Instalco

INSTALCO

Interim report January - June 2017

High growth in sales and order backlog

April – June 2017

- Net sales increased by SEK 30.5 percent to SEK 781 (599) million. Organic growth was –9.0 percent.
- Adjusted EBITA increased to SEK 69 (55) million which corresponds to an adjusted EBITA margin of 8.9 (9.2) percent.
- Operating cash flow for the quarter was SEK 30 (77) million.
- One acquisition was made during the quarter, which, on an annual basis is expected to contribute SEK 167 million in sales.
- Earnings per share for the quarter amounted to SEK 0.90 (0.81).

January - June 2017

- Net sales increased by 37.0 percent to SEK 1,470 (1,073) million. Organic growth was 2.8 percent.
- Adjusted EBITA increased to SEK 114 (80) million which corresponds to an adjusted EBITA margin of 7.8 (7.5) percent.
- Operating cash flow for the period was SEK 134 (152) million.
- Six acquisitions were made during the period, which, on an annual basis are expected to contribute SEK 482 million in sales.
- Earnings per share for the period amounted to SEK 1.46 (1.22).

Key figures

SEK m	April-June 2017	April-June 2016	Jan-June 2017	Jan-June 2016	12-months rolling 2016/2017	Jan-Dec 2016
Net sales	781	599	1,470	1,073	2,804	2,407
EBITA	61	49	98	71	167	140
EBITA margin, %	7.8	8.1	6.7	6.7	5.9	5.8
Adjusted EBITA 1)	69	55	114	80	190	156
Adjusted EBITA margin, % 1)	8.9	9.2	7.8	7.5	6.8	6.5
Earnings before taxes	54	46	88	67	153	132
Order backlog	2,496	1,683	2,496	1,683	2,496	1,999
Earnings per share, SEK 2)	0.90	0.81	1.46	1.22	2.21	1.96

1) Adjusted for costs associated with, inter alia, acquisitions and preparations for the IPO.
2) Calculated in relation to the number of shares at the end of the reporting period.

Instalco is a leading Nordic company within the electrical, plumbing, climate and cooling areas. The company is represented in most of Sweden and the Oslo and Helsinki regions. Through innovative thinking and efficiency, the operations are conducted in close collaboration with our customers.

CEO Comments

Instalco continued to exhibit growth in sales with favourable profitability during the second quarter of the year. Sales increased to SEK 781 (599) million, of which –9.0 percent was organic growth and 38.6 percent was acquired growth. During the second quarter last year, we had an unusually high number of large projects, which impacted accounts receivable and consequently the cash flow and organic growth in the quarter. For the first half of the year, organic growth was 2.8 percent. Adjusted EBITA for the second quarter amounted to SEK 69 million, which corresponds to an EBITA margin of 8.9 percent. We also experienced strong growth in the order backlog, which, at the end of the quarter, amounted to SEK 2,496 (1,683) million and an increase of 48.3 percent.

Growth in all markets

Instalco continues to grow in all of its markets. The demand for installation services is high in all areas and many entrepreneurs are interested in our model. Compared to prior periods, fewer acquisitions were made during the second quarter, but, to a great extent, this was attributable to the IPO in May, which temporarily diverted resources from our ordinary operations. Altogether this year, up until the end of the quarter, we have acquired companies with an estimated annual sales of approximately SEK 482 million.

Continued expansion in Norway

We have strengthened our presence in Norway during the quarter thanks to the acquisition of the electrical installation company Frøland & Noss in Bergen. Frøland & Noss represents our first steps into the Bergen region, where we anticipate good opportunities for further expansion. We are already considering expanding operations to also include ventilation. Overall, we are optimistic about the Norwegian market and intend to grow in all of our business areas. In the quarter we have also engaged in activities enhancing profitability in our Norwegian companies, which have resulted in a strengthened margin.

Sustainable services

One driving force for market growth throughout the Nordic region is the increasing demand for energy efficient installations from both property owners and consumers. Instalco's companies are at the forefront in offering sustainable services. One example from the previous quarter is the geothermal plant that was built for Panncentralen Frölundaborg. We are proud of the fact that three Instalco companies were involved in this project, where there was a reduction in CO_2 emissions by 78 percent, SO_2 emissions by 55 percent and NOx emissions by 41 percent for the properties that are connected. LG Contracting was the general contractor, with Expertkyl and Tofta Plåt & Ventilation as subcontractors. It took just 8 months to complete this project, thanks to efficient collaboration between the companies. It's an excellent example of how the Instalco model works!

Strong market

We remain optimistic about Instalco's continued development. Both the market and order placement remain very strong. Our challenge, therefore, is obtaining the manpower that we require, which could limit organic growth somewhat going forward. We continue to pursue our ambitious acquisition plan and discussions are ongoing with several interesting companies in all of our markets.

Per Sjöstrand
CEO

Performance of the Instalco Group

The Nordic market of installation services
The market for technical installation and service in Sweden, Norway and Finland has been stable over time. They are primarily fuelled by the Swedish and Norwegian markets, which are the largest in the Nordic region. According to Industrifakta, they have a value of approximately SEK 170 billion and since 2006 have grown by around 2.7 percent per year. Between 2016 and 2019, the market is expected to grow by around 0.4 percent per year. The market is primarily fuelled by macroeconomic conditions, like GDP, urbanisation, ageing property holdings and measures to increase energy efficiency.

Net sales
Second quarter

Sales for the second quarter amounted to SEK 781 (599) million, which is an increase of 30.5 percent. Organic growth was –9.0 percent and acquired growth was 38.6 percent. The organic growth was impacted by an unusually high number of large projects during the second quarter last year. In addition, the company has prioritised profitability in the Norwegian operations during the quarter. One company was acquired during the quarter.

January-June

Net sales for the period amounted to SEK 1,470 (1,073) million, which is an increase of 37.0 percent. Organic growth was 2.8 percent and acquired growth was 33.1 percent. Six companies were acquired during the period.

Earnings
Second quarter

Adjusted EBITA for the second quarter was SEK 69 (55) million. Net financial items for the quarter amounted to SEK –7 (–2) million. Interest expense on external loans was SEK –2 (–2) million. Earnings were SEK 42 (38) million, which corresponds to earnings per share of SEK 0.90 (0.81). Tax for the quarter was SEK 12 (9) million.

January-June

Adjusted EBITA for the period was SEK 114 (80) million. Net financial items for the period amounted to SEK –10 (–4) million. Interest expense on external loans was SEK –4 (–4) million. Earnings for the period were SEK 68 (56) million, which corresponds to earnings per share of SEK 1.46 (1.22). Tax for the period was SEK 20 (11) million.

Order backlog
January-June

Order backlog at the end of the second quarter amounted to SEK 2,496 (1,683) million, which is an increase of 48.3 percent. For comparable units, order backlog increased by 17.7 percent and acquired growth was 30.5 percent.

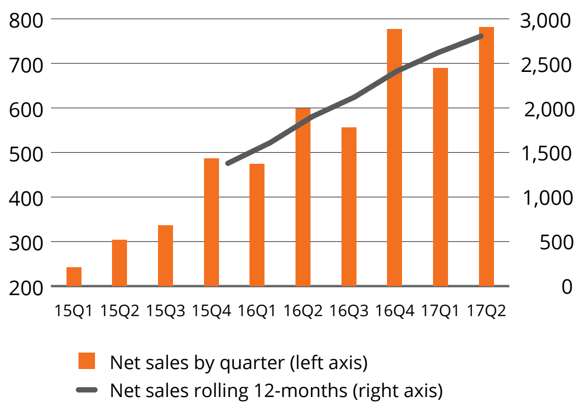
Cash flow
Second quarter

Operating cash flow was SEK 30 (77) million.

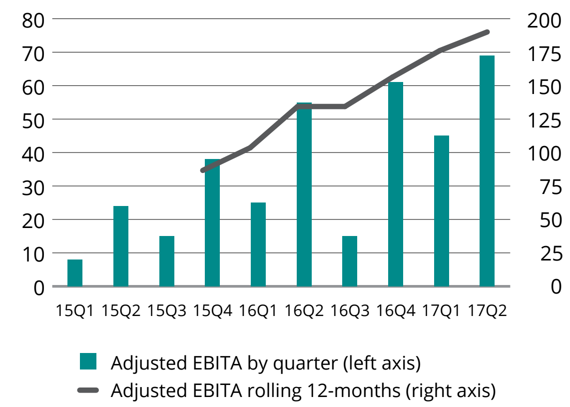
January-June

Operating cash flow was SEK 134 (152) million.

NET SALES BY QUARTER, SEK M



ADJUSTED EBITA BY QUARTER, SEK M



Operations in Sweden

Market

There is healthy demand in the market as regards housing construction, public facilities, hospitals, and the pulp and paper industry. Demand is particularly strong in the metropolitan regions.

Net sales

Second quarter

Net sales for the second quarter increased by SEK 101 million to SEK 633 (532) million compared to the same period last year. Organic growth was –3.0 percent and acquired growth was 21.9 percent.

January-June

Net sales for the period increased by SEK 242 million to SEK 1,226 (984) million compared to the same period last year. Organic growth was 3.0 percent and acquired growth was 21.5 percent.

Earnings

Second quarter

Adjusted EBITA was SEK 63 (54) million.

January-June

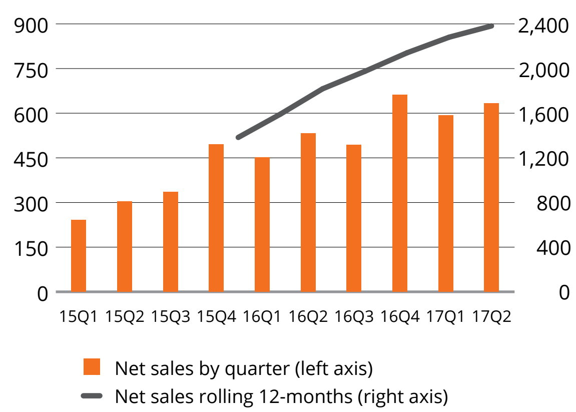
Adjusted EBITA was SEK 116 (79) million. The improvement is attributable to acquisitions and improved processes, more focus on measures to improve profitability and IFOKUS, which is the company's improvement initiative.

Order backlog

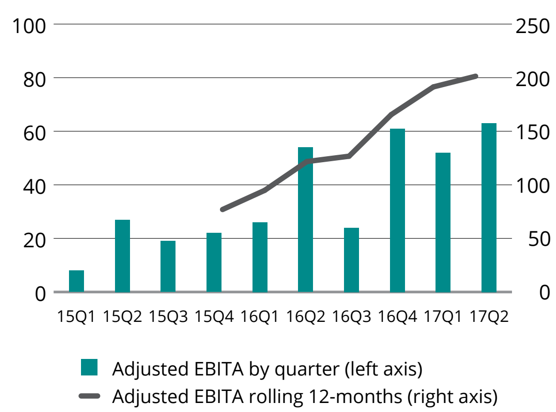
January-June

Order backlog at the end of the period amounted to SEK 1,963 (1,450) million, which is an increase of 35.4 percent. For comparable units, order backlog increased by 20.0 percent and acquired growth was 15.3 percent.

NET SALES BY QUARTER, SEK M



ADJUSTED EBITA BY QUARTER, SEK M



Key figures, Sweden

SEK m	April-June 2017	April-June 2016	Jan-June 2017	Jan-June 2016	12-months rolling 2016/2017	Jan-Dec 2016
Net sales	633	532	1,226	984	2,381	2,139
EBITA	63	54	116	79	201	165
EBITA %	10.0	10.1	9.4	8.1	8.4	7.7
Adjusted EBITA	63	54	116	79	201	165
Adjusted EBITA, %	10.0	10.1	9.4	8.1	8.4	7.7
Order backlog	1,963	1,450	1,963	1,450	1,963	1,685

Operations in Rest of Nordic

Market

The Norwegian market is stable, except for the southwest, where the downturn in the oil and gas sector has also had a negative impact on the construction market. However, Instalco's exposure in that region is limited. In Finland, the market is stable.

Net sales

Second quarter

Net sales for the second quarter increased by SEK 82 million to SEK 149 (67) million compared to the same period last year. Organic growth was –57.2 percent and acquired growth was 170.3 percent.

January-June

Net sales for the period increased by SEK 155 million to SEK 244 (89) million compared to the same period last year. Organic growth was 0.0 percent and acquired growth was 160.7 percent.

Earnings

Second quarter

Adjusted EBITA was SEK 13 (6) million.

January-June

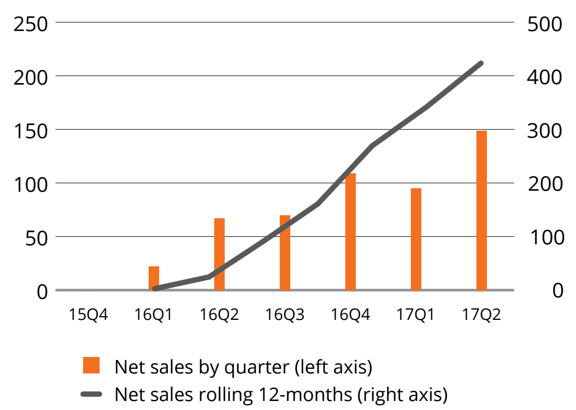
Adjusted EBITA was SEK 11 (7) million.

Order backlog

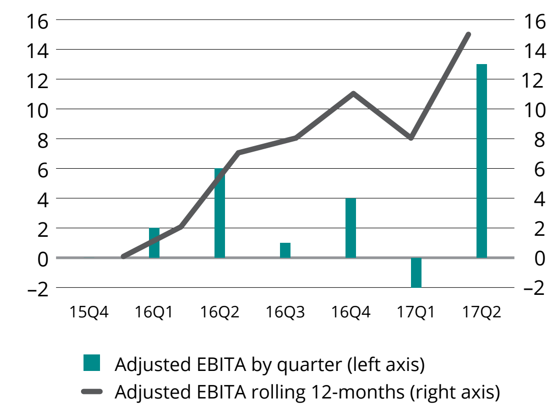
January-June

Order backlog at the end of the period amounted to SEK 534 (240) million, which is an increase of 120.9 percent. The growth is fully attributable to acquisitions.

NET SALES BY QUARTER, SEK M



ADJUSTED EBITA BY QUARTER, SEK M



Key figures, Rest of Nordic

SEK m	April-June 2017	April-June 2016	Jan-June 2017	Jan-June 2016	12-months rolling 2016/2017	Jan-Dec 2016
Net sales	149	67	244	89	423	268
EBITA	13	6	11	7	15	11
EBITA %	8.7	8.2	4.5	8.0	3.6	4.3
Adjusted EBITA	13	6	11	7	15	11
Adjusted EBITA, %	8.7	8.2	4.5	8.0	3.6	4.3
Order backlog	534	240	534	240	534	315

Acquisitions

Instalco made six acquisitions during the first half of 2017. For each of them, 100 percent of the shares were acquired. The acquisitions do not contain any bad debts.

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 30 million.

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

Goodwill of SEK 227 million that has arisen from the acquisitions is not attributable to any particular balance sheet item and it is not expected to generate any synergy effects.

Company acquisitions

Instalco made the following company acquisitions during the period January – June 2017.

Access gained	Acquisitions	Segment	Assessed annual sales, SEK m	Number of employees
February	SwedVvs AB	Sweden	26	18
February	Andersen og Aksnes Rørleggerbedrift AS	Rest of Nordic	102	35
March	Uudenmaan Sähkötekniikka JP OY	Rest of Nordic	42	36
March	Rodens Värme och Sanitet AB	Sweden	38	16
March	Uudenmaan LVI-Talo OY	Rest of Nordic	107	53
June	Frøland & Noss Elektro AS	Rest of Nordic	167	130
Total			**482**	**288**

Impact of acquisitions in 2017

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

SEK m	Fair value of Group
Intangible assets	0
Deferred tax receivable	0
Other non-current assets	5
Other current assets	107
Cash and cash equivalents	76
Deferred tax liability	–1
Current liabilities	–107
Total identifiable assets and liabilities (net)	**79**
Goodwill	**227**
Consideration paid	
Cash and cash equivalents	283
Conditional consideration	23
Total transferred consideration	**306**
Impact on cash and cash equivalents	
Cash consideration paid	283
Cash and cash equivalents of the acquired units	–76
Total impact on cash and cash equivalents	**207**
Settled conditional consideration attributable to acquisitions in prior years	11
Total impact on cash and cash equivalents	**218**
Impact on operating income and earnings in 2017	
Operating income	98
Earnings	14

Other financial information

Financial position

Equity at the end of the period amounted to SEK 656 (340) million. Net debt as of 30 June 2017 was SEK 346 (265) million. Currency fluctuations did not have any impact on net debt. The gearing ratio as of 30 June 2017 was SEK 52.8 (78.0) percent. For the second quarter, net financial items amounted to SEK –7 (–2) million, of which net interest income/expense was SEK –2 (–2) million. For the period January - June 2017, net financial items amounted to SEK –10 (–4) million, of which net interest income/expense was SEK –4 (–4) million. The Group's cash and cash equivalents, together with its other short-term investments amounted to SEK 265 (92) million as of 30 June 2017. The Group's interest-bearing liabilities as of 30 June 2017 were SEK 615 (361) million. Instalco's total amount of granted credit was SEK 1,201 million, of which SEK 613 million had been utilised as of 30 June 2017. The change in working capital for the quarter was SEK –40 (16) million, which is primarily attributable to an increase in accounts receivable and a decrease in accounts payable as a consequence of many project completions during the second quarter last year. During the period January – June 2017, the change in working capital was SEK 17 (72) million.

Investments, depreciation and amortization

For the year, the Group's net investments, not including company acquisitions, amounted to SEK 1 (1) million. Depreciation on property, plant and equipment was SEK 2 (1) million. Investments in company acquisitions amounted to SEK 207 (60) million. In addition, conditional consideration on prior year acquisitions was paid out in the amount of SEK 11 (0) million.

Parent Company

The main operations of Instalco Intressenter AB are head office activities like group-wide management and administration, along with finance and accounting. The comments below pertain to the period 1 January through 30 June 2017. Net sales for the Parent Company amounted to SEK 4 (0) million. Operating profit/loss was SEK –17 (0) million. Net financial items amounted to SEK –2 (–1) million. Earnings before taxes were SEK –19 (–1) million and earnings for the period were SEK –19 (–1) million. Cash and cash equivalents at the end of the period amounted to SEK 12 (1) million.

Risks and uncertainties

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

The percentage of completion method is applied, with consideration given to a project's percentage of completion and final forecast. Instalco puts great emphasis on continually monitoring the financial status of its projects and it has a well-established process for limiting the risks of incorrect revenue recognition.

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

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 in 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 price of the warrants corresponded to the market value. The dilutive effect corresponds to, at most, 4.0 percent of share capital and votes after dilution. The warrants can be exercised from the day following the publication of the Company's quarterly report for the first quarter of 2020 through 30 June 2020.

Transactions with related parties

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

Other events during the period

On 11 May 2017, Instalco's shares became listed on Nasdaq Stockholm under the trading symbol INSTAL. Please visit Instalco's website for more information on the IPO.

In conjunction with the IPO, the company entered into a new financing agreement with Danske Bank.

During the quarter, changes were made to the subsidiary structure when Dalab VVS Installation AB was merged with Dalab Dala Luftbehandling AB and in conjunction with that, the company name was changed to Dalab Sverige AB.

Vito Vestfold AS and Vito Oslo AS were merged with Vito Teknisk Entreprenör AS.

Events after the end of the reporting period

In Q3 2017, Instalco acquired Elektrisk AS in Norway, which belongs to the segment Rest of Nordic. In 2016, the company's sales were SEK 66 million and it has 41 employees.

Effects of acquisitions after the end of the reporting period

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

Fair value of consideration at the time of acquisition	SEK m
Conditional consideration	14
Cash and cash equivalents	30
Total consideration	**44**
Carrying amount of identifiable net assets	
Property, plant and equipment	0
Other current assets	13
Cash and cash equivalents	7
Other liabilities	–16
Total identifiable net assets	**5**
Goodwill from acquisitions	38
	44

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 21 million. The fair value of the conditional consideration is at Level 3 in the fair value hierarchy. Goodwill of SEK 38 million that has arisen from the acquisition is not attributable to any particular balance sheet item and it is not expected to generate any synergy effects.

During Q3, changes were made to the subsidiary structure when SwedVvs AB was merged with LG Contracting AB.

Accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) along with interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission for application within the EU. The standards and interpretations that have been applied are the ones that go into effect as of 1 January 2017 and which have been adopted by the EU. The Company has also applied recommendations from the Swedish Financial Reporting Board, RFR 1 Supplementary Accounting Rules for Groups. The consolidated financial statements for the interim period have been prepared in accordance with IAS 34 Interim Financial Reporting. Preparation has also been in accordance with the applicable requirements stated in the Annual Accounts Act and the Swedish Securities Market Act. The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act and the Swedish Securities Market Act, which is in accordance with RFR 2 Accounting for Legal Entities.

The accounting policies that were applied are the same as those presented in the 2016 Annual Report, which is available at www.instalco.se.

Other

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

Condensed consolidated income statement and statement of comprehensive income

AMOUNTS IN SEK M	April-June 2017	April-June 2016	Jan-June 2017	Jan-June 2016	12-months rolling 2016/2017	Jan-Dec 2016
Net sales	781	599	1,470	1,073	2,804	2,407
Other operating income	20	1	22	2	24	4
Operating income	**801**	**600**	**1,492**	**1,075**	**2,828**	**2,411**
Materials and purchased services	–404	–343	–778	–610	–1,529	–1,362
Other external services	–71	–32	–122	–63	–228	–168
Personnel costs	–259	–171	–481	–321	–885	–725
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	–1	–1	–2	–1	–5	–4
Other operating expenses	–5	–6	–10	–8	–14	–12
Operating expenses	**–740**	**–552**	**–1,394**	**–1,004**	**–2,661**	**–2,271**
Operating profit/loss (EBIT)	**61**	**49**	**98**	**71**	**167**	**140**
Net financial items	–7	–2	–10	–4	–14	–8
Earnings before taxes	**54**	**46**	**88**	**67**	**153**	**132**
Tax on profit for the year	–12	–9	–20	–11	–50	–41
Earnings for the period	**42**	**38**	**68**	**56**	**102**	**91**
Other comprehensive income						
Translation difference	–9	1	–12	0	–12	6
Comprehensive income for the period	**33**	**39**	**56**	**57**	**91**	**97**
Comprehensive income for the period attributable to:						
Parent Company's shareholders	33	39	56	57	91	97
Non-controlling interests	0	0	0	0	0	0
Earnings per share for the period, before dilution	0.90	0.81	1.46	1.22	2.21	1.96
Earnings per share for the period, after dilution	0.87	0.78	1.40	1.17	2.12	1.89
Average number of shares before dilution	46,311,608	46,311,608	46,311,608	46,311,608	46,311,608	46,311,608
Average number of shares after dilution[3)]	48,300,351	48,253,891	48,300,351	48,253,891	48,300,351	48,253,891

3) In conjunction with the IPO, the Company issued 1,942,283 warrants (see incentive program)

Condensed consolidated balance sheet

AMOUNTS IN SEK M	30 June 2017	30 June 2016	31 Dec 2016
Goodwill	1,043	589	826
Other non-current assets	16	8	13
Financial assets	1	0	1
Deferred tax receivable	0	2	0
Total non-current assets	**1,059**	**599**	**840**
Inventories	10	4	6
Accounts receivable	416	296	404
Receivables on customers	117	48	57
Other receivables and investments	40	26	26
Prepaid expenses and accrued income	23	18	38
Cash and cash equivalents	265	92	155
Total current assets	**871**	**483**	**685**
Total assets	**1,930**	**1,082**	**1,525**
Equity	656	340	553
Total equity	**656**	**340**	**553**
Non-current liabilities	647	382	422
Accounts payable	231	175	212
Liabilities to customers	116	21	63
Other current liabilities	82	9	65
Accrued expenses and deferred income, including provisions	199	155	210
Total liabilities	**1,274**	**742**	**972**
Total equity and liabilities	**1,930**	**1,082**	**1,525**
Of which interest-bearing liabilities	615	361	400
Equity attributable to:			
Parent Company shareholders	656	340	553
Non-controlling interests	0	0	0

Condensed statement of changes in equity

AMOUNTS IN SEK M	30 June 2017	30 June 2016	31 Dec 2016
Opening equity	553	266	266
Total comprehensive income for the period	56	57	97
New issues	35	16	188
Unregistered share capital	3	1	0
Issue warrants	8	0	0
Other	0	0	3
Closing equity	**656**	**340**	**553**
Equity attributable to:			
Parent Company's shareholders	656	340	553
Non-controlling interests	–	–	–

Condensed consolidated cash flow statement

AMOUNTS IN SEK M	April-June 2017	April-June 2016	Jan-June 2017	Jan-June 2016	12-months rolling 2016/2017	Jan-Dec 2016
Cash flow from operating activities						
Earnings before taxes	54	46	88	67	153	132
Adjustment for items not included in cash flow	–1	–4	12	8	12	8
Tax paid	–18	–3	–37	–29	–51	–43
Changes in working capital	–40	16	17	72	77	132
Cash flow from operating activities	**–5**	**55**	**80**	**119**	**190**	**230**
Investing activities						
Acquisition of subsidiaries and businesses	–37	–42	–218	–60	–483	–325
Other	–1	7	–1	–1	–3	–4
Cash flow from investing activities	**–38**	**–34**	**–219**	**–62**	**–486**	**–329**
Financing activities						
New issue	11	6	46	6	228	188
New loans	546	–53	648	–24	692	20
Repayment of loan	–441	0	–441	0	–449	–8
Cash flow from financing activities	**116**	**–48**	**253**	**–18**	**471**	**200**
Cash flow for the period	73	–27	114	39	175	100
Cash and cash equivalents at the beginning of the period	194	118	155	52	155	52
Translation differences in cash and cash equivalents	–3	0	–4	1	–4	3
Cash and cash equivalents at the end of the period	**265**	**92**	**265**	**92**	**326**	**155**

Condensed Parent Company income statement

AMOUNTS IN SEK M	April-June 2017	April-June 2016	Jan-June 2017	Jan-June 2016	12-months rolling 2016/2017	Jan-Dec 2016
Net sales	2	0	4	0	7	3
Operating expenses	–16	0	–21	0	–25	–4
Operating profit/loss	**–14**	**0**	**–17**	**0**	**–18**	**–1**
Net financial items	–1	–1	–2	–1	–4	–3
Earnings before taxes	**–16**	**–1**	**–19**	**–1**	**–22**	**–4**
Tax	0	0	0	0	–1	–1
Earnings for the period	**–16**	**–1**	**–19**	**–1**	**–22**	**–5**

Condensed Parent Company balance sheet

AMOUNTS IN SEK M	30 June 2017	30 June 2016	31 Dec 2016
Shares in subsidiaries	1,290	1,098	1,270
Deferred tax receivable	0	1	0
Total non-current assets	**1,290**	**1,099**	**1,270**
Other current assets	7	0	0
Cash and cash equivalents	12	1	6
Total current assets	**19**	**1**	**6**
Total assets	**1,309**	**1,100**	**1,277**
Equity	1,162	957	1,135
Total equity	**1,162**	**957**	**1,135**
Non-current liabilities	140	143	131
Accounts payable	5	0	0
Other current liabilities	0	0	9
Accrued expenses and deferred income	1	0	1
Total liabilities	**147**	**143**	**142**
Total equity and liabilities	**1,309**	**1,100**	**1,277**

Quarterly data

AMOUNTS IN SEK M	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Net sales	781	689	777	556	599	474	487	336
Growth in net sales, %	30.5	45.2	59.7	65.6	97.1	95.8	104.6	96.5
EBIT	61	37	58	11	49	23	38	–7
EBITA	61	37	58	11	49	23	38	–7
EBITDA	62	38	60	12	49	23	39	–6
Adjusted EBITA	69	45	61	15	55	25	38	15
Adjusted EBITDA	71	46	63	16	56	26	39	15
EBIT margin, %	7.8	5.3	7.4	2.0	8.1	4.8	7.9	–2.0
EBITA margin, %	7.8	5.3	7.4	2.0	8.1	4.8	7.9	–2.0
EBITDA margin, %	8.0	5.5	7.7	2.2	8.2	4.9	8.0	–1.9
Adjusted EBITA margin, %	8.9	6.5	7.8	2.7	9.2	5.3	7.9	4.5
Adjusted EBITDA margin, %	9.1	6.7	8.1	2.9	9.3	5.5	8.0	4.6
Working capital	–26	–69	–17	3	15	35	100	55
Interest-bearing net debt	346	302	241	210	265	293	332	285
Cash conversion %	42	226	116	399	138	291	5	–245
Gearing ratio, %	52.8	49.5	43.5	40.6	78.0	99.3	124.5	106.6
Net debt/in relation to adjusted EBITDA, times	1.8	1.7	1.5	1.5	2.0	2.8	3.8	n.a.
Order backlog	2,496	2,189	1,999	1,911	1,683	1,650	1,318	1,116
Average number of employees	1,578	1,466	1,240	1,221	1,082	1,043	870	949
Number of employees at the end of the period	1,590	1,470	1,295	1,257	1,120	1,060	925	985

Reconciliation of key figures not defined in accordance with IFRS

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

Earnings measures and margin measures

Amounts in SEK m	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
(A) Operating profit/loss (EBIT)	61	37	58	11	49	23	38	–7
Depreciation/amortization and impairment of acquisition-related intangible assets	–	–	–	–	–	–	–	–
(B) EBITA	61	37	58	11	49	23	38	–7
Depreciation/amortization and impairment of property, plant and equipment and intangible assets	1	1	2	1	1	1	1	0
(C) EBITDA	62	38	60	12	49	23	39	–6
Items affecting comparability								
Additional consideration	–16	4	–	–	6	–	–5	18
Acquisition costs	4	2	1	3	–	2	3	–
Costs associated with refinancing	0	1	1	–	–	–	2	4
Listing costs	20	2	1	1	–	–	–	–
Total, items affecting comparability	8	8	3	4	6	3	0	22
(D) Adjusted EBITA	69	45	61	15	55	25	38	15
(E) Adjusted EBITDA	71	46	63	16	56	26	39	15
(F) Net sales	781	689	777	556	599	474	487	336
(A/F) EBIT margin, %	*7.8*	*5.3*	*7.4*	*2.0*	*8.1*	*4.8*	*7.9*	*–2.0*
(B/F) EBIT margin, %	*7.8*	*5.3*	*7.4*	*2.0*	*8.1*	*4.8*	*7.9*	*–2.0*
(C/F) EBIT margin, %	*8.0*	*5.5*	*7.7*	*2.2*	*8.2*	*4.9*	*8.0*	*–1.9*
(D/F) Adjusted EBITA margin, %	*8.9*	*6.5*	*7.8*	*2.7*	*9.2*	*5.3*	*7.9*	*4.5*
(E/F) Adjusted EBITDA margin, %	*9.1*	*6.7*	*8.1*	*2.9*	*9.3*	*5.5*	*8.0*	*4.6*

Capital structure

Amounts in SEK m	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Calculation of working capital and working capital in relation to net sales								
Inventories	10	10	6	5	4	4	4	3
Accounts receivable	416	353	404	349	296	264	273	196
Earned, but not yet invoiced revenue	117	115	57	54	48	45	47	30
Prepaid expenses and accrued income	23	24	38	17	18	29	41	32
Other current assets	36	20	10	9	9	9	20	5
Accounts payable	–231	–223	–212	–221	–175	–151	–123	–123
Invoiced, but not yet earned income	–116	–98	–63	–24	0	0	–17	–1
Other current liabilities	–82	–54	–46	–18	–30	–20	–42	–9
Accrued expenses and deferred income, including provisions	–199	–215	–210	–169	–155	–145	–103	–78
(A) Working capital	**–26**	**–69**	**–17**	**3**	**15**	**35**	**100**	**55**
(B) Net sales (12-months rolling)	2,804	2,621	2,407	2,116	1,896	1,601	1,369	–
(A/B) Working capital as a percentage of net sales, %	**–0.9**	**–2.6**	**–0.7**	**0.1**	**0.8**	**2.2**	**7.3**	**–**
Calculation of interest-bearing net debt and gearing ratio								
Non-current, interest-bearing financial liabilities	615	493	392	444	321	375	344	200
Current, interest-bearing financial liabilities	0	8	8	–0	40	40	40	140
Short-term investments	–4	–4	–4	–4	–4	–4	–	–
Cash and cash equivalents	–265	–194	–155	–229	–92	–118	–52	–55
(A) Interest-bearing net debt	**346**	**302**	**241**	**210**	**265**	**293**	**332**	**285**
(B) Equity	656	611	553	518	340	295	266	267
(A/B) Gearing ratio, %	**52.8**	**49.5**	**43.4**	**40.6**	**78.0**	**99.3**	**124.5**	**106.6**
(C) EBITDA (12-months rolling)	172	159	144	124	105	66	51	–
(A/C) Interest-bearing net debt in relation to EBITDA (12-months rolling)	**2.0 times**	**1.9 times**	**1.7 times**	**1.7 times**	**2.5 times**	**4.4 times**	**6.5 times**	**–**
Calculation of operating cash flow and cash conversion								
(A) Adjusted EBITDA	71	46	63	16	56	26	39	15
Net investments in property, plant and equipment and intangible assets	–1	0	5	–7	7	–9	5	–4
Changes in working capital	–40	57	5	55	14	58	–42	–47
(B) Operating cash flow	**30**	**104**	**73**	**64**	**77**	**75**	**2**	**–37**
(B/A) Cash conversion %	**42**	**226**	**116**	**399**	**138**	**291**	**5**	**–245**

Signatures

Future reporting dates

Interim report January-September 2017	8 November 2017
Year-end report 2017	16 February 2018

Board of Directors' assurance

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

Stockholm, 25 August 2017
Instalco Intressenter AB (publ)

Olof Ehrlén Chairman of the Board	Johnny Alvarsson Board member	Kennet Lundberg Board member	Peter Möller Board member

Göran Johnsson Board member	Anders Eriksson Board member	Per Sjöstrand CEO

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

Note

This information is information that Instalco is required to disclose under the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was made public by the contact person listed below, on 25 August 2017 at 12:00 CET.

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

Presentation of the report

The report will be presented in a conference call/audiocast today, 25 August at 14.00 CET via https://tv.streamfabriken.com/instalco-q2-2017.

Participants call in to the following numbers:
SE: +46 8 566 42 699
UK: +44 203 008 9803
US: +1 855 831 5948

Definitions with explanation

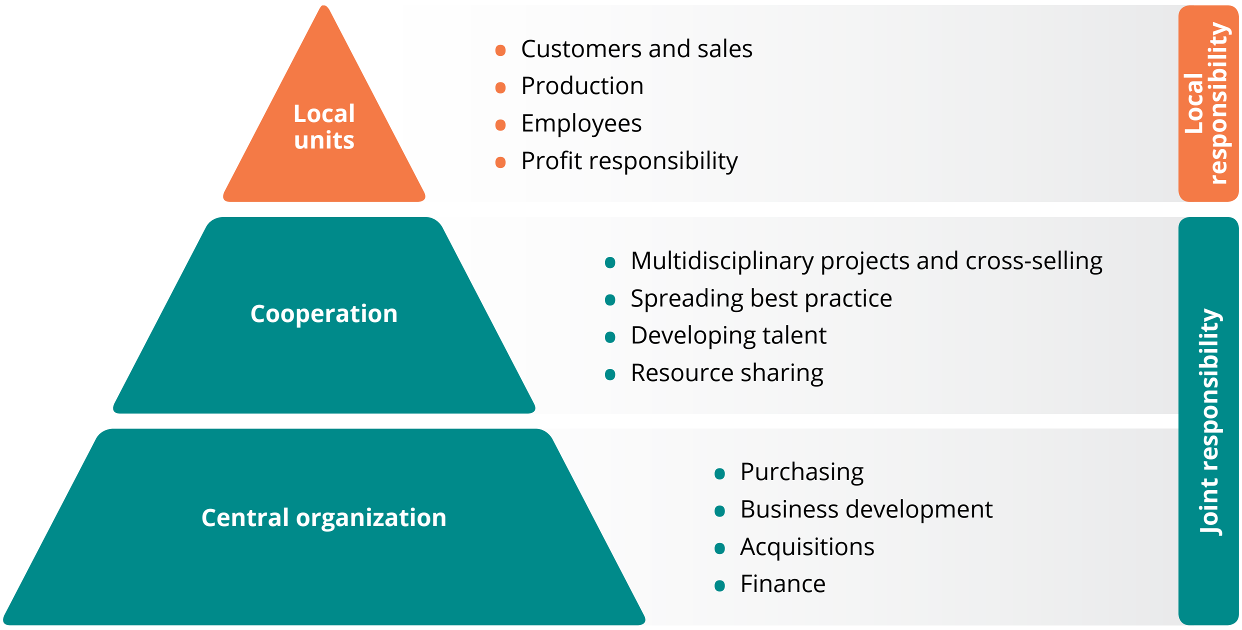
General	Unless otherwise indicated, all amounts in the tables are in SEK m. All amounts in parentheses () are comparison figures for the same period in the prior year, unless otherwise indicated.

Key figures	Definition/calculation	Purpose
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 realized sales growth over time.
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.
Acquired growth in net sales	Change in net sales as a percentage of net sales during the comparable period, fuelled by acquisitions. Acquired net sales is defined as net sales during the period that are attributable to companies that were acquired during the last 12-month period and for these companies, the only amounts that are considered as acquired net sales are their sales up until 12 months after the acquisition date.	Acquired net sales growth reflects the acquired units' impact on net sales.
EBIT margin	Operating profit/loss (EBIT), as a percentage of net sales.	EBIT margin is used to measure operational profitability.
EBITA	Operating profit/loss (EBIT) before depreciation/amortization and impairment of acquisition-related intangible assets.	EBITA provides an overall picture of the profit generated from operating activities.
EBITA margin	Operating profit/loss (EBIT) before depreciation/amortization and impairment of acquisition-related intangible assets, as a percentage of net sales.	EBIT margin is used to measure operational profitability.
EBITDA	Operating profit/loss (EBIT) before depreciation/amortization and impairment of acquisition-related intangible assets and depreciation/amortization and impairment of property, plant and equipment and intangible assets	EBITDA, together with EBITA provides an overall picture of the profit generated from operating activities.
EBITDA margin	Operating profit/loss (EBIT) before depreciation/amortization and impairment of acquisition-related intangible assets and depreciation/amortization and impairment of property, plant and equipment and intangible assets, as a percentage of net sales.	EBITDA margin is used to measure operational profitability.
Items affecting comparability	Items affecting comparability, like additional consideration, acquisition costs, the costs associated with refinancing, listing costs and sponsorship costs.	By excluding items affecting profitability, it is easier to compare earnings between periods.
Adjusted EBITA	EBITA adjusted for items affecting comparability.	Adjusted EBITA increases comparability of EBITA.
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	EBITDA adjusted for items affecting comparability.	Adjusted EBITDA increases comparability of EBITDA.
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.
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.
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.

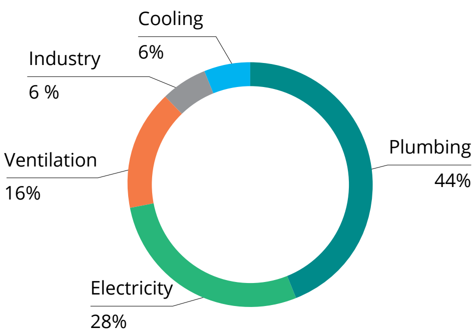
Key figures	Definition/calculation	Purpose
Working capital	Inventories, accounts receivable, earned but not yet invoiced income, prepaid expenses and accrued income and other current assets, less accounts payable, invoiced but not yet earned income, accrued expenses and deferred income and other current 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.
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	Net debt at end of period divided by adjusted EBITDA, on a 12-month rolling basis.	Net debt in relation to adjusted EBITDA provides an estimate of the company's ability to reduce its debt. It represents the number of years it would take to pay back the debt if the net debt and adjusted EBITDA is kept constant, without taking into account the cash flows relating to interest, taxes and investments.
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.
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.

Instalco in brief

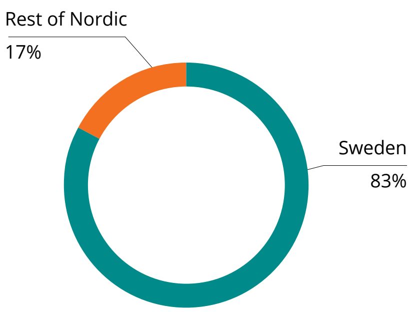
Instalco has a decentralized structure, where operations are conducted in each unit, in close cooperation with customers and with the support of a very streamlined central organization. The Instalco model is designed to benefit from the advantages of both strong local ties and joint functions.



NET SALES BY AREA OF OPERATION



NET SALES BY MARKET AREA



INSTALCO

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