA	186	150	171	139	166	111	145	87
Adjusted EBITA	150	131	157	127	123	92	120	75
Adjusted EBITDA	182	161	183	153	144	114	140	94
EBIT margin, %	8.9	7.1	8.7	8.0	10.3	7.4	9.9	6.8
EBITA margin, %	9.0	7.2	8.8	8.0	10.3	7.4	9.9	6.8
EBITDA margin, %	10.8	9.0	10.3	9.8	11.8	9.1	11.5	8.7
Adjusted EBITA margin, %	8.7	7.8	9.5	9.0	8.7	7.6	9.5	7.5
Adjusted EBITDA margin, %	10.6	9.6	11.1	10.8	10.3	9.3	11.1	9.4
Working capital	–55	–30	–22	–40	2	–36	25	64
Interest-bearing net debt	903	853	872	785	763	649	663	714
Gearing ratio, %	56.7	55.2	58.8	57.7	60.5	54.7	62.1	72.3
Net debt/in relation to adjusted EBITDA, times	1.3	1.3	1.5	1.4	1.6	1.4	1.5	1.7
Cash conversion %	121	102	102	90	87	137	138	27
Cash flow from operating activities	190	131	152	114	107	122	165	1
Earnings before taxes	152	108	137	108	143	85	122	63
Equity ratio, %	35.5	36.9	35.6	34.6	34.6	36.0	35.4	34.7
Order backlog	6,006	5,215	4,865	4,418	4,508	4,391	4,063	3,724
Average number of employees	3,202	3,075	2,972	2,719	2,524	2,306	2,212	2,067
Number of employees at the end of the period	3,352	3,180	3,103	2,798	2,655	2,379	2,283	2,139

Reconciliation of key figures not defined in accordance with IFRS

The Company presents certain financial measures in the interim report, which are not defined under IFRS. The Company believes that these measures provide useful supplemental information to investors and the company's management, since they allow for the evaluation relevant trends. Instalco's definitions of these measures may differ from other companies using the same terms. These financial measures should therefore be viewed as a supplement, rather than as a replacement for measures defined under IFRS. Presented below are definitions of measures that are not defined under IFRS and which are not mentioned elsewhere in the interim report. Reconciliation of these measures is provided in the table, below. For definitions of key figures, see page 20-21.

Earnings measures and margin measures

AMOUNTS IN SEK M	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018)	Q3 2018)
(A) Operating profit/loss (EBIT)	154	120	144	113	145	90	125	68
Depreciation/amortisation and impairment of acquisition-related intangible assets	0	0	0	0	0	0	0	0
(B) EBITA	154	120	145	113	145	90	125	68
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	32	30	26	26	21	21	20	19
(C) EBITDA	186	150	171	139	166	111	145	87
Non-recurring items								
Additional consideration	–7	8	10	10	–24	1	–10	6
Acquisition costs	2	3	3	4	2	2	3	1
Loss on divestment of subsidiaries	–	–	–	–	–	–	–	–
Other	–	–	–	–	–	–	2	–
Total, non-recurring items	–4	11	13	14	–22	2	–5	7
(D) Adjusted EBITA	150	131	157	127	123	92	120	75
(E) Adjusted EBITDA	182	161	183	153	144	114	140	94
(F) Net sales	1,725	1,676	1,652	1,416	1,406	1,218	1,264	998
(A/F) EBIT margin, %	*8.9*	*7.1*	*8.7*	*8.0*	*10.3*	*7.4*	*9.9*	*6.8*
(B/F) EBIT margin, %	*9.0*	*7.2*	*8.8*	*8.0*	*10.3*	*7.4*	*9.9*	*6.8*
(C/F) EBIT margin, %	*10.8*	*9.0*	*10.3*	*9.8*	*11.8*	*9.1*	*11.5*	*8.7*
(D/F) Adjusted EBITA margin, %	*8.7*	*7.8*	*9.5*	*9.0*	*8.7*	*7.6*	*9.5*	*7.5*
(E/F) Adjusted EBITDA margin, %	*10.6*	*9.6*	*11.1*	*10.8*	*10.3*	*9.3*	*11.1*	*9.4*

Capital structure

AMOUNTS IN SEK M	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018[)]	Q3 2018[)]
Calculation of working capital and working capital in relation to net sales								
Inventories	50	48	45	31	29	27	29	23
Accounts receivable	889	818	874	785	793	724	698	684
Earned, but not yet invoiced revenue	470	416	322	402	278	256	205	210
Prepaid expenses and accrued income	47	53	93	48	50	33	55	36
Other current assets	87	73	64	54	49	46	48	52
Accounts payable	–566	–528	–420	–493	–433	–417	–317	–349
Invoiced, but not yet earned income	–400	–314	–357	–366	–286	–231	–212	–172
Other current liabilities	–244	–223	–289	–231	–190	–183	–208	–195
Accrued expenses and deferred income, including provisions	–388	–373	–354	–271	–287	–290	–272	–226
(A) Working capital	**–55**	**–30**	**–22**	**–40**	**2**	**–36**	**25**	**64**
(B) Net sales (12-months rolling)	6,469	6,149	5,692	5,304	4,886	4,653	4,414	4,086
(A/B) Working capital as a percentage of net sales, %	**–0.9**	**–0.5**	**–0.4**	**–0.7**	**0.1**	**–0.8**	**0.6**	**1.6**
Calculation of interest-bearing net debt and gearing ratio								
Non-current, interest-bearing financial liabilities	1,129	1,040	1,104	1,081	1,057	869	817	808
Current, interest-bearing financial liabilities	86	85	84	78	72	66	65	57
Cash and cash equivalents	–313	–272	–317	–374	–366	–287	–218	–151
(A) Interest-bearing net debt	**903**	**853**	**872**	**785**	**763**	**649**	**663**	**714**
(B) Equity	1,592	1,544	1,483	1,362	1,261	1,185	1,068	988
(A/B) Gearing ratio, %	**56.7**	**55.2**	**58.8**	**57.7**	**60.5**	**54.7**	**62.1**	**72.3**
(C) EBITDA (12-months rolling)	646	626	587	562	510	462	407	358
(A/C) Interest-bearing net debt in relation to EBITDA (12-months rolling)	**1.4 times**	**1.4 times**	**1.5 times**	**1.4 times**	**1.5 times**	**1.4 times**	**1.6 times**	**2.0 times**
Calculation of operating cash flow and cash conversion								
(A) Adjusted EBITDA	182	161	183	153	144	114	140	94
Net investments in property, plant and equipment and intangible assets	–2	0	1	–2	0	0	–1	–1
Changes in working capital	39	2	2	–13	–18	49	54	–68
(B) Operating cash flow	**220**	**164**	**186**	**138**	**126**	**163**	**193**	**25**
(B/A) Cash conversion %	**121**	**102**	**102**	**90**	**87**	**143**	**138**	**27**

Signatures

Future reporting dates

Interim Report January – September 2020	9 November 2020
Year-end report 2020	18 February 2021
Interim report January – March 2021	6 May 2021
AGM	6 May 2021
Interim report January – June 2021	25 August 2021
Interim Report January – September 2021	9 November 2021

Board of Directors' assurance

The Board of Directors and CEO ensure that this interim report for the first six months of the year provides a fair view of the company's and the Group's operations, position and earnings, and describes significant risks and uncertainties faced by the company and the companies belonging to the Group.

Stockholm, 19 August 2020
Instalco AB (publ)

Olof Ehrlén Chairman of the Board	Johnny Alvarsson Board member	Camilla Öberg Board member	Carina Qvarngård Board member

Per Leopoldsson Board member	Carina Edblad Board member	Per Sjöstrand CEO

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

Presentation of the report

The report will be presented in a telephone conference/audiocast today, 19 August at 14:00 CET via https://tv.streamfabriken.com/instalco-q2-2020 To participate by phone: +46(0)8-505 583 59.

Note

This information is information that Instalco is required to disclose under the EU Market Abuse Regulation. The information was made public by the contact person listed below, on 19 August 2020 at 11:00 CET.

Additional information

Robin Boheman, CFO, robin.boheman@instalco.se
Fredrik Trahn, Head of Communications and IR, fredrik.trahn@instalco.se +46 (0)70-913 67 96

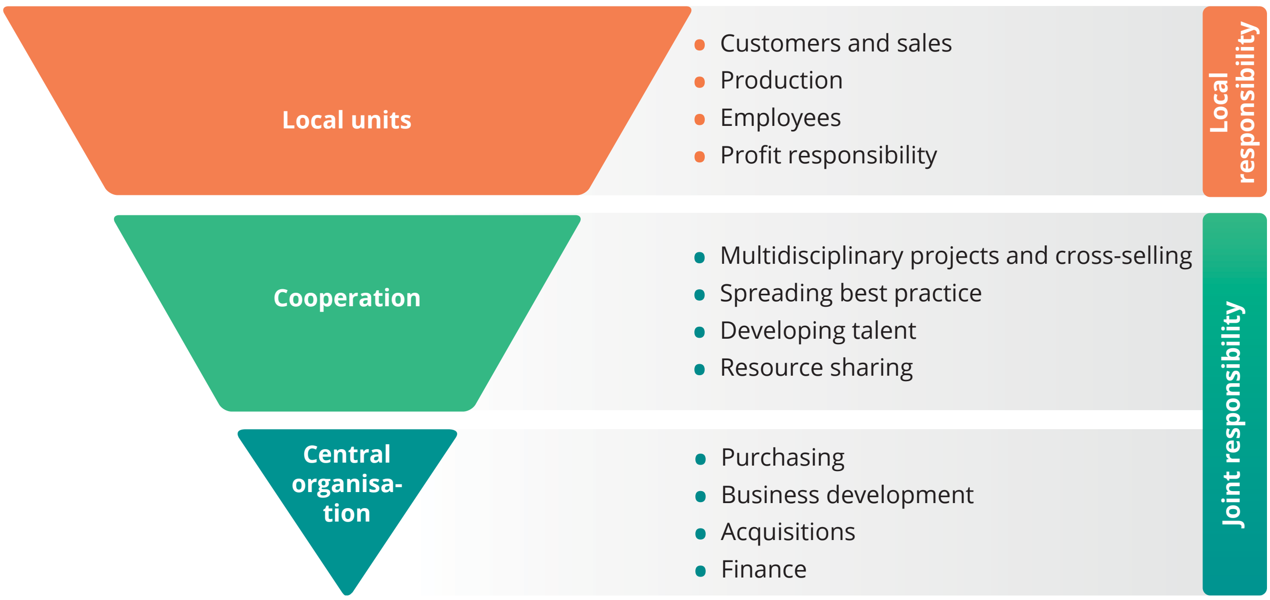
Definitions with explanation

General	Unless otherwise indicated, all amounts in the tables are in SEK m. All amounts in parentheses () are comparison figures for the same period in the prior year, unless otherwise indicated.	
Key figures	**Definition/calculation**	**Purpose**
Acquired growth in net sales	Change in net sales as a percentage of net sales during the comparable period, fuelled by acquisitions. Acquired net sales is defined as net sales during the period that are attributable to companies that were acquired during the last 12-month period and for these companies, the only amounts that are considered as acquired net sales are their sales up until 12 months after the acquisition date.	Acquired net sales growth reflects the acquired units' impact on net sales.
Adjusted EBITA	EBITA adjusted for non-recurring items.	Adjusted EBITA increases comparability of EBITA.
Adjusted EBITA margin	EBITA adjusted for non-recurring items, as a percentage of net sales.	Adjusted EBITA margin excludes the effect of items affecting non-recurring items, which facilitates a comparison of the underlying operational profitability.
Adjusted EBITDA	EBITDA adjusted for non-recurring items.	Adjusted EBITDA increases comparability of EBITDA.
Adjusted EBITDA margin	EBITDA adjusted for non-recurring items, as a percentage of net sales.	Adjusted EBITDA margin excludes the effect of non-recurring items, which facilitates a comparison of the underlying operational profitability.
Cash conversion	Operating cash flow as a percentage of adjusted EBITDA	Cash conversion is used to monitor how effective the Group is in managing ongoing investments and working capital.
EBIT margin	Earnings before interest and taxes, as a percentage of net sales.	EBIT margin is used to measure operational profitability.
EBITA	Operating profit/loss (EBIT) before depreciation/amortisation and impairment of acquisition-related intangible assets.	EBITA provides an overall picture of the profit generated from operating activities.
EBITA margin	Operating profit/loss (EBIT) before depreciation/amortisation and impairment of acquisition-related intangible assets, as a percentage of net sales.	EBIT margin is used to measure operational profitability.
EBITDA	Operating profit/loss (EBIT) before depreciation/amortisation and impairment of acquisition-related intangible assets and depreciation/amortisation and impairment of property, plant and equipment and intangible assets	EBITDA, together with EBITA provides an overall picture of the profit generated from operating activities.
EBITDA margin	Operating profit/loss (EBIT) before depreciation/amortisation and impairment of acquisition-related intangible assets and depreciation/amortisation and impairment of property, plant and equipment and intangible assets, as a percentage of net sales.	EBITDA margin is used to measure operational profitability.
Gearing ratio	Interest-bearing net debt as a percentage of total equity.	Gearing ratio measures the extent to which the Group is financed by loans. Because cash and other short-term investments can be used to pay off the debt on short notice, net debt is used instead of gross debt in the calculation.
Growth in net sales	Change in net sales as a percentage of net sales in the comparable period, prior year.	The change in net sales reflects the Groups realised sales growth over time.
Interest-bearing net debt	Non-current and current interest bearing liabilities less cash and other short-term investments.	Interest-bearing net debt is used as a measure that shows the Groups total debt.

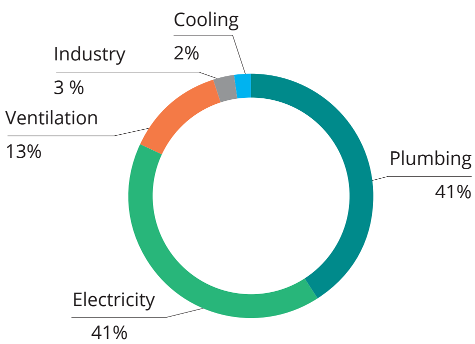
Key figures	Definition/calculation	Purpose
Net debt in relation to adjusted EBITDA	Net debt at end of period divided by adjusted EBITDA, on a 12-month rolling basis.	Net debt in relation to adjusted EBITDA provides an estimate of the company's ability to reduce its debt. It represents the number of years it would take to pay back the debt if the net debt and adjusted EBITDA is kept constant, without taking into account the cash flows relating to interest, taxes and investments.
Non-recurring items	Non-recurring items, like additional consideration, acquisition costs, the costs associated with refinancing, listing costs and sponsorship costs.	By excluding non-recurring items, it is easier to compare earnings between periods.
Operating cash flow	Adjusted EBITDA less investments in property, plant and equipment and intangible assets, along with an adjustment for cash flow from change in working capital.	Operating cash flow is used to monitor the cash flow generated from operating activities.
Operating profit/loss (EBIT)	Earnings before interest and taxes.	Operating profit/loss (EBIT) provides an overall picture of the profit generated from operating activities.
Order backlog	The value of outstanding, not yet accrued project revenue from received orders at the end of the period.	Order backlog provides an indication of the Group's remaining project revenue from orders already received.
Organic growth in net sales	The change in net sales for comparable units after adjustment for acquisition and currency effects, as a percentage of net sales during the comparison period.	Organic growth in net sales does not include the effects of changes in the Group's structure and exchange rates, which enables a comparison of net sales over time.
Working capital	Inventories, accounts receivable, earned but not yet invoiced income, prepaid expenses and accrued income and other current assets, less accounts payable, invoiced but not yet earned income, accrued expenses and deferred income and other current liabilities.	Working capital is used to measure the company's ability to meet short-term capital requirements.
Working capital as a percentage of net sales	Working capital at the end of the period as a percentage of net sales on a 12-month rolling basis.	Working capital as a percentage of net sales is used to measure the extent to which working capital is tied up.

Instalco in brief

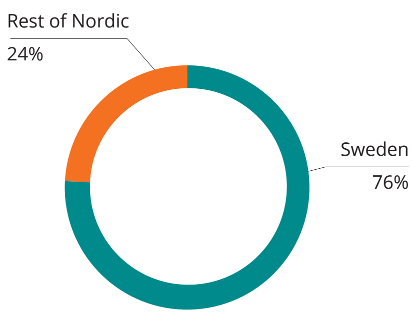
Instalco has a decentralised structure, where operations are conducted in each unit, in close cooperation with customers and with the support of a very streamlined central organisation. The Instalco model is designed to benefit from the advantages of both strong local ties and joint functions.



NET SALES BY AREA OF OPERATION



NET SALES BY MARKET AREA



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