# Instalco annual report 2018

Instalco offers complete heating, plumbing, electricity, ventilation, cooling and industrial solutions in the Nordic market. We work closely with customers, offering all the advantages of a local company, along with efficient collaboration and mature leadership.


INSTALCO

# What

Instalco offers technical installation services, maintenance and service in five main areas:

HEATING & PLUMBING

ELECTRICITY

VENTILATION

COOLING

INDUSTRIAL

# To whom

Instalco primarily focuses on medium-sized projects valued at between SEK 1 and SEK 75 million. Many of the customers are construction companies and property owners working with commercial facilities, as well as offices and residential property. Some of Instalco's major customers are government authorities engaged in the construction of schools, daycare centres and hospitals. Other customers include major retailers, refrigeration companies, caterers, companies in the food industry, county councils, municipalities, municipal companies, public administration organisations and industrial companies.

# Where

In the Nordic region, Instalco is a leader in its sector and, via its more than 50 companies, is represented throughout most of Sweden, and in the expanding metropolitan regions of both Norway and Finland.

**75%**
Sweden, share of Instalco's sales

**25%**
Rest of Nordic, share of Instalco's sales

**SWEDEN**

| SEK m | 2018 | 2017 | *Change, %* |
|---|---|---|---|
| Sales | 3,312 | 2,418 | +37 |
| EBITA | 346 | 236 | +47 |
| Number of companies | 36 | 25 | +44 |
| Number of employees | 1,670 | 1,325 | +26 |

**REST OF NORDIC**

| SEK m | 2018 | 2017 | *Change, %* |
|---|---|---|---|
| Sales | 1,102 | 695 | +58 |
| EBITA | 50 | 48 | +4.2 |
| Number of companies | 15 | 11 | +36 |
| Number of employees | 609 | 508 | +20 |

# 2018

### January – March

- Multi-disciplinary project in Uppsala involving electricity, heating & plumbing, ventilation and sprinklers in the same project through collaboration between DALAB and Sprinklerbolaget.
- Acquisition of 3EL, Sprinklerbolaget, VVT, VVS-Kraft and RIKELEKTRO.

### April – June

- Swedish-Norwegian collaboration between Elkontakt and Vito. Electricity, heating & plumbing installations at Vestby logistics centre, just outside of Oslo.
- Acquisition of Dala Kylmecano, APC Elinstallatören, Teknisk Ventilasjon and LVI-Urakointi Paavola.

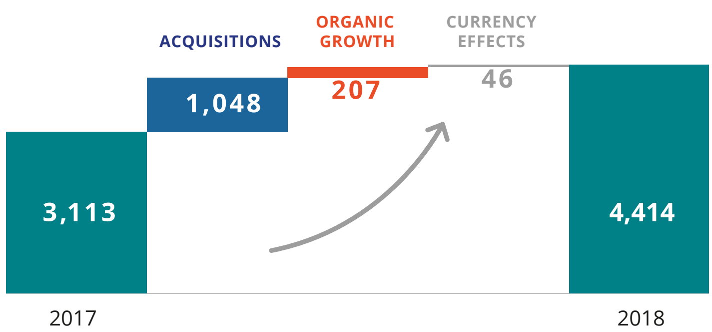
### July – September

- Collaboration between JN EL and OTK in energy-saving projects at the Scania ice rink in Södertälje. New ventilation equipment, electrical installations and new LED lighting for the hockey rink.
- ORAB was engaged for industrial pipe installations as part of the conversion project at Stora Enso's newsprint mill, Hylte Mill.

### October – December

- VVS Kraft is engaged to reconstruct the central cooling system at properties for SVT, SR, UR and Berwalldhallen in Stockholm.
- Acquisition of Rörman, MSI, RSM, Twinputki, Häggstrands and Säkhö-Bumi.

**REVENUE GROWTH, SEK M**




**KEY FIGURES**

| SEK m | 2018 | 2017 | Change, % |
|---|---|---|---|
| Net sales | 4,414 | 3,114 | +42 |
| EBITA | 331 | 244 | +36 |
| EBITA margin, % | 7.5 | 7.8 | |
| Adjusted EBITA[1)] | 372 | 264 | +41 |
| Adjusted EBITA margin, % | 8.4 | 8.5 | |
| Earnings before taxes | 316 | 229 | +38 |
| Cash flow from operating activities | 273 | 160 | +71 |
| Order backlog | 4,063 | 3,194 | +27 |
| Earnings per share (SEK) | 5.20 | 3.69 | +41 |
| Dividends per share (SEK) | 1.50[2)] | 1.10 | +36 |

*1) Adjusted for costs associated with, for example, acquisitions and preparations for the IPO.*
*2) Proposed dividend.*

CONTENTS



Swedish and English versions of the annual report are available on the company's website, www.instalco.se.
This is a 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.

# Sustainable technical installations

*During the year, Instalco successfully continued on its journey to become one of the Nordic region's leading installation companies for electricity, heating & plumbing, ventilation, cooling and industrial solutions.*

I'm happy to report another successful and eventful year for Instalco. We've now grown to more than 50 companies with more than 2,000 employees. Instalco has maintained a high rate of growth at 37 percent, with healthy margins.

During the year, we acquired 13 companies and all of them are now helping identify new synergies and forms of collaboration. That's what is so exciting about Instalco and its future. It's a company where one plus one really can be more than two, and often is!

In all my years working in this industry, I've never had a job as fun, exciting and stimulating as this one. We have a vibrant entrepreneurial spirit and competitive drive for leading the way. That's what sets Instalco apart.

*We have a healthy entrepreneurial spirit and competitive drive for leading the way. That's what sets Instalco apart.*

### Stable market

In general, our assessment is that the installation sector remains stable. We're optimistic about the future, where construction remains at a high level in the public sector, more investments are being made in properties with advanced technical installations and there is an ever-increasing demand for energy-efficient solutions. We are nevertheless constantly monitoring other less-positive trends in our industry, such as the overall slower rate of growth in the economy, a slowdown in residential construction and the challenge of finding enough skilled labour to meet the demand. Instalco's exposure in the housing market is relatively low and the Group's main focus is on installations at commercial properties and public facilities. We have a high level of diversification across both project types and markets, which gives us stability. We also have the flexibility to streamline and quickly adapt to the prevailing conditions.

### Favourable macro trends

I've frequently mentioned the megatrends of ageing property holdings, infrastructure investments and technological development as important driving forces that are fuelling the demand for installation services. Now, we're also noticing the increasing importance of the demand for sustainable construction, energy efficiency and generating societal benefits as trends that impact us.

We are always striving to help customers lower their environmental impact via lower energy consumption and higher environmental awareness. Property owners of both newly constructed and older buildings are currently focusing more on investments in energy efficient installations aimed at lowering operating costs and meeting the ever-increasing sustainability demands of the market and consumers.

Examples of areas where Instalco helps generate benefits to society and higher energy efficiency are via its installations of solar cells, heat pumps, geothermal heating, heat exchangers, LED lighting, charging stations, energy-saving programs and property automation. Instalco's installs modern ventilation systems for higher air circulation and cleaner air in indoor environments. We are also involved in many water treatment projects throughout the Nordic region. However, in order to generate maximum benefits to society, we need to get involved early in the construction process so that we are able to contribute our expertise on installations which, for example, provide the highest level of energy efficiency.

Unfortunately though, installation companies are brought in far too late in the process. At that point, there are fewer options available for overall solutions with a focus on sustainability. We are continually striving to get involved as early as possible in the construction process. By doing so, we can raise the efficiency of the project even more, increase collaboration between those involved and use standardized, efficient solutions to the greatest extent possible.

We also want the help the end client apply the broadest possible approach to sustainability. We strive to increase their knowledge of what is possible to achieve in a construction project, from an environmental perspective. Furthermore, we support them in their own efforts to put requirements on contractors, property owners, local authorities and other authorities. Together, we can help lower the environmental impact even more.

*We also want the help the end client apply the broadest possible approach to sustainability.*

Last year, for example, Instalco made an important contribution by installing new low-energy LED lighting and a new, modern ventilation system at the Scania ice rink in Södertälje. The new system provides 80 percent more light and a 40 percent energy saving. Another energy-saving project is ORAB's pipe installations that are part of the conversion project at Stora Enso's newsprint mill, Hylte Mill. The installation of a new condensing steam turbine increases the mill's level of self-sufficiency and lowers its electricity consumption.

Instalco has also installed new, energy-efficient cooling systems at many supermarkets in Stockholm and is involved in several solid wood construction projects in Norway. We are also participating in a variety of projects where clients will seek Miljöbyggnad certification, a system set up by Sweden Green Building.

It covers many aspects, including energy performance, energy conservation, indoor environment and assurance that building materials have been environmentally rated. To obtain environmental certification, there are also requirements on the indoor environment as regards such things as natural light, use of non-toxic materials, ventilation and climate. Protective measures must also be taken against moisture and radon.
Obtaining Miljöbyggnad certification demonstrates our dedication to satisfy high requirements on sustainability. And, when we pay attention to quality and prioritise environmentally friendly solutions, we also help lower our customers' operating costs.

### One of Sweden's leading hospital contractors

For quite some time, Instalco has been one of Sweden's leading hospital contractors for electrical, heating & plumbing installations. We have had even more success in this area during the year, when LG Contracting signed an order for SEK 200 million pertaining to new construction at the Skaraborg Hospital in Skövde. Another hospital assignment is at the new hospital area in Malmö, where Rörläggaren is involved in a wide-scale project that runs through the mid 2020s.

Ohmegi and Rörgruppen have continued their installation work associated with the expansion of Stockholm South General Hospital and APC Elinstallatören is involved in the expansion of Linköping University Hospital. Once all of the work has been completed, it will be one of Sweden's most energy-efficient hospital buildings.

### Future

Looking forward, our assessment is that the market will remain stable with a continued high demand for installation services. As before, one of the biggest challenges is finding enough skilled labour to meet the demand.

During the year, we pursued acquisition discussions with several skilled entrepreneurs in the installation sector. The acquisition climate is favourable and there are many attractive, well-run companies that we are in contact with and interested in acquiring. However, we are only interested in profitable companies that fit the Group's strategy and can contribute to our growth. That's been our strategy for the first five years. It's been successful and we shall continue on this same path.

In conclusion, I'd like to express my gratitude to each and every one of our 2,000 dedicated employees. You are the ones who've made us what we are today.

Per Sjöstrand
*President and CEO*

# Instalco model provides the foundation for high profitability

*Instalco continued delivering a high rate of growth and profitability in 2018. Growth was fuelled by both favourable market conditions and our many acquisitions. In addition to that, the Instalco model provides the prerequisites for our high level of profitability.*

During 2018 there has been an upward trend in the Nordic market for installation services thanks to the high demand for construction of new schools, hospitals, renovations and energy-efficient solutions. There has, however, been a downward trend in the market for new construction of condominiums in metropolitan regions. But, Instalco's exposure to this area is quite limited.

During the year, we continued to actively pursue our acquisition strategy by purchasing successful companies in all of our markets that are a good fit with the Instalco culture.

### Collaboration that creates synergies

Profitability has remained high and even improved during the year. Instalco's companies are well-managed and entrepreneurial spirit is high. They all strive for continual development and improvement. They are typically leaders in their local region and each successfully applies the decentralised Instalco model, thereby contributing to our high margins.

Instalco is a Group consisting of specialised companies. As such, it can achieve higher levels of profitability than those with only basic expertise. Our success also lies in keeping our central costs at a very low level.

When a new company joins the Instalco Group, it obtains assistance with financial governance and gets to collaborate with other Instalco companies, which creates synergies on many levels. Cross-selling increases and new customer contacts are made. Furthermore, companies get opportunities to collaborate on projects that they would not have had access to on their own.

*"The Instalco model and our high level of specialisation have been key success factors behind the high margins.*

The Instalco model also involves sharing of best practice and benefits from using Group-wide supplier agreements. There are also enormous advantages gained from our companies working in a stimulating, team-building environment, where they get to collaborate and compete with those who are like-minded. Everyone wants to be top of the class.

### Updated growth target

Thanks to our high rate of acquisition and maintained profitability, we made significant progress in the year towards our target of adjusted EBITA (pro forma) of SEK 450 million by the end of 2019. Based on this, the Board decided early in 2019 to pursue a new growth target of at least 10 percent of average sales growth per year over one business cycle. In 2018, our EBITA margin was 8.4 percent (thus exceeding our target of 8.0 percent). The debt-to-equity ratio was 1.5 times EBITDA, compared to the goal of a maximum of 2.5 times. Cash conversion was 100.1 percent, compared to the goal of 100 percent. The Board has also proposed dividends in line with the policy of distributing 30 percent of net profit, which corresponds to a dividend of SEK 1.50 per share (an increase of 36 percent compared to the prior year).

### Net sales

In 2018, net sales increased by 41.8 percent. Organic growth was 6.6 percent and acquired growth was 36.5 percent. Nine subsidiaries were acquired during the year, with estimated annual sales of SEK 527 million in Sweden. One subsidiary was acquired in Norway with estimated annual sales of SEK 57 million and three subsidiaries were acquired in Finland with estimated annual sales of SEK 175 million. Thus, during the year, we acquired companies with total sales of just over SEK 750 million.

## Order backlog

At year end, outstanding orders totalled SEK 4,063 million. This is 27.2 percent higher than the corresponding figure at the end of 2017. For comparable units, order backlog increased by 9.2 percent and acquired growth was 17.2 percent. The level of outstanding orders is equivalent to production of 0.9 times on a 12-month rolling basis for relevant units.

## Administrative costs

Instalco actively strives to optimise the company's costs. The overall low cost level creates conditions for continued good margins and thereby profitable growth.

## EBITA

EBITA increased by SEK 87 million to SEK 331 million and EBITA margin was 7.5 percent. Adjusted for costs associated with, for example, acquisitions, the EBITA margin was 8.4 percent.

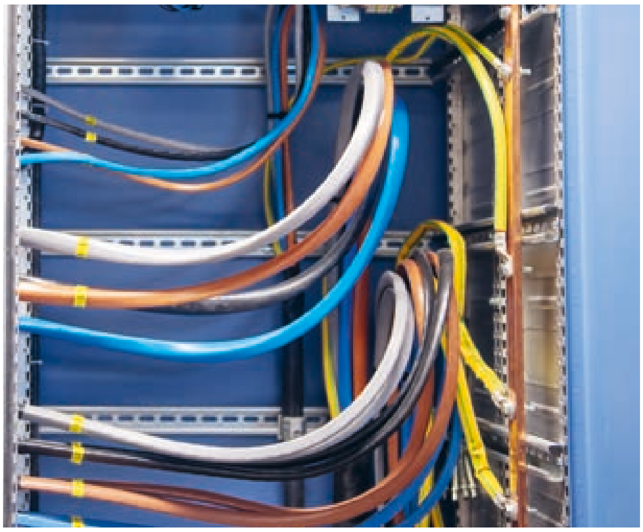
## Strong balance sheet

During the year, the balance sheet was strengthened with an increase in equity from SEK 793 million to SEK 1,070 million. The increase in goodwill is attributable to the multiple acquisitions that were made. Other increases in specific balance sheet posts are primarily associated with growth in sales.

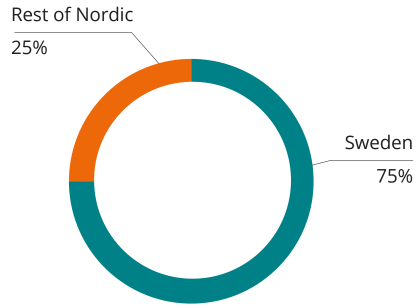
## Improved cash flow

Cash flow improved during the year thanks to the overall higher earnings and streamlining of capital deployment. We are continually working within the Group to maintain a healthy cash flow that makes it possible for Instalco to use own funds for the acquisition of new companies. In 2018, cash conversion exceeded 100 percent.

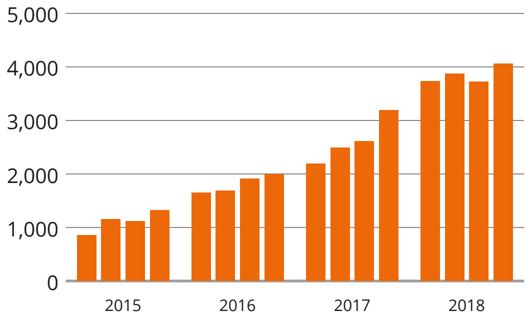
Lotta Sjögren
*CFO*



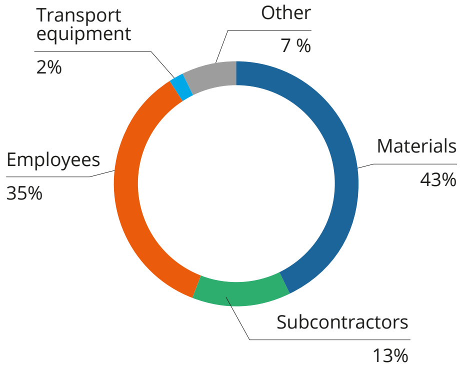
**NET SALES BY MARKET AREA**




**ORDER BACKLOG PER QUARTER, SEK M**




**COST STRUCTURE**



# Value creation

## VISION

Instalco's vision is to, by 2020, become one of the leading Nordic companies for heating & plumbing, electricity, ventilation, cooling and industrial solutions. We will be a world-class player with high technical expertise.

## RESOURCES

### Operations

- 52 companies in three countries
- Five areas of technology

### Equity

- SEK 1,070 million in equity

### Employees

- 2,283 competent and qualified employees

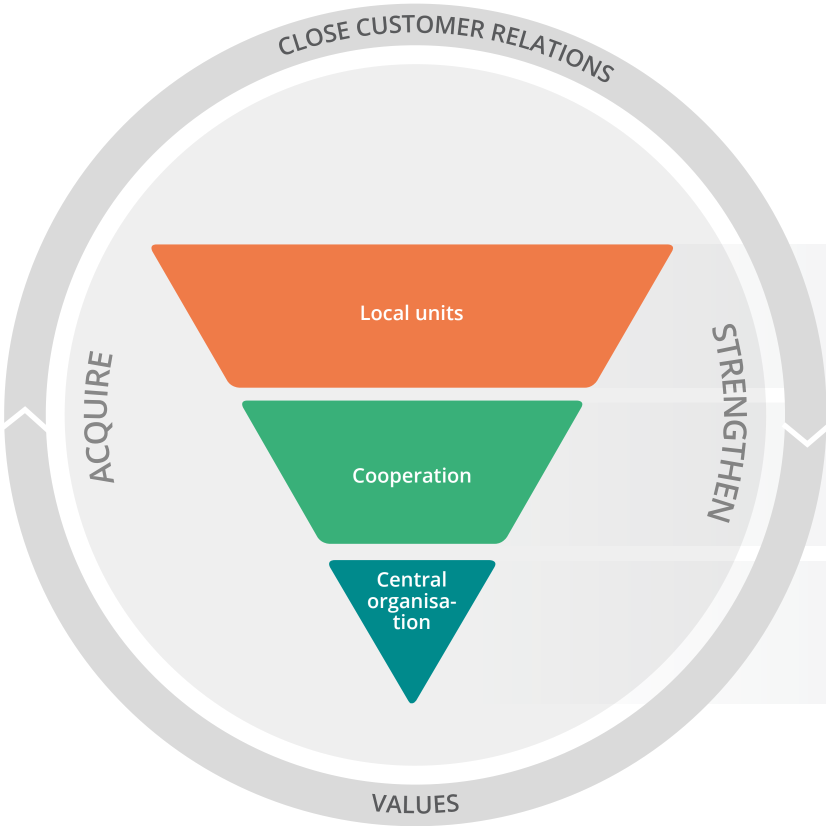
### Expertise

- Specialist expertise in all areas of technology

### Suppliers

- Carefully selected suppliers who deliver sustainable products

## BUSINESS MODEL




### *Values*

*New way of thinking*

- *Simple forms of interaction and complete solutions across areas of technology*
- *Focus on quality and sustainability*

*Efficiency*

- *Small organisation and efficient processes applied to every assignment*
- *Constant efforts to simplify everyday work routines, for our customers and within our own organisation*

## BUSINESS CONCEPT

Instalco's business concept is to offer complete heating, plumbing, electricity, ventilation, cooling and industrial solutions in the Nordic market. We work closely with customers, offering all the advantages of a local company, along with efficient collaboration and mature leadership.

## BUSINESS MODEL

**Local responsibility**

- Customers and sales
- Production
- Employees
- Profit responsibility

**Joint responsibility**

- Multidisciplinary projects and cross-selling
- Spreading best practice
- Developing talent
- Resource sharing

- Purchasing
- Business development
- Acquisitions
- Finance

*Cooperation*

- *Close cooperation with customers, internal collaboration and mature leadership*
- *Employees who are very committed to and enthusiastic about their assignment and who listen & learn from each other*

## BENEFITS TO SOCIETY

### Customers

- Attractive offering to customers
- Efficient solutions

### Employees

- Long-term employer
- Good, safe work environment
- Skill development

### Suppliers & business partners

- Long-term business relations
- Responsible business methods

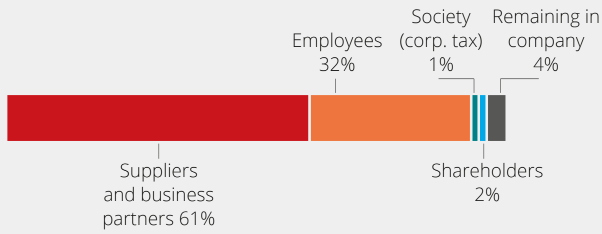
### Society

- Job opportunities
- Engaged in local society
- Contributes to higher resource efficiency
- Contribute to integration

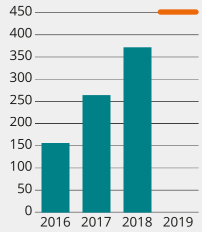
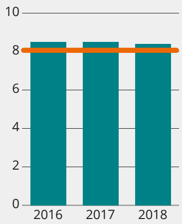
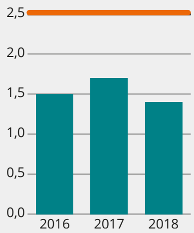
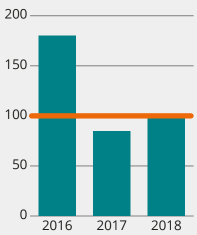
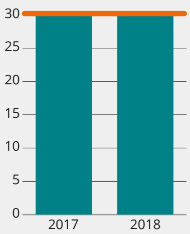
### Shareholders

- Profitable growth
- Dividends

*Distribution of economic value*



# Targets and results

| FINANCIAL TARGETS | EXPLAIN | RESULTS IN 2018 |
|---|---|---|
| **Growth**<br>450 SEK m Adjusted EBITA year 2019<br> | Demonstrates the company's ability to increase its market share via an attractive offering of its full range of expertise to customers. | With the high rate of acquisition we've had during the year, we're well on our way to our target of adjusted EBITA (pro forma) of SEK 450 million by the end of 2019. |
| **Margin**<br>>8%  | Measures the company's ability to generate profit so that it can create value to its shareholders, customers, employees and other stakeholders. | Adjusted EBITA margin amounted to 8.4 percent, which exceeds the target by 0.4 percentage points. |
| **Capital structure**<br><2,5 times<br> | A low net debt/adjusted EBITA is an indication of the company's ability to use own funds for new acquisitions. | Net debt/adjusted EBITA improved and it has fallen by 0.3 percentage points. |
| **Cash conversion rate**<br>100%<br> | Measures the company's ability to generate cash for making new acquisitions without taking on more debt. | Cash conversion increased to 100.1 percent, which is an improvement of 15.9 percentage points compared to 2017. |
| **Dividend policy**<br>30% of profit after tax<br> | Demonstrates the company's ability to generate returns. | The proposed divided is SEK 1.50 per share. (There were no dividends in 2016). |

| SUSTAINABILITY TARGETS | | EXPLAIN | RESULTS IN 2018 | |
|---|---|---|---|---|
| **Customer satisfaction** A measure of customer satisfaction in conjunction with their purchase of Instalco's installation services. | 100% | Satisfied customers are typically recurring customers and they serve as references for Instalco when it engages new customers. High customer satisfaction is a prerequisite for growth. | Strong customer relations are essential and a significant share of Instalco's sales is derived from repeat customers. Our customers satisfaction level is 86 percent. | 86% |
| **Employee satisfaction** A measure of how satisfied Instalco employees are with such things as their assigned tasks and the workplace. | >90% | Instalco strives to be an attractive employer that offers its employees interesting assignments, input and skill development so that it can attract the best talent in the labour pool. | Employee satisfaction is at a high level within the Instalco Group. Over the last three years, we have come very close to our target of 90 percent. | 89% |
| **Absence due to illness** A measure of employee absence due to illness. | <5% | Instalco's target is for absence due to illness to be less than 5 percent. Part of that effort involves creating a work environment that does not have a negative impact on our employees' health. | On the whole, absence due to illness is at a low level throughout the Group, which indicates that the work environment is good. | 3.4% |
| **Employee turnover** A measure of the extent to which employees are replaced during a single work year. | <10% | Instalco's goal is to have employee turnover that is less than 10 percent. There should be some turnover, however, so that we continually gain new expertise. Yet, we must simultaneously keep our recruitment costs at a reasonable level. | The lack of skilled labour in our industry results in an employee turnover rate that is higher than we would like. | 15.2% |
| **Occupational injuries** A measure of occurrence of injuries and accidents that occur during working hours and are reported to insurance companies. | 0% | Instalco strives to have a safe work environment and we have a vision of zero workplace accidents. | A higher number of employees has also meant that the number of occupational injuries has also increased. To provide a fair view of this, we therefore measure the number of work injuries as a percentage of the total number of employees. | 3.8% |

# Strategies

*To achieve the established target, Instalco works with clear strategies for sustainable growth, satisfied customers & employees, leadership and profitability.*

## Sustainable growth

Instalco will grow both organically and via acquisitions. Acquisition targets are companies with high profitability and committed management teams working in our areas of technology in growth regions throughout Sweden, Norway and Finland. We also focus on companies with a strong local position in other regions and areas of specialisation, provided that they meet our other acquisition criteria.

Organic growth is fuelled by such things as higher collaboration and synergies between the various units of the Group. By matching specialist expertise from various units, opportunities for upselling to existing customers are created, along with the ability to take on larger projects requiring several disciplines. Organic growth is also fuelled by our focus on sustainable installation services, which are becoming increasingly important to both clients and end users. Organic growth is also stimulated when we use our start-up model to set up our own new Instalco companies (see page 22).

*Priorities*

The installation market is highly fragmented. Consolidation benefits are prevalent and going forward, Instalco aims to play a leading role in doing just that. We have an attractive offering to entrepreneurs who would like to join the Instalco Group. At the end of 2018, Instalco was in contact with more than 30 potential acquisition candidates, of which 5-10 were further along in the process and moving closer to an acquisition decision.

Rapid, standardised implementation of the Instalco model creates the conditions for more cross-selling and collaboration, all of which fuels organic growth. We are also continually increasing our focus on sustainability, energy-efficiency and generating benefits to society via our services, all of which increases Instalco's competitiveness and facilitates long-term growth.

## Profitability

Instalco focuses on running the organisation with good profitability. Instalco runs a programme that we have named: IFOKUS. It is aimed at promoting continual improvement. The programme has led to several initiatives to streamline our production, purchasing, sales, upselling and cash management processes. Cost consciousness permeates every level of the organisation.

*Priorities*

Efforts with IFOKUS continue at both existing and newly acquired companies. Special initiatives are also being implemented at companies performing below the Group's profitability goals. During the acquisition processes, there is a special focus on identifying companies with profitability that is consistent with the Group's goals.

## Customer strategy

At Instalco, operations are conducted in close cooperation with customers. By being highly specialised in a specific method or technique in our individual companies, we are able to achieve a strong position in each local market and can offer competitive and sustainable solutions to customers. The Instalco model allows acquired companies to retain their name and company culture, which facilitates continued close collaboration with customers.

We primarily focus on projects valued at between SEK 1 and SEK 75 million. In that segment, some of the main competitive advantages we provide are high quality, long-term customer relations and short lead times. We also strive to increase the number of framework agreements at local, national and regional (Nordic) levels, as well as increasing the number of partnership projects. Instalco companies have a high level of expertise, which ensures that the quality delivered in each project is also high.

*Priorities*

In the installation business, strong customer relations are essential and a significant share of Instalco's sales is derived from repeat customers.

## Employees and leadership

To maintain and solidify a leading position, we must attract the best employees. In order to do that, we need managers who apply a mature leadership style. Mature leadership means the ability to see the big picture before getting stuck on the details, promoting collaboration between Instalco companies and developing the talent of our employees in order to increase profitability. Instalco also applies a non-hierarchical and decentralised leadership model.

We are able to be an attractive employer by offering employees a workplace with interesting tasks, good leaders, short decision paths, opportunities to make an impact and develop one's talent. Continual training for employees is a priority and with that in mind, we have established Instalco Academy. We encourage exchange and sharing of expertise in order to promote best practice throughout the organisation.

*Priorities*

Instalco Academy is the Group's internal training programme for the purpose of attracting, retaining, and developing skilled employees. Instalco Academy has a clear plan for developing talant and future leaders. Another goal is to ensure that all Instalco employees have the right expertise for being able to deliver in their respective roles. The Instalco Academy has leadership programs for three categories of employee: leading assemblers, project managers and executives (CEOs and branch managers).

Besides Instalco Academy, there is also a trainee system, along with courses, certificates and other necessary training. Instalco is also interested in helping facilitate integration in Sweden and its labour market via training initiatives for new immigrants. In 2018, Instalco successfully participated in an integration project at Rosengård in Malmö. The project also aims to find new skilled employees among those with a non-Swedish background.


# New cooling installations reduced energy consumption at Hemköp by 50 percent

The Instalco company, Timab, installed new cooling systems at four Hemköp grocery stores in Stockholm. The new cooling systems have reduced energy consumption at the stores by 50 percent and also lowered their environmental impact.

Cooling systems at grocery stores typically consume a great deal of energy. Significant energy savings can be achieved when replacing old cooling installations with new ones. At Hemköp, energy savings were around 50 percent.

"We were contracted by Hemköp to replace the entire cooling system at these stores. We also installed new refrigerators and freezers that are much more energy-efficient. Besides that, we are phasing out the old, environmentally hazardous refrigerants and replacing them with natural, environmentally-friendly ones. Use of carbon dioxide as a coolant (rather than fluorinated greenhouse gases) is becoming increasingly common and it's a much more environmentally-friendly alternative," says Kenneth Borg, CEO at Timab.

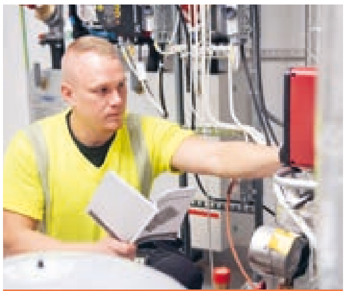
Instalco complies with the 2015 EU F-Gas Regulations in its use of synthetic refrigerants. As of 2020, there will be a ban on use of certain F-gases and the revised F-Gas Regulation will significantly reduce F-gas emissions from their current levels by 2030.

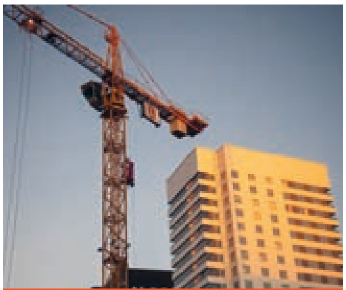
Timab has noticed an increased demand for the replacement of older refrigeration systems with modern, energy-efficient and environmentally friendly ones. Timab specialises in comfort cooling, process cooling and refrigeration solutions for caterers and grocery stores. It serves the greater Stockholm region.

# Driving forces in the market

*The demand for technical installations and services is being fuelled by several long-term trends, driving forces and underlying factors. Instalco is well-positioned to act on the market opportunities that arise.*

| | URBANISATION AND HOUSING SHORTAGE | ENVIRONMENTAL AWARENESS | TECHNOLOGICAL DEVELOPMENT |
|---|---|---|---|
| General trends | Sweden is currently one of the countries in Europe with the highest rate of population growth. There is a high rate of migration to Stockholm, Gothenburg and Malmö in particular. There is a similar situation in Norway and for several years, Oslo has been one of the fastest growing cities in Europe. Urbanisation is also occurring in Finland, where the population of Helsinki in particular is growing. | There is a strong trend of increasing environmental awareness among consumers and decision-makers alike. We see it, for example, via active environmentally conscientious choices from consumers and in procurement processes. Two EU Directives have been adopted aimed at lowering the energy consumption of buildings. One of the Directives states the goal of lowering the energy consumption of buildings by 20 percent by 2020. | In new construction projects, there are many types of technical systems and use of digital technology in the form of IT solutions, alarm & security systems and systems for more efficient use of energy, which results in more complex installations. Accordingly, technical installations are becoming an increasingly important component of the building process and installation services are expected to account for a larger share of the total building cost. |
| How it affects Instalco | Population growth and urbanisation is placing high demands on new construction, renovation and conversion in order to make better use of existing property holdings. The need for more housing and public facilities like schools, hospitals and retirement homes is increasing in sync with urbanisation, higher life expectancy and an ageing population. | Property owners of both newly constructed and older properties are currently putting more focus on investments in energy efficient installations. In part, it is to lower the energy costs of properties, which typically account for a large portion of total operating costs. However, these investments are also required to meet the increasingly high demands of consumers as regards energy efficiency and sustainability. | Complex installations place high demands on service suppliers. They must have a broad knowledge base, the right technical expertise and also the capacity to both complete the installations and provide services. Projects are becoming increasingly complex, with a greater need for planning prior to project start, along with project management throughout the duration of the project. This trend is expected to benefit companies with broader technical expertise. |
| Instalco's actions | Instalco has established a strong position in the growth regions of Sweden, Norway and Finland. By offering heating, plumbing, electricity, ventilation and cooling installation services, property owners in both the private and public sectors can easily obtain complete solutions that meet their needs in conjunction with new construction, renovation and conversion projects. | Instalco's offering is on the cutting edge as regards both energy efficiency and environmental awareness. Our technical installations and solutions help our customers achieve efficient energy use. Photovoltaic systems, LED lighting and energy savings programmes are all examples of products that help lower the environmental impact. | The Instalco model enables us to offer multidisciplinary expertise in coordinated projects that cover several areas of technical expertise, which makes things easier for the client. We actively work to spread best practice throughout the organisation so that we are able to offer customers the best possible project planning and management expertise, which ensures a high level of quality. |





| | INVESTMENTS IN INFRASTRUCTURE | AGEING PROPERTY HOLDINGS | SUSTAINABLE ENTREPRENEURSHIP AND BENEFITS TO SOCIETY |
|---|---|---|---|
| General trends | Infrastructure in the Nordic region is in great need of repair due to many years of disregard for making the necessary investments. Addressing this will require major investments in such things as communication systems and energy supply. | A large proportion of property holdings in the Nordic region were built in the late 1960s and early 1970s, which is typically referred to as the period of the Million Homes Programme. This is particularly noticeable in Sweden, where 25 percent of property holdings were built during this era. | There is increased awareness of the importance of sustainable entrepreneurship and societal development among both companies and consumers. It results in requirements that companies take responsibility in generating long-term benefits to society and lowering both climate and environmental impact. |
| How it affects Instalco | New, major investments in infrastructure are expected to make a positive contribution to the overall construction climate and installation market. | Ageing property holdings also result in a higher need for renovation, upgrades and modernization. | The demand for energy-efficient solutions and higher demands on sustainability from customers and suppliers is increasing. |
| Instalco's actions | Instalco has constructed a model that consists of knowledge and technical expertise for heating, plumbing, electricity, ventilation and cooling installation services in conjunction with infrastructure projects. | Via its subsidiaries, Instalco has specialist expertise in technical installations at buildings. This applies to renovation work, upgrades and new construction. | Instalco is a company that generates benefits to society every day in the form of energy efficiencies, energy savings, property automation and air purification/water treatment systems for customers and end users. |

# Offering

*Instalco offers technical installation services, maintenance and service in five main areas: electricity, heating & plumbing, ventilation, cooling and industrial solutions. We collaborate across companies and areas of technology in order to provide customers with energy-efficient and sustainable holistic solutions for long-term use.*

Instalco has a specific acquisition strategy and our goal is to grow into one of the largest and leading installation companies in the Nordic region. Operations are highly decentralised and they are run in close proximity to customers, with support from a small, central organisation. When joining Instalco, our companies typically maintain their local identity, which encourages and promotes a strong entrepreneurial spirit.

Our companies are specialised in methods or technologies that enable us to offer our customers competitive, customised solutions while benefiting from economies of scale. We do this via collaboration, synergies and sharing best practice within the Group. Keywords for Instalco are cooperation, mature leadership and efficient processes.

## Well positioned

Instalco has operations in Sweden, Norway and Finland, where we primarily focus on metropolitan regions with a higher growth rate than the market as a whole. In these markets, there is a trend of urbanisation, with a shortage of housing and ageing property stock in need of major investments, which is advantageous to our business.

Increased regulation of energy use, a higher level of complexity in buildings, investments in infrastructure, benefits to society and sustainability are other driving forces and factors that have a positive impact on the installation market.

## Market for medium-sized projects

Instalco primarily focuses on projects with an order value between SEK 1 and 75 million. Approximately 80 percent of our revenue is currently derived from this segment. The strategic choice to focus on this segment enables us to avoid the risks associated with very large projects, while limiting the number of very small clients. This market strategy provides us with lower risks and greater growth opportunities.

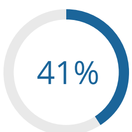
### HEATING & PLUMBING

*Services:*

- installation of district heating, natural gas, heat pumps and comfort cooling
- pipe replacement and preventative maintenance
- new construction
- ongoing repairs
- service and maintenance
- project planning

*Customers:*

- commercial facilities
- public construction
- residential
- office
- retail




% of sales

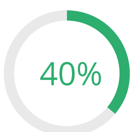
### ELECTRICITY

*Services:*

- design, project planning, assembly
- alarms and monitoring
- data network and control of technical equipment
- energy optimisation via integrated property automation
- charging posts for electric cars
- remote reading
- service and maintenance

*Customers:*

- commercial facilities
- public construction
- residential
- office
- retail




% of sales

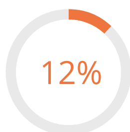
### VENTILATION

*Services:*

- installation and solutions for indoor climate
- energy optimization
- mandatory ventilation inspection
- service and maintenance

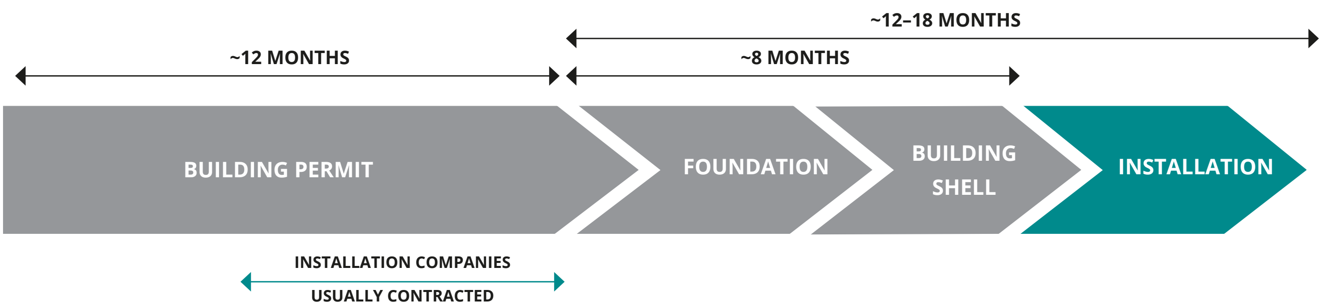
*Customers:*

- commercial facilities
- public construction
- residential
- office
- retail




% of sales

## THE TYPICAL TIMELINE ON A CONSTRUCTION PROJECT LEADS TO HIGH VISIBILITY OVER FUTURE INSTALLATION PROJECTS




## COOLING

*Services:*

- installation of cooling and heating equipment
- food cooling
- comfort cooling
- process cooling
- service and maintenance

*Customers:*

- retail chains
- institutional kitchens
- hotels
- food industry
- cold storage companies

2%

% of sales

## INDUSTRIAL

*Services:*

- pipe installations
- cooling installations

*Customers:*

- industrial companies
- municipal companies
- county councils
- administrations

5%

% of sales


# Environmentally certified hospital construction

Constructing buildings that will have environmental certification is part of Instalco's sustainability efforts. Instalco is one of Sweden's largest builders of hospitals for the electrical installations, heating, and plumbing systems and it is now involved in the construction of even more major hospitals that will have environmental certification.

Miljöbyggnad is a certification system created by Sweden Green Building. It covers many aspects, including energy performance, energy conservation, indoor environment and assurance that building materials have been environmentally rated.

The Instalco company, APC Elinstallatören, is involved in expansion of Linköping University Hospital. Once the building has been completed, it will be one of Sweden's most energy-efficient hospital buildings and the goal is to obtain certification at the Silver level from the Sweden Green Building Council.

Ohmegi and Rörgruppen are involved in expansion of Stockholm South General Hospital and the goal is to obtain certification at the Gold level from the Sweden Green Building Council.

"Obtaining Miljöbyggnad certification demonstrates our dedication to generate benefits to society and satisfy requirements on sustainability. And, when we pay attention to quality and prioritise environmentally friendly solutions, we also help lower our customers' operating costs," says Anders Lindén, CEO at APC.

At the new hospital building in Linköping, the heating source will primarily come from heat emitted by the building's equipment and by people residing in the building. The building will also self-generate much of its energy needs via solar cells installed on the roof.

To obtain environmental certification, there are also requirements on the indoor environment as regards such things as natural light, use of non-toxic materials, ventilation and climate. Protective measures must also be taken against moisture and radon.

# Specialist in charging stations

Finland has been lagging behind many other European countries in the number of electric cars, hybrid cars and charging stations for them. However, the trend is now turning upwards, which the Instalco company, Voltmen, has noticed in the form of higher demand for its expertise in installation of charging posts.

"A few years ago, we started installing some charging posts at public parking lots. Last year, we installed many charging posts at office parking lots and we're now getting a steady stream of requests for such installations at apartment complex parking lots," says Janne Skogberg, CEO at Voltmen in Helsinki.

The Finnish authorities are also now offering government subsidies to apartment buildings that install charging stations for electric and hybrid cars.

During the year, Voltmen installed more than 200 charging posts in the Helsinki area and Janne Skogberg estimates that the company will install 50 percent more in 2019. Voltmen has already installed many charging posts and charging stations, with the number steadily increasing, which has enabled them to acquire specialist expertise in this area.

"It's definitely time to increase the number of charging options for electric and hybrid cars throughout Finland. We hope that our efforts will lead to a better environment in Finland by lowering the level of emissions from cars," says Janne Skogberg.

In 2017, Voltmen took on a major assignment from Varma insurance company in Helsinki, installing more than 200 charging posts at a facility which, at the time, was northern Europe's largest parking garage for electric cars.

# Sweden

*Instalco is one of Sweden's leading suppliers of technical installation services, maintenance and service. We currently have more than 35 companies in Sweden collaborating to provide energy-efficient holistic solutions for long-term use.*

## Operations

Instalco's Swedish market is divided into four business areas: North, West, East and South. Each one has a Business Area Manager who is responsible for coordinating and ensuring implementation of the Instalco model at each company. Each company is strongly positioned in their local markets. The companies in the Instalco Group don't need to be largest. The goal however is that they are a leader in their specific area of expertise or method.

## Customers

Instalco has a broad customer base consisting of, among others, construction companies, real estate companies, public sector authorities and industrial companies.

With such a large number of customers, each individual customer represents just a small portion of Instalco's sales. The need for our services varies across customer groups, which helps stabilise the demand over a business cycle.

Within the construction sector, installation services are required when building residential property, public facilities (like hospitals, schools and daycare centres), infrastructure, offices and other business facilities. In industry, there is a demand for installation services in conjunction with, for example, process electronics and industrial pipelines.

**MARKET DEVELOPMENT AND COMPETITION**

According to the latest reports from Industrifakta, the Swedish market for technical installation and services amounts to SEK 120 billion. The largest area is for electrical installations, with it representing more than half of the total market. One of the main reasons for the size of the electrical installations areas is the higher level of complexity in buildings, where more time-consuming, comprehensive electrical installations are required.

The market is highly fragmented, consisting primarily of small companies with less than 10 employees and focus on a single area of technology. Only a few players, Instalco being one of them, have the resources, expertise and size required for delivering services in several regions and within several areas of technology. Accordingly, our competition comes from just a few other big players and from small, local suppliers at each location.

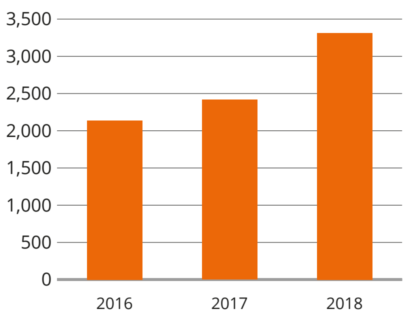
Slowdown in housing construction has persisted, particularly for new construction of condos in metropolitan regions. Instalco has not been particularly affected by these developments, since its exposure to new construction is only around 10 percent of the Group's annual sales.

NET SALES, SEK M
**3,312**
*2017: 2,418*

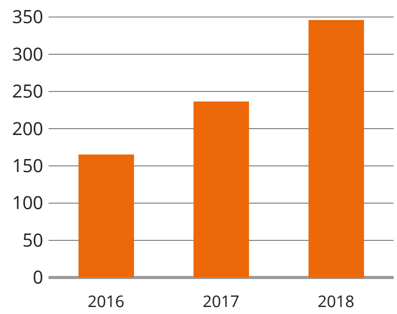
ADJUSTED EBITA, SEK M
**346**
*2017: 236*

ORDER BACKLOG, SEK M
**3,202**
*2017: 2,587*

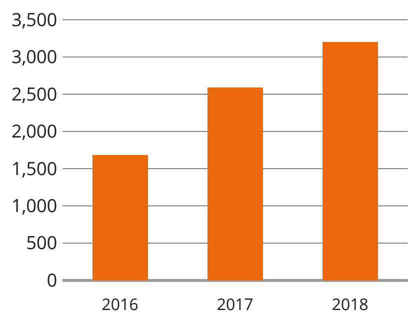
SALES, SEK M




ADJUSTED EBITA, SEK M



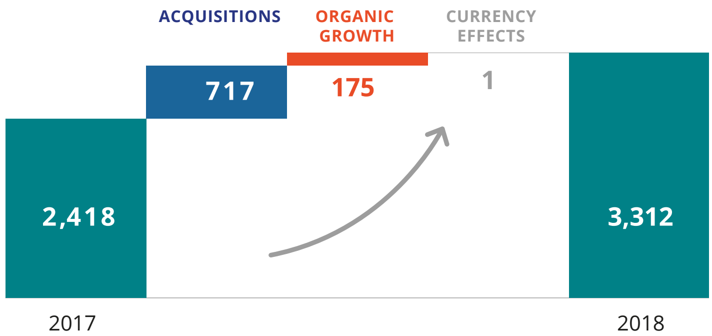

ORDER BACKLOG, SEK M




KEY FIGURES

| SEK m | 2018 | 2017 | *Change, %* |
|---|---|---|---|
| Net sales | 3,312 | 2,418 | +37 |
| EBITA | 346 | 236 | +47 |
| EBITA margin, % | 10.4 | 9.8 | |
| Order backlog | 3,202 | 2,587 | +24 |

REVENUE GROWTH, SEK M




EXAMPLES OF CUSTOMERS

NCC
JM
Skanska
BillerudKorsnäs

PROJECT EXAMPLES IN SWEDEN

- Development of the ski resort, Romme Alpin, in Borlänge with heating, plumbing and ventilation at hotel and restaurant buildings.
- Energy-saving new installations of LED lighting, electrical installations and ventilation systems at the Scania ice rink in Södertälje.
- Installation of lighting and shop fittings at XXL Sport & Vildmark, Åhléns and Kicks.
- Industrial pipe installations as part of the conversion project at Stora Enso's newsprint mill, Hylte Mill.

Although there has been a dip in housing construction, the rate of construction for schools, preschools and hospitals remains high.

### Investments in infrastructure

For several years, the Swedish infrastructure has been in a state of neglect. Infrastructure investments as a percentage of GNP have fallen over the last few decades and they are at a low level compared to other developed countries. The need for major investments was acknowledged in a report from the Swedish Transport Administration. It describes an infrastructure plan through 2025 with investments in excess of SEK 600 billion. Examples of infrastructure projects are lighting, safety, electricity and ventilation for tunnel construction.

### Ageing property holdings

Around 25 percent of property holdings in Sweden were built in the late 1960s and early 1970s, which is typically referred to as the period of the Million Homes Programme. These buildings now require renovation and technical upgrades. For quite some time, there has been a low level of total investment in construction compared to the size of the economy in Sweden.

Instalco has assessed that the demand for renovation, electrical installations and environmentally sound technical upgrades will increase as a result of political decisions to modernise property holdings, along with own renovation initiatives from property owners. We also notice an increasing demand from customers for energy efficiency, environmental certification and sustainability.

# Rest of Nordic

*Rest of Nordic is the Instalco market area that consists of operations in Norway and Finland. Our goal is to expand our offering by adding more areas of technical expertise. We also want to add more companies. We deliver sustainable holistic solutions in close collaboration with customers.*

## Operations

Instalco set up operations in Norway and Finland in 2016. At the end of 2018, there were 8 companies in each country. In both countries, companies offer electrical installations, heating & plumbing and ventilation solutions and they are involved in projects primarily in the expansive metropolitan areas of Oslo, Bergen, Trondheim, Helsinki and Tammerfors. Just like in Sweden, these companies have strong positions in their local markets. Collaboration between companies occurs each day via joint, multidisciplinary projects and by sharing both personnel and facilities.


## Customers

Instalco's customer base in Rest of Nordic consists primarily of customers in need of services associated with new construction, maintenance and renovation. The customer base is fragmented, which means that each individual customer typically represents only a small portion of the Instalco's revenue.

Within the construction sector, installation services are required when building residential property, public facilities (like hospitals, schools and daycare centres), infrastructure, offices and other business facilities.

**MARKET DEVELOPMENT AND COMPETITION**

According to Industrifakta, the market for technical installation and services in Norway amounted to NOK 59 billion in 2018. The corresponding figure for Finland was EUR 34 billion. Electrical installation is the largest service area in both markets.

Both the Norwegian and Finnish markets are fragmented, consisting primarily of small companies with less than ten employees and the focus on a single area of technology. Instalco has the resources, expertise and size required for delivering services in several regions and within several areas of technology. Accordingly, our competition comes from just a few other big players and from small, local suppliers at each location.

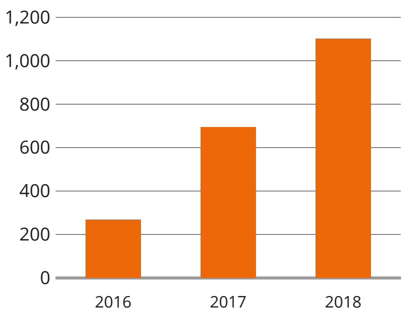
The Norwegian market is stable, with growth in all areas where we are represented. In the southwest region of the country, the gas sector is recovering, which is resulting in new investments in the construction market. The market is also stable in Finland, fuelled by activity in the Helsinki region.

NET SALES, SEK M
**1,102**
*2017: 695*

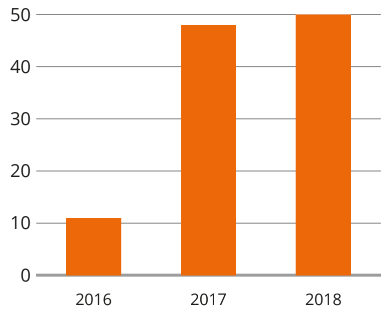
ADJUSTED EBITA, SEK M
**50**
*2017: 48*

ORDER BACKLOG, SEK M
**860**
*2017: 607*

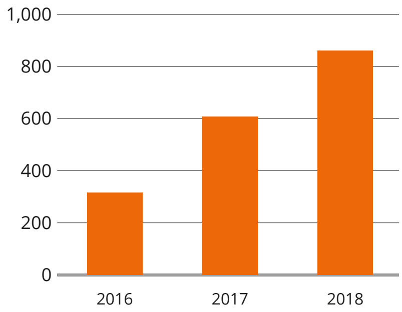
SALES, SEK M




ADJUSTED EBITA, SEK M



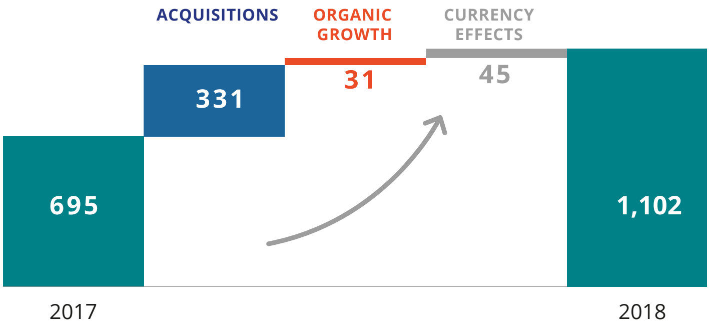

ORDER BACKLOG, SEK M




KEY FIGURES

| SEK m | 2018 | 2017 | *Change, %* |
|---|---|---|---|
| Net sales | 1,102 | 695 | +59 |
| EBITA | 50 | 48 | +4 |
| EBITA margin, % | 4.5 | 6.9 | |
| Order backlog | 860 | 607 | +42 |

REVENUE GROWTH, SEK M




EXAMPLES OF CUSTOMERS

Veidekke
Constructa
Backegruppen
As Oy

EXAMPLES OF PROJECTS, REST OF NORDIC

- Electrical, heating & plumbing installation work associated with the construction of new schools in Oslo and Bergen.
- Electrical installation work associated with construction of new apartments at what was once Tiedemann's tobacco factory in downtown Oslo.
- Installation of a new ventilation system as part of the expansion and modernisation of Polarsirkelen's school at Mo i Rana in Norway
- Charging posts and charging stations for electric and hybrid cars at parking garages and parking lots in Helsinki.

## Driving forces

Besides the megatrends of urbanisation, sustainability and technological development, there are two additional important driving forces that will fuel the demand for installation services over the medium-term:

## Investments in healthcare

Public investments in healthcare are an important driving force, particularly in Norway. The ageing population requires major investments in, and expansion of, healthcare facilities. The private healthcare sector is also involved to reduce the pressure on publicly financed hospitals and clinics.

## Investments in infrastructure

The infrastructures in Norway and Finland have been neglected, which means that major investments will be required during the years ahead. In Norway, the Ministry of Transport and Communications presented a plan for investments in excess of NOK 500 billion through 2023. The investments will, among others, expand public transport systems.

# Acquisitions

Instalco's growth strategy is based on acquisition of profitable companies with strong local ties. In their local markets, these companies are leaders in a specific method or technology. Since Instalco was established in 2014 through to the end of 2018, more than 50 companies have been acquired.

Instalco fosters an entrepreneurial spirit in the companies it acquires, allowing them to carry on as usual, yet with access to Instalco's cumulative expertise and financial strength, which creates opportunities for both growth and skill development. The acquired companies are encouraged to keep their name, identity and culture.

Besides our current technical disciplines, there are growth opportunities from acquiring businesses in related segments like security, fire safety, energy and automation.

## An attractive acquirer

Instalco's acquisition model makes it possible for the acquired companies and their entrepreneurs to run their operations in a larger context, where they can benefit from the economies of scale available to a larger Group of affiliated companies. The CEO at each company retains a great deal of authority to continue fostering an entrepreneurial spirit and maintain a strong local presence. At the same time, companies benefit from having shared accounting/finance functions, purchasing agreements, cross-selling, sharing of resources, spreading best practice and access to Instalco's business development function and communication.

Being a part of Instalco also means that the acquired companies can participate in the kinds of multi-disciplinary projects that they would not have access to on their own.

At the end of 2018, Instalco was in contact with more than 30 potential acquisition candidates, of which 5-10 were further along in the process and moving closer to an acquisition decision. Instalco has the goal of acquiring businesses with sales totalling SEK 600-800 per year.

## ACQUISITION CRITERIA

### Market
- Leading position in the market
- Operations in growth regions

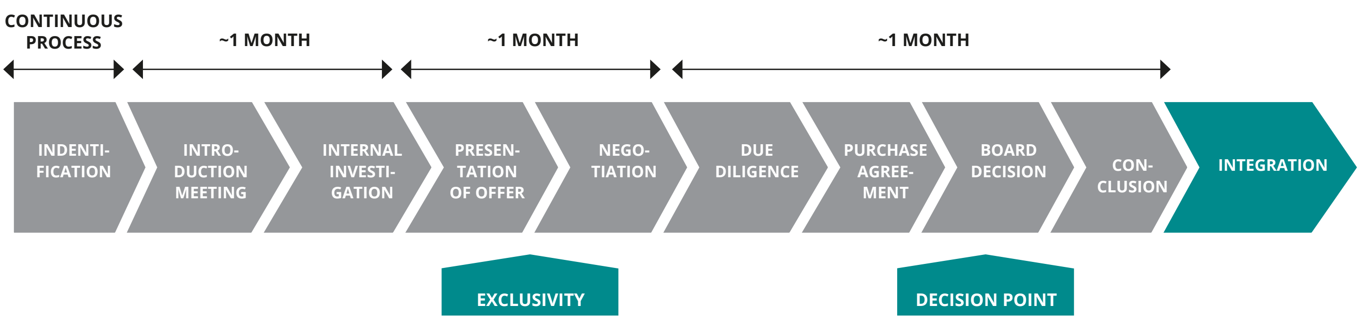
### Acquisition target
- Contributes to Instalco's existing companies with structural capital and cross-selling
- Documented profitability, growth and a steady cash flow

### Management
- Skilled entrepreneurs and/or management teams that would like to remain with the company
- Mature leadership

Instalco conducts acquisitions using a three-pronged approach: strategic, opportunistic and complementary. We also have a start-up strategy.

- *Strategic acquisitions* are made when we want to become established in a particular area or when we find a suitable company.
- *Opportunistic acquisitions* are made when an opportunity arises, without us first having actively decided to position ourselves in a particular area.
- *Complementary acquisitions* are made when one of our existing companies acquires a company to supplement its own operations.
- *Start-ups* are when we set up an entirely new company together with a local entrepreneur. Our start-up strategy is a supplement to our main acquisition strategy.

*Acquisition process*



## Company acquisitions

Instalco made the following company acquisitions during the period January – December 2018.

| Access gained | Acquisitions | Segment | Assessed annual sales, SEK m | Number of employees |
|---|---|---|---|---|
| January | Trel AB | Sweden | 75 | 26 |
| January | Sprinklerbolaget Stockholm AB | Sweden | 77 | 45 |
| January | Vent och Värmeteknik VVT AB | Sweden | 18 | 11 |
| February | VVS-Kraft Teknikservice i Stockholm AB | Sweden | 85 | 37 |
| February | RIKELEKTRO AB | Sweden | 60 | 30 |
| April | Dala Kylmecano AB | Sweden | 31 | 15 |
| April | APC Elinstallatören AB | Sweden | 50 | 27 |
| May | Teknisk Ventilasjon AS | Rest of Nordic (Norway) | 57 | 17 |
| June | LVI-Urakointi Paavola Oy | Rest of Nordic (Finland) | 100 | 45 |
| October | Rörman i Svedala AB | Sweden | 31 | 15 |
| October | MSI-El Motala Ström Installation AB | Sweden | 65 | 52 |
| October | MSI-Järn AB | Sweden | 12 | 4 |
| October | MSI-Rör AB | Sweden | 13 | 8 |
| October | Larm & Teleteknik i Motala AB | Sweden | 10 | 10 |
| November | Twinputki OY | Rest of Nordic (Finland) | 27 | 10 |
| November | Sähkö-Buumi OY | Rest of Nordic (Finland) | 48 | 25 |
| **Total** | | | **759** | **377** |

### Trel AB (3EL AB)
In Västerås, the company does project planning and offers all types of electrical installation services ranging from small service jobs to major construction projects including residential housing, government buildings, hospitals, offices and industrial facilities.

### Sprinklerbolaget AB
Has nationwide operations in fire protection and sprinkler systems. The company does project planning for installation, service and maintenance of automatic fire extinguisher systems, primarily water sprinklers. Sprinklerbolaget also offers control systems for ventilation systems.

### Vent och Värmeteknik VVT AB
A service company in Skåne for ventilation and heating systems. Besides installation and service of heating and ventilation systems, it also currently has operations in the area of home automation, such as safety and alarm systems. VVT also offers all types of electrical installations.

### VVS-Kraft AB
Performs all types of contract work for heating & plumbing (including service and installation) in the Stockholm area.

### RIKELEKTRO AB
With its two main offices in Umeå and Halden, it performs technical installations such as electricity, telecommunications and data, with a focus on retail. The company is the Nordic region's leading contractor in the retail sector. It also offers services for complete shop fittings.

### Dala Kylmecano AB
Located in Borlänge, the company sells and installs heat pumps for residential buildings. It also installs cooling systems for all types of construction projects. In addition, the company works with washing machines and dishwashing equipment, as well as installation of medical devices.

### APC Elinstallatören AB
Offers all types of electrical installations, service and maintenance. It also does project planning for power, lighting, telecommunication, data network and control systems. Head office in Lidköping.

### Teknisk Ventilasjon AS
A ventilation expert specialised in indoor climate control. The company works with many types of installations, including air purification, control systems, cooling systems and heat pumps for all types of buildings. Services Trondheim and the surrounding area.

### LVI-Urakointi Paavola Oy
Offers heating, plumbing and ventilation installation services, primarily to Helsinki and the surrounding area.

### Rörman AB
With head office in Svedala just outside Malmö, it primarily works with pipe installations along with heating, plumbing and ventilation systems. The company also installs heat pumps for geothermal heating, air & water heat pumps and boilers.

### MSI Group
Primarily works with installation and service of electrical, heating & plumbing systems. It also does contract work and trade in alarm systems, telecommunications and parts. With its head office in Motala, the company provides installation and service to both the public and private sector. The MSI Group consists of MSI-El Motala Ström Installation AB, MSI-Järn AB, MSI-Rör AB and Larm & Teleteknik i Motala AB.

### Twinputki OY
Domiciled in Kerava, the company was founded in 2005 and it specialises in sprinkler systems. The company has operations throughout Finland, but its focus is Helsinki, Tammerfors and the surrounding areas.

### Sähkö-Buumi OY
The company specialises in electrical installation work in conjunction with apartment renovations. Besides renovation work, Sähkö-Buumi in Helsinki also has a strong focus on energy efficiency improvements, automation installations and service.


# Instalco project for exercise, activity and health in Uppsala

During the autumn, Uppsala's new indoor centre for climbing and parkour opened. The Instalco companies, VVS Installatör and DALAB were contracted for much of the installation work at the new activity centre.

"It feels great to be a part of something that helps people become more active and healthy," says Kjell Jonsson, CEO at VVS Installatör.

DALAB and VVS Installatör adapted the original building for its new purpose by offering project planning and installation of electrical systems, water, heating and plumbing via a partnership project. The new activity centre at Fyrislund in Uppsala is run by Klättercentret and Katana Parkour.

Klättercentret is Sweden's largest indoor climbing company, with activity centres at five locations in Sweden. Katana parkour is an activity centre for movement and body control where athletes negotiate obstacles by running, jumping and climbing.

"It's an impressive facility that offers a wide variety of activities for people of all ages. For DALAB, this was also one of the first assignments taken on by our new electrical installation department," says Mikael Lindqvist, Head of Department at DALAB-El.

Busfabriken (indoor play for small children) will also soon set up operations at the premises. Busfabriken currently operates 7 indoor playgrounds in Sweden and it is Europe's largest indoor playground for children, offering climbing structures, swinging bridges, trampolines, slides and ball pits.

# Sustainability Report

*Instalco provides products and service throughout the Nordic region and, together with our customers and employees, we help create benefits for society. Instalco strives to ensure that its approach to sustainability is aligned with the UN Sustainable Development Goals.*

For us, sustainability means running operations responsibly and applying a holistic approach to the economic, environmental and social aspects. Our aim is to help benefit society on a daily basis through our local presence and our technical, efficient solutions in all of our areas of expertise.

## Sustainability efforts at Instalco

The Instalco model provides companies in the Group with a high level of autonomy as regards their interactions with customers, sales, control and project implementation. The Group has a shared code of conduct, along with policies and guidelines for the environment, sustainability and work environment. All companies actively strive to lower their negative environmental impact and use their energy/environmentally efficient solutions to lower resource consumption for customers. In addition, each specific company is able to take own initiatives and set goals that benefit local society and create attractive workplaces.

### *Sustainability council*

Instalco has a central sustainability council for the purpose of collecting good examples of sustainability efforts at our subsidiaries and spreading that information to the rest of the Group. We are also striving to more clearly prioritise sustainable services and activities that generate societal benefits at the Group level. Development of Instalco's sustainability efforts is carried out by the sustainability council, which is made up of representatives from the Group management team and our subsidiaries. In 2018, the sustainability council began work on a materiality analysis that can be used to update our sustainability program by specifying the focus areas, strategies and Group-wide goals.

### *Stakeholders*

Instalco's operations impact, and are impacted by, a variety of stakeholders. The main stakeholder groups are customers, current employees, future employees, acquisition candidates, suppliers, subcontractors and owners. End-users are also impacted by Instalco's operations because they either live or work in buildings where Instalco has performed installation work.

### *Stakeholder engagement*

Instalco regularly engages in dialogue with its main stakeholders.

| Stakeholder group | Forms of engagement | Main issues in 2018 |
|---|---|---|
| *Customers*<br>• Existing customers<br>• Future customers | • Ongoing dialogue during projects<br>• Evaluation meetings<br>• Tenders<br>• Instalco News (customer magazine) | • Energy and environmental efficiency<br>• Quality<br>• Specialization |
| *Other business partners*<br>• Developers<br>• Collaborating contractors<br>• Subcontractors<br>• Suppliers | • Ongoing dialogue during projects<br>• Evaluation meetings | • Energy and environmental efficiency<br>• Efficiency<br>• Multi-disciplinary activities<br>• Work environment and safety |
| *Capital market and the media*<br>• Shareholders<br>• Investors<br>• Analysts<br>• Journalists | • Individual meetings and interviews<br>• Presentations<br>• Annual General Meeting<br>• Press releases<br>• Quarterly reports and annual report<br>• Website<br>• Social media | • News reporting<br>• Growth strategy<br>• New projects<br>• Acquisitions<br>• Sustainability |
| *Employees*<br>• CEOs at subsidiaries<br>• Existing employees<br>• Future employees | • Weekly telephone meetings<br>• Intranet<br>• Employee survey<br>• Work-related training/education<br>• Instalco Academy<br>• Performance appraisals | • The Instalco Club<br>• Shared policies and Code of Conduct<br>• Instalco Academy<br>• Spreading best practice throughout the Group<br>• Profitability-enhancing activities and IFOKUS |
| *Acquisition candidates* | • Individual meetings<br>• Site visits | • The Instalco model<br>• Profitability<br>• Best practice and local leadership |

## Social perspective

### *Code of Conduct with whistleblower function*

Instalco's Code of Conduct consists of a number of principles that describe the company's shared values. Besides these principles, there are Group-wide policies, guidelines and routines that apply to specific areas like accounting/finance, personnel and purchasing. The aim of the code of conduct is to communicate ethical values and guidelines on professional behaviour to all employees, customers, suppliers, other business partners and owners, along with providing them with guidance for carrying out their daily tasks. Areas covered include conflict of interest, gifts, bribes and entertainment. The code of conduct has been adopted by Instalco's board of directors. The Group CEO has delegated responsibility to the head of each subsidiary in order to ensure compliance with the code.

Instalco has a whistleblower function whereby employees may anonymously report any violations of applicable laws and regulations or lack of compliance with the Code of Conduct to the company's management or board, in accordance with instructions provided therein. The whistleblower function is part of Instalco's preventive efforts against corruption, improprieties and wrongdoing. In 2018, no reports were made to our whistleblower function. All suppliers and subcontractors must commit to following the principles in the Code of Conduct, or, they must have their own code of conduct that has been approved by Instalco. With lack of compliance, business relations are terminated with the supplier or subcontractor.

### *Employees*

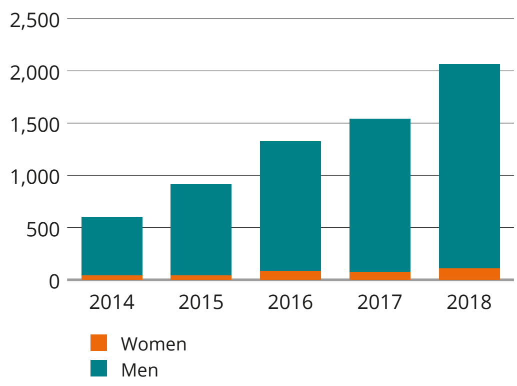
Instalco strives to offer an attractive workplace with interesting tasks, competent leaders, short decision paths, opportunities to make an impact and develop one's talent. There should be an open atmosphere that stimulates creativity and new ways of thinking that are in line with Instalco's values. Commitment and cooperation are prioritised and we encourage employees to listen and learn from each other. Continual training is also important, along with sharing of expertise in order to promote best practice throughout the organisation. Instalco also offers trainee positions aimed at building strong relations with future technicians and assemblers.

Instalco's employees must respect and support the UN Declaration of Human Rights and comply with international agreements on child labour. Instalco strives to ensure that none of its employees or job applicants experience discrimination based on gender, age, ethnic origin, sexual preference or functional disability. Instalco has zero tolerance for all forms of offensive behaviour, lack of respect or sexual harassment.

One form of internal dialogue is the annual employee survey that is sent out to all employees of the Group. The response rate for the 2018 survey was 51 percent, of which 69 percent were assemblers and 31 percent were professionals.

Gender equality is given priority at all times, with a particular focus on it during recruitment efforts, skill development and setting salaries. Since Instalco operates in what has been a traditionally male dominated industry, we cooperate with schools, employer organisations and vocational committees to increase the percentage of women in the field.

**AVERAGE NUMBER OF EMPLOYEES**




### *Career opportunities*

Instalco strives to offer a stimulating work environment that creates opportunities for personal development. For this purpose, Instalco has set up a company-internal school called Instalco Academy. We use it to train our future leaders so that we can attract and retain skilled employees. Another goal is to ensure that all Instalco employees have the right expertise for being able to deliver in their respective roles. The Instalco Academy has leadership programs for three categories of employee: leading assemblers, project managers and managers,

Succession planning at Instalco occurs via such things as CEO transfers across subsidiaries, since Instalco strives to fill leadership positions from within the Group. Training future leaders for such positions and career advancement is one of the main purposes of Instalco Academy.

Instalco also has the goal of being involved in society, creating benefits to society and serving as a role model. For example, Instalco is involved in integration efforts at Rosengård in Malmö, where several Instalco companies have helped train new immigrants for careers in the construction industry. The aim is to facilitate integration into Swedish society and find new, skilled employees among those with a non-Swedish background.

### *Work environment*

Instalco's work environment policy aims to ensure a work environment that prevents any risk of ill health or accidents. Work environment issues are an integral part of operations, to be considered during ongoing and planned operations, and in conjunction with any changes that are being planned. The Group's employees are jointly responsible for ensuring that no employee is exposed to risks that could lead to serious physical or psychological injury. We work conscientiously and systematically to create a good physical and psycho-social work environment. The overall goal is safe, healthy workplaces that help our employees and the company thrive.

Instalco has a vision of zero workplace accidents and it actively strives to achieve that. A higher number of employees has meant that the number of occupational injuries has also increased. In 2018, the number of reported workplace accidents was 78 (60), which corresponds to 3.8 (3.3) percent.

### *The Instalco Club*

In 2018, Instalco set up a fund for employee activities. The aim is to stimulate and prioritise activities that promote social interaction and the health/well-being of our employees. Activities carried out within the scope of Instalco Club should be initiated and run by employees and everyone in the particular subsidiary should be invited to participate. The activities may be social, cultural or physical, which is decided by the one(s) applying for resources from the fund.

## Economic perspective

### *Sustainable growth*

Property owners of both newly constructed and older buildings are currently focusing more on investments in energy efficient installations aimed at lowering operating costs and meeting the ever-increasing sustainability and energy-saving demands of the market and consumers. This is why Instalco is convinced that energy efficient and environmentally smart services will strengthen the Group's competitiveness and fuel long-term growth.

### *Quality and customer satisfaction*

Instalco runs its operations in close collaboration with customers during project planning and installation of future-safe, energy efficient systems. Proposed technical solutions are reliable, energy efficient and environmentally friendly, with low life cycle costs, a high level of personal safety and high quality. The right level of quality is achieved by careful preparation of the various stages in the construction process, use of technical know-how, working efficiently and commitment throughout the entire value chain.

Instalco continually monitors customer satisfaction and a large share of its business is repeat customers. Management's assessment is that revenue from repeat customers is at the same level as last year, i.e. around 80 percent.

## Environmental perspective

All companies within Instalco are required to select materials and choose work methods that result in a lower impact on the internal and external environment.
Instalco shall:

- Cooperate with customers and planners to lower environmental impact
- Increase employee knowledge of environmental aspects
- Comply with laws and other environmental requirements established by the Group

Instalco is an environmentally conscious company, where all employees are responsible for giving consideration to environmental aspects. Work with environmental issues occurs in all areas of the Group's operations: from the selection of products and suppliers, via purchasing and logistic flows to the final offering with installations, operations and service. Instalco is convinced that active environmental efforts are an important success factor for the company's growth.

Instalco participates in many projects where clients will seek Miljöbyggnad certification, which is a system set up by Sweden Green Building. To achieve such certification, the environmental efforts and the building's environmental performance are evaluated by a third party.

Instalco is also often involved in BREEAM projects (BRE Environmental Assessment Method). It is the world's leading sustainability assessment method, set up and administered by Building Research Establishment (BRE). Sweden Green Building Council has adapted BREEAM to the Swedish market and prerequisites.

## Response rate for the 2018 employee survey

**85%**
said that there is no bullying or offensive behaviour

**86%**
said that it is possible to contribute suggestions for improvement and experience

**89%**
said that they have not been a victim of bullying or offensive behaviour

**82%**
said that they would recommend the company as employer


# Climate-smart cooling with lake water

The Tetra Pak factory in Sunne has achieved significant energy savings via a new cooling system. In collaboration with the Instalco company, LG Contracting, they've created a new model for year-round, energy-efficient cooling using lake water.

Machinery used at the factory in the packaging process requires advanced, energy-intensive cooling. LG Contracting was engaged for new installations that are now being used at the factory to extract water from Lake Fryken that is used for cooling purposes, year-round.

"The most significant energy savings are derived from use of the new underground pumps and control system, which is based on the factory's cooling needs. The older pump system ran at full power 24/7, which consumed massive amounts of energy," says Martin Folkesson, Project Manager at LG Contracting.

The new pumps run in sequence with each other and they are only running at maximum capacity when the cooling needs require such, or when the lake temperature is warmest. When cooling needs and lake temperature are lower, only one of the pumps needs to be running. This solution ensures that production will be uninterrupted 24/7, year-round.

The amount of water extracted from the lake is measured and the information is stored and reported in accordance with the prevailing regulations. With this system, it is also possible to see the extent to which Lake Fryken has contributed to energy savings.

"Together with the customer, we developed an energy-savings proposal for a new cooling solution. We also performed the installation work on time, without interrupting operations," says Martin Folkesson.

Management has assessed that Instalco's most significant environmental impact is its carbon dioxide emissions. The Group aims to continually lower its environmental impact from travel, purchasing, waste management and the handling of hazardous substances.

One prioritised area is to take stock of the Group's vehicles and how they are used. The car fleet is gradually being made more efficient with the goal of lowering fuel-related carbon dioxide emissions per 100 kilometres on an annual basis and by increasing the number of electric and hybrid cars.

### *Purchasing*

Instalco strives to establish long-term relations with its suppliers. At the start of cooperation, we make sure that the supplier meets our established environmental requirements. The Group strives to continually improve and streamline suppliers' utilisation of resources in their operations. When choosing products and components, Instalco prioritises the ones with the lowest environmental impact during their entire lifespan within each product category.

### *Transports*

There are significant transport flows associated with running Instalco's operations. For this reason, Instalco works with companies that offer efficient, environmentally conscious logistics solutions. Instalco also lowers environmental impact via efficient internal logistics.

## Continual improvement efforts

IFOKUS was set up as a programme for promoting continual improvement within the Group. The programme uses several strategic tools to highlight and develop key improvement areas. It also ensures that all units participate in the Group's development. The initiative should not, however, infringe on any unit's autonomy. IFOKUS is an iterative process that begins with an analysis phase, where several possible improvement areas are identified. During the analysis phase, all unit managers meet to discuss and prioritise ideas about possible areas of improvement.

The point of departure could be either existing problems or opportunities. Each improvement area becomes the basis for an initiative. For each initiative, clear goals are formulated and a work group, with designated person in charge, is created. The work groups may consist of unit managers, employees from a unit who have specific expertise related to the initiative and employees from the central organisation.

Instalco's philosophy involves setting high goals that will motivate new working methods and creative thinking. The work group is responsible for defining a strategy on how to achieve the set goals and then creating an action plan that describes the steps that need to be taken along the way. During the planning and implementation phase, the initiative is continually monitored in order to adapt goals, strategies and action plans.

## IFOKUS

The overall goals of IFOKUS are to:

- Improve profitability
- Increase cash flow
- Help us work smarter – not harder

**IFOKUS is a Swedish acronym that stands for:**

**I** Instalco
**F** Improvement
**O** Orderliness
**K** Expertise
**U** Process development
**S** Cooperation

# Instalco Club for social interaction and health

Instalco has set up a fund to encourage employee activities. The initiative is called Instalco Club. The aim is to stimulate and prioritise activities that promote social interaction and the health/well-being of our employees.

"Instalco Club is one of our internal sustainability initiatives aimed at promoting social interaction and inclusiveness. It's part of our efforts to create a work environment where all of our employees thrive," says Per Sjöstrand, CEO at Instalco.

Activities carried out within the scope of Instalco Club should be initiated and run by employees and everyone in the particular subsidiary should be invited to participate. The activities may be social, cultural or physical, which is decided by the one(s) applying for resources from the fund.

Employees at Rodens Värme & Sanitet in Norrtälje applied for Instalco Club funding to organize a social activity during autumn. With the funding they received, employees enjoyed a meal and evening of bowling together.

"Everyone really appreciated the event. We had a great time, with lots of laughs. The funding from Instalco Club made it possible for us to simply have a fun evening together," says Anette Höglund-Wilén at Rodens.

Instalco Club funding can be used for a wide variety of activities, such as going to see a film, theatre, concerts, art exhibits, lectures, sporting events, outings, etc. Joint sporting activities are also encouraged such as running, workouts or other sports like bowling, curling, sailing, fishing, etc. Equipment rental is another alternative, such renting skis, bicycles, canoes or similar items used in group activities.

# Risks

| Business risks | Management |
|---|---|
| **Projects**<br>The market is primarily market-based and Instalco is particularly dependent on qualified personnel for calculating the costs associated with various projects, project management and supervision. | Approximately half of Instalco's projects are based on fixed-price contracts and any error in cost calculations would only have a marginal impact on the project. The risk of an error in calculation is mitigated via a clear delegation of authority that is based on the project size (value). Steering committees are set up for larger projects or projects of a complex nature. The steering committee's task is to monitor the project, share experiences and, as required, initiate concrete action plans and allocate the right resources. Larger projects are typically set up as partnerships, to further limit the risks.<br>Furthermore, Instalco primarily focuses on medium-sized projects, where there is less competition than the larger projects and where competitive advantages come in the form of work quality, long customer relations and short lead times, rather than price. |
| **Customers**<br>Instalco has a good risk spread as regards geographic presence and customer segments. | Customer relations are typically long and they are established through the local units. The main customer groups are construction companies, real estate companies, industrial companies and public operations. Construction companies are the single largest customer group. Instalco has more than 1,000 customers and the three largest customers account for approximately 16 percent of revenue. |
| **Attracting and retaining skilled employees**<br>Instalco's success very much depends on its ability to recruit, develop, motivate and retain skilled employees. | We are able to be an attractive employer by offering employees a workplace with interesting tasks, good leaders, short decision paths, opportunities to make an impact and develop one's talent. Continual training of employees is key and to coordinate those efforts, we set up Instalco Academy for the purpose of attracting and retaining skilled employees, along with training future leaders. There is a clear plan for developing the skills of talented employees through training. Besides Instalco Academy, there is also a trainee system, along with courses, certificates and other necessary training. |
| **Quality**<br>As regards deliveries, Instalco strives for a high level of quality in the work it carries out, the work done by subcontractors and our own selected products. | We ensure that our installations and deliveries have a high standard via skilled, competent employees and continual efforts to develop our processes.<br>Instalco has standardised contracts with our suppliers and any product defects are regulated through the terms and conditions found therein. Instalco works continually with supplier and product evaluations in order to improve the quality of our purchases. |
| **Liability, product liability and damages**<br>Risks in the area of liability, product liability and damages are associated with Instalco's projects and customer assignments. | Instalco has a general insurance policy covering the core business. The insurance covers, for example, damage to the company's contracts, property damage, business interruptions, damage to third party property and product liability. |
| **Acquisitions**<br>There are risks associated with acquisitions having to do with the acquired company's relationships with customers, suppliers and key individuals. | Instalco has a unique model that makes it possible for the acquired companies and their entrepreneurs to run their operations in a larger context, where they can benefit from the economies of scale available to a larger Group of affiliated companies. The CEO of each company retains a great deal of autonomy as regards management of projects, employees and customers. In this way, local units are able to maintain their entrepreneurial spirit and identity, while benefiting from having shared accounting/finance functions, purchasing agreements, cross-selling, sharing of resources, spreading best practice and access to Instalco's business development function. Being a part of Instalco also means that the new unit can participate in the kinds of multi-disciplinary projects that they would not have access to on their own. |

| Market risks | Management |
|---|---|
| **Business cycle impact**<br>Overall market conditions and political decisions impact Instalco's existing and potential customers' ability and willingness to invest. | Compared to the construction industry in general, the market for technical installation and services is less sensitive to the state of the economy and there is high visibility as regards future projects in a supplier's project portfolio. A large portion of revenue comes from repeat assignments and larger companies typically aren't so dependent on individual customers or contracts. Contracts for installation services are typically entered into early in the development phase of a project, which makes it possible to get a good overview and plan operations well in advance. Services that Instalco has been hired to deliver are typically planned and contracted up to 12-18 months in advance, which means that there is a high level of predictability and ability to adjust the cost base according to the demand. |
| **Competitors**<br>The competition primarily comes from a large number of smaller players who run their operations in a limited geographic market within a specific area of technology. | The market is very competitive and fragmented with low barriers to entry at the local level. There are, however, barriers to entry for foreign players, in particular, due to higher eligibility and certification requirements. In today's market, only a handful of players, Instalco being one of them, have the resources, expertise and size required for delivering services in several regions and within several areas of technology. |

| Financial risks | Management |
|---|---|
| **Liquidity risk**<br>Liquidity risk is the risk of not being able to fully meet the company's payment obligations or only being able to do so on significantly disadvantageous terms due to lack of liquid funds. | The Parent Company has central responsibility for the Group's financial transactions and risks and it follows a policy established by the Board. |
| **Financing risk**<br>Financing risk is the risk that financing of the Group's capital needs and refinancing of outstanding loans will become more difficult or expensive. | Instalco has a seven-year credit agreement that matures in 2021. The agreement secures the financing of current operations.<br>Instalco's goal is for the company to be indebted over time and that net debt in relation to adjusted EBITDA should amount to a maximum of 2.5 times. |
| **Interest rate risk**<br>Interest rate risk is the risk of changes in market interest rates that impact the Group's net interest income/expense and cash flow. | Financing is long-term and the interest rate is linked to STIBOR. |
| **Currency risk**<br>Currency risk is the risk that changes in currency rates will have a negative impact on the income statement, balance sheet and cash flow. | Instalco's transaction exposure is relatively low, since revenue and expenses are primarily in the local currency, with low exposure as regards imported components.<br>Instalco's policy is that it does not engage in hedging as a way of lowering its currency exposure. All financing is in SEK. |
| **Credit and counterparty risk**<br>Credit risk is the risk that the counterparty in a transaction does not fulfil his financial obligations and that any collateral that has been provided does not cover the Company's claim. | Credit checks are run on all new customers.<br>For installation projects, Instalco offers payment plans. |

| Sustainability risks | Management |
| --- | --- |
| **Sustainable services** Sustainable installation services are in increasingly high demand by property owners and clients. It is an important component of Instalco's competitiveness. | Instalco's quality policy states that the company's proposed solutions must be reliable, energy efficient and environmentally friendly. In cooperation with the property developer and other contractors, Instalco engages in project planning and installs future-proof, energy-efficient systems in all types of buildings. |
| **Compliance** The installation sector is subject to extensive regulations and it is of utmost importance to Instalco's reputation in the market that the work is carried out in accordance with applicable laws and best practices. | One basic requirement is that all Instalco employees comply with the applicable environmental legislation, competition rules, labour law, tax legislation, safety requirements and other provisions that set the framework for the business. Besides compliance with laws and regulations, Instalco is responsible for ensuring that all of employees act in accordance with the company's high standards of good business ethics. |
| **Health and safety** A high level of safety in the workplace is of the utmost importance so that Instalco's employees are able to carry out their assigned tasks without the risk of injury or accidents. | Instalco must ensure that none of its employees are exposed to risks that could lead to physical or psychological injury. Preventive measures are continually being implemented to ensure that no employees are exposed to risks in their work environment. Technical equipment including work protection is designed based on the requirements of each employee. |
| **Work conditions** Instalco's companies must comply with current labour laws and offer attractive workplaces to ensure employee well-being as well as Instalco's reputation in the market. | Work environment issues are an integral part of Instalco's operations. The company provides a stimulateing work environment that promotes skill development based on the needs of the organisation. Managers have primary responsibility for creating a good work environment. |
| **Corruption** Instalco shall win assignments having complied with the applicable procurement regulations and based on sound business ethics. | Instalco's Code of Conduct stipulates that the company's employees must never, directly or indirectly, offer, give or accept gifts, benefits or other forms of compensations for unauthorised purposes. Furthermore, Instalco's employees must follow the business code established by the Swedish Anti-Corruption Institute, which supplements Swedish legislation. |
| **Suppliers and subcontractors** Instalco requires its suppliers and subcontractors to comply with the Instalco Code of Conduct and other applicable legislation. | In conjunction with the supplier evaluation, Instalco's suppliers and subcontractors must themselves have a code of conduct that has been accepted by Instalco. Alternatively, they must accept the principles contained in Instalco's Code of Conduct. A supplier who violates the code risks a termination of the business relationship with Instalco. |

# Auditor's report on the statutory sustainability report

To the general meeting of the shareholders for Instalco Intressenter AB (publ), CIN: 559015-8944

## Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 26–30 and 34 and that it has been prepared in accordance with the Annual Accounts Act.

## The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

## Opinion

A statutory sustainability report has been prepared.

Stockholm, 21 March 2019
Grant Thornton Sweden AB

**Jörgen Sandell**
Authorised Public Accountant

# Sustainable construction in solid wood

Interest in new construction of structures in solid wood is steadily increasing. There are many environmental benefits associated with this and several of Instalco's companies in Norway are involved in construction projects of schools in solid wood.

For example, the Instalco company Vito has been contracted for installation of heating, plumbing and ventilation systems at Flesberg School in Lampeland and Vestsiden School in Kongsberg. Essentially all materials used in construction of the schools are solid wood and the local authorities that are funding the projects have a very clear environmental focus.

“The goal of this assignment is to lower the carbon emissions associated with building materials by at least 50 percent. One of the most important tools for doing so is by building the school in solid wood rather than, for example, concrete,” says Vidar Lien, CEO at Vito.

Studies have shown that wood buildings require much lower process energy and result in lower carbon emissions than buildings of other materials such as brick, aluminium, steel and concrete. Wood is also renewable and it binds carbon dioxide, as well as creating a good indoor environment.

Other major environmental advantages associated with wood buildings include the energy-efficient production process, low weight, low noise level and the good work environment that is created.

The Instalco company, Romerike Elektro, is also involved in wood construction projects. They have been contracted for electrical installation work at Glommasvingen School in Sør-Odal, north of Oslo. The local authorities there also have a clear environmental focus. The school will be a “passive building” with BREEAM certification.

“Wood buildings are not only more environmentally friendly than concrete. They can also be built faster and cleaner. And, it is easier to work with wood compared to many other materials,” says Oskar Brustad Sjølie, CEO at Romerike.

# Share information

*Instalco Intressenter became listed on Nasdaq Stockholm Mid Cap in May 2017 at SEK 55 per share. On the last trading date in 2018, the share price was SEK 69.30.*

## Share capital

As of 31 December 2018, share capital amounted to SEK 723,208, allocated across a total of 48,213,861 shares with a quotient value of SEK 0.015. Since becoming listed, there have been several new issues in conjunction with new acquisitions and in accordance with authorisation by the AGM. Below is a specification of the number of shares at the end of the months when new issues were completed.

All shares belong to the same class, with equal voting right and share in the company's equity and profits.

| Date | Number of shares (change) |
|---|---|
| 2018-01-31 | 47,390,144 (+366,874) |
| 2018-03-31 | 47,682,275 (+292,131) |
| 2018-05-31 | 47,890,145 (+207,870) |
| 2018-06-30 | 47,997,021 (+106,876) |
| 2018-10-31 | 48,129,867 (+132,846) |
| 2018-11-30 | 48,167,588 (+37,721) |
| 2018-12-31 | 48,213,861 (+46,273) |

## Share trading

The closing rate on 28 December 2018 was SEK 69.30 (49.50), corresponding to a market cap of SEK 3.3 billion. In total, just over 22.4 million shares were traded in 2018, corresponding to a value of SEK 1,320 million. The average number of shares traded per trading day amounted to 89,629. During the year, Instalco's share price increased by SEK 19.80 and the closing rate in 2018 was SEK 69.30 (49.50), corresponding to increase of 40 percent. Nasdaq's OMXSPI (the OMX Stockholm All Share Index) fell 7.7 (4.8) percent in 2018.

## Shareholders

At year-end, Instalco had 2,023 known shareholders. The company's ten largest owners represented 47.23 percent of the share capital and votes. 62.52 percent of the capital is attributable to owners based in Stockholm.

## Dividends

The Board of Directors proposes that the 2018 Annual General Meeting resolves to issue dividends for the 2018 fiscal year of SEK 1.50 per share, corresponding to a dividend share of 30 percent. The company's dividend policy is to distribute 30 percent of its profit after tax.

| Instalco's ten largest shareholders, 2018-12-31 | Share of capital and votes, % |
|---|---|
| Per Sjöstrand | 8.8 |
| Capital Group | 7.9 |
| Handelsbanken Fonder | 6.4 |
| Swedbank Robur Fonder | 4.8 |
| The Third Swedish National Pension Fund (AP3) | 4.3 |
| Tommy Larsson | 4.2 |
| Ram Fonder | 3.9 |
| Nordstjernan | 3.5 |
| Carnegie Fonder | 1.9 |
| Fortezza Finanz | 1.6 |

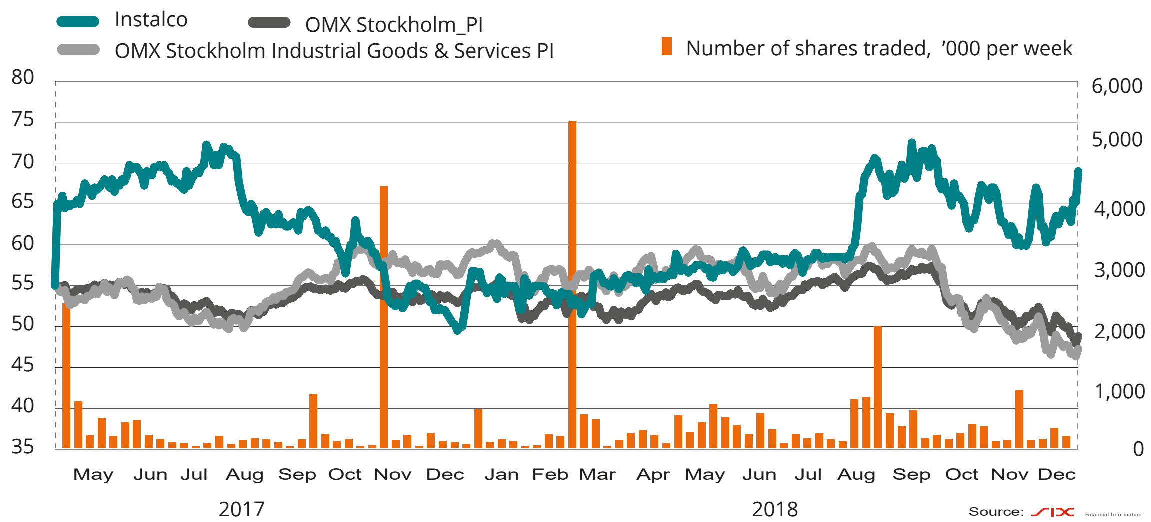
*Data compiled by Monitor. Sources: Euroclear, Morningstar, FI, Nasdaq, Millistream*

| Size categories (number of shares), 2018-12-31 | Number of known shareholders | Holding, % |
|---|---|---|
| 1-1,000 | 401,266 | 0.8 |
| 1,001-10,000 | 727,471 | 1.5 |
| 10,001-100,000 | 3,502,073 | 7.3 |
| 100,001-500,000 | 9,321,455 | 19.3 |
| 500,001-1,000,000 | 3,365,411 | 7.0 |
| 1,000,001– | 21,101,906 | 43.8 |
| Anonymous ownership | 9,794,279 | 20.3 |
| **Total** | **48,213,861** | **100** |

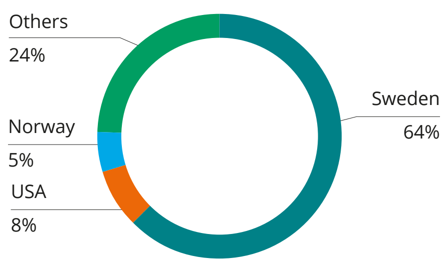
*Data compiled by Monitor. Sources: Euroclear, Morningstar, FI, Nasdaq, Millistream*

## SIX REASONS FOR INVESTING IN INSTALCO

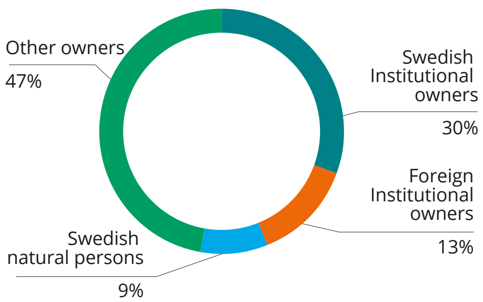
1. Attractive positioning in the market for medium-sized projects, fuelled by global megatrends
2. Focus on services that generate societal benefits and higher energy efficiency
3. Strong local market positions with good synergies at the Group level
4. Attractive offering to contractors and proven experience of successful acquisitions
5. High visibility and stability for future revenue
6. Combination of healthy growth, attractive margins and high rate of cash conversion



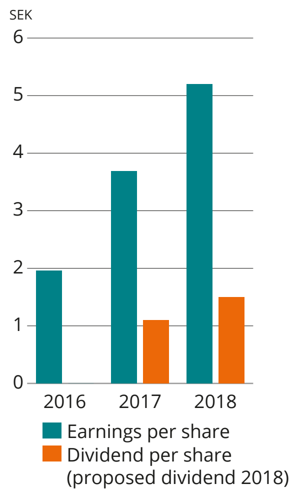

### OWNERSHIP PER COUNTRY




### OWNERSHIP PER CATEGORY




### EARNINGS AND DIVIDEND PER SHARE



# Directors' report

*The Board of Directors and CEO of Instalco Intressenter AB, CIN 559015-8944, hereby present the annual report and consolidated financial statements for the 2018 financial year.*

## Operations

Instalco offers complete heating, plumbing, electricity, ventilation, cooling and industrial solutions. Instalco is represented throughout most of Sweden, and in the expanding metropolitan regions of both Norway and Finland. The Group runs its operations through subsidiaries that have close relationships with customers. It also has a small central organisation.

Instalco continually works with installation solutions that improve energy efficiency and functionality, thereby lowering operating costs and environmental impact.

Installation involves installing new and upgraded technical systems at buildings and facilities.

In the area of heating and plumbing, Instalco offers complete solutions for water, sewage, heating, cooling and energy. For electrical installation, Instalco offers energy efficient solutions for energy supply, lighting and heating. In the area of ventilation, Instalco offers complete solutions for air conditioning, air treatment and climate control. In the area of cooling, Instalco offers complete solutions for properties and stores. And as regards industrial solutions, Instalco offers pipe installations and machine assembly.

The company is domiciled in Stockholm.

## Significant events during the financial year

In 2018, the following companies were acquired by the Group:
Trel AB, CIN: 556841-7090,
Sprinklerbolaget Stockholm AB, CIN: 556731-7234,
Automationsbolaget Sverige AB, CIN: 559099-1245,
Vent och Värmeteknik VVT AB, CIN: 556325-5941,
VVS-Kraft Teknikservice i Stockholm AB, CIN: 556706-0453,
RIKElektro AB, CIN: 556701-2421,
RIKElektro AS, CIN: 991 320 164,
Dala Kylmecano AB, CIN: 556541-5576,
APC Elinstallatören AB, CIN: 556473-0801,
Teknisk Ventilasjon AS, CIN: 980 217 345,
LVI-Urakointi Paavola OY, CIN: 1736539-9,
Rörman i Svedala AB, CIN: 556464-4812,
MSI-El Motala Ströms Installations AB, CIN: 556039-4032,
MSI-Järn AB, CIN: 556612-0571,
MSI-Rör AB, CIN: 556653-3930,
Larm & Teleteknik i Motala AB, CIN: 556874-8692,
Twinputki OY, CIN: 0814603-9, and
Sähkö-Buumi OY, CIN: 0914543-3.
For more information on acquisitions, please see Note 35.

In 2018, the company started up the following subsidiaries:
Insta El Syd AB, CIN: 559174-0781,
Sprinklerbolaget Syd i Helsingborg AB, CIN: 559174-3603 and
KWA-Rör i Ystad AB, CIN: 559175-1994.

During the first quarter of 2018, Instalco divested AB Expertkyl HH with sales in 2017 of SEK 101 million and 45 employees.

## Significant events after the end of the financial year

During the first quarter of 2019, Instaclo acquired the following companies: El Kraft Teknik & Konsult i Sala AB with expected annual sales of SEK 78 million and 36 employees, Aquadus VVS AB with expected annual sales of SEK 80 million and 30 employees and Aircano AB with expected annual sales of SEK 65 million and 24 employees. For more information on acquisitions, please see Note 33.

In February 2019, Instalco updated its financial targets as follows:

- *Growth:* Average sales growth shall be at least 10 percent per year over one business cycle. Growth shall occur through a combination of organic growth and successful acquisitions.
- *Adjusted EBITA margin:* Instalco's goal is to achieve an adjusted EBITA margin of 8.0 percent.
- *Capital structure:* Instalco's ratio of net debt/adjusted EBITDA shall not exceed 2.5.
- *Cash conversion:* Instalco's goal is to achieve a cash conversion rate of 100 percent on a rolling 12-month basis over one business cycle.
- *Dividend policy:* Instalco's goal is to distribute 30 percent of its profit after tax as dividends.

## Organisation

Operations are organised into two segments, Sweden and Rest of Nordic. They are then organised into six business areas. The Group's head office is in Stockholm and it offers support functions including accounting/finance, purchasing, communications and business development.

## Ownership structure

At the end of the year, Instalco had 2,023 known shareholders. The company's ten largest owners represented 47.23 percent of the share capital and votes. The three largest shareholders were Per Sjöstrand privately and via company with an equity holding of 8.8 percent, Capital Group with an equity holding of 7.9 percent and Handelsbanken Fonder with an equity holding of 6.4 percent.

## Multi-year comparison

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Net sales, SEK m | 4,414 | 3,114 | 2,407 | 1,369 |
| Adjusted EBITA, SEK m | 372 | 264 | 156 | 86 |
| EBITA, SEK m | 331 | 244 | 140 | 49 |
| Adjusted EBITA margin, % | 8.4 | 8.5 | 6.5 | 6.3 |
| EBITA margin, % | 7.5 | 7.8 | 5.8 | 3.6 |
| Profit after financial items, SEK m | 316 | 229 | 132 | 46 |
| Total capital employed, SEK m | 2,875 | 2,297 | 1,525 | 967 |
| Equity ratio, % | 37 | 35 | 36 | 28 |
| Average number of employees | 2,065 | 1,539 | 1,240 | 870 |

## Net sales

The Group's net sales amounted to SEK 4,414 (3,114) million. Organic growth was 6.6 percent and acquired growth was 36.5 percent.

## EBITA

Adjusted EBITA amounted to SEK 372 (264) million, which corresponds to an operating margin of 8.4 (8.5) percent.

Information on adjustments is provided in Note 38.

Operating profit amounted to SEK 331 (244) million, which corresponds to an operating margin of 7.5 (7.8) percent.

## Financial position and cash flow

The Group has a strong financial position with an equity ratio of 37 (35) percent. Cash and cash equivalents at the end of the year amounted to SEK 218 (211) million.

The Group's cash flow from operating activities was SEK 273 (160) million.

## Quality and the environment

Overall and detailed environmental goals are set based upon relevant legal requirements, stakeholder requirements and company policies. Goals are then broken down and documented in the form of goals, strategies and action plans as part of the annual business planning of each unit. Measurement and monitoring of goals is both ongoing and on an annual basis. Instalco identifies and evaluates annually the impact the company's activities, services and products have on the environment. Management has assessed that Instalco's most significant environmental impact is its carbon dioxide emissions.

Instalco runs the business in accordance with laws and regulations, applying working methods that lower the risk of significant contamination or other negative impacts on people or the environment. Instalco's operations do not require a permit for environmentally hazardous activities. In cases where there is a reporting or permit requirement, each country is responsible for ensuring that this is done.

The Group respects and supports the UN Declaration of Human Rights and it follows international agreements on child labour.

## Sustainability Report

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Instalco has elected to prepare the statutory sustainability report separate to the annual report. The Sustainability Report is provided on pages 26-30 and page 34 of this document.

## Work environment

Instalco runs operations in various types of projects, which means that there is variation as regards the types of work environment problems it faces. The Group works systematically to collect information about the work environment and it strives to provide an acceptable physical and psychological work environment for all employees. Instalco promotes activities to increase equality and diversity. The Group routinely considers the work environment in conjunction with change processes and we meet the requirements of the Swedish Work Environment Authority, with continual improvement efforts aimed at ensuring that the company offers a safe work environment. More information is available in the sustainability report on page 27 of this document.

## Employees

At the end of the year, there were 2,283 (1,844) employees and the average number of employees for the year was 2,065 (1,539).

## Risks

Instalco is exposed to various types of risks in its business. They are both operational and financial in nature. At Instalco, the operational risks are higher than the financial risks.

The operational risks are attributable to daily operations, like tendering, capacity utilisation, revenue recognition and cyclical fluctuations.

## Risk management

There is an continual process for managing operational risks and it covers a large number of ongoing projects and service assignments. Instalco's projects involve a risk of loss due to sub adequate performance, incorrect calculations and losses on accounts receivable. For this reason, it is important that these operational risks are well-managed.

Risk management is well-defined in Instalco's management system, which helps prevent and lower the company's risk exposure.

The Group manages its financial risks centrally in order to minimise and control the risk exposure. Credit risks in the business are managed locally.

## OPERATIONAL RISKS

### Tendering

With tendering, there are both commercial and product risks that must be identified and managed during the process. To ensure that this is done, Instalco has set up process descriptions and checklists aimed at ensuring that the risks are identified, quantified and included in the calculations and tenders that are submitted.

### Price risks
Unexpected price increases on materials and subcontractor services are a risk. Instalco's risk of rising prices is balanced by having the right type of contracts, price adjustments based on an index for fixed-price contracts and efficient purchasing routines.

### Capacity utilisation
To a great extent, capacity utilisation is impacted by the demand in the local markets. Instalco counters these risks by having ongoing resource planning and by using subcontractors during peak season.

### Revenue recognition
Instalco uses the percentage-of-completion method for revenue recognition in projects. Revenue is recognised based the project's percentage of completion along with the final forecast. Instalco continually monitors the financial status of its projects in order to limit the risk of inaccurate forecasts and accordingly, incorrect revenue recognition. Instalco's management system has processes and checklists that are used from the start of the project to the end in order to ensure efficient production. For larger projects, steering committees have been set up to ensure high quality production.

### Insurance
Instalco has insurance coverage that is tailored to its needs. It includes liability insurance, contract insurance and property insurance.

### Financial risks
Instalco is exposed to certain financial risks, like changes in its indebtedness and interest rates. Please see Note 36 for information on financial risks like interest rate risk, currency risk, financing risk and credit risk.

The risks in the Parent Company are essentially the same as those for the Group.

### Expected future performance
During the current year, the Group expects to make several company acquisitions in the installation sector and it also expects sales to increase. The market is expected to remain stable, with a high demand for installation services and a higher demand for energy-efficient solutions, which we expect will support stable growth over time. Slowdown in housing construction has persisted, particularly for new construction of condominiums in metropolitan regions. Although there has been a dip in housing construction, the rate of construction for schools, preschools and hospitals remains high. The Norwegian market is stable, with growth in all areas where Instalco is represented. The market is also stable in Finland, fuelled by activity in the Helsinki region.

### Appropriation of profit or loss

| **The following retained earnings shall be appropriated by the AGM (SEK t):** | |
|---|---|
| Share premium reserve | 878,881 |
| Accumulated profit or loss | 332,577 |
| Loss for the year | 26,498 |
| | **1,237,956** |

| **The Board and CEO recommend that** | |
|---|---|
| the following amount is distributed as dividends | 72,813 |
| the following amount is carried forward | 1,165,143 |
| | **1,237,956** |

The dividend amount has been calculated on the number of outstanding shares as of 2019-02-28, which was 48,541,722 shares. The total dividend amount may change up until and including the reconciliation date due to new share issues and any new acquisitions that are made.

# Corporate governance report

## Legislation and Articles of Association

Instalco is a Swedish public limited liability company, regulated to Swedish law, primarily the Swedish Companies Act and the Annual Accounts Act. The regulations of Nasdaq Stockholm have been applied since the date when the company's shares became listed in May 2017. Besides legislation and Nasdaq Stockholm' regulations, the foundation for the company's corporate governance is its Articles of Association and its internal guidelines on corporate governance. The Articles of Association specify, among other things, the registered office, focus of the business, limits on share capital and number of shares, along with the prerequisites for participating in the AGM.

## Swedish Code of Corporate Governance

The Swedish Code of Corporate Governance (the Code) specifies a higher norm for good corporate governance than the minimum requirements of the Swedish Companies Act and it must be applied by all companies with shares traded on a regulated market in Sweden. The Code thus supplements the Swedish Companies Act by, in some areas, setting higher requirements. However, it enables a company to deviate from those requirements if, in specific cases, doing so would result in better corporate governance ("comply or explain"). Any such deviations, along with the reasons for the deviation and alternative solution, must be reported annually in a corporate governance report.

Instalco applies the Swedish Corporate Governance Code and there were no deviations from the Code in 2018.

## Share capital and shareholders

Share capital amounts to SEK 0.7 million allocated across a total of 48,213,861 shares with a quotient value of SEK 0.015 per share. All shares have equal voting rights. At the end of 2018, Instalco had 2,023 known shareholders. At year-end, the ten largest shareholders controlled 47 percent of share capital. The percentage of shares owned by Swedish institutional owners at year-end amounted to 30 percent of share capital and votes. The percentage of shares owned by foreign institutional owners amounted to 13 percent of share capital and votes.

## Annual General Meeting

Shareholders' exercise their influence at the AGM, which is the company's highest decision making body.

At the Annual General Meeting (AGM), resolutions are passed on adoption of the income statement and balance sheet, disposals of the company's profit or loss, discharge from liability by the company for the members of the Board and the CEO, election of board members and auditors, and remuneration to the Board and the auditor. At the AGM, shareholders also decide on other central issues, such as changes to the Articles of Association, new issue of shares, etc.

Notice of the Annual General Meeting shall be made by announcement in Post- och Inrikes Tidningar and by the notice being posted on Instalco's website (www.instalco.se). Notice of the AGM was published in Dagens Industri.

The right to attend and vote at the Annual General Meeting, either personally or by proxy holder, shall be given to shareholders who are entered in the company's register (kept by Euroclear) five weekdays before the Annual General Meeting (i.e. on the record date) and to those who report their participation to the company by the date stated in the notice of the AGM.

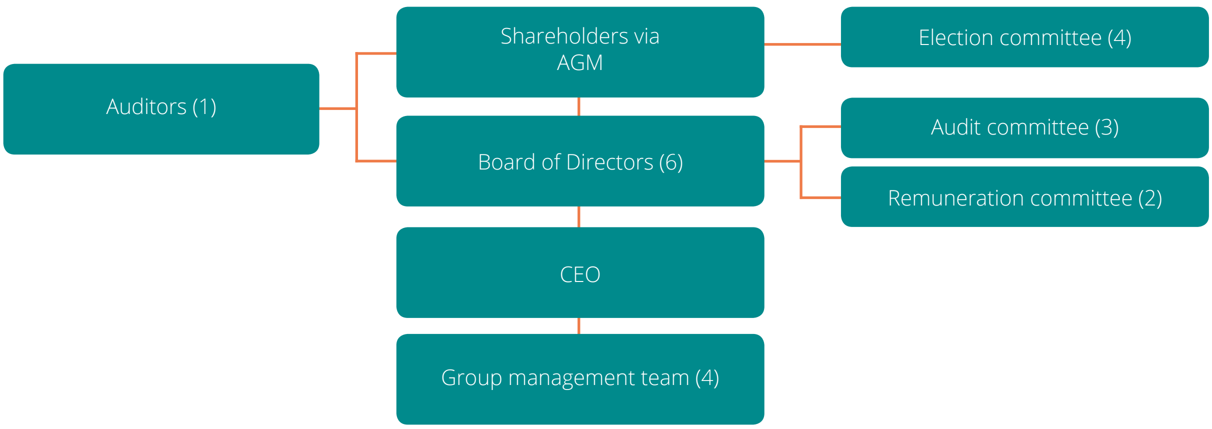
Notices, minutes and reports from AGMs will be made available on the Company's website.

## Election committee

The election committee is the body of the AGM with the sole task of preparing the AGM's decision in election and arbitration matters and, where applicable, procedural questions for the next election committee.

In accordance with instructions adopted at the extraordinary general meeting for Instalco Intressenter AB that was held on

## GOVERNANCE STRUCTURE



8 May 2018, the election committee shall consist of the Chairman of the Board and three members representing the three largest shareholders of the company in terms of the number of votes that they control. If any of these shareholders declines their right to appoint a member, the option will go to the shareholder with the next largest holding in terms of votes that they control.
The names of the members of the election committee and the shareholders that have appointed members shall be made public no later than six months prior to the AGM. The election committee decides for itself which member to appoint as chairman of the committee. The Chairman of the Board may not serve as chairman of the election committee.

If a change of ownership occurs among the largest shareholders (in terms of voting power), such that a shareholder who has not previously been entitled to appoint a member to the election committee attains a larger shareholding than one or more of those who has appointed a member to the election committee (a new major owner), the election committee must (if the new major owner requests to appoint a member to the election committee), decide that the member of the election committee representing the shareholder with the smallest influence after the change, shall be dismissed and replaced by the person appointed by the new major owner. If a new major owner would like to appoint a member to the election committee, a request to do so must be submitted to the chairman of the election committee.

The election committee for the 2019 AGM was made public on 5 November 2018 and it consists of Krister Hansen (appointed by Per Sjöstrand), Helen Fasth Gillstedt (Handelsbanken fonder), Magnus Skåninger (Swedbank Robur fonder) and Olof Ehrlén, Chairman of the Board.

The election committee shall apply Rule 4.1 of the Swedish Code of Corporate Governance as its diversity policy when making its proposal for members of the Board of Directors, with the aim of achieving a well-functioning Board of Directors regarding diversity and breadth as regards such things as gender, nationality, age and industry experience.

## Board of Directors

The Board of Directors is also the company's highest executive body and it is responsible for the company's organisation, management and ongoing assessment of the Group's financial situation. The Chairman of the Board has a special responsibility to lead the Board's work and to ensure that the Board fulfils its statutory obligations.

According to the Articles of Association, the Board shall consist of at least three (3) and a maximum of ten (10) board members without any deputy members. Members are elected at the AGM for the period of time until the next AGM is held. There are no limits on how long a member may serve on the Board. At present, the Board consists of six (6) ordinary members. More information on the Board of Directors is provided on page 48. Information on remuneration to the Board of Directors is provided in Note 6 of the Annual Report.

The Board's tasks include establishing the Company's overall goals and strategies, monitoring major investments, ensuring that there is adequate control of compliance with laws and other rules that apply to operations and compliance with internal guidelines. The Board's tasks also include ensuring that information provided by the company to the market and shareholders is open, correct, relevant and reliable. The Board must also appoint and evaluate the CEO.

## Board of Directors 2018

| | | | Independent in relation to: | | Participation out of total number of meetings | | |
|---|---|---|---|---|---|---|---|
| **Board member** | **Position** | **Elected** | **Company and senior executives** | **Major shareholders** | **Board meetings[1)]** | **Audit committee** | **Remuneration committee** |
| Olof Ehrlén | Chairman of the Board | 2014 | yes | yes | 9 out of 9 | 3 out of 5 | 2 out of 2 |
| Johnny Alvarsson | Board member | 2016 | yes | yes | 9 out of 9 | – | 2 out of 2 |
| Anders Eriksson[2)] | Board member | 2016 | no | yes | 4 out of 9 | – | – |
| Göran Johnsson[2)] | Board member | 2016 | no | yes | 4 out of 9 | – | – |
| Kennet Lundberg[2)] | Board member | 2016 | yes | yes | 3 out of 9 | 3 out of 5 | – |
| Peter Möller[2)] | Board member | 2013 | yes | yes | 2 out of 9 | 2 out of 5 | 0 out of 2 |
| Camilla Öberg[3,4)] | Board member | 2018 | yes | yes | 5 out of 9 | 2 out of 5 | – |
| Per Leopldsson[3,5)] | Board member | 2018 | yes | yes | 5 out of 9 | 2 out of 5 | – |
| Carina Qvarngård[3,5)] | Board member | 2018 | yes | yes | 5 out of 9 | 2 out of 5 | – |
| Carina Edblad[3)] | Board member | 2018 | yes | yes | 5 out of 9 | – | – |

*Per capsulam not included*
*2) Resigned at the 2018 AGM*
*3) Joined the Board as a new Director at the 2018 AGM*
*4) Replaced Olof Ehrlén as Chairman of the Audit Committee at the 2018 AGM*
*5) Replaced Peter Möller and Kennet Lundberg on the Audit Committee at the 2018 AGM*

The Board has adopted written rules of procedure for its work, which are evaluated, updated and adopted again each year. The Board meets regularly in accordance with an established program detailed in the rules of procedure. At these meetings, decisions are made on certain standing items along with decisions on other items, as needed.

### Evaluation of Board work

To ensure and develop the quality of the work done by the Board of Directors, an evaluation is conducted each year. The effort is led by the Chairman of the Board for the purpose of evaluating the work done by the Board and its members. In 2018 the evaluation was conducted via a survey that each Board member completed. The results of the evaluation are reported in writing to the Board members and they discuss the results together at the Board meeting in December. The Chairman of the Board has also reported the results of the evaluation at a meeting with the election committee.

### Committees

The Board may establish committees tasked with preparing questions in a particular area. It may also delegate decision authority to such committees. However, the Board may not discharge itself from responsibility for the decisions taken on the basis thereof. If the Board decides to set up a committee within itself, the Board’s rules of procedure must state which tasks and which decision making authority it has delegated to the committee, along with how the committee shall report to the Board.

#### *Audit committee*

The Board has set up an audit committee that consists of the following three members: Camilla Öberg, Per Leopoldsson and Carina Qvarngård. Camilla Öberg is chairman of the committee.

The audit committee is tasked with, among other things, monitoring the company’s financial reporting, monitoring the effectiveness of the company's internal control, internal audit and risk management, keeping informed of the audit of the annual report and consolidated accounts and the conclusions of the Swedish Inspectorate of Auditors’ quality control. The committee must also review and monitor the auditor's impartiality and independence, paying special attention to services provided by the auditor in addition to the audit.

#### *Remuneration committee*

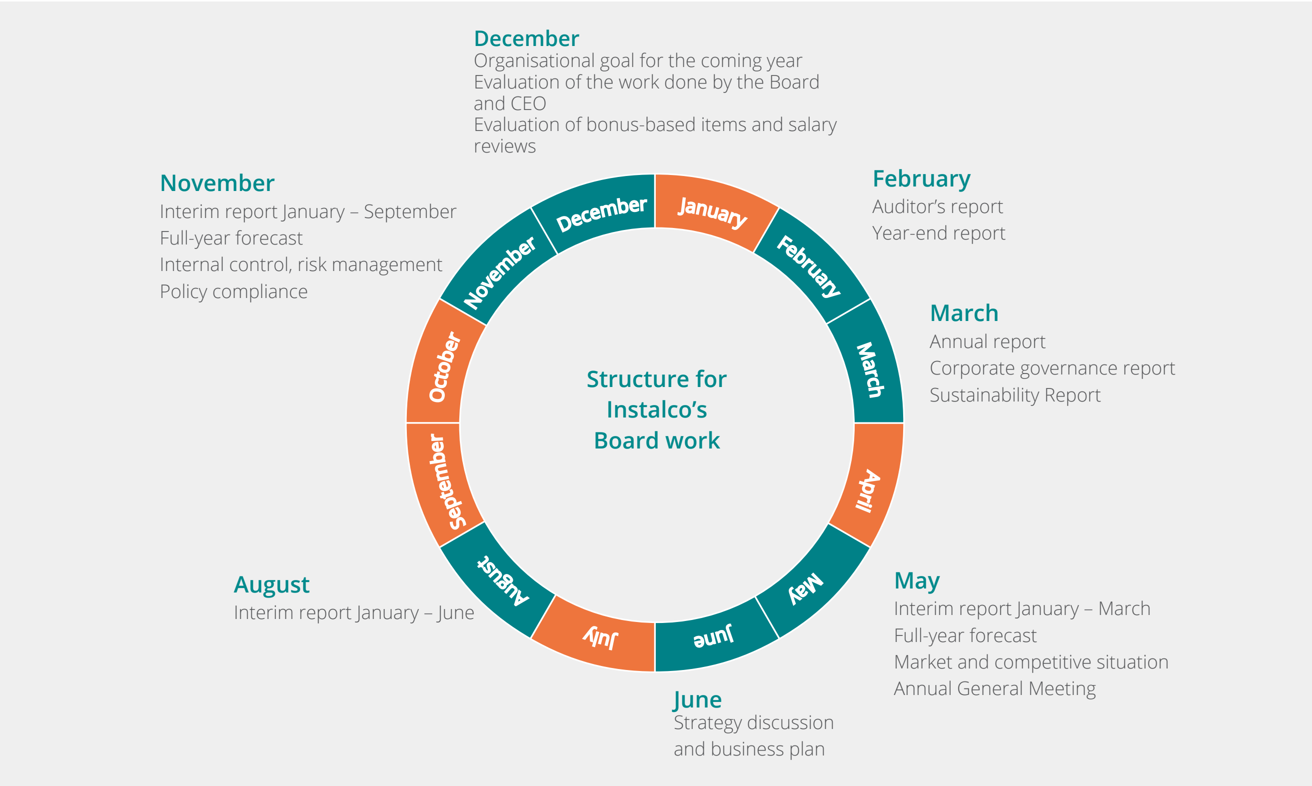
The Board has set up a remuneration committee that consists of the following two members: Olof Erhlén and Johnny Alvarsson. Olof Erhlén is chairman of the committee.

The main tasks of the remuneration committee are to:

(i) prepare the Board's decisions on issues of remuneration principles, remuneration and other terms of employment for senior executives,

(ii) monitor and evaluate ongoing programmes (along with programmes that were concluded during the year) on variable remuneration to senior executives, and

(iii) monitor and evaluate the application of any guidelines for remuneration to senior executives established by the AGM as well as applicable remuneration structures and remuneration levels.



### CEO and other senior executives

The company's CEO is responsible for ongoing management in accordance with the Board's guidelines and instructions. The CEO's role and responsibilities, along with the division of duties between the Board and CEO, are detailed in a written document issued by the Board (the CEO instructions). The Board regularly evaluates the work done by the CEO.

The company's CEO is Per Sjöstrand. More information on the CEO and other senior executives is provided on page 46.

### Guidelines for remuneration to senior executives

At the AGM that was held on 8 May 2018, it was decided to adopt guidelines for remuneration to the CEO and other senior executives. The basic principle for remuneration and other employment terms is that they should be at the going market rate and competitive in order to ensure that the Group is able to attract and retain competent senior executives at a reasonable cost to the company.

Remuneration may consist of fixed remuneration, variable remuneration, pension and other benefits. Variable remuneration is paid in cash and based on outcomes in relation to pre-established goals within individual areas of responsibility (Group or business area) and the goals must also be consistent with the interests of shareholders. Unless otherwise agreed, variable remuneration is pensionable salary at an amount not to exceed 50 percent of fixed annual salary for the CEO and not to exceed 35 percent of fixed annual salary for other senior executives.

Pension benefits are associated with defined contribution plans, with individual retirement age not earlier than 60 years of age. Other benefits, such as company cars, supplementary health insurance or occupational health services shall be for a limited amount in relation to other remuneration and it must also be at the market's going rate.

Notice of termination is normally 6 months for the CEO and 3-6 months for other senior executives. In the event of termination of employment at the request of the company, the notice period for all senior executives is at most 12 months with entitlement to severance pay after the end of the notice period corresponding to at most 100 percent of fixed salary for at most 12 months (fixed salary during the notice period and severance pay shall, in other works, not exceed 24 months of fixed salary).

The Board of Directors is entitled deviate from the guidelines in specific cases if there are special reasons for doing so.

The Board of Directors' suggested guidelines for remuneration to the CEO and other senior executives for the period of time until the next AGM shall remain in force as described above.

### Incentive program

At the Instalco AGM on 27 April 2017, it was decided to implement an incentive scheme for the Group's senior executives and other key employees by issuing warrants with the right to subscribe for new shares in the company.

If all of the 1,929,650 warrants are exercised, the company's share capital will increase by at moss SEK 28,944.75 allocated across 1,929,650 shares, each of which with a quotient valae of SEK 0.015 kronor, corresponding to a dilutive effect of at most 4 percent based on the share capital and votes in the company immediately after date when the companies shares became listed.

The incentive scheme is divided into two sub-programmes (Serie 2017/2020:1 and Serie 2017/2020:2). A total of 964,825 have been transferred to each of these sub-programmes at a price corresponding to the option's market value as per an external valuation.

The exercise price for warrants belonging to Serie 2017/2020:1 is SEK 66 per new share and the exercise price for warrants belonging to Serie 2017/2020:2 is SEK 71.50 per new share.

The warrants can be exercised to subscribe for new shares as of the date following the publication of the Company's quarterly report for the first quarter of 2020 through 30 June 2020.

There are no outstanding share-related incentive programmes besides the warrants described above.

### Internal control and audit

The Board is responsible for the company's organisation and management of the company's affairs. The rules of procedure created by the Board (see above, under the heading "Board of Directors" in this section) include instructions for internal financial reporting. Furthermore, all interim reports and press releases are published on the company's website (www.instalco.se) in conjunction with making the information public.

As a public company, Instalco is required to have at least one auditor for the audit of the parent company and the group's annual report and accounting records, as well as the administration of the Board and the CEO. The audit must be at the level of detail and scope required for generally accepted auditing standards. The company's auditors are elected in accordance with the Swedish Companies Act by the AGM. An auditor for a Swedish limited company has thus been given his or her assignment by, and reports to, the Annual General Meeting. The auditor may not allow him or herself to be controlled by the Board or any senior executives when carrying out that assignment.

According to the Articles of Association, the AGM shall appoint at least one (1) and a maximum of two (2) auditors with no more than three (2) deputy auditors. The auditors (and any deputy auditors) must be certified public accountants or a registered audit firm. The company's current audit firm is Grant Thornton Sweden AB with Jörgen Sandell as the chief auditor.

### The Board's report on internal control related to financial reporting

The Board's responsibility for internal control is regulated in the Swedish Companies Act, Annual Accounts Act and the Swedish Code of Corporate Governance The Board must, among others, ensure that Intalco has good internal control and formalised procedures that ensure compliance with established principles for financial reporting and internal control and that there are appropriate systems for monitoring and controlling the company's operations and the risks associated with running the company and its operations.

The overall purpose of internal controls is to obtain a reasonable level of assurance that Instalco's strategies and goals are monitored and that the owners' investments are protected. Internal controls shall further ensure that, with a reasonable level of certainty, the external financial reporting is reliable and has been prepared in accordance with generally accepted accounting principles, and that there is compliance with applicable laws, regulations, and the requirements of listed companies.

The control environment forms the basis for internal control that also includes risk assessment, control activities, information and communication as well as follow-up.

### *Control environment*

The Board has overall responsibility for internal control related to financial reporting. In order to create and maintain a functioning control environment, the Board has adopted a number of policies and governance documents that regulate financial reporting. These primarily consist of the Board's rules of procedure, instructions for the CEO, instructions for the committees that have been set up by the Board and instructions for financial reporting. The Board has also adopted rules for authorisation and it has established a financial policy. The company also has an accounting guide that contains principles, guidelines and process description for accounting and financial reporting. In addition, the Board has set up an audit committee. Its primary task is to monitor the following: Instalco's financial reporting and the effectiveness of the company's internal controls, the internal audit (is such a function has been set up) and risk management, along with reviewing and monitoring the auditor's impartiality and independence. The company has decided not to have a separate internal audit function. However, the Board of Directors evaluates the need for such on an ongoing basis. As needed, the external auditor has expanded the audit by looking more closely at particularly important areas. The follow-up structure that the company has in the form of its leadership functions, described above, has been assessed as being adequate given Instalco's size and complexity.

The CEO is responsible for daily operations which includes maintaining the control environment and regularly reporting to the Board in accordance with the established instructions.

Each local unit is organised as a subsidiary with its own Board and CEO that are responsible for local operations in accordance with the guidelines and instructions issued by Group management. Each local unit has its own administrative routines and they are in charge of their own bookkeeping and financial reporting. The local units report primarily to the CEO and CFO.

Besides internal follow-up and reporting, the company's external auditor reports on the financial year to the CEO and Board of Directors. The auditor's report provides the Board with a good assessment and a reliable basis for the financial reporting in the annual report.

### *Risk assessment and control activities*

Risk assessment includes identifying and evaluating the risk of material errors in the reporting and reporting at the Group and subsidiary level. Risk assessment is done on an ongoing basis in accordance with established guidelines and focus on specific projects. Within the Board, the audit committee has primary responsibility for ongoing evaluation of the company's risk situation after which, the Board conducts an annual review of the risk situation.

Control activities are aimed at identifying and limiting risks. The Board is responsible for internal control and follow-up of company management. This is done via both internal and external control activities, along with review and follow-up of the company's policies and governance documents. The Group-wide internal control guidelines are followed up throughout the year by all operating companies.

Uniform accounting and reporting instructions are applied at all units within the Group. The local units' financial performance is followed up regularly via monthly reporting which primarily focuses on sales, earnings, and order backlog. It also includes legal and operative follow-up with a focus on the status of individual projects. Each quarter, all units submit an internal control report. Other important components of internal control are the annual business planning process and forecast processes. Forecasts are followed up in the Group's monthly reporting.
With the launch of IFOKUS and establishment of Instalco Academy, a framework has been created for promoting continual improvement within the Group, which includes basic processes having to do with internal control.

### *Information and communication*

The company has information and communication channels aimed at promoting the accuracy of financial reporting and enabling reporting and feedback from operations to the Board and management. This is done, for example, via governance documents (such as internal policies, guidelines and instructions for financial reporting) that have been made available and are both known and used by the employees concerned. Financial reporting is carried out in a Group-wide system with pre-defined reporting templates.

The company's financial reporting complies with Swedish laws and regulations along with the local rules in each country where operations are run. The company's information to shareholders and other stakeholders occurs via the annual report, quarterly reports and press releases.

### *Follow-up*

Compliance and effectiveness of the internal controls is regularly monitored. The CEO ensures that the Board of Directors regularly receives reports on Instalco's performance, which includes earnings and financial position, information on significant events and progress on specific projects. The CEO also reports on these matters at each Board meeting. The Board and audit committee review the annual report and quarterly reports. They also perform financial assessments in accordance with an established plan. The audit committee monitors the financial reporting and other related issues. It also regularly discusses these matters with the external auditors.

# Senior executive

## Per Sjöstrand

Born 1958
CEO and founder

*Work experience*
Head of major projects at the Swedish Transport Administration, CEO NEA Gruppen AB, CEO Midroc Electro, CEO Peab Nord

*Education*
MSc Engineering, Chalmers University of Technology, Gothenburg

*Shareholding in Instalco[1)]*
4,217,538

## Lotta Sjögren

Born 1964
CFO

*Work experience*
Business area manager and head of purchasing for NEA-gruppen, CEO of Bohusläns Elektriska, CFO of Effpower

*Education*
Economics studies at University of Gothenburg

*Shareholding in Instalco[1)]*
239,319

## Robin Boheman

Born 1984
Head of Business Development
Business Area Manager for Finland

*Work experience*
Management consultant M&A Integration and Separation PWC, Business developer at Scania

*Education*
Masters degree in accounting and finance, Uppsala University

*Shareholding in Instalco[1)]*
333,901

## Fredrik Trahn

Born 1969
Head of IR and Communications

*Work experience*
Journalist SvD, Head of Information at Bristol-Meyers Squibb, Press Officer at Electrolux, Press Officer for Team SEB of Volvo Ocean Race, Head of Communications for the Swedish Athletics Association

*Education*
Degree from Grafiska Institutet (GI), studies in communications and Swedish language at Stockholm University

*Shareholding in Instalco[1)]*
700

*1) Including closely related physical and legal persons' holdings.*

# Extended management team

*Robin Boheman, Patrik Persson, Roger Aksnes, Klas Larsson, Per Sjöstrand, Johan Larsson, Peter Westman, Lotta Sjögren and Fredrik Trahn.*

### Roger Aksnes
Born 1972
Business Area Manager for Norway

*Work experience*
Project Manager and Head of Department at Bravida, CEO Andersen og Aksnes Rørleggerbedrift

*Education*
PHS technician and Pipe Layer, technical college

*Shareholding in Instalco*[1)]
266,532

### Robin Boheman
See page 44

### Johan Larsson
Born 1976
Business Area Manager, North

*Work experience*
CEO DALAB Dala Luftbehandling, CEO DALAB Group AB

*Education*
Upper secondary and training in sheet metal and ventilation installations

*Shareholding in Instalco*[1)]
396,307

### Klas Larsson
Born 1971
Business Area Manager, West

*Work experience*
Branch Manager at NVS, CEO LG Contracting

*Education*
Production engineer, power and heating technology, Mid Sweden University

*Shareholding in Instalco*[1)]
100,397

### Patrik Persson
Born 1964
Business Area Manager, South

*Work experience*
Deputy CEO and CEO Rörläggaren

*Education*
PHS technician, technical college

*Shareholding in Instalco*[1)]
113,358

### Per Sjöstrand
See page 46

### Lotta Sjögren
See page 46

### Fredrik Trahn
See page 46

### Peter Westman
Born 1966
Business Area Manager, East

*Work experience*
Project Manager and CEO Rörgruppen, CEO VVS-Metoder

*Education*
PHS technician, technical college

*Shareholding in Instalco*[1)]
408,344

*1) Including closely related physical and legal persons' holdings.*

# Board of Directors

## Olof Ehrlén

Born 1949
Chairman of the Board, member since 2014

*Other Board assignments*
Chairman: Svevia

*Work experience*
Extensive experience in the construction industry. Previously held the position of President and CEO of NCC.

*Education*
MSc Engineering, Chalmers University of Technology, Gothenburg

Independent in relation to Instalco and its senior executives
Independent in relation to major shareholders

*Shareholding in Instalco*[1)]
90,078

## Johnny Alvarsson

Born 1950
Member since 2016

*Other Board assignments*
Chairman: FM Mattsson Mora Group
Board member: VBG Group, Dacke Industri, Beijer Alma and Sdiptech

*Work experience*
Extensive experience as senior executive at several listed companies, including Indutrade.

*Education*
MSc Engineering, Management education

Independent in relation to Instalco and its senior executives
Independent in relation to major shareholders

*Shareholding in Instalco*[1)]
71,188

## Carina Edblad

Born: 1963
Member since 2018

*Current position*
CEO Thomas Betong

*Other Board assignments*
Chairman: Svensk Betong
Board member: NCC and Confederation of Swedish Enterprise

*Work experience*
30 years of operational experience in the construction industry as both specialist and manager with responsibility for project management, business development, purchasing and as CEO.

*Education*
MSc Engineering, Chalmers University of Technology

Independent in relation to Instalco and its senior executives
Independent in relation to major shareholders

*Shareholding in Instalco*[1)]
–

## Per Leopoldsson

Born 1960
Member since 2018

*Current position*
Head of Solavik Förvaltning AB

*Other Board assignments*
Member of the City Council for Fastighetsägarna i Stockholm, Brandkontoret, SBC and NAI Svefa

*Work experience*
Extensive experience in the property and construction industry. CFO Fastighets AB Näckebro, Ramböll and Bravida.

*Education*
MBA, Stockholm School of Economics

Independent in relation to Instalco and its senior executives
Independent in relation to major shareholders

*Shareholding in Instalco*[1)]
–

## Carina Qvarngård

Born 1959
Member since 2018

*Current position*
Senior consultant in organizational and business development for Nordic customers in need of industrialising and internationalising their operations.

*Other Board assignments*
Director, XM Reality

*Work experience*
More than 30 years of experience in leading positions at international companies, including Ericsson, Sodexo Norden and Caverion.

*Education*
MSc Engineering, KTH Royal Institute of Technology

Independent in relation to Instalco and its senior executives
Independent in relation to major shareholders

*Shareholding in Instalco*[1)]
–

## Camilla Öberg

Born 1964
Member since 2018

*Current position*
CFO Cybercom Group

*Other Board assignments*
Director, Xvivo Perfusion

*Work experience*
Extensive experience as CFO at international companies. CFO Swegro Group, Head of Investor Relations WM-Data, CFO Logica.

*Education*
MBA, Stockholm School of Economics

Independent in relation to Instalco and its senior executives
Independent in relation to major shareholders

*Shareholding in Instalco*[1)]
–

*1) Including closely related physical and legal persons' holdings.*

# Consolidated income statement

| AMOUNTS IN SEK M | Note | 2018 | 2017 |
|---|---|---|---|
| **Operating income** | | | |
| Net sales | 2, 3 | 4,414 | 3,114 |
| Other operating income | | 39 | 33 |
| **Total operating income** | | **4,454** | **3,147** |
| **Operating expenses** | | | |
| Materials and purchased services | | –2,295 | –1,589 |
| Other external costs | 4, 5 | –308 | –256 |
| Personnel costs | 6, 7 | –1,438 | –1,031 |
| Depreciation of property, plant and equipment | | –9 | –6 |
| Other operating expenses | | –73 | –21 |
| **Total operating expenses** | | **–4,123** | **–2,903** |
| **Operating profit/loss (EBIT)** | | **331** | **244** |
| **Profit (loss) from financial items** | | | |
| Financial income | 9 | 2 | 4 |
| Financial expenses | 10 | –18 | –18 |
| **Earnings before taxes** | | **316** | **229** |
| Income tax | 11 | –67 | –58 |
| **Profit (loss) for the year from continuing operations** | | **249** | **171** |
| **Loss for the year** | | **249** | **171** |
| ***Profit (loss) attributable to:*** | | | |
| Parent Company shareholders | | 249 | 171 |
| Non-controlling interests | | 0 | – |
| **Earnings per share** | | | |
| Basic earnings per share, SEK | 12 | 5.20 | 3.69 |
| Diluted earnings per share, SEK | | 5.10 | 3.54 |

## Consolidated statement of comprehensive income

| | | | |
|---|---|---|---|
| **LOSS FOR THE YEAR** | | **249** | **171** |
| **Items that could be reclassified to profit or loss** | | | |
| Translation effect for the year of foreign operations | | 14 | –15 |
| Fair value adjustment of available-for-sale financial assets | | – | – |
| Tax attributable to fair value adjustment | | – | – |
| Other comprehensive income after tax | | 14 | –15 |
| **Total comprehensive income for the year** | | **263** | **156** |
| **Comprehensive income attributable to:** | | | |
| Non-controlling interests | | 0 | – |
| Parent Company shareholders | | 263 | 156 |

# Consolidated balance sheet

| AMOUNTS IN SEK M | Note | 2018-12-31 | 2017-12-31 |
|---|---|---|---|
| ASSETS | | | |
| **Fixed assets** | | | |
| ***Intangible assets*** | 13 | | |
| Goodwill | | 1,582 | 1,260 |
| Other intangible assets | | 1 | 2 |
| **Total intangible assets** | | **1,583** | **1,262** |
| ***Property, plant and equipment*** | | | |
| Equipment and tools | 14 | 22 | 19 |
| **Total property, plant and equipment** | | **22** | **19** |
| ***Financial assets*** | | | |
| Shares in associated companies and jointly run companies | 17 | 0 | 0 |
| Receivables from associated companies and jointly run companies | 17 | 1 | – |
| Other securities held as non-current assets | 18 | 0 | 1 |
| Other non-current receivables | 20 | 1 | 1 |
| **Total financial assets** | | **3** | **2** |
| Deferred tax receivable | 19 | 6 | 0 |
| **Total non-current assets** | | **1,614** | **1,282** |
| **Current assets** | | | |
| ***Inventories, etc.*** | 21 | | |
| Finished goods and goods for resale | | 29 | 14 |
| **Total inventories** | | **29** | **14** |
| ***Current receivables*** | | | |
| Accounts receivable | 22 | 698 | 549 |
| Current tax asset | | 26 | 23 |
| Other receivables | | 22 | 15 |
| Receivables on customers | 23 | 205 | 142 |
| Prepaid expenses and accrued income | 24 | 63 | 61 |
| Other marketable securities | | – | – |
| Cash and cash equivalents | 25 | 218 | 211 |
| **Total current receivables** | | **1,232** | **1,001** |
| **Total current assets** | | **1,261** | **1,015** |
| **TOTAL ASSETS** | **15** | **2,875** | **2,297** |

# Consolidated balance sheet

| AMOUNTS IN SEK M | Note | 2018-12-31 | 2017-12-31 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 26 | | |
| Share capital | | 1 | 1 |
| Other contributed capital | | 603 | 536 |
| Reserves | | 5 | -9 |
| Accumulated profit or loss incl. profit (loss) for the year | | 462 | 266 |
| Non-controlling interests | | 0 | – |
| **Total equity** | | **1,070** | **793** |
| ***Non-current liabilities*** | 15 | | |
| Liabilities to credit institutions | 28 | 732 | 649 |
| Deferred tax liabilities | 19 | 63 | 51 |
| **Total non-current liabilities** | | **795** | **700** |
| ***Current liabilities*** | 15 | | |
| Provisions | 27 | 10 | 9 |
| Liabilities to credit institutions | 28 | 0 | 0 |
| Accounts payable | 29 | 317 | 262 |
| Current tax liabilities | | 34 | 27 |
| Other liabilities | | 164 | 144 |
| Liabilities to customers | 23 | 212 | 136 |
| Accrued expenses and deferred income | 30 | 273 | 226 |
| **Total current liabilities** | | **1,010** | **805** |
| **Total liabilities** | | **1,805** | **1,504** |
| **TOTAL EQUITY AND LIABILITIES** | | **2,875** | **2,297** |

# Consolidated statement of changes in equity

| AMOUNTS IN SEK M | Note | Share capital | Other contributed capital | Reserves | Accumulated profit or loss incl. profit (loss) for the year | Total equity |
|---|---|---|---|---|---|---|
| **Opening balance 2017-01-01** | | 1 | 453 | 6 | 95 | 553 |
| Loss for the year | | – | – | – | 171 | 171 |
| Translation effect for the year of foreign operations | | – | – | –15 | – | –15 |
| Other comprehensive income | | – | – | –15 | – | –15 |
| Total comprehensive income for the year | | – | – | –15 | 171 | 156 |
| **Transaction with owners** | | | | | | |
| New issue [1)] | | 0 | 76 | – | – | 76 |
| Issue warrants | | – | 8 | – | – | 8 |
| Other consolidation adjustments | | – | 0 | – | – | 0 |
| **Total transactions with owners** | | **0** | **83** | – | – | **84** |
| **Closing balance 2017-12-31** | 25 | **1** | **536** | **–9** | **266** | **793** |
| **Opening balance 2018-01-01** | | 1 | 536 | –9 | 266 | 793 |
| Loss for the year | | – | – | – | 249 | 249 |
| Translation effect for the year of foreign operations | | – | – | 14 | – | 14 |
| Other comprehensive income | | – | – | 14 | – | 14 |
| Total comprehensive income for the year | | – | – | 14 | 249 | 263 |
| **Transaction with owners** | | | | | | |
| Dividends | | – | – | – | **–52** | –52 |
| New issue [1)] | | 0 | 67 | – | – | 67 |
| Issue warrants | | – | 0 | – | – | 0 |
| Other consolidation adjustments | | – | – | – | – | – |
| **Total transactions with owners** | | **0** | **67** | – | **–52** | **14** |
| **Closing balance 2018-12-31** | 25 | **1** | **603** | **5** | **462** | **1,070** |

*1) Transactions costs for new issues are so low that they have no significant impact on the change in equity which was SEK 150 thousand in 2018 and SEK 50 thousand in 2017.*

# Consolidated cash flow statement

| AMOUNTS IN SEK M | Note | 2018 | 2017 |
|---|---|---|---|
| **Operating activities** | | | |
| Earnings before taxes | | 316 | 229 |
| Adjustment for items not included in cash flow, etc. | 34 | 33 | 21 |
| Paid income tax | | –79 | –50 |
| **Cash flow from operating activities before changes in working capital** | | **269** | **201** |
| *Changes in working capital:* | | | |
| Change in inventories | | 2 | 3 |
| Change in accounts receivable and other receivables | | –27 | –81 |
| Change in accounts payable and other liabilities | | 30 | 37 |
| **Cash flow from operating activities** | | **273** | **160** |
| **Investing activities** | | | |
| Acquisition of shares in subsidiaries, before deduction for cash/cash equivalents | 35 | –369 | –426 |
| Acquisition of intangible assets | | 0 | –2 |
| Acquisition of property, plant and equipment | | –7 | –5 |
| Disposal of property, plant and equipment | | 4 | 2 |
| Decrease/increase in financial assets | | 5 | 2 |
| **Cash flow from investing activities** | | **–368** | **–429** |
| **Financing activities** | | | |
| New issue | | 67 | 76 |
| Dividends | | –52 | – |
| Redemption of preference shares | | 0 | 8 |
| Borrowings | 15 | 185 | 745 |
| Repayment of loan | 15 | –103 | –499 |
| **Cash flow from financing activities** | | **96** | **329** |
| **CASH FLOW FOR THE YEAR** | | **2** | **60** |
| Cash and cash equivalents at the beginning of the year | | 211 | 155 |
| Exchange difference in cash and cash equivalents | | 5 | –4 |
| **Cash and cash equivalents at the end of the year** | | **218** | **211** |
| **Cash and cash equivalents from continuing operations** | | **218** | **211** |
| Cash flow for the year from interest: | | | |
| Interest paid | | –13 | –9 |
| Interest received | | 2 | 0 |

# Parent Company income statement

| AMOUNTS IN SEK M | Note | 2018 | 2017 |
|---|---|---|---|
| **Operating income** | | | |
| Net sales | | 24 | 15 |
| Other operating income | | – | 0 |
| **Total operating income** | | **24** | **15** |
| | | | |
| **Operating expenses** | | | |
| Other external costs | 4.5 | –8 | –23 |
| Personnel costs | 6.7 | –14 | –9 |
| **Total operating expenses** | | **–22** | **–32** |
| **Operating profit/loss** | | **2** | **–17** |
| | | | |
| **Profit (loss) from financial items** | | | |
| Interest expense and similar profit or loss items | 10 | –3 | –4 |
| **Profit (loss) after financial items** | | **–1** | **–21** |
| Group contributions received | | 27 | – |
| **Earnings before taxes** | | **26** | –21 |
| Tax on profit for the year | 11 | – | – |
| **Loss for the year** | | **26** | **–21** |

The Parent Company does not have any items included in other comprehensive income, which is why the total for other comprehensive income is equal profit or loss for the year.

# Parent Company balance sheet

| AMOUNTS IN SEK M | Note | 2018-12-31 | 2017-12-31 |
|---|---|---|---|
| **ASSETS** | | | |
| **Fixed assets** | | | |
| ***Financial assets*** | | | |
| Participations in Group companies | 16 | 1,315 | 1,290 |
| **Total financial assets** | | **1,315** | **1,290** |
| **Total non-current assets** | | **1,315** | **1,290** |
| **Current assets** | | | |
| ***Current receivables*** | | | |
| Other receivables | | 27 | 9 |
| Prepaid expenses and accrued income | 24 | 0 | 0 |
| **Total current receivables** | | **27** | **9** |
| **Cash and bank balances** | | **46** | **46** |
| **Total current assets** | | **73** | **55** |
| **TOTAL ASSETS** | | **1,388** | **1,346** |

# Parent Company balance sheet

| AMOUNTS IN SEK M | Note | 2018-12-31 | 2017-12-31 |
|---|---|---|---|
| EQUITY AND LIABILITIES | | | |
| **Equity** | 26 | | |
| ***Restricted equity*** | | | |
| Share capital | | 1 | 1 |
| | | **1** | **1** |
| ***Non-restricted equity*** | 37 | | |
| Share premium reserve | | 879 | 812 |
| Accumulated profit or loss | | 333 | 406 |
| Loss for the year | | 26 | –21 |
| | | **1,238** | **1,197** |
| **Total equity** | | **1,239** | **1,198** |
| **Non-current liabilities** | | | |
| Liabilities to credit institutions | 28 | 141 | 141 |
| **Total non-current liabilities** | | **141** | **141** |
| **Current liabilities** | | | |
| Liabilities to credit institutions | 28 | – | – |
| Accounts payable | 29 | 1 | 1 |
| Other liabilities | | 3 | 4 |
| Accrued expenses and deferred income | 30 | 5 | 2 |
| **Total current liabilities** | | **8** | **7** |
| **Total liabilities** | | **149** | **148** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,388** | **1,346** |

# Parent Company statement of changes in equity

| AMOUNTS IN SEK M | Note | Share capital | Share premium reserve | Accumulated for the year | Profit or loss for the year | Total equity |
|---|---|---|---|---|---|---|
| **Opening balance 2017-01-01** | | **1** | **736** | **403** | **–5** | **1,134** |
| Reversal of previous year's earnings | | – | – | –5 | 5 | – |
| New issue [1)] | | 0 | 76 | – | – | 76 |
| Issue of warrants | | – | – | 8 | – | 8 |
| Other adjustments | | – | 0 | – | – | 0 |
| Loss for the year | | – | – | – | –21 | –21 |
| **Closing balance 2017-12-31** | 25 | **1** | **812** | **406** | **–21** | **1,197** |
| **Opening balance 2018-01-01** | | **1** | **812** | **406** | **–21** | **1,197** |
| Dividends | | – | – | –52 | – | –52 |
| Reversal of previous year's earnings | | – | – | –21 | 21 | – |
| New issue [1)] | | – | 67 | – | – | 67 |
| Issue of warrants | | – | – | 0 | – | 0 |
| Loss for the year | | – | – | – | 26 | 26 |
| **Closing balance 2018-12-31** | 25 | **1** | **879** | **333** | **26** | **1,239** |

*1) Transactions costs for new issues are so low that they have no significant impact on the change in equity which was SEK 150 thousand in 2018 and SEK 50 thousand in 2017.*

# Parent Company cash flow statement

| AMOUNTS IN SEK M | Note | 2018 | 2017 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Earnings before taxes | | –1 | –21 |
| Adjustment for items not included in cash flow, etc. | 34 | 1 | 1 |
| Paid income tax | | 0 | 0 |
| **Cash flow from operating activities before changes in working capital** | | **0** | **–20** |
| *Changes in working capital:* | | | |
| Change in accounts receivable and other receivables | | –18 | –9 |
| Change in accounts payable and other liabilities | | 1 | 4 |
| **Net cash flow from ongoing operations** | | **–17** | **–25** |
| **Cash flow from operating activities** | | **–17** | **–25** |
| **Investing activities** | | | |
| Contribution made | 5 | –25 | –20 |
| **Cash flow from investing activities** | | **–25** | **–20** |
| **Financing activities** | | | |
| New issue | | 67 | 76 |
| Issue warrants | | 0 | 8 |
| Borrowings | | – | 140 |
| Repayment of loan | | – | –139 |
| **Cash flow from financing activities** | | **67** | **85** |
| **CASH FLOW FOR THE YEAR** | | **25** | **40** |
| Cash and cash equivalents at the beginning of the year | | 46 | 6 |
| **Cash and cash equivalents at the end of the year** | | **46** | **46** |
| Cash flow for the year from interest | | | |
| Interest paid | | –2 | –2 |
| Interest received | | – | – |

# Note 1. Accounting and valuation principles

## General information

The main operations of Instalco Intressenter AB (Publ) and its subsidiaries (all of which make up the Group) are to, via the subsidiaries, run contracting, consulting, sales and service activities in the electrical, climate, ventilation, heating & plumbing and pipe installation industries along with related activities.

Instalco Intressenter AB (Publ), CIN: 559015-8944, is domiciled in Sweden. The Head Office and primary place of business is located at Lilla Bantorget 11, 111 23 Stockholm, Sweden.

The consolidated financial statements for the reporting period ending on 31 December 2018 (including comparative figures) were approved for issuance by the Board of Directors on 21 March 2019.

The consolidated statement of comprehensive income, other comprehensive income, report on financial position and the Parent Company's income statement and balance sheet will be brought forth for adoption by the AGM that will be held on 8 May 2019.

## Summary of important accounting principles

The most important accounting and valuation principles used to prepare the financial statements are summarised below. In cases where the Parent Company applies different principles, information on that is provided under the heading "Parent Company" below.

## Basis for preparation of reports

The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and RFR 1 Additional Accounting Regulations for Groups and the International Financial Reporting Standards (IFRS) that have been adopted by the EU. Assets and liabilities are valued at historical cost, except for contingent consideration (valued at fair value through profit or loss), and other long-term securities holdings that fall within the category of financial assets at fair value through profit or loss.

Preparing financial reports in accordance with IFRS requires the use of a number of important estimates for accounting purposes. Furthermore, management must make certain assessments when applying the Group's accounting principles. The areas that include a high degree of assessment, which are complex, or areas where assumptions and estimates are of significant importance for preparing the consolidated financial statements, are stated in the separate section below "Significant assessments and estimates when applying accounting principles".

## New and updated standards that enter into force for financial years starting on 1 January 2018 and later

*IFRS 9 Financial instruments*

The new standard IFRS 9 Financial Instruments has replaced IAS 39 Financial Instruments which entails a change in IAS 39's guidance for classifying and measuring financial assets. It also introduces a new "expected credit loss" model for impairment of financial assets. IFRS 9 also provides new guidelines for applying hedge accounting. The standard entered into force on 1 January 2018.

When applying IFRS 9, the Group has applied the option stated in the transition requirements of not restating comparative period financial statements. Differences that arise with the implementation of IFRS 9 arising from classification, measurement and impairment are reported in retained earnings.

For Instalco, the new impairment model for financial claims (accounts receivable) has no effect with transition to the new standard. Application of IFRS 9 has, in the transition, only impacted the Group as regards classification into new categories and details on this are provided in Note 1 and Note 15.

*IFRS 15 Revenue from contracts with customers*

IFRS 15 Revenue from contracts with customers and the related clarifications to IFRS 15 Revenue from contracts with customers (hereinafter referred to as IFRS 15) replaces IAS18 Revenue, IAS11 Construction Contracts and several revenue-related interpretations. The new standard has been applied retroactively, with the cumulative effect reported in equity as of 1 January 2018, in accordance with the Cumulative Effect Method.

Instalco's revenue primarily consists of contract work, along with a smaller portion of service. For the first category, invoicing is based on contract work along with any charges for modifications and extras regulated in the contract. The second category is service and smaller projects, along with other items that are not regulated via a contract. IFRS 15 thus requires Instalco to report its revenue in two categories – Contract revenue and Service revenue.

The first application of IFRS 15 as of January 1, 2018 has not had any impact on the Group's retained earnings.

Management of loss contracts is described under "Provisions, contingent liabilities and contingent assets".

## New and updated standards that enter into force for financial years starting on 1 January 2019 and later

*Standards, amendments and interpretations of existing standards that have not yet entered into force and are not applied prematurely by the Group*

As of the date that these financial reports were approved, a new standard, amendment and interpretation of existing standard has been published by the IASB. It has not yet entered into force and has not been applied prematurely by the Group. Disclosures on items expected to have a significant impact on the consolidated financial statements are stated below.

The Board of Directors and CEO anticipate that all relevant statements will be incorporated into the Group's accounting principles during the first accounting period that commences after the date the statement enters into force.

*IFRS 16 Leases*

The Group has elected to apply IFRS 16 in accordance with the full retrospective approach. The Group applies the standard on leases that were previously identified as leases as per IAS 17 and IFRIC 4 in accordance with simplified approach that is allowed in the standard.

The Group's lease agreements include properties (rent of premises), car rentals, tools and machinery. Implementation of this method means that all leases are reported in the balance sheet, except for short-term leases and leases with a low underlying asset value. The transition effects preliminarily result in an increase in leased assets of SEK 169 (115) million and the corresponding lease liabilities amount to SEK 171 (116) million. Furthermore, equity decreases by SEK 2 (2) million. It has also been assessed that, in the income statement, there is a positive impact on operating profit of SEK 3 (2) million and a negative impact on net financial items of SEK 3 (3) million.

## Continuation Note 1. Accounting and valuation principles

CONSOLIDATED BALANCE SHEET

| | 2017-12-31 | Effect from IFRS 16 | Restated as per IFRS 16 |
|---|---|---|---|
| **Assets** | | | |
| Fixed assets | | | |
| Property, plant and equipment | 19 | 120 | 139 |
| **Total property, plant and equipment** | **19** | **120** | **139** |
| Deferred tax receivable | 0 | 0 | 1 |
| **Total non-current assets** | **1,282** | **120** | **1,403** |
| Current assets | | | |
| Current receivables | 61 | –6 | 55 |
| **Total current receivables** | **1,001** | **–6** | **995** |
| **Total current assets** | **1,015** | **–6** | **1,009** |
| **Total assets** | **2,297** | **115** | **2,412** |
| **Equity and liabilities** | | | |
| Equity | | | |
| Accumulated profit or loss incl. profit (loss) for the year | 266 | –2 | 264 |
| **Total equity** | **793** | **–2** | **791** |
| Non-current liabilities | 649 | 68 | 717 |
| **Total non-current liabilities** | **700** | **68** | **768** |
| Current liabilities | 0 | 48 | 48 |
| **Total current liabilities** | **805** | **48** | **853** |
| **Total liabilities** | **1,504** | **116** | **1,621** |
| **Total equity and liabilities** | **2,297** | **115** | **2,412** |

CONSOLIDATED INCOME STATEMENT

| | 2018-01-01 2018-12-31 | Effect from IFRS 16 | Restated as per IFRS 16 |
|---|---|---|---|
| **Operating expenses** | | | |
| Other external costs | –308 | 70 | –238 |
| Depreciation of property, plant and equipment | –9 | –68 | –77 |
| **Total operating expenses** | **–4,123** | **3** | **–4,120** |
| **Operating profit/loss** | **331** | **3** | **333** |
| **Profit (loss) from financial items** | | | |
| Financial income | 2 | | 2 |
| Financial expenses | –18 | –3 | –21 |
| **Earnings before taxes** | **315** | **0** | **315** |
| Income tax | –67 | 0 | –67 |
| **Loss for the year** | **249** | **0** | **249** |

CONSOLIDATED BALANCE SHEET

| | 2018-12-31 | Effect from IFRS 16 | Restated as per IFRS 16 |
|---|---|---|---|
| **Assets** | | | |
| Fixed assets | | | |
| Property, plant and equipment | 22 | 178 | 200 |
| **Total property, plant and equipment** | **22** | **178** | **200** |
| Deferred tax receivable | 6 | 1 | 7 |
| **Total non-current assets** | **1,614** | **178** | **1,792** |
| Current assets | | | |
| Current receivables | 63 | –10 | 53 |
| **Total current receivables** | **1,232** | **–10** | **1,222** |
| **Total current assets** | **1,261** | **–10** | **1,252** |
| **Total assets** | **2,875** | **169** | **3,044** |
| **Equity and liabilities** | | | |
| Equity | | | |
| Accumulated profit or loss incl. profit (loss) for the year | 462 | –2 | 460 |
| **Total equity** | **1,070** | **–2** | **1,068** |
| Non-current liabilities | 732 | 102 | 834 |
| **Total non-current liabilities** | **795** | **102** | **897** |
| Current liabilities | 0 | 69 | 69 |
| **Total current liabilities** | **1,010** | **69** | **1,079** |
| **Total liabilities** | **1,805** | **171** | **1,976** |
| **Total equity and liabilities** | **2,875** | **169** | **3,044** |

*Leases accounting principles*

When entering into an agreement, the Group assesses the extent to which the agreement carries with it the right to control the use of an identified asset for a period of time in exchange for payment and if it does, the agreement is classified as a lease.

The Group reports a right-of-use (lease asset) and a lease liability at the start date of the lease. The right-of-use is initially measured at cost, which includes the initial amount of the lease liability adjusted for any lease payments paid before the start date plus any initial direct costs and an estimate of costs for restoring the underlying asset, less any discounts received.

The lease asset is thereafter depreciated on a straight-line basis over its useful life, which corresponds to the lease term. The carrying amount of the lease asset is periodically adjusted for certain revaluations of the lease liability or to recognise any impairment.

The lease liability is initially estimated as the present value of the remaining lease fees, discounted using the rate implicit in the lease or, if it is not possible to easily determine that rate, using the Group’s marginal lending rate. In general, the Group uses its marginal lending rate as the discount rate.

The lease fee is valued at amortised cost using the effective interest method and is revalued when changes in future leasing fees arise through changes in the index or if the Group changes its assessment of whether it will constitute a purchase, extension or termination of the lease. A corresponding adjustment is made to

## Continuation Note 1. Accounting and valuation principles

the reported amount of the value-in-use, with any surplus over the asset's carrying amount recognised in profit or loss.

The Group has elected not to report lease assets and lease liabilities for short-term leases (i.e. those with a lease term of 12 months or less). Nor does it report leasing of assets with a low underlying asset value. The Group recognises and expenses the rental costs in connection with these leases on a straight-line basis over the lease term.

### OVERVIEW OF ACCOUNTING PRINCIPLES

#### Overall considerations

The most important accounting principles that have been applied in preparing the consolidated financial statements are summarised below.

#### Basis for consolidation

Included in the consolidated financial statements are subsidiaries where the Group has direct or indirect control. The Group controls a company when it is exposed to, or is entitled to, variable returns resulting from its holding in the company and is able to influence the return through its influence in the company. Subsidiaries are included in the consolidated financial statements from the date on which the controlling influence is transferred to the Group. Subsidiaries are removed from the consolidated financial statements as of the date when the Group no longer has a controlling influence.

All intra-group transactions and balance sheet items are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. In cases where unrealised losses on intra-group sales of assets are reversed during consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts that are reported in the financial statements of subsidiaries have been adjusted where necessary to ensure compliance with the Group's accounting principles.

Earnings and other comprehensive income for subsidiaries that were acquired or sold during the year are reported from the date that the acquisition or disposal takes effect, according to what is applicable.

The Group attributes comprehensive income from its subsidiaries to the Parent Company's shareholders and non-controlling interests based on their respective ownership shares.

#### Business combinations

The acquisition method is used for reporting the Group's business combinations. The remuneration transferred by the Group to obtain a controlling influence over a subsidiary is calculated as the sum of the fair values at the acquisition date of the transferred assets, the assumed liabilities and the equity shares issued by the Group, which includes the fair value of an asset or liability that arose in conjunction with an agreement on conditional consideration. Subsequent changes in the fair value of conditional consideration that has been classified as a financial liability are recognised in profit or loss (as a component of other operating expenses). More information on this is provided in the section on financial liabilities.

Acquisition-related costs are expensed as incurred and reported in other operating expenses.

Acquired assets and assumed liabilities are measured at fair value as of the acquisition date.

#### Participations in associated companies

Associated companies are companies over which the Group has a significant, but not controlling, influence over the operational and financial management, usually through shareholdings between 20 and 50 percent of the voting rights.

Shares in associated companies are reported according to the equity method.

The carrying amount of holdings in associated companies is increased or decreased by the Group's share of the associated company's or joint venture's earnings and other comprehensive income. This is adjusted as required to ensure compliance with the Group's accounting principles. The Group's carrying amount of holdings in associated companies includes goodwill identified upon acquisition.

When the Group's share of reported losses in the associated company exceeds the carrying amount of the shares in the Group, the value of the shares is reduced to zero. Losses are also deducted from long-term financial transactions without collateral for which the economic substance comprises part of the owner's net investment in the associated company. Losses thereafter are not recognised provided that the Group has not provided guarantees to cover losses that arise in the associated company.

Unrealised gains and losses on transactions between the Group and its associated companies are eliminated corresponding to the Group's share in these companies. In cases where unrealised losses are eliminated, the underlying asset is also tested for impairment.

### FOREIGN CURRENCY TRANSLATION

#### Functional currency and presentation currency

The consolidated financial statements are presented in SEK, which is also the Parent Company's functional currency.

#### Transactions and balance sheet items in foreign currency

Transactions in foreign currency are converted to the functional currency of each Group company, based on the prevailing exchange rates on the transaction date (spot rate). Gains and losses in foreign currency as a result of the settlement of such transactions and as a result of revaluation of monetary items at the closing day rate are reported in the income statement.

Non-monetary items are not translated at the closing date. Instead, they are valued at historical cost (translated at the exchange rate on the transaction date), except for non-monetary items measured at fair value, which are translated at the exchange rate as of the date the fair value was determined.

#### Foreign operations

In the consolidated financial statements, all assets, liabilities and transactions in Group companies that have a different functional currency than SEK (the Group's reporting currency) are translated to SEK upon consolidation. The functional currency of Group companies remained unchanged during the reporting period.

At the time of consolidation, assets and liabilities have been restated to the closing day rate. Adjustments to goodwill and fair value arising from the acquisition of a foreign operation have been reported as assets and liabilities in the foreign operations and translated to SEK at the closing day rate. Revenue and expenses have been translated into SEK at an average rate during the reporting period. Exchange rate differences are recognised directly against other comprehensive income and are reported in the cur-

## Continuation Note 1. Accounting and valuation principles

rency translation reserve in equity. Upon divestment of a foreign operation, the attributable accumulated translation differences that have been recognised in equity are transferred to profit or loss and recognised as part of the gain or loss on disposal.

### Segment reporting

> NOTE 3

The Group has two operating segments: Sweden and Rest of Nordic. When identifying operating segments, Group management typically considers the Group's geographic business areas, which are its main segments.

"Other" includes Group-wide revenues and expenses.

Each operating segment is managed separately, since they require different types of resources and marketing methods. All transactions between the segments are carried out on a commercial basis and are based on prices charged to customers who are not related parties in connection with independent sales of identical goods or services.

The Group uses the same valuation principles in its segment reporting according to IFRS 8 as in its financial statements.

Furthermore, joint assets that are not directly attributable to an operating segment's business activities in a particular segment are not allocated. This applies primarily to the Group's head office.

Segment reporting is based on internal reporting to the highest decision maker. At Instalco, that person is the Group CEO and the KPIs that are monitored for each business area.

### Revenue

Revenue is derived from the sale of installation services. Revenue is measured at the fair value of remuneration that the Group has received or will receive for the goods and services it delivers, not including VAT and less any discounts offered or approved deductions.

IFRS 15 Revenue from Contracts with Customers has been applied as of 1 January 2018. The new standard introduces a control-based accounting model for revenue and it provides further guidance on many areas that were not previously covered in detail, such as how to report agreements with several performance commitments, variable pricing, customer's right of return, vendor repurchase rights and other common complexities.

Instalco's revenue primarily consists of contract work. A smaller portion is service. For the first category, invoicing is based on contract work along with any charges for modifications and extras regulated in the contract. The second category is service and smaller projects, along with other items that are not regulated via a contract. IFRS 15 thus requires Instalco to report its revenue in two categories – Contract revenue and Service revenue.

Instalco's payment terms are typically 30 days net.

### Performance of service assignments

The Group generates revenue from contract work involving various types of installations. Remuneration for such services is reported in accordance with the percentage-of-completion method.

When the Group recognises revenue from installation projects, an estimate is made of the percentage of completion for each project. Revenue and expenses are thus recognised at the rate of completion (percentage-of-completion method). Revenue from consulting services is recognised when the services are rendered based on the level of completion for the assignment as of the closing date. In other words, revenue recognition is the same as with installation projects, based on percentage of completion.

### Construction contracts

When it is possible to assess the outcome with reasonable certainty, revenue from construction contracts is recognised based on the percentage of completion for the contract as of the closing date (percentage-of-completion method). The contracted revenue is measured at the fair value of remuneration that has been, or will be, received.

When it is not possible for the Group to estimate the outcome of the contract with reasonable certainty, revenue will only be recognised to the extent that expenditure already incurred can be reimbursed. Costs associated with the contract are expensed in the period incurred.

In all instances where it is likely that the total expenses for the contract will exceed the total income, the expected loss will immediately be recognised in the income statement.

The percentage of completion for construction contracts is calculated by project managers by comparing the costs recorded to date with the total estimated amount of costs that will be incurred for that contract (cost-to-cost method). Only the costs associated for work that has been executed will be expensed in each period.

The gross amount to be paid by customers for contracts is reported in "Claims on clients" for all ongoing assignments where the contract expenditures and reported profits (after deduction for reported losses) exceed the invoiced amount. Liabilities to clients that are reported in "Liabilities to clients" pertain to all ongoing assignments for which the invoiced amount exceeds the contract expenditures plus reported profits (less any recognised losses).

### Interest and dividends

> NOTE 9, 10

Interest income and interest expenses are recognised as incurred in each reporting period by applying the effective interest method. Dividends, besides those derived from holdings in associated companies, are recognised when the right to receive payment has been established.

### Operating expenses

Operating expenses are recognised in profit or loss when the service has been rendered or when the event occurs.

### Borrowing costs

Borrowing costs that are directly attributable to acquisitions are capitalised during the period required for completing and preparing the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they arise and are reported in the item "Financial expenses".

### Goodwill

> NOTE 13

Goodwill represents future economic benefits arising from a business combination, but which are not individually identified and reported separately. Goodwill is reported at cost less accumulated impairment losses.

In order to test the need for impairment, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies from the acquisition. Each unit or group of units to which goodwill has been allocated corresponds to the lowest level in the Group for which the goodwill in question is monitored in the internal governance.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate a possible decrease in value. The carrying amount of the cash-generating unit to

## Continuation Note 1. Accounting and valuation principles

which the goodwill is attributed is compared with the recoverable amount, which is the value-in-use or the fair value less selling expenses, whichever is higher. Impairment losses are recognised immediately whenever they arise and they are never reversed. Goodwill is monitored and tested at the segment level.

**Other intangible assets and property, plant & equipment** > NOTE 13

Intangible assets and property, plant & equipment are reported by the Group at cost less accumulated amortisation/depreciation and any impairment losses. Cost includes the purchase price and any expenditure directly attributable to bringing the asset to its intended location and condition for its intended use.

Additional expenses are added to the asset's carrying amount or recognised as a separate asset, whichever is appropriate, only when it is probable that the future financial benefits associated with the asset will come to the benefit of the Group and the asset's cost of acquisition can be measured reliably. The carrying amount for the replaced portion is removed from the balance sheet. All other forms of reparation and maintenance are expensed as incurred in the income statement.

Gains or losses arising from the disposal of property, plant & equipment are calculated as the difference between what has been received and the carrying amount of the asset. The gain or loss is then reported in the income statement as part of “Other operating income” or “Other operating expenses”, respectively.

Other intangible assets and items of property, plant & equipment are amortised/depreciated over the assessed useful life. The following amortisation and depreciation periods have been applied:
Equipment and tools 5-10 years.
Computer systems, licenses, etc. 3-5 years.

**Test of impairment of goodwill, other intangible assets and property, plant & equipment**

Assets are grouped by segment when testing for impairment. A cash generating unit is a segment with independent payment streams. Goodwill is allocated to the cash-generating units that are expected to benefit from synergy effects in related business combinations and represent the lowest level in the Group where Group Management monitors goodwill.

An impairment loss is recognised for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of the fair value less cost of disposal and the value-in-use. In order to determine the value-in-use, Group Management estimates the expected future cash flows from each cash-generating unit and determines an appropriate discount rate in order to calculate the present value of these cash flows. The information used for impairment testing is directly linked to the Group's most recent approved budget, adjusted as needed to exclude the effects of future reorganisations and improvements of assets.

The discount rate is established for each individual cash-generating unit and it reflects the current market assessments of the time value of money, along with risk factors specific to the asset type.

Impairment of a cash-generating unit lowers the carrying amount of any goodwill that has been recognised and allocated to it. Any remaining impairment is deducted proportionally from the other assets in the cash generating units. With the exception of goodwill, a new assessment is made of all assets to determine whether prior recognised impairment loss is no longer motivated. An impairment loss is reversed if the asset’s or cash-generating unit’s recoverable amount exceeds its carrying amount.

### FINANCIAL INSTRUMENTS

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contract for the financial instrument. At initial recognition, a financial asset or a financial liability is measured at its fair value plus or minus (in the case of a financial asset or a financial liability not at fair value through profit or loss) transaction costs. Such are measured at fair value at initial recognition. Subsequent measurement of financial assets and financial liabilities is explained below.

Financial assets are removed from the report on financial position when the contractual rights associated with the financial asset no longer exist, or when the financial asset and all of the significant risks and advantages have been transferred. A financial liability is removed from the report on financial position when it has been extinguished, completed, cancelled or terminated.

**Classification and subsequent measurement of financial assets** > NOTE 15

Subsequent measurement of financial assets is based on the category in which it was initially classified. The Group has the following categories of financial assets:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through profit or loss

Impairment testing for all financial assets, except those measured at fair value through profit or loss, must be tested for impairment at the end of every reporting period to determine whether there is objective evidence of impairment of the financial asset or group of financial assets. Various criteria are used for each category of financial assets to determine whether it is necessary to recognise an impairment loss. This is explained below.

All income and expenses relating to financial assets recognised in profit or loss are classified as "Financial expenses", "Financial income" or "Other financial items", except for impairment of accounts receivable, which is classified as "Other expenses".

*Financial assets measured at amortised cost*

Loan receivables and accounts receivable are financial assets that are not derivative instruments, with fixed or determinable payments and which are not listed on an active market. After initial recognition, they are valued at amortised cost, using the effective interest method, after deductions for any impairment. Discounting is not applied when the effect of it is insignificant. The Group's cash & cash equivalents, accounts receivable and most of its other receivables/claims belong to this category of financial instruments.

Only significant receivables/claims are tested for impairment after they have fallen due or when there is other objective evidence that the counterparty is unable to pay. Receivables/claims which, individually are not tested for impairment, are grouped together and tested for impairment, with such grouping based on the industry, region or other credit risks that they have in common. The estimated write-down is then based on the latest information on payment trends for doubtful debts in each respective category of accounts.

## Continuation Note 1. Accounting and valuation principles

### Financial assets measured at fair value through profit or loss
Financial assets that are held in a business model category other than "hold to collect" or "hold to collect and sell" are measured at fair value through profit or loss. And, regardless of the business model, financial assets for which the contractual cash flow does not solely consist of principal and interest are also measured at fair value through profit or loss. All financial derivative instruments (except those designated hedging instruments) fall into this category. Shares in long-term securities holdings in the Group also fall into this category. Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

### Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include loans, accounts payable and other liabilities.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. However, this does not apply to financial liabilities in the category of measured at fair value through profit or loss. They are measured at fair value, with any gains or losses recognised in profit or loss after initial recognition. The Group is party to contracts on conditional consideration that has arisen in conjunction with acquisitions that are reported at fair value through profit or loss.

All interest-related fees and, if applicable, changes in an instrument's fair value that are recognised in profit or loss are included in "Financial expenses" or "Financial income".

### Inventories
Inventories are measured at the lower of cost or net realisable value. Cost of acquisition includes all costs that are directly attributable to the manufacturing process and a reasonable share of the associated manufacturing overhead costs, based on normal capacity. Costs for commonly exchangeable items are allocated according to the FIFO principle. Net realisable value is the estimated sales price in the ordinary course of business less any applicable sales costs.

### Income taxes
The tax expense reported in the income statement consists of the sum of deferred tax and current tax that is not reported in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax rules that have been decided or in practice decided at the end of the reporting period. Deferred tax is calculated using the liability method.

A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. This is assessed on the basis of the Group's forecast of future operating profit, adjusted for significant non-taxable income and expenses, and specific restrictions on the utilisation of unused tax losses or credits.

The general principle in IAS 12 is that a deferred tax liability is recognised for all taxable temporary differences. However, there are a few exceptions. In accordance with those exceptions, the Group does not recognise deferred tax liabilities on temporary differences arising from goodwill or investments in subsidiaries.

### Cash and cash equivalents
Cash and cash equivalents consist of cash and disposable balances with banks and corresponding institutions, together with other short-term liquid investments that fall due within 90 days from the date of acquisition and which can easily be converted into known amounts of cash and which are exposed to only a minor risk of value changes.

### Equity, reserves and dividends
Share capital represents the quotient value of issued shares. Issued options are classified as equity if they are not mandatorily redeemable, or contain agreements for mandatory payments to the holder.

Premiums include any premiums received in connection with a new share issue. Any transaction costs associated with the issue of new shares are deducted from the premium, taking into account any income tax effects.

Other components of equity include:

- Retained earnings are all capitalised gains and share-based payments for current and previous periods.
- All transactions with the Parent Company's owners are reported separately in equity.

### POST-EMPLOYMENT BENEFITS AND SHORT-TERM EMPLOYEE BENEFITS

#### Post-employment benefits
The Group provides post-employment benefits through various pension plans that are essentially defined contribution plans.

For a few employees who are not senior executives, there is a pension solution in the form of endowment insurance that has been pledged for pension commitments. The asset is defined as a financial instrument at fair value through profit or loss (see the separate section on financial instruments). The liability, i.e. the pension obligation, has the same value as the asset, plus additional special payroll tax. The obligation is reported in the consolidated financial statements at net amount.

*Short-term employee benefits*

Short-term employee benefits, including vacation pay, are current liabilities measured at the undiscounted amount that the Group is expected to pay resulting from the unused right.

### Provisions, contingent liabilities and contingent assets
Provisions for product guarantees, legal processes, loss contracts or other requirements are reported when the Group has a legal or informal obligation as a result of an earlier event, it is probable that an outflow of financial resources will be needed and the amounts can be estimated reliably. The time or amount of the outflow may still be uncertain.

Provisions are measured at the estimated amount required to settle the existing obligation, based on the most reliable information available on the closing date, including the risks and uncertainties associated with the existing obligation. In cases where there are a number of similar obligations, the probability of an outflow is determined by making an overall assessment of the obligations. Provisions are discounted to their present value whenever the time value of money is significant.

Any reimbursement that the Group is essentially certain that it will be able to obtain from an external party regarding the obligation is reported as a separate asset. However, this asset may not exceed the amount of the related provision.

## Continuation Note 1. Accounting andvaluation principles

No liability is reported if the outflow of financial resources as a result of existing obligations is unlikely. Such situations are reported as contingent liabilities unless the probability of an outflow of resources is extremely low.

### SIGNIFICANT ASSESSMENTS AND ESTIMATES WHEN APPLYING ACCOUNTING PRINCIPLES

Estimates and assessments are continuously evaluated and based on historical experience and other factors, including expectations of future events that are considered reasonable under the prevailing circumstances.

#### Significant assessments by the Group management team

> NOTE 36

When preparing the financial statements, the Group's Board of Directors and CEO make a number of assessments, calculations and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

For the following, there is a significant risk of significant adjustments to the carrying amount during the coming financial year. Assessments made by Group management in the application of IFRS that have a significant impact on the financial statements, along with estimates that entail significant adjustments in subsequent financial statements are described in more detail in Note 36.

*Recognition of revenue from construction contracts*

Revenue recognition from construction contracts requires management to make significant assessments and assumptions when determining the actual incurred and anticipated costs for completing the work.

#### Uncertainty in estimates

Below is information about estimates and assumptions that have the most significant impact on the recognition and measurement of assets, liabilities, revenue and expenses. The actual outcome can deviate significantly.

*Impairment of non-financial assets and goodwill* > NOTE 13

When testing for impairment, Group management must calculate the recoverable amount for each asset or cash-generating unit based on expected future cash flows and using an appropriate discount rate for the future cash flows. Uncertainty exists in the assumptions on future operating profit and when establishing an appropriate discount rate.

As of the closing date on 2018-12-31, goodwill amounted to SEK 1,582 (1,260) million. For more information on impairment testing, please see Note 13.

*Business combinations and measurement at fair value* > NOTE 35

When calculating fair values, the Group management team uses various measurement techniques for the specific assets and liabilities acquired in a business combination. The fair value of conditional consideration, for example, depends on several outcomes, such as the acquired company's future profitability.

Group management engages valuation specialists when calculating the fair value of financial instruments (whenever prices are not available on active markets) and for non-financial assets. It involves making estimates and assumptions that are consistent with how the instrument would be priced in the market. To the extent possible, Group management bases its assumptions on observable data. However, such data is not always available. When observable data is not available, Group management uses the best information that is available. An estimated fair value may differ from the actual price that could possibly be achieved in a transaction on business terms on the closing date.

Conditional consideration is included in the item “other liabilities” in the balance sheet and the amount reported on 2018-12-31 was SEK 125 (68) million. For more information on conditional consideration, please see Note 35.

*Revenue from construction contracts* > NOTE 23

The amount of recognised revenue and associated claims on construction contracts reflects Group management's best assessment of the outcome and percentage of completion for each contract. For more complex contracts, there is a considerable amount of uncertainty when assessing the costs for completion and profitability.

As of the closing date on 2018-12-31, claims on construction contracts reported in the balance sheet amounted to SEK 205 (142) million. For more information on construction contracts, please see Note 23.

#### The Parent Company's accounting and valuation principles

The Parent Company's annual report has been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities. RFR 2 requires the Parent Company to, in its annual report for the legal entity, apply all of the EU-approved IFRS and opinions, to the extent possible without deviating from the Annual Accounts Act and taking into consideration the relationship between accounting and taxation. The recommendation states which exceptions and additions shall be made to IFRS.

The Parent Company's annual report is presented in the company's reporting currency, which is SEK.

The Parent Company's accounting and valuation principles are the same as those for the Group, with the exception of what is stated below.

#### Presentation of the financial statements

The income statement and balance sheet are presented as required by the Annual Accounts Act. Presentation of the statement of changes in equity is the same as for the Group, but it must contain the columns specified in the Annual Accounts Act. Furthermore, there are differences in certain terminology compared to the consolidated financial statements, primarily for financial income, expenses and equity.

#### Shares in subsidiaries

Shares in subsidiaries are recognised at cost less any impairment losses. The acquisition cost includes acquisition-related costs and any additional consideration.

When there is an indication that shares in subsidiaries have decreased in value, a calculation is made of the recoverable amount. An impairment loss is recognised if the recoverable amount is lower than the carrying amount. Impairment losses are recognised in “Profit or loss from participations in Group companies”.

#### Group contributions

All Group contributions made and received are reported as appropriations.

## Continuation Note 1. Accounting and valuation principles

### Financial instruments

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement on 1 January 2018. The biggest changes have to do with a new model for impairment of accounts receivable (expected loss vs. incurred loss) and amended rules on hedge accounting. The effects of IFRS 9 have been considered and it has been determined that there is very little impact on Instalco's financial statements. IFRS 9 does not impact how Instalco classifies its financial assets.

At each closing date, the Parent Company assesses whether there is an indication of impairment for any of its financial assets. An impairment loss is recognised if the decline in value is expected to be lasting. Impairment losses on interest-bearing financial assets reported at amortised cost are calculated as the difference between the asset's carrying amount and the present value of management's best estimate of the future cash flows, which have been discounted using the asset's original effective interest rate. The amount of impairment loss for other financial assets is calculated as the difference between the carrying amount and either the fair value less selling expenses or the present value of management's best estimate of the future cash flows, whichever is higher.

## Note 2. Distribution of revenue

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| Invoicing | 4,474 | 3,153 |
| Change in work-in-progress | –59 | –40 |
| **Net sales** | **4,414** | **3,114** |
| | | |
| **Revenue by significant category** | | |
| Contract | 3,920 | 2,751 |
| Service | 494 | 363 |
| **Net sales** | **4,414** | **3,114** |

# Note 3. Segment reporting

The Group management team currently categorises the Group's two operating segments geographically. These operating segments are monitored by the Group's executive decision maker and strategic decisions are made based on the operating profit or loss for each segment.

According to IFRS, the part of the business that does not constitute its own operating segments is called "Other segments". At Instalco, the Parent Company and its two holding companies comprise the highest level of the Group. These companies do not meet the definition of an operating segment.

The earnings KPI that Instalco monitors is EBITA.

Net sales for the segments consist of external revenue from customers, all of which is recognised over time. There are no sales between the segments.

The Group views its operations as the delivery of services to customers, i.e. installation services, which is why there has not been any further breakdown of revenue.

The breakdown of segments is as follows for the current reporting periods:

| 2018 | Sweden | Rest of Nordic | Other | Elim | Total |
|---|---|---|---|---|---|
| Net sales | 3,312 | 1,102 | – | – | 4,414 |
| EBITA | 346 | 50 | –63 | –2 | 331 |
| EBITA margin, % | 10.4 | 4.5 | – | – | 7.5 |
| Adjusted EBITA | 346 | 50 | –23 | 0 | 372 |
| Adjusted EBITA margin, % | 10.4 | 4.5 | – | – | 8.4 |

| 2017 | Sweden | Rest of Nordic | Other | Elim | Total |
|---|---|---|---|---|---|
| Net sales | 2,418 | 695 | 0 | 0 | 3,114 |
| EBITA | 236 | 48 | –39 | 0 | 244 |
| EBITA margin, % | 9.8 | 6.9 | – | – | 7.8 |
| Adjusted EBITA | 236 | 48 | –20 | 0 | 264 |
| Adjusted EBITA margin, % | 9.8 | 6.9 | – | – | 8.5 |

Revenue from external customers by country, based on where customers are located:

| | 2018 | 2017 |
|---|---|---|
| Sweden | 3,312 | 2,418 |
| Norway | 795 | 563 |
| Finland | 307 | 133 |
| **Total** | **4,414** | **3,114** |

Non-current assets, other than financial instruments and deferred tax assets (there are no assets in connection with post-employment benefits or rights under insurance contracts), are distributed by country as follows:

| | 2018-12-31 | 2017-12-31 |
|---|---|---|
| Sweden | 13 | 10 |
| Norway | 5 | 5 |
| Finland | 4 | 4 |
| **Total** | **22** | **19** |

The Instalco Group does not have revenue from any single customer amounting to 10 percent or more, which is why no information on that has been provided.

# Note 4. Remuneration to auditor

| Expensed amount and other remuneration amounts to: | Group 2018 | Group 2017 | Parent Company 2018 | Parent Company 2017 |
|---|---|---|---|---|
| **Grant Thornton** | | | | |
| Audit assignment | 7 | 5 | 2 | 1 |
| Audit activities in addition to the audit assignment | 0 | 1 | 0 | 0 |
| Tax advice | 0 | 0 | 0 | 0 |
| Other services | 2 | 6 | 0 | 1 |
| **Other audit companies** | | | | |
| Audit assignment | 0 | 0 | – | – |
| Audit activities in addition to the audit assignment | – | 0 | – | – |
| Tax advice | – | – | – | – |
| Other services | 0 | 0 | – | – |
| **Total** | **10** | **12** | **3** | **3** |

# Note 5. Leases

| | Group 2018 | Group 2017 | Parent Company 2018 | Parent Company 2017 |
|---|---|---|---|---|
| **The year's expensed lease fees:** | 72 | 55 | 0 | 0 |
| Future agreed fees | | | | |
| Maturity in year 1 | 73 | 52 | 0 | 0 |
| Maturity in year 2 | 42 | 41 | 0 | 0 |
| Maturity in year 3 | 35 | 24 | 0 | 0 |
| Maturity in year 4 | 21 | 10 | 0 | 0 |
| Maturity in year 5 | 7 | 5 | 0 | 0 |
| Maturity in year 6– | 2 | 5 | 0 | 0 |
| **Total future agreed lease fees** | **180** | **137** | **1** | **1** |

Leases in both the Parent Company and Group primarily pertain to premises and cars. The Group does not have any individual particularly significant leases. Rather, they are spread across a large number of subsidiaries.

# Note 6. Salaries and remuneration to employees

| The distribution of costs recognised for remuneration to employees is as follows: | Group 2018 | Group 2017 | Parent Company 2018 | Parent Company 2017 |
|---|---|---|---|---|
| Salaries – Board and CEO | 4 | 5 | 3 | 2 |
| Salaries – other employees | 1,019 | 731 | 6 | 3 |
| Share-based remuneration | – | – | – | – |
| Pensions, defined contribution – Board and CEO | 1 | 1 | 1 | 0 |
| Pensions, defined contribution – other employees | 81 | 57 | 1 | 1 |
| Other social security contributions | 270 | 198 | 3 | 2 |
| **Total** | **1,375** | **992** | **14** | **8** |

Expensed remuneration and other benefits to the Board of Directors, CEO and other senior executives, along with prior Board members:

| KSEK | Basic salary/ Board fee[3)] | Variable remuneration | Other benefits[1)] | Other[2)] | Total |
|---|---|---|---|---|---|
| Olof Ehrlén | 555 | – | – | – | **555** |
| Kennet Lundberg | 70 | – | – | – | **70** |
| Jonny Alvarsson | 183 | – | – | – | **183** |
| Camilla Öberg | 287 | – | – | – | **287** |
| Per Leopoldsson | 215 | – | – | – | **215** |
| Carina Qvarngård | 215 | – | – | – | **215** |
| Carina Edblad | 183 | – | – | – | **183** |
| Per Sjöstrand, CEO | 2,465 | – | 73 | – | **2,538** |
| Other senior executives (7) | 5,569 | 3,878 | 262 | 720 | **10,429** |
| **Total** | **9,742** | **3,878** | **335** | **720** | **14,675** |

*1) Other benefits consist of company car and health insurance.*
*2) Other consists of consulting fees.*
*3) Board fees have been paid out as salary.*

## Continuation Note 6. Salaries and remuneration to employees

**Benefits to Board of Directors, CEO and other senior executives**

See the Directors' report on page 43 for more information.

**Long-term incentive program**

At Instalco's AGM on 27 April 2017, it was decided to implement an incentive program for the Group's senior executives and other key individuals at the company. In total, the scope of the program is, at most, 1,954,504 warrants, where each warrant entitles the holder to subscribe for one new ordinary Series A share in the company. The aim of the program is to promote and stimulate employee loyalty to the company by uniting their interests with those of our shareholders. The program runs through the first quarter of 2020.

Participation in the program requires that the employee is employed at the company throughout the entire period.

## Note 7. Employees

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Average number of employees | 2,065 | 1,539 | 4 | 3 |
| Of which women, % | 6 | 5 | 25 | 31 |

Average number of employees by country is as follows:

| | Group | |
|---|---|---|
| | 2018 | 2017 |
| Sweden | 1,522 | 1,162 |
| Norway | 371 | 289 |
| Finland | 172 | 88 |
| **Total** | **2,065** | **1,539** |

## Note 8. Gender breakdown

Of the total number of Board members, 3 (0) are women.
Of the total number of senior executives, 1 (1) is a woman.

## Note 9. Financial income/Other interest income and similar profit or loss items

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Profit or loss from disposal of financial assets | 0 | 3 | – | – |
| Interest income, other | 2 | 1 | – | 0 |
| Other items | 1 | 0 | – | – |
| **Total** | **2** | **4** | **–** | **0** |

## Note 10. Financial expenses/Interest expenses and similar profit or loss items

| **Interest expenses, borrowing at amortised cost** | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Credit institutions | 12 | 9 | 2 | 2 |
| Other | 5 | 9 | 1 | 2 |
| **Total** | **18** | **18** | **3** | **4** |

# Note 11. Tax on profit for the year

The most important components of the tax expense for the financial year and the relationship between the expected tax expense based on the Swedish effective tax rate of 22 (22) percent and the reported tax expense in the income statement are as follows:

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Earnings before taxes** | **316** | **229** | **26** | **–21** |
| Tax according to the current tax rate in Sweden, 22 % | –69 | –50 | –6 | 5 |
| Difference attributable to foreign tax rates | 0 | 0 | – | – |
| Effect of changed tax rate | 0 | 0 | – | – |
| Adjustment of prior years' tax | 0 | 0 | – | – |
| Adjustment tax expense acquired companies | – | – | – | – |
| Non-taxable income | 7 | 7 | – | 0 |
| Non-deductible expenses | –16 | –6 | 0 | 0 |
| The year's loss for which deferred tax asset has not been recognised | – | –8 | – | –5 |
| Unutilised loss carry-forward for the year, not previously recognised as an asset | 12 | 0 | 6 | – |
| Other | 0 | 0 | 0 | 0 |
| **Reported tax in the income statement** | **–67** | **–58** | **0** | **0** |

Tax expense is comprised of the following components:

| | Group | | Parent Company | |
|---|---|---|---|---|
| **Current tax** | 2018 | 2017 | 2018 | 2017 |
| Current tax | | | | |
| On profit for the year | –66 | –53 | – | – |
| Adjustment of prior years' tax | | | | |
| Deferred tax expense/ revenue | | | | |
| Change in temporary differences | 8 | – | – | – |
| Untaxed reserves | –9 | –6 | – | – |
| Change in tax loss carryforwards | 0 | – | – | – |
| **Reported tax in the income statement** | **–67** | **–58** | **0** | **0** |
| Deferred tax expense/ revenue reported in other comprehensive income | –67 | –58 | – | 0 |

# Note 12. Earnings per share

## Earnings per share

Both earnings per share before and after dilution have been calculated by using the profit attributable to the shareholders of the Parent Company as a numerator, i.e. no adjustments to the earnings needed to be made in 2018 or 2017.

Reconciliation of the weighted average number of shares used to calculate earnings per share after dilution can be reconciled with the weighted average number of ordinary shares used in the calculation of earnings per share before dilution as follows:

| **Profit (loss) attributable to ordinary shareholders** | 2018 | 2017 |
|---|---|---|
| Profit (loss) attributable to Parent Company shareholders as per the income statement | 249 | 171 |
| Effect of cumulative interest for the period attributable to preference shareholders | – | – |
| **Profit (loss) attributable to ordinary shareholders, before dilution and after dilution** | **249** | **171** |

| **Number of shares, SEK 000s** | 2018 | 2017 |
|---|---|---|
| Weighted average number of shares used for calculating earnings per share before dilution | 47,844 | 46,377 |
| **Weighted average number of shares used for calculating earnings per share after dilution** | 48,773 | 48,307 |

# Note 13. Goodwill and other intangible assets

Changes in the carrying amounts for goodwill are:

| | Group | |
|---|---|---|
| | 2018-12-31 | 2017-12-31 |
| Opening accumulated cost | 1,260 | 826 |
| Acquisition of subsidiaries | 342 | 446 |
| Adjustment of acquisition of subsidiaries, prior years | – | –2 |
| Sales/disposals | –29 | – |
| Exchange differences | 10 | –11 |
| **Closing accumulated cost** | **1,582** | **1,260** |
| **Carrying amount** | **1,582** | **1,260** |

### Impairment testing

The Group's goodwill of SEK 1,582 (1,260) thousand has arisen from the acquisition of subsidiaries. Impairment testing of goodwill occurs at the segment level. There is no cash-generating unit, in this case at the subsidiary level, which has a carrying amount for goodwill that is significant in relation to the Group's total carrying amount of goodwill.

Testing for impairment involves assessing whether the unit's recoverable amount is higher than the carrying amount. The recoverable amount was calculated on the basis of the unit's value-in-use, which consists of the fair value of the expected future cash flows, without consideration given to possible future expansion of operations or restructuring. The same significant assumptions were made for all segments.

Significant assumptions made when calculating value-in-use are described below:

- Annual growth volume in year 1 has been assessed as 0 percent, and thereafter as 2 percent. These calculations are based on estimated future cash flows before tax based on financial budgets approved by the management covering a five-year period and which have a significant effect on the valuation.
- The weighted-average growth rate for extrapolating cash flows beyond the budget period has been assessed as 2 (2) percent. The long-term growth rate corresponds to the forecasts in the industry reports.
- The discount rate before tax used for the calculation of the present value of future cash flows is 9.0 (9.1) percent for segment "Sweden" and 8.7 (9.1) percent for segment "Rest of Nordic".

No reasonable possible change in the significant assumptions would result in the carrying amount of any cash generating unit specified above exceeding the recoverable amount.

### Computer systems, licenses, etc.

Changes in carrying amounts for equipment and tools are:

| | Group | |
|---|---|---|
| | 2018-12-31 | 2017-12-31 |
| Opening accumulated cost | 2 | – |
| Investments for the year | 0 | 2 |
| Acquisition of subsidiaries | 0 | – |
| **Closing accumulated cost** | **2** | **2** |
| | | |
| Opening accumulated amortisation | 0 | – |
| Amortisation for the year | **–1** | 0 |
| **Closing accumulated amortisation** | **–1** | **0** |
| **Carrying amount** | **1** | **2** |

# Note 14. Equipment and tools

Changes in carrying amounts for equipment and tools are:

| | Group | |
|---|---|---|
| | 2018-12-31 | 2017-12-31 |
| Opening accumulated cost | 26 | 17 |
| Investments for the year | 7 | 5 |
| Acquisition of subsidiaries | 6 | 8 |
| Sales/disposals | –7 | –3 |
| Reclassifications | – | 0 |
| Exchange differences | 0 | 0 |
| **Closing accumulated cost** | **34** | **26** |
| | | |
| Opening accumulated depreciation | –8 | –4 |
| Depreciation for the year | –8 | –5 |
| Sales/disposals | 4 | 1 |
| Reclassifications | – | 0 |
| Exchange differences | 0 | 0 |
| **Closing accumulated depreciation** | **–13** | **–8** |
| **Carrying amount** | **22** | **19** |

# Note 15. Financial assets and liabilities

### Categories of financial assets and liabilities

The information on accounting principles contains a description of each category of financial assets and liabilities, along with the accounting principles used for them. The carrying amounts for financial assets and liabilities are as follows.

**Financial assets**

| 2018-12-31 | Amortised cost | Fair value via profit or loss | Total |
|---|---|---|---|
| Other securities held as non-current assets | – | 0 | 0 |
| Other non-current receivables | 1 | – | 1 |
| Accounts receivable | 698 | – | 698 |
| Prepaid expenses and accrued income | 63 | – | 63 |
| Cash and cash equivalents | 218 | – | 218 |
| **Total** | **980** | **0** | **980** |

**Financial liabilities**

| 2018-12-31 | Fair value via profit or loss[1] | Other liabilities (amortised cost) | Total |
|---|---|---|---|
| Long-term borrowing | – | 732 | 732 |
| Short-term borrowing | – | 0 | 0 |
| Accounts payable and other liabilities | – | 317 | 317 |
| Conditional additional consideration | 68 | – | 68 |
| Accrued income and prepaid expenses | – | 1 | 1 |
| **Total** | **68** | **1,051** | **1,118** |

*1) The liability measured at fair value via profit or loss is for conditional consideration. For more information, please see Note 35.*

## Continuation Note 15. Financial assets and liabilities

### Financial assets

| 2017-12-31 | Available-for-sale financial assets | Loan receivables and accounts receivable | Total |
|---|---|---|---|
| Other securities held as non-current assets | 1 | – | 1 |
| Other non-current receivables | – | 1 | 1 |
| Accounts receivable | – | 549 | 549 |
| Prepaid expenses and accrued income | – | 61 | 61 |
| Cash and cash equivalents | – | 211 | 211 |
| **Total** | **1** | **822** | **823** |

### Financial liabilities

| 2017-12-31 | Liabilities fair value | Other liabilities | Total |
|---|---|---|---|
| Long-term borrowing | – | 649 | 649 |
| Short-term borrowing | – | 0 | 0 |
| Accounts payable and other liabilities | – | 262 | 262 |
| Conditional additional consideration | 68 | – | 68 |
| Accrued income and prepaid expenses | – | 1 | 1 |
| **Total** | **68** | **912** | **981** |

### Borrowing

Borrowing includes the following financial liabilities:

| Long-term borrowing | 2018-12-31 | 2017-12-31 |
|---|---|---|
| Liabilities to credit institutions | 732 | 649 |
| | **732** | **649** |

| Short-term borrowing | 2018-12-31 | 2017-12-31 |
|---|---|---|
| Liabilities to credit institutions | 0 | 0 |
| | **0** | **0** |

The Group has a bank loan for SEK 401 million with a maturity date of 2022-03-24. The interest rate is STIBOR 6 months. In addition to the bank loan, the Group has revolving credit of SEK 800 (800) million, which also includes overdraft of SEK 90 (60) million linked to the Group's cash pool.

The loans have been issued with covenants (KPIs that the Group must fulfil). The covenants are customary for these types of loan agreements. At year end, Instalco had met all of the covenants with a good margin.

At 31 December 2018, total granted credit, including overdraft, amounted to SEK 1,201 (1,201) million. Of the amount of revolving credit granted, SEK 732 (649) million had been utilised and of the bank overdraft amount, SEK 0 (0) had been utilised. The remaining period of time until maturity of the revolving credit is 39 (51) months.

### Fair value

Financial instruments measured at fair value, is based on how the classification in the fair value hierarchy was made. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Other observable data for the asset or liability than quoted prices included in Level 1, either direct (e.g. quoted market prices) or indirect (e.g. derived from quoted market prices) (Level 2).
- Data for the asset or liability that is not based on observable market data (e.g. unobservable inputs) (Level 3).

Financial instruments measured at fair value in the balance sheet and classified as Level 2 in the fair value hierarchy include current receivables and other long-term security holdings. These fair values have been established by calculating discounted cash flows.

Conditional consideration that has been measured at fair value in the balance sheet is classified as Level 3 in the fair value hierarchy. For information on measurement techniques and changes in fair value, please see Note 35.

Fair value for long-term borrowing as below

| Long-term borrowing | 2018-12-31 | 2017-12-31 |
|---|---|---|
| Fair value | 771 | 699 |
| | **771** | **699** |

Fair value is based on discounted cash flows using a discount rate based on a lending rate of 1.10 - 1.65 (1.81) percent and it is at Level 2 in the fair value hierarchy.

The fair value of short-term borrowing and other financial instruments is essentially the same as the carrying amounts because the discounting effect is insignificant.

| Reconciliation of liabilities arising from financing activities | 2018-12-31 | 2017-12-31 |
|---|---|---|
| Opening accumulated cost | 649 | 400 |
| **Affecting cash flow** | | |
| New loans | 185 | 745 |
| Repayment of loan | –103 | –499 |
| **Not affecting cash flow** | | |
| Acquisitions | 2 | 3 |
| **Closing accumulated cost** | **732** | **649** |

# Note 16. Participations in Group companies

## Composition of the Group

The Group includes direct holdings in subsidiaries, Instalco Holding AB with a carrying amount of SEK 1,290 million and indirect holdings in subsidiaries as follows:

| Name/registered office | Segment | Number of shares | Holding, % 2018 | Holding, % 2017 |
|---|---|---|---|---|
| Instalco Holding AB | Other | 437,730 | 100 | 100 |
| Instalco Sverige AB | Other | 50,000 | 100 | 100 |
| PoB:s Elektriska AB / Uppsala | Sweden | 6,000 | 100 | 100 |
| Klimatrör i Stockholm AB / Stockholm | Sweden | 1,000 | 100 | 100 |
| Rörgruppen AB / Stockholm | Sweden | 2,500 | 100 | 100 |
| ORAB Entreprenad AB / Gävle | Sweden | 10,000 | 100 | 100 |
| VVS Metoder i Stockholm AB / Stockholm | Sweden | 5,000 | 100 | 100 |
| OTK Klimat Installationer AB / Uppsala | Sweden | 501 | 100 | 100 |
| Aktiebolaget Rörläggaren / Malmö | Sweden | 5,000 | 100 | 100 |
| Tofta Plåt & Ventilation AB / Lidköping | Sweden | 1,000 | 100 | 100 |
| LG Contracting AB / Karlstad | Sweden | 100 | 100 | 100 |
| El-Pågarna i Malmö AB / Malmö | Sweden | 5,000 | 100 | 100 |
| Bi-Vent AB / Helsingborg | Sweden | 4,500 | 100 | 100 |
| VallaCom AB / Linköping | Sweden | 1,000 | 100 | 100 |
| Voltmen OY / Helsinki | Rest of Nordic | 100 | 100 | 100 |
| Elexpressen i Lund AB / Lund | Sweden | 1,000 | 100 | 100 |
| Ohmegi Elektro AB / Stockholm | Sweden | 3,000 | 100 | 100 |
| Romerike Elektro AS / Klöfta | Rest of Nordic | 1,000,000 | 100 | 100 |
| AR Elektro Prosjekt AS / Klöfta | Rest of Nordic | 200 | 100 | 100 |
| Inkon Sverige AB | Sweden | 50,000 | 100 | 100 |
| Trä och inredningsmontage Kylteknik i Bandhagen AB / Stockholm | Sweden | 5,000 | 100 | 100 |
| Tunabygdens VVS Installatör AB / Dalarna | Sweden | 2,000 | 100 | 100 |
| Dalab Sverige AB / Dalarna | Sweden | 1,000 | 100 | 100 |
| Rörteft AS / Kjeller | Rest of Nordic | 50 | 100 | 100 |
| Vito Teknisk Entreprenör AS / Drammen | Rest of Nordic | 1,000 | 100 | 100 |
| Ventilationsförbättringar i Malmö AB / Skåne | Sweden | 300 | 100 | 100 |
| JN Elinstallatörer AB / Stockholm | Sweden | 1,000 | 100 | 100 |
| Andersen og Aksnes Rørleggerbedrift AS / Hvalstad | Rest of Nordic | 10,753 | 100 | 100 |
| Uudenmaan LVI-Talo OY / Vantaa | Rest of Nordic | 100 | 100 | 100 |
| Uudenmaan Sähkötekniikka JP OY / Helsinki | Rest of Nordic | 120 | 100 | 100 |
| Rodens Värme & Sanitet AB / Norrtälje | Sweden | 1,000 | 100 | 100 |
| Frøland & Noss Elektro AS / Bergen | Rest of Nordic | 200 | 100 | 100 |
| Elektrisk AS / Oslo | Rest of Nordic | 600 | 100 | 100 |
| Telefuusio OY / Helsinki | Rest of Nordic | 100 | 100 | 100 |
| Elkontakt i Borås AB / Borås | Sweden | 1,000 | 100 | 100 |
| Elektro-Centralen Entreprenad Hisings Backa AB / Gothenburg | Sweden | 1,000 | 100 | 100 |
| LVI-Talo Kannosto OY / Parkano | Rest of Nordic | 62 | 100 | 100 |
| Jalasjärven Vesijohtoliike OY / Jalasjärvi | Rest of Nordic | 62 | 100 | 100 |
| Sprinklerbolaget Stockholm AB / Västerås | Sweden | 1,200 | 100 | – |
| Trel AB / Västerås | Sweden | 51,000 | 100 | – |
| Vent och Värmeteknik VVT AB / Skåne | Sweden | 1,000 | 100 | – |
| Rikelektro AB / Umeå | Sweden | 1,000 | 100 | – |
| VVS-Kraft Teknikservice i Stockholm AB / Stockholm | Sweden | 2,000 | 100 | – |
| Dala Kylmecano AB / Borlänge | Sweden | 1,000 | 100 | – |
| APC Elinstallatören AB / Linköping | Sweden | 2,000 | 100 | – |
| Teknisk Ventilasjon AS / Trondheim | Rest of Nordic | 1,800,000 | 100 | – |
| LVI-Urakointi Paavola OY / Helsinki | Rest of Nordic | 100 | 100 | – |
| Insta El Syd AB / Skåne | Sweden | 50,000 | 100 | – |
| Sprinklerbolaget Syd i Helsingborg AB / Helsingborg | Sweden | 50,000 | 100 | – |

## Continuation Note 16. Participations in Group companies

| Name/registered office | Segment | Number of shares | Holding, % 2018 | Holding, % 2017 |
|---|---|---|---|---|
| Rörman i Svedala AB / Svedala | Sweden | 1,000 | 100 | – |
| KWA-Rör i Ystad AB/ Ystad | Sweden | 27,500 | 55 | – |
| MSI- El Motala Ströms Installations AB / Motala | Sweden | 5,040 | 100 | – |
| Larm & Teleteknik i Motala AB / Motala | Sweden | 5,000 | 100 | – |
| MSI-Järn AB / Motala | Sweden | 1,000 | 100 | – |
| MSI-Rör AB / Motala | Sweden | 1,000 | 100 | – |
| Twinputki OY / Helsinki | Rest of Nordic | 110 | 100 | – |
| Sähkö-Buumi OY / Helsinki | Rest of Nordic | 60 | 100 | – |

All of the subsidiaries run operations in the installation industry.

| | Parent Company | |
|---|---|---|
| **Change during the year:** | **2018-12-31** | **2017-12-31** |
| Opening accumulated cost | 1,290 | 1,270 |
| Acquisition/contribution made | 25 | 20 |
| **Closing accumulated cost** | **1,315** | **1,290** |
| **Carrying amount** | **1,315** | **1,290** |

# Note 17. Shares/receivables in associated companies and jointly run companies

## Holdings in jointly owned companies

The Group includes the following jointly owned companies, none of which is, on its own, of significant importance to the Group.

| Name/registered office | CIN | Holding, % | Carrying amount |
|---|---|---|---|
| Nya sjukhusområdet i Malmö VS HB | 969781-5158 | 50 | 0 |

| Claim in jointly controlled companies | CIN | Carrying amount |
|---|---|---|
| Nya sjukhusområdet i Malmö VS HB | 969781-5158 | 1 |

| | Group | |
|---|---|---|
| | 2018-12-31 | 2017-12-31 |
| Opening accumulated cost | 0 | 0 |
| Profit participation | 0 | – |
| Divestment | – | 0 |
| **Closing accumulated cost** | 0 | **0** |
| **Carrying amount** | 0 | **0** |

# Note 18. Other securities held as non-current assets

The Group's long-term securities holdings primarily consist of pension provision funds and co-ownership in endowment insurance. The maturity dates for endowment insurance depend on the date when the person insured takes retirement.

| | Group | |
|---|---|---|
| | 2018-12-31 | 2017-12-31 |
| Opening accumulated cost | 1 | 0 |
| Added through acquisitions | 0 | 1 |
| Sales | –1 | 0 |
| **Closing accumulated cost** | **0** | **1** |
| **Carrying amount** | **0** | **1** |

# Note 19. Deferred tax assets and tax liabilities

Deferred tax arising from untaxed reserves, temporary differences and unutilised loss carry forwards is summarised below:

| | | Reported in | | |
|---|---|---|---|---|
| Change during the year: | 2018-01-01 | other comprehensive income | income statement | 2018-12-31 |
| Untaxed reserves | –51 | – | –3 | –54 |
| Temporary differences | 0 | – | –3 | –3 |
| Unutilised loss carryforward | 0 | – | 0 | 0 |
| **Total** | **–51** | **–** | **–6** | **–57** |

| | | Reported in | | |
|---|---|---|---|---|
| Change during the year: | 2017-01-01 | other comprehensive income | income statement | 2017-12-31 |
| Untaxed reserves | –30 | – | –21 | –51 |
| Temporary differences | 0 | – | 0 | 0 |
| Unutilised loss carryforward | 0 | – | 0 | 0 |
| **Total** | **–30** | **–** | **–21** | **–51** |

A deferred tax asset is recognised for deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

The Group reported deferred tax assets of SEK 6 (0) million that may be possible to utilise against future taxable profit.

Loss carryforwards have no limitation in time.

# Note 20. Other non-current receivables

| | Group | |
|---|---|---|
| | 2018-12-31 | 2017-12-31 |
| Opening accumulated cost | 1 | 0 |
| New receivables | 1 | 1 |
| Payments/amortisation | 0 | 0 |
| **Closing accumulated cost** | **1** | **1** |
| **Carrying amount** | **1** | **1** |

# Note 21. Inventories, etc.

| | Group | |
|---|---|---|
| Inventories consist of: | 2018-12-31 | 2017-12-31 |
| Finished goods | 29 | 14 |
| **Total** | **29** | **14** |

# Note 22. Accounts receivable

Ageing analysis of accounts receivable and provision for doubtful debts.

| | Group | |
|---|---|---|
| | 2018-12-31 | 2017-12-31 |
| Accounts receivable, gross | 701 | 560 |
| Provision for doubtful debts | –4 | –12 |
| **Accounts receivable** | **698** | **549** |

| | Group | |
|---|---|---|
| | 2018-12-31 | 2017-12-31 |
| Accounts receivable, not yet due for payment | 531 | 424 |
| Accounts receivable, 0-3 months overdue | 152 | 102 |
| Accounts receivable, 4-6 months overdue | 9 | 27 |
| Accounts receivable, more than 6 months overdue | 9 | 8 |
| Provision for doubtful debts | –4 | –12 |
| **Total** | **698** | **549** |

Changes in the provision for doubtful debts for the Group are as follows:

| | 2018 | 2017 |
|---|---|---|
| **As of 1 January** | **12** | **4** |
| Provision for doubtful debts | 3 | 3 |
| Acquired doubtful debts | 1 | 11 |
| Receivables written off during the year as bad debts | –7 | –1 |
| Reversal of unutilised amount | –4 | –5 |
| **As of 31 December** | **4** | **12** |

Carrying amounts for the Group's accounts receivables, break-down by currency:

| | Group | |
|---|---|---|
| | 2018-12-31 | 2017-12-31 |
| SEK | 526 | 401 |
| NOK | 141 | 129 |
| EUR | 31 | 19 |
| **Total** | **698** | **549** |

# Note 23. Construction contracts

| | Group | |
|---|---|---|
| | 2018-12-31 | 2017-12-31 |
| Claims on clients | 205 | 142 |
| Liabilities to clients | –212 | –136 |
| **Net amount in the balance sheet** | **–7** | **6** |

# Note 24. Prepaid expenses and accrued income

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018-12-31 | 2017-12-31 | 2018-12-31 | 2017-12-31 |
| Prepaid rents | 4 | 5 | – | – |
| Prepaid insurance | 2 | 5 | – | – |
| Accrued income, bonus etc. | 40 | 38 | – | – |
| Other items | 17 | 13 | 0 | 0 |
| **Carrying amount** | **63** | **61** | **0** | **0** |

# Note 25. Cash and cash equivalents

| **Cash and cash equivalents consist of:** | 2018-12-31 | 2017-12-31 |
|---|---|---|
| Cash held in bank accounts and on hand: | 218 | 211 |
| Short-term investments | – | – |
| **Total** | **218** | **211** |

# Note 26. Equity – Share capital

Share capital in the Parent Company consists entirely of fully paid ordinary shares at a nominal value (quotient value) of SEK 0.015 per share. The company has 48,213,861 Class A shares that are ordinary shares.

| Subscribed and paid shares (in thousands): | 2018-12-31 | 2017-12-31 |
|---|---|---|
| At the beginning of the year | 47,023 | 322 |
| Bonus issue/cancellation of shares | – | 45,979 |
| New issue | 1,191 | 722 |
| Subscribed and paid shares | 48,214 | 47,023 |
| **Total decided at year end** | **48,214** | **47,023** |

## Reserves

| | Translation reserve | Available-for-sale financial assets | Total |
|---|---|---|---|
| **As of 31 December 2016 / 1 January 2017** | **6** | **0** | **6** |
| Exchange differences, Group companies | –15 | – | –15 |
| Revaluation of available-for-sale assets, gross | – | – | 0 |
| Revaluation of available-for-sale assets, tax | – | – | 0 |
| As of 31 December 2017 | –9 | 0 | –9 |
| As of 1 January 2018 | –9 | 0 | –9 |
| Exchange differences, Group companies | 14 | – | 14 |
| **As of 31 December 2018** | **5** | **0** | **5** |

If all of the 1,929,650 warrants are exercised, the company's share capital will increase by at most SEK 28,944.75 allocated across 1,929,650 shares, each of which with a quotient value of SEK 0.015 kronor, corresponding to a dilutive effect of at most 4 percent based on the share capital and votes in the company.

The incentive scheme is divided into two sub-programmes (Series 2017/2020:1 and Series 2017/2020:2). A total of 964,825 have been transferred to each of these sub-programmes at a price corresponding to the option's market value according to external valuation.

The exercise price for warrants belonging to Series 2017/2020:1 is SEK 66.00 per new share and the exercise price for warrants belonging to Series 2017/2020:2 is SEK 71.50 per new share.

The warrants can be exercised to subscribe for new shares as of the date following the publication of the Company's quarterly report for the first quarter of 2020 through 30 June 2020.

There are no outstanding share-related incentive programmes besides the warrants described above.

# Note 27. Provisions

All provisions are reported as current by the Group and Parent Company in the item, "Provisions". The carrying amounts and changes in provisions are as follows:

| Group | Other | Total |
|---|---|---|
| Carrying amount on 1 January 2017 | 9 | 9 |
| Additional provisions | – | – |
| **Carrying amount on 31 December 2017** | **9** | **9** |
| Additional provisions | 3 | 3 |
| Reversed amount | –2 | –2 |
| **Carrying amount on 31 December 2018** | **10** | **10** |

| Parent Company | Other | Total |
|---|---|---|
| Carrying amount on 31 December 2017 | – | – |
| Carrying amount on 31 December 2018 | – | – |

Provisions are reported as of the acquisition date of a business combination are included in "Additional provisions" above. Provisions that are classified as "available-for-sale" are included in "Utilised amount" above.

Other provisions consist of various legal and other claims from customers, such as guarantees where the customers receives compensation for repair costs.

Typically, these claims are settled within 3 to 18 months of when they are made, depending on the claims settlement process for each type of claim. Because the settlement dates on these claims largely depends on how quickly negotiations are carried out with the various counterparties and legal authorities, the Group is not able to reliably assess the amounts that eventually will be paid out more than 12 months from the closing date. For this reason, the amount is classified as "current" in the consolidated financial statements.

None of the provisions will be described in more detail here because it should not adversely affect the Group's position in these disputes.

# Note 28. Liabilities to credit institutions

Of the liabilities listed below, the following amounts fall due for payment within 5 years.

| | Group | | Parent Company | |
|---|---|---|---|---|
| **Non-current** | 2018-12-31 | 2017-12-31 | 2018-12-31 | 2017-12-31 |
| Liabilities to credit institutions | 732 | 649 | 141 | 141 |
| **Total** | **732** | **649** | **141** | **141** |

# Note 29. Accounts payable

Carrying amounts for accounts payable categorised by currency are as follows:

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018-12-31 | 2017-12-31 | 2018-12-31 | 2017-12-31 |
| SEK | 246 | 189 | 1 | 1 |
| NOK | 47 | 59 | 0 | 0 |
| EUR | 24 | 14 | 0 | 0 |
| **Total** | **317** | **262** | **1** | **1** |

# Note 30. Accrued expenses and deferred income

| | Group | | Parent Company | |
|---|---|---|---|---|
| | 2018-12-31 | 2017-12-31 | 2018-12-31 | 2017-12-31 |
| Employee-related costs | 241 | 199 | 4 | 2 |
| Interest | 1 | 1 | 0 | 0 |
| Other items | 30 | 26 | 1 | 0 |
| **Carrying amount** | **273** | **226** | **5** | **2** |

# Note 31. Pledged assets and contingent liabilities

| | Group | | Parent Company | |
|---|---|---|---|---|
| **Pledged assets** | 2018-12-31 | 2017-12-31 | 2018-12-31 | 2017-12-31 |
| ***For own provisions and liabilities:*** | | | | |
| *Liabilities to credit institutions* | | | | |
| Pledged shares in Group companies | – | – | – | – |
| Chattel mortgages | – | 1 | – | – |
| Pledged accounts receivable | 67 | 4 | – | – |
| Other pledged assets | 26 | 23 | – | – |
| ***Other pledged assets:*** | | | | |
| Chattel mortgages | 18 | 58 | – | – |
| Other pledged assets | – | 7 | – | – |
| | **116** | **92** | **0** | **0** |
| **Contingent liabilities** | | | | |
| Performance guarantees | 8 | 80 | – | – |
| | **8** | **80** | **0** | **0** |

# Note 32. Transactions with related parties

Agreement of services rendered to related parties is at the going market rate. There were no receivables or liabilities with related parties as of the closing date. No transactions that significantly impacted the Group's position or earnings have occurred between the company and related parties. As regards other transactions, no significant changes have occurred compared to last year.

For information on remuneration to senior executives, please see Note 6.

# Note 33. Subsequent events

In January 2019, Instalco acquired El Kraft Teknik & Konsult i Sala AB in Sala, Sweden, with anticipated annual sales of SEK 78 million and 36 employees. It also acquired, Aquadus VVS AB with anticipated annual sales of SEK 80 million and 30 employees. In February 2019, Instalco acquired Aircano AB with anticipated annual sales of 65 million and 24 employees. Each of these companies was acquired at 100 percent and they are included in the segment, Sweden. The acquisition analysis below was still preliminary as of the date when the annual report was issued.

Preliminary details on business combination are as follows:

| Fair value of consideration at the time of acquisition | |
|---|---|
| Conditional consideration | 20 |
| Cash and cash equivalents | 142 |
| Non-controlling interest | – |
| **Total consideration** | **162** |

| Carrying amount of identifiable net assets | |
|---|---|
| Property, plant and equipment | 3 |
| Other current assets | 43 |
| Cash and cash equivalents | 30 |
| Deferred tax liability | –1 |
| Other liabilities | –54 |
| **Total identifiable net assets** | **21** |
| Goodwill from acquisitions | 141 |
| **Total** | **162** |

Acquisition-related costs preliminarily amount to SEK 1 million.

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

The surplus of SEK 141 million that has arisen via acquisitions consists entirely of goodwill. No other intangible assets have been identified that meet the requirements for separate reporting.

In February, Instalco updated its financial targets as follows:

- *Growth:* Average sales growth shall be at least 10 percent per year over one business cycle. Growth shall occur through a combination of organic growth and successful acquisitions.
- *Cash conversion:* Instalco's goal is to achieve a cash conversion rate of 100 percent on a rolling 12-month basis over one business cycle.

Other financial targets are unchanged.

# Note 34. Adjustments not impacting cash flow and changes in working capital

The following adjustments not impacting cash flow and adjustments for changes in working capital have been made to earnings before tax in order to arrive at the cash flow from operating activities:

| | Group | | Parent Company | |
|---|---|---|---|---|
| **Depreciation/ amortisation of non-financial items** | **2018** | **2017** | **2018** | **2017** |
| Depreciation/ amortisation | 9 | 6 | – | – |
| Change in accrued interest | 0 | 0 | 0 | 0 |
| Provisions | 0 | –1 | – | – |
| Impairment losses | –6 | 1 | – | – |
| Capital gain (loss) from financial items | 29 | –3 | – | – |
| Capital gain (loss) from non-financial items | 0 | 2 | – | – |
| Other adjustments | 0 | 17 | 1 | 0 |
| **Total** | **33** | **21** | **1** | **1** |

# Note 35. Business combinations

Instalco made the following acquisitions of installation companies in 2018:

| Acquired business | Country | Acquisition date | Share of equity, % | Assessed annual sales, SEK m | Number of employees |
|---|---|---|---|---|---|
| Heating & plumbing / Västerås | Sweden | January | 100% | 75 | 26 |
| Electrical / Västerås | Sweden | January | 100% | 77 | 45 |
| Ventilation / Malmö | Sweden | January | 100% | 18 | 11 |
| Electrical / Umeå | Sweden | February | 100% | 85 | 37 |
| Heating & plumbing / Stockholm | Sweden | February | 100% | 60 | 30 |
| Cooling / Borlänge | Sweden | April | 100% | 31 | 15 |
| Electrical / Linköping | Sweden | April | 100% | 50 | 27 |
| Ventilation / Trondheim | Norway | May | 100% | 57 | 17 |
| Heating & plumbing / Helsinki | Finland | June | 100% | 100 | 45 |
| Heating & plumbing / Svedala | Sweden | October | 100% | 31 | 15 |
| Electrical / Motala | Sweden | October | 100% | 65 | 52 |
| Electrical / Motala | Sweden | October | 100% | 12 | 4 |
| Heating & plumbing / Motala | Sweden | October | 100% | 13 | 8 |
| Heating & plumbing / Motala | Sweden | October | 100% | 10 | 10 |
| Heating & plumbing / Helsinki | Finland | November | 100% | 27 | 10 |
| Electrical / Helsinki | Finland | November | 100% | 48 | 25 |

Instalco made the following acquisitions of installation companies in 2017:

| Acquired business | Country | Acquisition date | Share of equity, % | Assessed annual sales, SEK m | Number of employees |
|---|---|---|---|---|---|
| Heating & plumbing / Gothenburg | Sweden | February | 100 | 26 | 18 |
| Heating & plumbing / Hvalstad | Norway | February | 100 | 102 | 35 |
| Electrical / Helsinki | Finland | March | 100 | 42 | 36 |
| Heating & plumbing / Norrtälje | Sweden | March | 100 | 38 | 16 |
| Heating & plumbing / Helsinki | Finland | March | 100 | 107 | 53 |
| Electrical / Bergen | Norway | June | 100 | 167 | 130 |
| Electrical / Oslo | Norway | July | 100 | 65 | 41 |
| Electrical / Helsinki | Finland | November | 100 | 35 | 28 |
| Electrical / Borås | Sweden | December | 100 | 107 | 30 |
| Electrical / Stockholm | Sweden | December | 100 | 16 | 8 |
| Electrical / Gothenburg | Sweden | December | 100 | 61 | 27 |
| Electrical / Malmö | Sweden | December | 100 | 16 | 6 |
| Electrical / Gothenburg | Sweden | December | 100 | 51 | 26 |
| Electrical / Gothenburg | Sweden | December | 100 | 7 | 10 |
| Electrical / Gothenburg | Sweden | December | 100 | 110 | 37 |
| Electrical / Gothenburg | Sweden | December | 100 | 39 | 21 |
| Heating & plumbing / Parkano | Finland | December | 100 | 21 | 10 |
| Heating & plumbing / Jalasjärvi | Finland | December | 100 | 21 | 13 |

## Continuation Note 35. Business combinations

None of the acquisitions is, on its own, of significant importance to the Group, which is why the disclosures below cover them as a whole.

Because of the acquisitions, the Group expects to increase its presence in these domestic and international markets.
All acquisition analyses were established prior to the end of 2018.

Details on the business combinations are as follows:

| | 2018 | 2017 |
|---|---|---|
| **Fair value of consideration at the time of acquisition** | | |
| Conditional consideration | 77 | 88 |
| Cash and cash equivalents | 412 | 554 |
| **Total consideration** | **489** | **642** |
| | | |
| **Carrying amount of identifiable net assets** | | |
| Property, plant and equipment | 8 | 18 |
| Financial assets | – | – |
| Deferred tax assets | 0 | 0 |
| Other current assets | 221 | 215 |
| Cash and cash equivalents | 121 | 160 |
| Deferred tax liabilities | –5 | –4 |
| Other liabilities | –199 | –95 |
| **Total identifiable net assets** | **146** | **194** |
| | | |
| Goodwill from acquisitions | 342 | 446 |
| **Total** | **489** | **640** |
| | | |
| Transfer of remuneration in cash & cash equivalents | 412 | 554 |
| Less: Acquired cash & cash equivalents | –121 | –160 |
| **Net cash flow from acquisitions** | **291** | **394** |
| | | |
| Settled conditional consideration attributable to acquisitions in prior years | 78 | 31 |
| Exchange rate difference | 0 | 1 |
| **Total impact on cash & cash equivalents** | **369** | **426** |

Acquisition-related costs of SEK 11 (10) million are included in "Other operating expenses" in the consolidated income statement.

In accordance with agreements on conditional consideration, the Group must make a cash payment of additional consideration based on future earnings. The maximum, non-discounted amount that could be paid to prior owners is SEK 125 million, of which SEK 94 million pertains to acquisitions that were made in 2018. The fair value of the conditional consideration is at Level 3 in the fair value hierarchy.

Conditional consideration is included in "Other liabilities" in the balance sheet and the amount reported on 2018-12-31 was SEK 68 (68) million.

The table presented below shows changes in carrying amounts of conditional consideration:

| | 2018 | 2017 |
|---|---|---|
| **As of 1 January** | 68 | 26 |
| Gains and losses reported in the income statement | –1 | –15 |
| Paid conditional consideration | –77 | –31 |
| Added through acquisitions made during the year | 77 | 88 |
| Exchange rate difference | – | 1 |
| **As of 31 December** | **68** | **68** |

The surplus of SEK 342 (446) million that has arisen via acquisitions made in 2018 consists entirely of goodwill. No other intangible assets have been identified that meet the requirements for separate reporting.

Revenue from acquisitions made in 2018 that has been included in the consolidated income statement after the date of each acquisition amounts to SEK 537 million. Companies acquired in 2018 contributed SEK 52 million to earnings in 2018.

# Note 36. Risk associated withfinancial instruments

## Risk management targets and principles

The Group is exposed to various risks associated with financial instruments. The main types of risks are market risks (interest rate risk and currency risk), credit risk and liquidity risk.

The Group's risk management activities are coordinated at its head office in close collaboration with the Board of Directors. Focus is on ensuring that the Group has adequate cash flow over the short and medium-term by minimising its exposure to the volatility of financial markets. Long-term financial investments are managed with the aim of generating significant returns.

The most significant financial risks that the Group is exposed to are described below. All of these figures are undiscounted amounts.

## Market risk

The Group is exposed to market risk due to both currency risk and interest rate risk arising from its operating activities and investing activities.

### *Currency risk*

Transaction risk arises when future business transactions are in a currency other than the company's functional currency. The companies belonging to the Group do not have significant transactions in currencies other than their functional currency, which is why the Group's transaction risk is insignificant.

In 2018, the Group had several holdings in foreign operations for which the net assets are exposed to currency risk. Because it is significant, the Group has decided to hedge its currency exposure associated with the net assets of its foreign operations. The table below shows the translation risk by calculating how a reasonably possible change in the exchange rate for each respective foreign operation, holding all other variables constant, would impact the translation difference in other comprehensive income, which is included in the item "Reserves" in equity.

| | 2018 | 2017 |
|---|---|---|
| EUR/SEK +/– 10% | 3 | 1 |
| NOK/SEK +/–10% | 7 | 3 |

### *Interest rate risk*

The Group's interest rate risk arises from long-term borrowing. Loans with a variable interest rate expose the Group to interest rate risk relating to cash flow. The Group's exposure to variable interest rate fluctuations was insignificant during the year, which is why no risk management measures have been taken. In 2018 and 2017, the Group's loans with a variable interest rate were in SEK.

The table below shows the effect on the Group's profit after tax due to a reasonably possible change in the interest rate for its loans in SEK, holding all other variables constant. All earnings impact stems from the effect of higher/lower interest expense for loans with a variable rate of interest. There is no additional impact on equity.

| | 2018 | 2017 |
|---|---|---|
| 25 base points higher/lower | 2 | 2 |

For more information on the Group's borrowing, please see Note 15.

## Analysis of credit risk

Credit risk is the risk that a counterparty will not meets its obligations to the Group. The Group is exposed to this type of risk via various financial instruments, such as accounts receivable. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets as of 31 December, which is detailed in the table below:

| Types of financial assets – carrying amounts | 2018 | 2017 |
|---|---|---|
| Cash and cash equivalents | 218 | 211 |
| Accounts receivable and other receivables | 698 | 549 |
| **Total** | **916** | **760** |

The Group applies the simplified approach in IFRS 9 when reporting the expected credit losses over the remaining term for all accounts receivable since these items do not have any significant financing component.

When assessing the expected credit losses, accounts receivable have been assessed collectively because they have the same credit risk characteristics. They have been grouped based on the number of days overdue.

The Group continually monitors overdue accounts receivable and other overdue claims, both individually and by category. The Group also uses this information in its credit risk control procedures. If external credit ratings/reports on customers and other counterparties are available at a reasonable cost, the Group will collect that information and use it. The Group's policy is to only do business with creditworthy counterparties.

Group management is of the opinion that all of the financial assets specified below, which have not been written down or overdue as of 31 December have a high creditworthiness. Given the short period of time that accounts receivable are exposed to credit risk, the effects of these factors during the reporting period are considered to be insignificant.

As of 31 December, the Group had a number of accounts receivable that had not been settled by the due date. However, they are not considered to be doubtful debts. Grouping is by number of days overdue.

*Maturity structure of accounts receivable*

| 2018-12-31 | Not yet due for payment | More than 30 days overdue | More than 90 days overdue | More than 180 days overdue | Total |
|---|---|---|---|---|---|
| Expected credit loss (%) | 0% | 0% | 0% | 0% | |
| Carrying amount, gross | 531 | 152 | 9 | 9 | 701 |
| Expected credit loss for remaining term | 0 | 0 | 0 | 0 | 0 |

| 2017-12-31 | Not yet due for payment | More than 30 days overdue | More than 90 days overdue | More than 180 days overdue | Total |
|---|---|---|---|---|---|
| Expected credit loss (%) | 0% | 0% | 0% | 0% | |
| Carrying amount, gross | 424 | 102 | 27 | 8 | 561 |
| Expected credit loss for remaining term | 0 | 0 | 0 | 0 | 0 |

For accounts receivable and other receivables, the Group is not exposed to any significant credit risks with any individual counterparty or group of counterparties with similar characteristics.

## Continuation Note 36. Risk associated with financial instruments

Accounts receivable are made up of a large number of customers in a variety of industries and geographic locations. Based on historical information on overdue payments from customers, Group management has assessed that its accounts receivable not yet due for payment or which have not been written down, have a high creditworthiness.

The credit risk associated with cash & cash equivalents is considered to be negligible since the counterparties are large banks with high credit ratings that have been awarded by external assessors.

### Analysis of liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations. The Group manages its liquidity needs by monitoring planned payments on its non-current financial liabilities, along with forecasted payments to be made and received as part of daily operations. Information that is used to analyse these cash flow is consistent with what is used in the analysis of agreed maturities below. Liquidity need is monitored for various periods of time, which includes daily, weekly and rolling 30-day forecasts. Long-term liquidity need for a period of 180 days and 360 days is assessed monthly. The net cash requirements are compared to available credit facilities in order to establish the safety margin or any shortfalls. This analysis shows that available credit facilities are adequate during this period.

The Group's goal is to have cash & cash equivalents, along with marketable securities, that meet its liquidity requirements for periods of at least 30 days. That goal was fulfilled during the reporting periods. Financing of long-term liquidity needs is also met by having an adequate amount of granted credit facilities and the possibility of selling non-current financial assets.

The Group considers expected cash flows from financial assets when assessing and managing liquidity risk, particularly cash reserves and accounts receivable. The Group's existing cash reserves and accounts receivable exceed its current payment obligations by a wide margin. All cash flows from accounts receivable and other receivables fall due for payment within 6 months.

As of 31 December 2018, the Group's financial liabilities (that are not derivatives) including interest, where applicable, had the following agreed maturities:

| | Current | | Non-current | |
|---|---|---|---|---|
| **2018-12-31** | **Within 6 months** | **6-12 months** | **1-5 years** | **Longer than 5 years** |
| Liabilities to credit institutions | – | – | 732 | 0 |
| Accounts payable and other liabilities | 386 | – | – | – |
| **Total** | **386** | **–** | **732** | **0** |

A comparison of the same for prior years is as follows:

| | Current | | Non-current | |
|---|---|---|---|---|
| **2017-12-31** | **Within 6 months** | **6-12 months** | **1-5 years** | **Longer than 5 years** |
| Liabilities to credit institutions | – | – | 649 | – |
| Accounts payable and other liabilities | 332 | – | – | – |
| **Total** | **332** | **–** | **649** | **–** |

## Note 37. Proposed appropriation of the Parent Company's profit or loss

The following retained earnings shall be appropriated by the AGM (SEK t):

| | **2018-12-31** |
|---|---|
| Share premium reserve | 878,881 |
| Retained earnings | 332,577 |
| Loss for the year | 26,498 |
| | **1,237,956** |
| **The Board and CEO recommend that** | |
| To be distributed as dividends, SEK 1.50 per share | 72,813 |
| carried forward | 1,165,144 |
| | **1,237,956** |

The dividend amount has been calculated on the number of outstanding shares as of 2019-02-28, which was 48,541,722 shares. The total dividend amount may change up until and including the reconciliation date due to new share issues and any new acquisitions that are made.

## Note 38. Items affecting comparability

| | **2018** | **2017** |
|---|---|---|
| Additional consideration | –1 | –15 |
| Acquisition costs | 11 | 9 |
| Costs associated with refinancing | – | 1 |
| Costs associated with pending IPO | – | 25 |
| Loss on divestment of subsidiaries | 30 | – |
| Other | 2 | – |
| **Total** | **41** | **20** |

# Note 39. Quarterly information

| | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 |
|---|---|---|---|---|---|---|---|---|
| **KPIs on sales** | | | | | | | | |
| Net sales | 1,264 | 998 | 1,174 | 979 | 935 | 708 | 781 | 689 |
| Growth in net sales, % | 35.1 | 40.8 | 50.2 | 42.2 | 20.3 | 27.3 | 30.5 | 45.2 |
| **KPIs on earnings** | | | | | | | | |
| EBIT (Operating profit or loss) | 124 | 68 | 100 | 39 | 94 | 52 | 61 | 37 |
| EBITA | 124 | 68 | 100 | 39 | 94 | 52 | 61 | 37 |
| EBITDA | 127 | 70 | 102 | 41 | 96 | 54 | 62 | 38 |
| Adjusted EBITA | 119 | 74 | 107 | 72 | 101 | 48 | 69 | 45 |
| Adjusted EBITDA | 122 | 77 | 109 | 74 | 103 | 50 | 71 | 46 |
| **KPIs on margins** | | | | | | | | |
| EBIT margin, % | 9.8 | 6.8 | 8.5 | 4.0 | 10 | 7.4 | 7.8 | 5.3 |
| EBITA margin, % | 9.8 | 6.8 | 8.5 | 4.0 | 10 | 7.4 | 7.8 | 5.3 |
| EBITDA margin, % | 10.0 | 7.0 | 8.7 | 4.2 | 10.2 | 7.6 | 8 | 5.5 |
| Adjusted EBITA margin, % | 9.4 | 7.5 | 9.1 | 7.3 | 10.8 | 6.8 | 8.9 | 6.5 |
| Adjusted EBITDA margin, % | 9.6 | 7.7 | 9.3 | 7.5 | 11 | 7 | 9.1 | 6.7 |
| **Capital structure** | | | | | | | | |
| Working capital | 33 | 71 | –24 | –14 | –1 | 15 | –26 | –69 |
| Working capital as a percentage of net sales, % (12-months rolling) | 0.8 | 1.7 | –0.6 | –0.4 | 0 | 0.5 | –0.9 | –2.6 |
| Interest-bearing net debt | 520 | 588 | 538 | 493 | 446 | 392 | 346 | 302 |
| Gearing ratio, % | 48.6 | 59.4 | 57.1 | 55.7 | 56.2 | 55.9 | 52.8 | 49.5 |
| Interest-bearing net debt in relation to EBITDA (12-months rolling), times | 1.5 times | 1.9 times | 1.8 times | 1.9 times | 1.8 times | 1.8 times | 2.0 times | 1.9 times |
| **Other** | | | | | | | | |
| Order backlog | 4,063 | 3,724 | 3,875 | 3,736 | 3,194 | 2,611 | 2,496 | 2,189 |
| Number of operational units at the end of the period | 62 | 54 | 57 | 52 | 46 | 33 | 32 | 34 |
| Average number of employees | 2,212 | 2,067 | 2,039 | 1,943 | 1,781 | 1,594 | 1,578 | 1,466 |
| Number of employees at the end of the period | 2,283 | 2,139 | 2,119 | 1,985 | 1,844 | 1,631 | 1,590 | 1,470 |
| **Sweden** | | | | | | | | |
| Net sales | 944 | 719 | 901 | 749 | 663 | 530 | 633 | 593 |
| EBITA | 99 | 72 | 105 | 70 | 72 | 49 | 63 | 52 |
| EBITA margin, % | 10.5 | 10.0 | 11.6 | 9.4 | 10.8 | 9.2 | 10 | 8.8 |
| Adjusted EBITA | 99 | 72 | 105 | 70 | 72 | 49 | 63 | 52 |
| Adjusted EBITA margin, % | 10.5 | 10.0 | 11.6 | 9.4 | 10.8 | 9.2 | 10 | 8.8 |
| Number of operational units at the end of the period | 41 | 35 | 38 | 35 | 30 | 21 | 21 | 24 |
| **Rest of Nordic** | | | | | | | | |
| Net sales | 320 | 279 | 273 | 230 | 273 | 179 | 149 | 95 |
| EBITA | 22 | 8 | 11 | 9 | 33 | 3 | 13 | –2 |
| EBITA margin, % | 6.7 | 3.0 | 4.0 | 3.9 | 12.3 | 1.9 | 8.7 | –2.1 |
| Adjusted EBITA | 22 | 8 | 11 | 9 | 33 | 3 | 13 | –2 |
| Adjusted EBITA margin, % | 6.7 | 3.0 | 4.0 | 3.9 | 12.3 | 1.9 | 8.7 | –2.1 |
| Number of operational units at the end of the period | 18 | 16 | 16 | 14 | 13 | 12 | 11 | 10 |

# Note 40. Reconciliation of KPIs not defined in accordance with IFRS

| | 2018 | 2017 |
|---|---|---|
| **KPIs on sales** | | |
| Net sales | 4,414 | 3,114 |
| Growth in net sales, % | 41.8 | 29.4 |
| Organic growth in net sales, % | 6.6 | –1.7 |
| Acquired growth in net sales, % | 36.5 | 31.1 |
| Change in exchange rates | –46 | –9 |
| **KPIs on earnings** | | |
| EBIT (Operating profit or loss) | 331 | 244 |
| EBITA | 331 | 244 |
| EBITDA | 340 | 250 |
| Adjusted EBITA | 372 | 264 |
| Adjusted EBITDA | 381 | 270 |
| **KPIs on margins** | | |
| EBIT margin, % | 7.5 | 7.8 |
| EBITA margin, % | 7.5 | 7.8 |
| EBITDA margin, % | 7.7 | 8.0 |
| Adjusted EBITA margin, % | 8.4 | 8.5 |
| Adjusted EBITDA margin, % | 8.6 | 8.7 |
| **KPIs on cash flow and returns** | | |
| Operating cash flow | 382 | 228 |
| Cash conversion, % | 100.1 | 84.5 |
| Return on equity, % | 26.7 | 25.4 |
| **Capital structure** | | |
| Working capital | 33 | –1 |
| Working capital as a percentage of net sales, % | 0.8 | 0 |
| Interest-bearing net debt | 520 | 446 |
| Gearing ratio, % | 48.6 | 56.2 |
| **Other** | | |
| Order backlog | 4,063 | 3,194 |
| Number of units at the end of the period | 62 | 46 |
| Average number of employees | 2,065 | 1,539 |
| Number of employees at the end of the period | 2,283 | 1,844 |

# Note 41. Reconciliation tables, per year

| **Calculation of organic growth in net sales** | 2018 | 2017 |
|---|---|---|
| Net sales | 4,414 | 3,114 |
| Acquired net sales | –1,048 | –748 |
| Changes in exchange rates | –46 | 9 |
| A) Comparative figures for the previous year | 3,320 | 2,366 |
| B) Net sales for the previous year | 3,114 | 2,407 |
| **(A/B) Organic growth in net sales, %** | **6.6** | **–1.7** |
| **KPIS FOR EARNINGS AND MARGINS** | | |
| **(A) Operating profit/loss (EBIT)** | **331** | **244** |
| Depreciation/amortisation and impairment of acquisition-related intangible assets | 0 | 0 |
| **(B) EBITA** | **331** | **244** |
| Depreciation/amortisation and impairment of property, plant and equipment and intangible assets | 9 | 6 |
| **(C) EBITDA** | **340** | **250** |
| **Items affecting comparability** | | |
| Additional consideration | –1 | –15 |
| Acquisition costs | 11 | 9 |
| Costs associated with refinancing | – | 1 |
| Listing costs | – | 25 |
| Loss on divestment of subsidiaries | 30 | – |
| Other | 2 | – |
| **Total adjustments** | **41** | **20** |
| **(D) Adjusted EBITA** | **372** | **264** |
| **(E) Adjusted EBITDA** | **381** | **270** |
| **(F) Net sales** | **4,414** | **3,114** |
| (A/F) EBIT margin, % | 7.5 | 7.8 |
| (B/F) EBIT margin, % | 7.5 | 7.8 |
| (C/F) EBIT margin, % | 7.7 | 8.0 |
| (D/F) Adjusted EBITA margin, % | 8.4 | 8.5 |
| (E/F) Adjusted EBITDA margin, % | 8.6 | 8.7 |

**KPIS ON CASH FLOW AND RETURNS**

| **Calculation of operating cash flow and cash conversion** | | |
|---|---|---|
| (A) Adjusted EBITDA | 381 | 270 |
| Net investments in property, plant & equipment, financial assets and intangible assets | –4 | –1 |
| Changes in working capital | 4 | –41 |
| **(B) Operating cash flow** | **382** | **228** |
| **(B/A) Cash conversion, %** | **100.1** | **84.5** |

## Continuation Note 41. Reconciliation tables, per year

| Calculation of return on equity | 2018 | 2017 |
|---|---|---|
| (A) Profit or loss for the year | 249 | 171 |
| Equity at the beginning of the period | 793 | 553 |
| Equity at the end of the period | 1,070 | 793 |
| (B) Average total equity | 932 | 673 |
| **(A/B) Return on total equity, %** | **26.7** | **25.4** |

| CAPITAL STRUCTURE | | |
|---|---|---|
| **Calculation of working capital and working capital in relation to net sales** | | |
| Inventories | 29 | 14 |
| Accounts receivable | 698 | 549 |
| Claims on clients | 205 | 142 |
| Prepaid expenses and accrued income | 63 | 61 |
| Other current assets | 48 | 38 |
| Accounts payable | –317 | –262 |
| Liabilities to clients | –212 | –136 |
| Other current liabilities | –208 | –180 |
| Accrued expenses and deferred income, including provisions | –273 | –226 |
| **(A) Working capital** | **33** | **–1** |
| (B) Net sales | 4,414 | 3,114 |
| **(A/B) Working capital as a percentage of net sales, %** | **0.8** | **0.1** |

| Calculation of interest-bearing net debt, gearing ratio and interest-bearing net debt as a percentage of EBITDA | | |
|---|---|---|
| Non-current, interest-bearing financial liabilities | 739 | 657 |
| Current, interest-bearing financial liabilities | 0 | 0 |
| Other marketable securities | – | 0 |
| Cash and cash equivalents | –218 | –211 |
| **(A) Interest-bearing net debt** | **520** | **446** |
| (B) Equity | 1,070 | 793 |
| **(A/B) Gearing ratio, %** | **48.6** | **56.2** |
| (C) EBITDA | 340 | 250 |
| **(A/C) Interest-bearing net debt in relation to EBITDA, times** | **1.5** | **1.8** |

# Note 42. Reconciliation tables, per quarter

| Earnings measures and margin measures | In accordance with IFRS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| SEK 000s | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 |
| **(A) Operating profit/loss (EBIT)** | **124** | **68** | **100** | **39** | **94** | **52** | **61** | **37** |
| Depreciation/amortisation and impairment of acquisition-related intangible assets | 0 | 0 | 0 | 0 | – | – | – | – |
| **(B) EBITA** | **124** | **68** | **100** | **39** | **94** | **52** | **61** | **37** |
| Depreciation/amortisation and impairment of property, plant and equipment and intangible assets | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 1 |
| **(C) EBITDA** | **127** | **70** | **102** | **41** | **96** | **54** | **62** | **38** |
| **Items affecting comparability** | | | | | | | | |
| Additional consideration | –10 | 6 | 4 | – | 7 | –9 | –16 | 4 |
| Acquisition costs | 3 | 1 | 3 | 3 | 1 | 2 | 4 | 2 |
| Costs associated with refinancing | – | – | – | – | – | – | – | 1 |
| Listing costs | – | – | – | – | – | 2 | 20 | 2 |
| Loss on divestment of subsidiaries | – | – | 0 | 30 | – | – | – | – |
| Other | 2 | – | – | – | – | – | – | – |
| **Total, items affecting comparability** | **–5** | **7** | **7** | **33** | **7** | **–4** | **8** | **8** |
| **(D) Adjusted EBITA** | **119** | **74** | **107** | **72** | **101** | **48** | **69** | **45** |
| **(E) Adjusted EBITDA** | **122** | **77** | **109** | **74** | **103** | **50** | **71** | **46** |
| **(F) Net sales** | **1,264** | **998** | **1,174** | **979** | **935** | **708** | **781** | **689** |
| *(A/F) EBIT margin, %* | *9.8* | *6.8* | *8.5* | *4.0* | *10* | *7.4* | *7.8* | *5.3* |
| *(B/F) EBIT margin, %* | *9.8* | *6.8* | *8.5* | *4.0* | *10* | *7.4* | *7.8* | *5.3* |
| *(C/F) EBIT margin, %* | *10.0* | *7.0* | *8.7* | *4.2* | *10.2* | *7.6* | *8* | *5.5* |
| *(D/F) Adjusted EBITA margin, %* | *9.4* | *7.5* | *9.1* | *7.3* | *10.8* | *6.8* | *8.9* | *6.5* |
| *(E/F) Adjusted EBITDA margin, %* | *9.6* | *7.7* | *9.3* | *7.5* | *11* | *7* | *9.1* | *6.7* |

## Continuation Note 42. Reconciliation tables, per quarter

| Capital structure | In accordance with IFRS | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Amounts in SEK m | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 | Q1 2017 |
| **Calculation of working capital and working capital in relation to net sales** | | | | | | | | |
| Inventories | 29 | 23 | 23 | 20 | 14 | 9 | 10 | 10 |
| Accounts receivable | 698 | 684 | 666 | 597 | 549 | 457 | 416 | 353 |
| Earned, but not yet invoiced revenue | 205 | 210 | 248 | 178 | 142 | 144 | 117 | 115 |
| Prepaid expenses and accrued income | 63 | 43 | 47 | 47 | 61 | 31 | 23 | 24 |
| Other current assets | 48 | 52 | 54 | 41 | 38 | 35 | 36 | 20 |
| Accounts payable | –317 | –349 | –371 | –329 | –262 | –249 | –231 | –223 |
| Invoiced, but not yet earned income | –212 | –172 | –203 | –140 | –136 | –137 | –116 | –98 |
| Accrued expenses and deferred income, including provisions | –208 | –195 | –241 | –187 | –180 | –105 | –82 | –54 |
| Other current liabilities | –273 | –226 | –247 | –241 | –226 | –170 | –199 | –215 |
| **(A) Working capital** | **33** | **71** | **–24** | **–14** | **–1** | **15** | **–26** | **–69** |
| (B) Net sales (12-months rolling) | 4,414 | 4,086 | 3,797 | 3,404 | 3,114 | 2,956 | 2,804 | 2,621 |
| **(A/B) Working capital as a percentage of net sales, %** | **0.8** | **1.7** | **–0.6** | **–0.4** | **0** | **0.5** | **–0.9** | **–2.6** |
| **Calculation of interest-bearing net debt and gearing ratio** | | | | | | | | |
| Non-current, interest-bearing financial liabilities | 739 | 739 | 739 | 694 | 657 | 618 | 615 | 493 |
| Current, interest-bearing financial liabilities | 0 | – | – | – | 0 | 0 | 0 | 8 |
| Short-term investments | – | – | – | – | 0 | 0 | –4 | –4 |
| Cash and cash equivalents | –218 | –151 | –200 | –202 | –211 | –226 | –265 | –194 |
| **(A) Interest-bearing net debt** | **520** | **588** | **538** | **493** | **446** | **392** | **346** | **302** |
| (B) Equity | 1,070 | 990 | 942 | 884 | 793 | 702 | 656 | 611 |
| **(A/B) Gearing ratio, %** | **48.6** | **59.4** | **57.1** | **55.7** | **56.2** | **55.9** | **52.8** | **49.5** |
| (C) EBITDA (12-months rolling) | 340 | 309 | 293 | 253 | 250 | 214 | 172 | 159 |
| **(A/C) Interest-bearing net debt in relation to EBITDA (12-months rolling)** | **1.5 times** | **1.9 times** | **1.8 times** | **1.9 times** | **1.8 times** | **1.8 times** | **2.0 times** | **1.9 times** |
| **Calculation of operating cash flow and cash conversion** | | | | | | | | |
| (A) Adjusted EBITDA | 122 | 77 | 109 | 74 | 103 | 50 | 71 | 46 |
| Net investments in property, plant and equipment and intangible assets | –1 | –1 | –2 | 0 | –2 | 0 | –1 | 0 |
| Changes in working capital | **54** | **–68** | **18** | **0** | **–5** | **–52** | **–40** | **57** |
| **(B) Operating cash flow** | **175** | **8** | **125** | **74** | **96** | **–3** | **30** | **104** |
| **(B/A) Cash conversion, %** | **144** | **10** | **115** | **100** | **93** | **–5** | **42** | **226** |

# Note 43. Approval of the financial statements

The consolidated financial statements for the reporting period ending on 31 December 2018 (including comparative figures) were approved by the Board of Directors on 21 March 2019.

**Board of Directors' assurance:**
The consolidated financial statements and annual report, respectively, have been prepared in accordance with the International Financial Reporting Standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on application of IFRS and with generally accepted accounting principles, respectively, and they provide a true and fair view of the Group's and the Parent Company's position and earnings.

The Directors' report for the Group and Parent Company provides a fair overview of the Group's and the Parent Company's operations, position and earnings, and describes significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

The Group's and Parent Company's earnings and position in general are disclosed in the income statement and balance sheets, cash flow statements and notes included in this report.

Stockholm, 21 March 2019

Olle Ehrlén
Chairman of the Board

Johnny Alvarsson
Director

Carina Edblad
Director

Per Leopoldsson
Director

Carina Qvarngård
Director

Camilla Öberg
Director

Per Sjöstrand
CEO

Our audit report was submitted on 21 March 2019

Grant Thornton Sweden AB

Jörgen Sandell
Authorised Public Accountant

# Auditor’s report

*To the general meeting of the shareholders for Instalco Intressenter AB*
*CIN: 559015-8944*

## *Report on the Annual Report and Consolidated Financial Statements*

### Opinions

We have conducted an audit of the annual report and consolidated financial statements for Instalco Intressenter AB (publ) for the year 2018 with the exception of the corporate governance report on pages 41- 48. The annual report and consolidated financial statements can be found on pages 38-89 of this document.

In our opinion, the annual report has been prepared in accordance with the Annual Accounts Act and in all material respects, it gives a true and fair view of the Parent Company's financial position as at 31 December 2018 and of its financial performance and cash flow for the year in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and in all material respects, they give a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance and cash flow for the year in accordance with the International Financial Reporting Standards (IFRS) that have been adopted by the EU. Our opinions do not apply to the corporate governance report on pages 41-48. The Directors' report is consistent with the other parts of the annual report and the consolidated financial statements.

We therefore recommend that the general meeting of shareholders should adopt the income statements and balance sheets for the Parent Company and the Group.

Our opinions in this report on the annual report and consolidated financial statements are consistent with the content in the supplementary report that has been submitted to the Parent Company’s Audit Committee in accordance with Article 11 of Regulation (EU) 537/2014 (audit legislation).

### Basis for the opinions

We conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing practices in Sweden. Our responsibility as per these standards is described in the section, “Auditor's responsibility”. We are independent of the Parent Company and the Group in accordance with the auditor's oath in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements. This means that, based on best knowledge and belief, no prohibited services, as stipulated in Article 5.1 of Regulation (EU) 537/2014, have been provided to the audited company or, where applicable, its Parent Company or its controlling company within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinion.

### Particularly important areas

Areas that are particularly important to the audit are those which, according to our professional assessment, are the most significant for the audit of the annual report and consolidated financial statements for the current period. It includes, for example, the most significant assessed risks of material misstatements. These areas were dealt with as part of both the audit, and our overall assessment of the annual report and consolidated financial statements. However, we do not provide separate opinions on these areas.

### Revenue and percentage-of-completion from installation assignments (Group)

Revenue and profit from installation assignments are recognised in accordance with the percentage-of-completion method, which means that profit is recognised gradually, at the rate of completion. A project’s percentage-of-completion is assessed by making a comparison between costs incurred and the total estimated costs for the project. Consideration is also given to unforeseen costs attributable to any project risks or claims by the client. Revenue recognition from installation assignments requires management to make significant assessments and assumptions when determining the actual incurred and anticipated costs for completing the project. This impacts the percentage-of-completion calculations and can thus have a significant impact on the Group’s revenue recognition.

Our audit has included an evaluation of the processes and routines for the Group's assessments and conclusions regarding percentage-of-completion for installation assignments, including identification and reporting of loss contracts. Our audit has included assessing Group management’s ability to make forecasts by comparing actual results to both calculations and budgets. We also audited forecasts for the projects, with a particular focus on unforeseen costs and claims from the client.

For more information on this, please see the Group’s accounting and valuation principles on pages 59, 62 and 65 of the annual report.

### Valuation of goodwill (Group) and shares in subsidiaries (Parent Company)

The Group’s carrying amount for intangible assets in the form of goodwill as of 2018-12-31 amount to SEK 1,582 million, which corresponds to approximately 55 percent of total assets. Intangible assets with an indefinite useful life must be tested annually for impairment, or more often whenever there is an indication of impairment. Testing for impairment involves making calculations that are based on assumptions and assessments of such things as discount rates, growth factors and forecasted cash flows. The Parent Company also tests for impairment in this way on the value of its shares in subsidiaries. A test of impairment is complex and much of it is based on assessments and assumptions.

Our audit has involved an assessment of the Group's testing of impairment to ensure that it has been carried out in accordance with what is stipulated in IFRS. Our audit has included an assessment of the reasonableness of future cash flows and the discount rate applied by reviewing the assumptions and forecasts made by Group management and by comparing prior years’ assessments with actual results. We have also engaged our own valuation specialists to review the methods and discount rates applied, along with macroeconomic aspects. Our audit has also involved an assessment of the Group’s sensitivity analysis based on reasonably likely changes in the assumptions made. We have also ensured that note disclosures have been made for such sensitivity analyses.

For more information on this, please see the Group’s accounting and valuation principles on pages 62, 63 and 65, along with Note 13 Goodwill.

### Other information than the annual report and consolidated financial statements

This document also contains other information than the annual report and consolidated financial statements, which is provided on pages 1-37 and 94-96. The Board and the CEO are responsible for this other information.

Our opinion on the annual report and consolidated financial statements does not include this other information, and we make no statement of assurance regarding this other information.

In connection with our audit of the annual report and consolidated financial statements, it is our responsibility to read the information identified above and consider whether the information is substantially incompatible with the annual report and consolidated financial statements. During this review, we also take into account knowledge we obtained during the audit and we assess whether the information in general seems to contain material misstatements.

If, based on the work that has been conducted on this information, we conclude that the other information contains a material misstatement, we are obliged to report it. We have nothing to report in that regard.

### The Board of Directors' and CEO's responsibilities

The Board and the CEO are responsible for ensuring that the annual report and consolidated financial statements and have been prepared and that they provide a true and fair view in accordance with the Annual Accounts Act and with regard to the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors and CEO are also responsible for any internal control they deem necessary for preparing and annual report and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual report and consolidated financial statements, the Board and CEO are responsible for assessing the ability of the Company and Group to continue operations. They must disclose, when applicable, any circumstances that may affect the ability to continue operations and apply the assumption of continued operations. However, the assumption of continued operations is not applied if the Board and CEO intend to liquidate the company, cease operations, or if they have no realistic alternatives than either of these two options.

The Audit Committee must monitor the company’s financial reporting without it impacting the Board's responsibilities and tasks in general.

### Auditor's responsibility

Our goals are to achieve a reasonable degree of assurance about whether the annual report and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to submit an audit report containing our opinions. Reasonable assurance is a high degree of assurance. However, it does not guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement if one exists. Errors may occur due to fraud or error, and they are deemed material if, individually or together they can reasonably be expected to influence the economic decisions that users make based on the annual report and consolidated financial statements.

As part of an audit in accordance with ISA, we use professional judgement and apply professional scepticism throughout the entire audit. We also:

- identify and assess the risks of material misstatement in the annual report and consolidated financial statements, whether due to fraud or error, designing and performing audit procedures including on the basis of these risks and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than that of a material misstatement due to error because fraud may involve acting in collusion, forgery, deliberate omissions, misinformation or failure of internal controls.
- obtain an understanding of the part of the company's internal controls that is important to our audit in order to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of internal control.
- evaluate the appropriateness of the accounting policies that have been applied and the reasonableness of the Board’s and CEO’s accounting estimates and related disclosures.
- draw a conclusion on the appropriateness of the Board and CEO using the going concern assumption in preparing the annual report and consolidated financial statements. We also draw a conclusion, on the basis of the acquired audit evidence, on whether there is any significant uncertainty concerning events or conditions that may lead to significant doubt about the Company's and Group’s ability to continue operations. If we conclude that there is a substantial element of uncertainty, we must in the auditor's report draw attention to the information in the annual report and consolidated financial statements on the essential element of uncertainty, or, if such information is insufficient, modify our opinion on the annual report and consolidated financial statements. Our conclusions are based on the audit evidence gathered up until the date of the audit report. However, future events or circumstances could arise such that the company is no longer able to continue operations.
- we evaluate the overall presentation, structure and content of the annual report and consolidated financial statements, including disclosures, and whether the annual report and consolidated financial statements reflect the underlying transactions and events in a way that gives a true and fair view.

- we collect sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group in order to state an opinion on the consolidated financial statements. We are responsible for the management, supervision and execution of Group audit. We are solely responsible for our opinions.

We must inform the Board of, among others, the planned audit scope, focus and timing of it. We must also inform about significant findings during the audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board with a statement that we have complied with relevant professional ethical requirements regarding independence, and to address all relationships and other circumstances that can reasonably affect our independence, and, if applicable, associated countermeasures.

Of the areas communicated with the Board, we determine which of these areas have been the most important for the audit of the annual report and the consolidated financial statement, including the most important assessed risks for material misstatements, and which therefore constitute the areas of particular importance to the audit. We describe these areas in the auditor's report unless laws or other regulations prevent disclosure of the issue.

## *Report on other requirements in accordance with laws and other regulations*

### Opinions

In addition to our audit of the annual report and consolidated financial statements, we have performed an audit of the Board and CEO of Instalco Intressenter AB (Publ) for the 2018 financial year and the proposed appropriation of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit or loss is appropriated in accordance with the proposal in the Directors' report and that the members of the Board of Directors and the CEO are discharged from liability for the financial year.

### Basis for the opinions

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in accordance with this is described in the section, "Auditor's responsibility". We are independent of the Parent Company and the Group in accordance with the auditor's oath in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinion.

### The Board of Directors' and CEO's responsibilities

The Board of Directors is responsible for the proposed appropriation of the profit or loss. With proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the demands that the nature of operations, scope and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board is responsible for the organisation and management of the company's affairs. This includes regular assessment of the Company's and the Group's financial situation and ensuring that the company's organisation is designed so that accounting, cash management and financial affairs are controlled in a satisfactory manner. The CEO is responsible for ongoing management that is in accordance with the Board's guidelines and instructions, including taking the actions necessary to ensure that the company's accounting complies with law and that assets are managed in a satisfactory manner.

### Auditor's responsibility

Our goal regarding the audit of the administration, and therefore our opinion, is to obtain audit evidence that with a reasonable degree of certainty enables us to determine whether the Board member or the CEO in any material respect:

- has undertaken any action or been guilty of any omission, which could give rise to liability to the Company,
- or in any other way acted in contravention of the Swedish Companies Act or the Articles of Association.

Our goal regarding the audit of the proposed appropriation of the profit or loss, and thus our statement on this, is to, with a reasonable degree of certainty, assess whether the proposal is consistent with the Swedish Companies Act.

Reasonable certainty is a high degree of certainty, but no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that could give rise to a liability to the company or that a proposal for the appropriation of the profit or loss is not consistent with the Swedish Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we use professional judgement and apply professional scepticism throughout the entire audit. The audit of the administration and the proposed appropriation of the profit or loss is primarily based on the audit of the financial statements. We decide what additional procedures to perform based on our professional judgement, and having considered both risks and materiality. It means that we focus the audit on such measures, areas and conditions that are essential for operations and where deviations or transgressions would significantly impact the company's situation. We review and test decisions, supporting documentation for decisions, measures taken and other factors that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board's proposed appropriation of the profit or loss, we examined the Board's reasoned opinion and a selection of the supporting documents for this in order to be able to assess whether the proposal is consistent with the Companies Act.

## Auditor's examination of the corporate governance report

The Board is responsible for the corporate governance report on pages 41-48 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with RevU 16, Auditor's Review of the Corporate Governance Report. This means that our examination of the corporate governance report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, Section 6, second paragraph, items 2-6 of the Swedish Companies Act, along with Chapter 7, Section 31, second paragraph of the Swedish Companies Act are consistent with the annual report and consolidated financial statements and they are in accordance with the Annual Accounts Act.

Grant Thornton Sweden AB was appointed as the auditor for Instalco Intressenter AB (publ) at the general meeting of shareholders on 2018-05-08 and has been the company’s auditor since 2015-09-07.

Stockholm, 21 March 2019

Grant Thornton Sweden AB

Jörgen Sandell
Authorised Public Accountant

# Definitions

| 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** |
| Return on equity | Earnings for the period on a rolling 12-month basis divided by average total equity at the end of the period. | Return on equity is used to analyse profitability, based on how much equity is used. |
| 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. |
| 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. |
| EBITA margin | Operating profit/loss (EBIT) before depreciation/ amortisation and impairment of acquisition-related intangible assets, as a percentage of net sales. | EBITA margin is used to measure operational profitability. |
| 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. |
| 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 growth reflects the acquired units' impact on net sales. |
| 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. |
| Change in exchange rates | The period's change in net sales that is attributable to the change in exchange rates (start of the period compared to the end of the period), as a percentage of net sales during the comparison period. | The change in exchange rates reflects the impact that exchange rate fluctuations has had on net sales during the period. |
| Adjusted EBITA | EBITA adjusted for items affecting comparability. | Adjusted EBITA increases comparability of EBITA. |
| Adjusted EBITDA | EBITDA adjusted for items affecting comparability. | Adjusted EBITDA increases comparability of EBITDA. |
| Adjusted EBITA margin | EBITA adjusted for items affecting comparability, as a percentage of net sales. | Adjusted EBITA margin, excluding the effect of items affecting comparability, which facilitates a comparison of the underlying operational profitability. |
| Adjusted EBITDA margin | EBITDA adjusted for items affecting comparability, as a percentage of net sales. | Adjusted EBITDA margin, excluding the effect of items affecting comparability, which facilitates a comparison of the underlying operational profitability. |

| Key figures | Definition/calculation | Purpose |
|---|---|---|
| Items affecting comparability | Items affecting comparability, like additional consideration, acquisition costs, the costs associated with refinancing, sponsorship costs and listing costs. | By excluding items affecting profitability, it is easier to compare earnings between periods. |
| 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. |
| 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. |
| 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. |
| 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. |
| 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. |
| Net debt in relation to adjusted EBITDA | Interest-bearing net debt at the 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. |
| 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. |
| Operating profit/loss, adjusted | Operating profit/loss adjusted for items affecting comparability. | Operating profit/loss, adjusted facilitates comparability of operating profit/loss. |

# Shareholder information

## Additional information

Per Sjöstrand CEO per.sjostrand@instalco.se +46 70-724 51 49
Lotta Sjögren CFO lotta.sjogren@instalco.se +46 70-999 62 44

## Financial calendar

| | |
|---|---|
| Interim report January-March | 8 May 2019 |
| AGM | 8 May 2019 |
| Interim report January-June | 23 August 2019 |
| Interim report January-September | 7 November 2019 |
| Year-end report | February 2020 |

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