Instalco

Interim report January – September 2019

Continued high profitability and geographic expansion

July – September 2019

- Net sales increased 41.9 percent to SEK 1,416 (998) million. Organic growth was 14.6 (8.6) percent.
- Adjusted EBITA increased to SEK 127 (75) million, which corresponds to an adjusted EBITA margin of 9.0 (7.5) percent.
- Operating cash flow for the quarter was SEK 138 (25) million.
- Five acquisitions were made during the quarter, which, on an annual basis, contribute an estimated total sales of SEK 359 million.
- Earnings per share for the quarter amounted to SEK 1.59 (1.22).

January - September 2019

- Net sales increased by 28.2 percent to SEK 4,040 (3,150) million. Organic growth was 3.9 (7.4) percent.
- Adjusted EBITA increased to SEK 342 (255) million, which corresponds to an adjusted EBITA margin of 8.5 (8.1) percent.
- Operating cash flow for the period was SEK 420 (256) million.
- Thirteen acquisitions were made during the period, which, on an annual basis, contribute an estimated total sales of SEK 1,016 million.
- Earnings per share for the period amounted to SEK 5.34 (3.17).

Key figures

SEK m	July-Sept 2019	July-Sept 2018	Jan-Sept 2019	Jan-Sept 2018	12-months rolling 2018/2019	Jan-Dec 2018
Net sales	1,416	998	4,040	3,150	5,304	4,414
EBITA	113	68	348	209	473	334
EBITA margin, %	8.0	6.8	8.6	6.6	8.9	7.6
Adjusted EBITA[1)]	127	75	342	255	462	375
Adjusted EBITA margin, %[1)]	9.0	7.5	8.5	8.1	8.7	8.5
Earnings before taxes	108	63	335	193	458	315
Order backlog	4,418	3,724	4,418	3,724	4,418	4,063
Earnings per share, SEK [2)]	1.59	1.22	5.34	3.17	7.36	5.20

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

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

CEO Comments

Instalco once again reported stable growth in sales and high profitability during the third quarter of the year. Sales for the quarter amounted to SEK 1,416 (998) million. Growth for the quarter was 41.9 percent, of which 14.6 percent was organic growth. Adjusted EBITA for the third quarter was SEK 127 (75) million, which corresponds to an adjusted EBITA margin of 9.0 (7.5) percent. The strong cash flow enables continued expansion, to a large extent with own resources. Order backlog has remained stable and at the end of the quarter, it amounted to SEK 4,418 (3,724) million, which corresponds to an increase of 18.6 percent.

Position in new markets

Five new acquisitions were made during the third quarter and Instalco has remained successful in making high-quality acquisitions. Already this year, we have an acquired annual sales in excess of one billion SEK, which far exceeds our target of SEK 600-800 million. Each of the five acquisitions made during the quarter have contributed to Instalco's strong performance and our geographic expansion of operations.

In Finland, we established our position for the first time in the northern part of the country via the acquisition of the heating & plumbing company, Pohjanmaan Taloteknikka in Oulu, which is a city in the region of North Ostrobothnia, Finland. In Helsinki, we acquired VIP-Sähkö. It specialises in electrical installations for new housing construction, which is an area of expertise that we previously lacked in Finland.

In Sweden, we widened our geographic scope via the acquisition of OVAB Optimal Ventilation, which primarily serves the markets of Östersund and Åre. We are also now represented in Nyköping via the acquisition of Rörtema and we expect many opportunities for collaboration with our other Instalco companies. In Business Area North, we expanded via our acquisition of Milen Ventilation in Gävle.

Prestigious projects and a stable market

I am proud to report that we signed two major contracts for prestigious projects during the quarter. JN El has been contracted by Skanska for electrical installations in conjunction with the construction of Scania's new foundry in Södertälje. The work will be done as part of a collaboration contract where JN El will be responsible for the electrical installations for approximately SEK 100 million. The other major project involves Rörläggaren, which has been contracted for work associated with the new hospital area in Malmö. Rörläggaren has been contracted by Skanska for extensive, heating & plumbing installations, with an order value of SEK 270 million.

We also signed a major contract in Norway, where AS Elektrisk has been engaged for electrical installation work associated with construction of a new large retirement home in Hurum, near the city of Drammen.

In general, our observation is that the market remains stable and many exciting projects are underway in the Group. I would like to emphasize too, that the backbone of our operations is still based on having a majority of small and medium-sized projects, along with service assignments, all of which are executed with a focus on high quality and profitability.

Sharper focus on sustainability and service

At Instalco, sustainability and providing benefits to society are key concepts. We have also noticed that both our customers and subsidiaries are showing a higher level of awareness and interest in such matters. Providing safe, sustainable installations that help generate benefits to society is a high priority for us. We also put much emphasis on having a safe, stimulating work environment at all companies in the Instalco group.

With this in mind, I am proud to report that we are about to take the next step with our sustainability efforts. We are working intensively to design our new sustainability program, which we will launch early next year.

Another area that also relates to sustainability is service. We are currently designing a plan for soon providing a wider scope of services and also making service a larger proportion of our overall offering through our subsidiaries. In an effort to increase comparability, we will also, going forward, clarify what we package in the service area.

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. To a large extent, it is fuelled by several long-term trends and underlying factors such as urbanisation, housing shortage, development of technology, infrastructure investments and ageing property holdings.

More recently, there has also been more emphasis on environmental awareness, generating benefits to society and sustainable entrepreneurship in the market.

Net sales

Third quarter

Sales for the third quarter amounted to SEK 1,416 (998) million, which is an increase of 41.9 percent. Adjusted for currency effects, organic growth was 14.6 percent and acquired growth was 27.1 percent. Currency fluctuations had an effect on net sales of 0.2 percent. Five new company acquisitions were made during the quarter.

January-September

Net sales for the period amounted to SEK 4,040 (3,150) million, which is an increase of 28.2 percent. Organic growth, adjusted for currency effects, was 3.9 percent and acquired growth was 24.1 percent. Currency fluctuations had an effect on net sales of 0.5 percent. Thirteen companies were acquired during the period.

Earnings

Third quarter

Adjusted EBITA for the third quarter amounted to SEK 127 (75) million. The difference is primarily attributable to a revaluation of additional consideration during the quarter. The transition to IFRS 16 had a positive impact in EBITDA margin of 1.5 (1.7) percent. Net financial items for the quarter amounted to SEK –5 (–6) million. Interest expense on external loans was SEK –4 (–3) million. Earnings for the period were SEK 80 (58) million, which corresponds to earnings per share of SEK 1.59 (1.22). Tax for the quarter was SEK –28 (–4) million.

January-September

Adjusted EBITA for the period was SEK 342 (255) million. The transition to IFRS 16 had a positive impact in EBITDA margin of 1.6 (1.6) percent. Net financial items for the period amounted to SEK –12 (–16) million. Interest expense on external loans was SEK –10 (–9) million. Earnings for the period were SEK 263 (151) million, which corresponds to earnings per share of SEK 5.34 (3.17). Tax for the period was SEK –73 (–42) million.

Order backlog

January-September

Order backlog at the end of the third quarter amounted to SEK 4,418 (3,724) million, which is an increase of 18.6 percent. For comparable units, order backlog increased by 6.3 percent and acquired growth was 12.1 percent.

During the third quarter, Instalco companies (via e.g. VVS-Kraft and VVS-metoder) won contracts to participate in the renovation project at the block of buildings situated at Nöten 5 in Solna Strand, Stockholm.

Cash flow

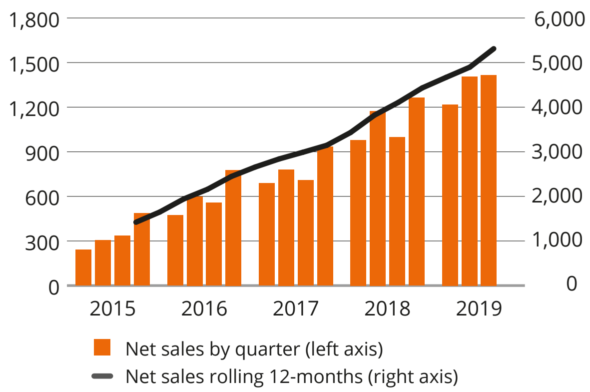
Third quarter

Operating cash flow was SEK 138 (25) million. Instalco's cash flow varies over time, primarily because of work-in-progress. There can be significant fluctuations when making comparisons between quarters and this applies in particular to accounts receivable, accounts payable and work-in-progress.

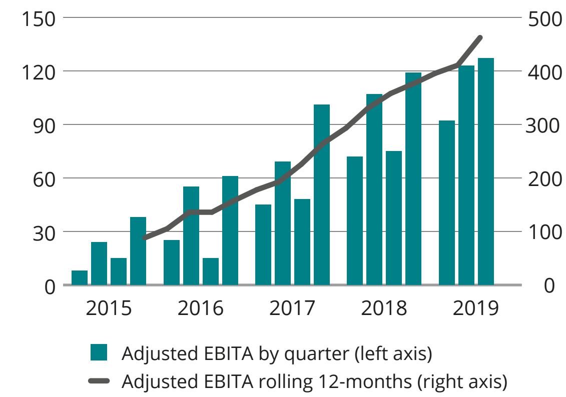
January-September

Operating cash flow was SEK 420 (256) million.

NET SALES BY QUARTER, SEK M



ADJUSTED EBITA BY QUARTER, SEK M



Operations in Sweden

Market

The demand continues to be healthy in the installation market. In some major metropolitan regions, new investments in residential construction have slowed down, but are now showing signs of stabilising. However, the rate of growth for construction in the public sector (e.g. schools, preschools and hospitals) remains currently high. The same applies to construction of commercial property, such as offices and business facilities.

Net sales

Third quarter

Net sales for the third quarter increased by SEK 320 million to SEK 1,039 (719) million compared to the same period last year. Organic growth was 15.2 percent and acquired growth was 29.3 percent.

January-September

Net sales for the period increased by SEK 617 million compared to the same period last year. Organic growth was 3.3 percent and acquired growth was 23.3 percent.

Earnings

Third quarter

Adjusted EBITA for the quarter was SEK 114 (72) million.

January-September

Adjusted EBITA for the period was SEK 286 (248) million.

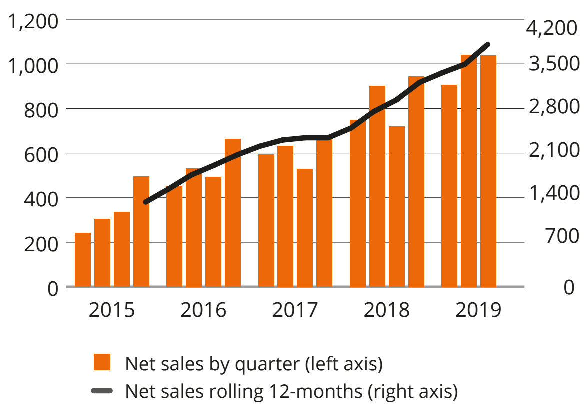
Order backlog

January-September

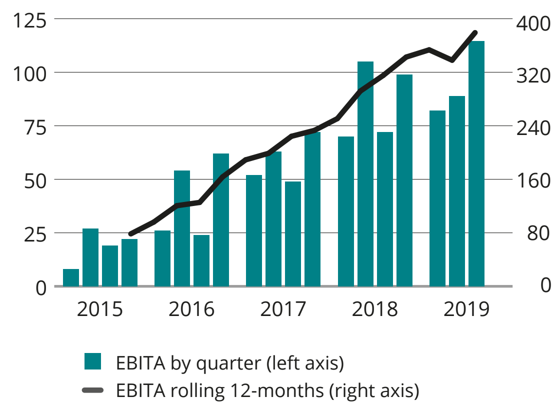
Order backlog at the end of the period amounted to SEK 3,295 (2,822) million, which is an increase of 16.8 percent. For comparable units, order backlog increased by 8.0 percent and acquired growth was 8.7 percent.

During the third quarter, Instalco companies (via e.g. Elkontakt) won contracts to participate in a major electrical installation project associated with the construction of around 300 apartments in Elisedal, which is a new block under development on the outskirts of Gothenburg.

NET SALES BY QUARTER, SEK M



EBITA BY QUARTER, SEK M



Key figures for Sweden

SEK m	July-Sept 2019	July-Sept 2018	Jan-Sept 2019	Jan-Sept 2018	12-months rolling 2018/2019	Jan-Dec 2018
Net sales	1,039	719	2,985	2,368	3,929	3,312
EBITA	114	72	286	248	385	348
EBITA %	11.0	10.1	9.6	10.5	9.8	10.5
Order backlog	3,295	2,822	3,295	2,822	3,295	3,202

Operations in Rest of Nordic

Market

The Norwegian market is stable. The public sector is investing in new schools, preschools, hospitals and infrastructure. There is a noticeable increase in new construction and renovation of offices, warehouses and hotels, while construction of new housing has stabilised at a high level.

The market in Finland has grown in recent years and it is now starting to level off.

Net sales

Third quarter

Net sales for the third quarter increased by SEK 98 million to SEK 377 (279) million compared to the same period last year. Organic growth, adjusted for currency effects, was 12.9 percent and acquired growth was 21.2 percent.

January-September

Net sales for the period increased by SEK 273 million compared to the same period last year. Organic growth, adjusted for currency effects, was 5.8 percent and acquired growth was 26.5 percent.

Earnings

Third quarter

Adjusted EBITA for the quarter was SEK 39 (8) million.

January-September

Adjusted EBITA for the period was SEK 90 (29) million.

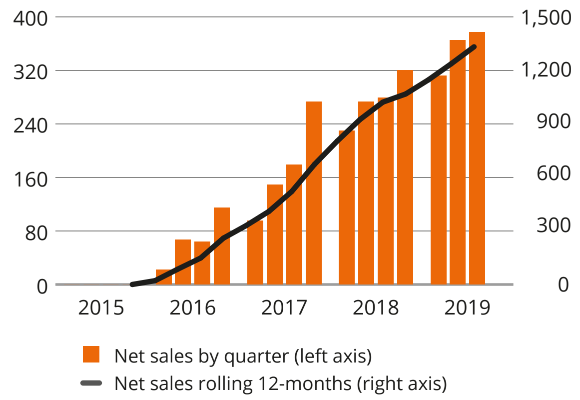
Order backlog

January-September

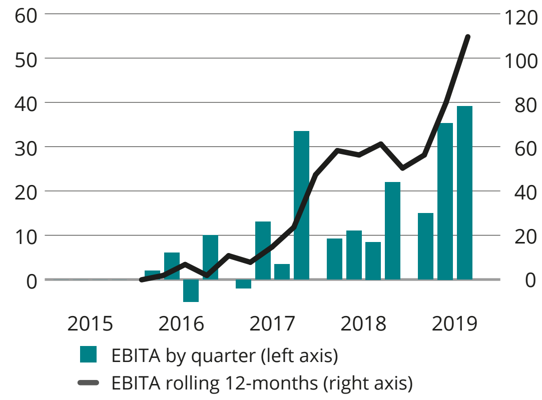
Order backlog at the end of the period amounted to SEK 1,123 (902) million, which is an increase of 23.4 percent, adjusted for currency effects. For comparable units, order backlog increased by 0.8 percent and acquired growth was 22.6 percent.

During the third quarter, Instalco companies (via e.g. Andersen og Aksnes) won contracts for heating & plumbing work in conjunction with the construction of Ruseløkka School in Oslo.

NET SALES BY QUARTER, SEK M



ADJUSTED EBITA BY QUARTER, SEK M



Key figures, Rest of Nordic

SEK m	July-Sept 2019	July-Sept 2018	Jan-Sept 2019	Jan-Sept 2018	12-months rolling 2018/2019	Jan-Dec 2018
Net sales	377	279	1,055	782	1,375	1,102
EBITA	39	8	90	29	111	51
EBITA %	10.4	3.0	8.5	3.7	8.1	4.6
Order backlog	1,123	902	1,123	902	1,123	860

Acquisitions

Instalco made 13 acquisitions during the period January through September 2019. One division of a company was also acquired. Included in the acquisitions are doubtful accounts for SEK 5 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 161 million, of which SEK 110 million is acquisitions that were made in 2019. The total amount of accrued additional consideration is SEK 93 million, of which SEK 69 million is for acquisitions made in 2019.

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

Goodwill of SEK 398 million that has arisen from the acquisition is not attributable to any particular balance sheet item and it is not expected to generate any direct synergy effects.

Company acquisitions

Instalco made the following company acquisitions during the period January – September 2019.

Access gained	Acquisitions	Segment	Assessed annual sales, SEK m	Number of employees
January	El Kraft Teknik & Konsult i Sala AB	Sweden	87	38
January	Aquadus VVS AB	Sweden	80	36
February	Aircano AB	Sweden	60	25
April	El & Säkerhet Sörmland AB	Sweden	110	80
April	Moi Rør AS	Rest of Nordic	75	32
April	Gävle Elbyggnads i Gävle AB	Sweden	18	15
May	Instamate AB	Sweden	135	51
June	Bogesunds El & Tele AB	Sweden	92	40
July	Rörtema i Nyköping AB	Sweden	50	30
July	Milen Ventilation AB	Sweden	70	17
July	OVAB Optimal Ventilation AB	Sweden	40	13
July	Pohjanmaan Talotekniikka Oy	Rest of Nordic	105	23
July	VIP-Sähkö Oy	Rest of Nordic	94	42
Total			**1,016**	**442**

Impact of acquisitions

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

SEK m	Fair value of Group
Intangible assets	8
Deferred tax receivable	0
Other non-current assets	18
Other current assets	211
Cash and cash equivalents	153
Deferred tax liability	–5
Current liabilities	–230
Total identifiable assets and liabilities (net)	**153**
Goodwill	**398**
Consideration paid	
Cash and cash equivalents	453
Non-controlling interests	0
Conditional consideration	98
Total transferred consideration	**551**
Impact on cash and cash equivalents	
Cash consideration paid	453
Cash and cash equivalents of the acquired units	–153
Total impact on cash and cash equivalents	**300**
Total settled, including revaluated	56
Exchange rate difference	0
Total impact on cash and cash equivalents	**356**
Impact on operating income and earnings in 2019	
Operating income	382
Earnings	39

Other financial information

Financial position
Equity at the end of the period amounted to SEK 1,365 (988) million. Interest-bearing net debt as of 30 September 2019 was SEK 785 (714) million.

Currency changes impacted net debt by SEK –6 million. The gearing ratio was 57.7 (72.3) percent. During the period, net financial items amounted to SEK –12 (–16) million, of which net interest income/expense was SEK –11 (–11) million. The Group's cash and cash equivalents, together with its other short-term investments amounted to SEK 374 (151) million as of 30 September 2019. The Group's interest-bearing liabilities were SEK 1,159 (866) million, including leasing according to IFRS 16. Instalco's total amount of granted credit was SEK 1,201 million, of which SEK 978 million had been utilised as of 30 September 2019. The change in working capital for the quarter was SEK –13 (–68) million. The change is primarily attributable to lower accounts receivable, higher accounts payable and a change in work-in-progress.

Investments, depreciation and amortisation
The Group's net investments for the quarter, not including company acquisitions, amounted to SEK –2 (–1) million. Depreciation of fixed assets was SEK –26 (–19) million. Investments in company acquisitions amounted to SEK 113 (30) million. That amount includes conditional consideration on prior year acquisitions that was paid out in the amount of SEK 40 (70) million.

Parent Company
The main operations of Instalco AB are head office activities like group-wide management and administration, along with finance and accounting. The comments below pertain to the period 1 January through 30 September 2019. Net sales for the Parent Company amounted to SEK 17 (18) million. Operating profit/loss was SEK 1 (2) million. Net financial items amounted to SEK –2 (–2) million. Earnings before taxes were SEK –1 (0) million and earnings for the period were SEK –1 (6) million. Cash and cash equivalents at the end of the period amounted to SEK 56 (22) million.

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

The 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.

A detailed description of the Group's risks is provided on pages 32-34 of the 2018 Annual Report.

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 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.

Revenue breakdown

Segment	Operations	
	Contract	Service
Sweden	87%	13%
Rest of Nordic	86%	14%
Group	87%	13%

Events after the end of the reporting period
During the fourth quarter of 2019, Instalco acquired the following companies: Medby AS with expected annual sales of SEK 59 million and 35 employees, AB Tingstad Rörinstallation with expected annual sales of SEK 65 million and 24 employees and Henningsons Elektriska AB with expected annual sales of SEK 135 million and 72 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	29
Cash and cash equivalents	99
Total consideration	**128**

Carrying amount of identifiable net assets	
Intangible fixed assets	–
Other non-current assets	4
Other current assets	48
Cash and cash equivalents	37
Deferred tax liability	–2
Other liabilities	–52
Total identifiable net assets	**36**
Goodwill from acquisitions	92

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 2019 and which have been adopted by the EU. The Company has also applied recommendations from the Swedish Financial Reporting Board, RFR 1 Supplementary Accounting Rules for Groups. The consolidated financial statements for the interim period have been prepared in accordance with IAS 34 Interim Financial Reporting. Preparation has also been in accordance with the applicable requirements stated in the Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act, which is in accordance with RFR 2 Accounting for Legal Entities.

New standards and interpretations that enter into for in 2019 and beyond

The Group applies the new standard, IFRS 16 Leases, which entered into force on 1 January 2019. Instalco applies the full retroactive method. Accordingly, financial information has been restated in accordance with the new standard as of 2018. Instalco 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.

Implementation of this method means that all leases are reported in the balance sheet, except for short-term leases (duration of 12 months or less) and lease assets with a low underlying asset value. The Group's lease agreements include properties (rent of premises), car rentals, tools and machinery.

A detailed description of the transition effects and the applied accounting principles is provided on pages 59-61 of the 2018 Annual Report for the Instalco Group.

At year-end 2018, the transition effect of IFRS 16 was an increase in lease assets of SEK 141 million, which is SEK 28 million lower than what was initially reported in the 2018 Annual Report for the Instalco Group. However, it does not result in any change to the effect on equity.

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

Other

Instalco only has conditional consideration valued at fair value reported in its financial statements. Such consideration is valued at fair value via profit or loss. The valuation of conditional consideration is based on other observable data for assets or liabilities, i.e. Level 3 in the IFRS fair value hierarchy. There have not been any reclassifications between the different levels in the hierarchy during the period. The total amount of conditional consideration recognised as a liability amounts to SEK 93 million.

Condensed consolidated income statement and statement of comprehensive income

AMOUNTS IN SEK M	July-Sept 2019	July-Sept 2018	Jan-Sept 2019	Jan-Sept 2018	12-months rolling 2018/2019	Jan-Dec 2018
Net sales	1,416	998	4,040	3,150	5,304	4,414
Other operating income	0	3	48	9	78	39
Operating income	**1,415**	**1,001**	**4,088**	**3,160**	**5,382**	**4,454**
Materials and purchased services	–778	–534	–2,126	–1,663	–2,758	–2,295
Other external services	–74	–53	–239	–167	–313	–241
Personnel costs	–409	–318	–1,270	–1,016	–1,691	–1,438
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	–26	–19	–69	–54	–89	–74
Other operating expenses	–15	–8	–35	–51	–57	–73
Operating expenses	**–1,303**	**–932**	**–3,740**	**–2,951**	**–4,909**	**–4,120**
Operating profit/loss (EBIT)	**113**	**68**	**348**	**209**	**473**	**334**
Net financial items	–5	–6	–12	–16	–15	–18
Earnings before taxes	**108**	**63**	**335**	**193**	**458**	**315**
Tax on profit for the year	–28	–4	–73	–42	–98	–67
Earnings for the period	**80**	**58**	**263**	**151**	**360**	**249**
Other comprehensive income						
Translation difference	2	–11	44	46	12	14
Comprehensive income for the period	**81**	**48**	**307**	**197**	**372**	**263**
Comprehensive income for the period attributable to:						
Parent Company's shareholders	80	48	304	197	370	263
Non-controlling interests	2	0	3	0	3	0
Earnings per share for the period, before dilution, SEK	1.59	1.22	5.34	3.17	7.36	5.20
Earnings per share for the period, after dilution, SEK	1.53	1.17	5.14	3.13	7.09	5.10
Average number of shares before dilution	49,003,437	47,997,021	48,707,143	47,746,303	48,564,189	47,843,559
Average number of shares after dilution[3)]	50,862,915	49,856,499	50,566,621	48,366,129	50,423,667	48,773,298

3) In conjunction with the IPO, the Company issued 1,929,650 warrants (see incentive program)

Condensed consolidated balance sheet

AMOUNTS IN SEK M	30 Sept 2019	30 Sept 2018	31 Dec 2018
Goodwill	2,011	1,522	1,582
Other non-current assets	224	153	172
Financial assets	10	1	3
Deferred tax receivable	7	12	7
Total non-current assets	**2,252**	**1,688**	**1,763**
Inventories	31	23	29
Accounts receivable	785	684	698
Claims on clients	402	210	205
Other receivables and investments	54	52	48
Prepaid expenses and accrued income	48	36	55
Cash and cash equivalents	374	151	218
Total current assets	**1,694**	**1,156**	**1,253**
Total assets	**3,946**	**2,844**	**3,016**
Equity	1,362	988	1,068
Non-controlling interests	3	0	0
Total equity	**1,365**	**988**	**1,068**
Non-current liabilities	1,143	857	874
Accounts payable	493	349	317
Liabilities to clients	366	172	212
Other current liabilities	309	252	273
Accrued expenses and deferred income, including provisions	271	226	272
Total liabilities	**2,582**	**1,856**	**1,948**
Total equity and liabilities	**3,946**	**2,844**	**3,016**
Of which interest-bearing liabilities	1,159	866	882
Equity attributable to:			
Parent Company shareholders	1,362	988	1,068
Non-controlling interests	3	0	0

Condensed statement of changes in equity

AMOUNTS IN SEK M	30 Sept 2019	30 Sept 2018	31 Dec 2018
Opening equity, prior principles	1,068	793	793
Adjustment as per IFRS 16	–	–2	–2
Opening equity, after restatement as per IFRS 16	**1,068**	**791**	**791**
Total comprehensive income for the period	304	197	263
New issues	62	52	67
Unregistered share capital	–	–	–
Issue warrants	–	0	0
Dividend, external	–73	–52	–52
Other	0	0	–2
Non-controlling interests	3	0	0
Closing equity	**1,365**	**988**	**1,068**
Equity attributable to:			
Parent Company's shareholders	1,362	988	1,068
Non-controlling interests	3	0	0

Condensed consolidated cash flow statement

AMOUNTS IN SEK M	July-Sept 2019	July-Sept 2018	Jan-Sept 2019	Jan-Sept 2018	12-months rolling 2018/2019	Jan-Dec 2018
Cash flow from operating activities						
Earnings before taxes	108	63	335	193	458	315
Adjustment for items not included in cash flow	38	25	71	92	77	98
Tax paid	–19	–18	–82	–62	–99	–79
Changes in working capital	–13	–68	19	–50	73	4
Cash flow from operating activities	**114**	**1**	**343**	**173**	**508**	**338**
Investing activities						
Acquisition of subsidiaries and businesses	–113	–30	–356	–284	–441	–369
Divestment of subsidiaries	–	–	0	4	0	4
Other	–2	–1	–3	–3	–3	–3
Cash flow from investing activities	**–115**	**–31**	**–359**	**–282**	**–445**	**–368**
Financing activities						
New issue	20	–	62	52	77	67
Other capital contributions	–	0	–	0	–	0
New loans	41	0	313	185	313	185
Repayment of loan	–54	–16	–146	–150	–164	–168
Dividends	1	0	–73	–52	–73	–52
Cash flow from financing activities	**8**	**–16**	**157**	**35**	**154**	**32**
Cash flow for the period	7	–46	141	–74	217	2
Cash and cash equivalents at the beginning of the period	366	200	218	211	151	211
Translation differences in cash and cash equivalents	1	–4	15	14	6	5
Cash and cash equivalents at the end of the period	**374**	**151**	**374**	**151**	**374**	**218**

Condensed Parent Company income statement

AMOUNTS IN SEK M	July-Sept 2019	July-Sept 2018	Jan-Sept 2019	Jan-Sept 2018	12-months rolling 2018/2019	Jan-Dec 2018
Net sales	6	10	17	18	23	24
Operating expenses	–5	–4	–16	–16	–22	–22
Operating profit/loss	**0**	**6**	**1**	**2**	**1**	**2**
Net financial items	–1	–1	–2	–2	–2	–3
Profit/loss after net financial items	**0**	**6**	**–1**	**0**	**–2**	**–1**
Group contributions received	–	–	–	–	27	27
Earnings before taxes	**0**	**6**	**–1**	**0**	**26**	**26**
Tax	–	6	–	6	–6	–
Earnings for the period	**0**	**12**	**–1**	**6**	**20**	**26**

Condensed Parent Company balance sheet

AMOUNTS IN SEK M	30 Sept 2019	30 Sept 2018	31 Dec 2018
Shares in subsidiaries	1,315	1,315	1,315
Deferred tax receivable	–	6	–
Total non-current assets	**1,315**	**1,321**	**1,315**
Receivables from Group companies	6	5	27
Other current assets	0	3	0
Cash and cash equivalents	56	22	46
Total current assets	**62**	**31**	**73**
Total assets	**1,377**	**1,352**	**1,388**
Equity	1,227	1,203	1,239
Total equity	**1,227**	**1,203**	**1,239**
Non-current liabilities	142	141	141
Accounts payable	0	0	1
Other current liabilities	3	3	3
Accrued expenses and deferred income	5	3	5
Total liabilities	**150**	**148**	**149**
Total equity and liabilities	**1,377**	**1,352**	**1,388**

Quarterly data

AMOUNTS IN SEK M	Q3 2019	Q2 2019	Q1 2019	Q4 2018[1)]	Q3 2018[1)]	Q2 2018[1)]	Q1 2018[1)]	Q4 2017
Net sales	1,416	1,406	1,218	1,264	998	1,174	979	935
Growth in net sales, %	41.9	19.8	24.4	35.1	40.8	50.2	42.2	20.3
EBIT	113	145	90	125	68	101	40	94
EBITA	113	145	90	125	68	101	40	94
EBITDA	139	166	111	145	87	119	56	96
Adjusted EBITA	127	123	92	120	75	107	73	101
Adjusted EBITDA	153	144	114	140	94	126	89	103
EBIT margin, %	8.0	10.3	7.4	9.9	6.8	8.6	4.1	10.0
EBITA margin, %	8.0	10.3	7.4	9.9	6.8	8.6	4.1	10.0
EBITDA margin, %	9.8	11.8	9.1	11.5	8.7	10.1	5.8	10.2
Adjusted EBITA margin, %	9.0	8.7	7.6	9.5	7.5	9.2	7.4	10.8
Adjusted EBITDA margin, %	10.8	10.3	9.3	11.1	9.4	10.7	9.1	11.0
Working capital	–40	2	–36	25	64	–31	–20	–1
Interest-bearing net debt	785	763	649	663	714	672	629	446
Cash conversion %	90	87	137	138	27	113	100	93
Gearing ratio, %	57.7	60.5	54.7	62.1	72.3	71.5	71.3	56.2
Net debt/in relation to adjusted EBITDA, times	1.4	1.6	1.4	1.5	1.7	1.8	2.2	1.8
Order backlog	4,418	4,508	4,391	4,063	3,724	3,875	3,736	3,194
Average number of employees	2,719	2,524	2,306	2,212	2,067	2,039	1,943	1,781
Number of employees at the end of the period	2,798	2,655	2,379	2,283	2,139	2,119	1,985	1,844

1) Q1 to Q4 2018 have been restated in accordance with IFRS 16 Leasing

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 21.

Earnings measures and margin measures

Amounts in SEK m	Q3 2019	Q2 2019	Q1 2019	Q4 2018[1]	Q3 2018[1]	Q2 2018[1]	Q1 2018[1]	Q4 2017
(A) Operating profit/loss (EBIT)	113	145	90	125	68	101	40	94
Depreciation/amortisation and impairment of acquisition-related intangible assets	0	0	0	0	0	0	0	0
(B) EBITA	113	145	90	125	68	101	40	94
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	26	21	21	20	19	18	17	2
(C) EBITDA	139	166	111	145	87	119	56	96
Items affecting comparability								
Additional consideration	10	–24	1	–10	6	4	–	7
Acquisition costs	4	2	2	3	1	3	3	1
Listing costs	–	–	–	–	–	–	–	–
Loss on divestment of subsidiaries	–	–	–	–	–	0	30	–
Other	–	–	–	2	–	–	–	–
Total, items affecting comparability	14	–22	2	–5	7	7	33	7
(D) Adjusted EBITA	127	123	92	120	75	107	73	101
(E) Adjusted EBITDA	153	144	114	140	94	126	89	103
(F) Net sales	1,416	1,406	1,218	1,264	998	1,174	979	935
(A/F) EBIT margin, %	*8.0*	*10.3*	*7.4*	*9.9*	*6.8*	*8.6*	*4.1*	*10.0*
(B/F) EBIT margin, %	*8.0*	*10.3*	*7.4*	*9.9*	*6.8*	*8.6*	*4.1*	*10.0*
(C/F) EBIT margin, %	*9.8*	*11.8*	*9.1*	*11.5*	*8.7*	*10.1*	*5.8*	*10.2*
(D/F) Adjusted EBITA margin, %	*9.0*	*8.7*	*7.6*	*9.5*	*7.5*	*9.2*	*7.4*	*10.8*
(E/F) Adjusted EBITDA margin, %	*10.8*	*10.3*	*9.3*	*11.1*	*9.4*	*10.7*	*9.1*	*11.0*

1) Q1 to Q4 2018 have been restated in accordance with IFRS 16 Leasing

Capital structure

Amounts in SEK m	Q3 2019	Q2 2019	Q1 2019	Q4 2018[1)]	Q3 2018[1)]	Q2 2018[1)]	Q1 2018[1)]	Q4 2017
Calculation of working capital and working capital in relation to net sales								
Inventories	31	29	27	29	23	23	20	14
Accounts receivable	785	793	724	698	684	666	597	549
Earned, but not yet invoiced revenue	402	278	256	205	210	248	178	142
Prepaid expenses and accrued income	48	50	33	55	36	40	40	61
Other current assets	54	49	46	48	52	54	41	38
Accounts payable	–493	–433	–417	–317	–349	–371	–329	–262
Invoiced, but not yet earned income	–366	–286	–231	–212	–172	–203	–140	–136
Other current liabilities	–231	–190	–183	–208	–195	–241	–187	–180
Accrued expenses and deferred income, including provisions	–271	–287	–290	–272	–226	–246	–241	–226
(A) Working capital	**–40**	**2**	**–36**	**25**	**64**	**–31**	**–20**	**–1**
(B) Net sales (12-months rolling)	5,304	4,886	4,653	4,414	4,086	3,797	3,404	3,114
(A/B) Working capital as a percentage of net sales, %	**–0.7**	**0.1**	**–0.8**	**0.6**	**1.6**	**–0.8**	**–0.6**	**0.0**
Calculation of interest-bearing net debt and gearing ratio								
Non-current, interest-bearing financial liabilities	1,081	1,057	869	817	808	815	775	657
Current, interest-bearing financial liabilities	78	72	66	65	57	57	55	0
Short-term investments	–	–	–	–	–	–	–	–
Cash and cash equivalents	–374	–366	–287	–218	–151	–200	–202	–211
(A) Interest-bearing net debt	**785**	**763**	**649**	**663**	**714**	**672**	**629**	**446**
(B) Equity	1,362	1,261	1,185	1,068	988	940	882	793
(A/B) Gearing ratio, %	**57.7**	**60.5**	**54.7**	**62.1**	**72.3**	**71.5**	**71.3**	**56.2**
(C) EBITDA (12-months rolling)	562	510	462	407	358	325	268	250
(A/C) Interest-bearing net debt in relation to EBITDA (12-months rolling)	**1.4 times**	**1.5 times**	**1.4 times**	**1.6 times**	**2.0 times**	**2.1 times**	**2.3 times**	**1.8 times**
Calculation of operating cash flow and cash conversion								
(A) Adjusted EBITDA	153	144	114	140	94	126	89	103
Net investments in property, plant and equipment and intangible assets	–2	0	0	–1	–1	–2	0	–2
Changes in working capital	–13	–18	42	54	–68	18	0	–5
(B) Operating cash flow	**138**	**126**	**156**	**193**	**25**	**142**	**90**	**96**
(B/A) Cash conversion %	**90**	**87**	**137**	**138**	**27**	**113**	**100**	**93**

1) Q1 to Q4 2018 have been restated in accordance with IFRS 16 Leasing

Signatures

Future reporting dates

Year-end report 2019	18 February 2020
Interim report January-March 2020	7 May 2020
AGM	7 May 2020
Interim report January – June 2020	19 August 2020
Interim Report January – September 2020	9 November 2020

Stockholm, 7 November 2019
Instalco AB (publ)

Per Sjöstrand
CEO

This report has been reviewed by the company's auditors.

Presentation of the report

The report will be presented in a telephone conference/audiocast today, 7 November at 14:00 CET via https://tv.streamfabriken.com/instalco-q3-2019 To participate by phone: +46(0)8-566 427 04.

Note

This information is information that Instalco is required to disclose under the EU Market Abuse Regulation. The information was made public by the contact person listed below, on 7 November 2019 at 12:00 CET.

Additional information

Per Sjöstrand, CEO per.sjostrand@instalco.se +46 70-724 51 49

Auditor’s review report

Auditor's report on review of condensed interim financial information (interim report) prepared in accordance with IAS 34 and Chapter 9 of the Annual Accounts Act (1995:1554).

Instalco AB (publ)
CIN 559015-8944

Introduction

We have conducted a review of the condensed interim financial information (interim report) for Instalco AB as of 30 September 2019 and for the nine-month period that ended on that date. The Board of Directors and CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Focus and scope of the review

We conducted the review in accordance with the International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information conducted by the company’s independent auditor. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical review and taking other review procedures. A review has a different focus and is substantially less in scope compared to the focus and scope of an audit in accordance with ISA and generally accepted auditing standards. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a review does not therefore give the same level of assurance as a conclusion based on an audit.

Conclusion

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

Stockholm, 7 November 2019

Grant Thornton Sweden AB

Camilla Nilsson
Authorised Public Accountant

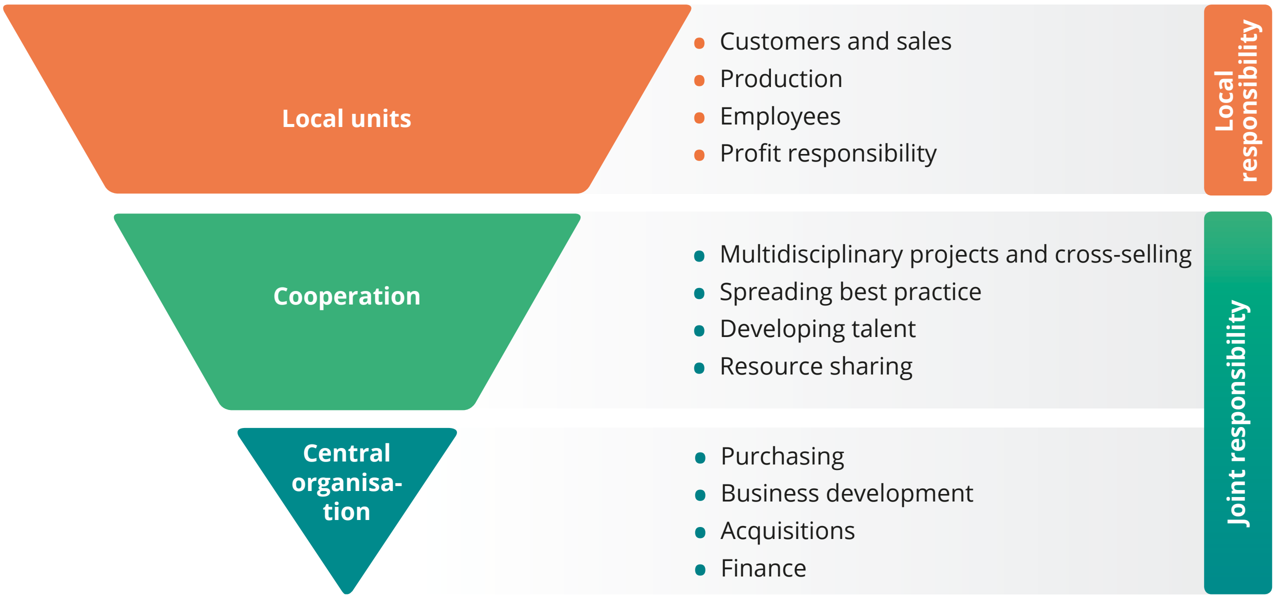
Definitions with explanation

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

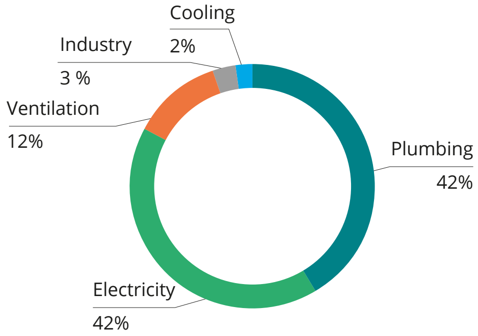
Key figures	Definition/calculation	Purpose
Items affecting comparability	Items affecting comparability, like additional consideration, acquisition costs, the costs associated with refinancing, listing costs and sponsorship costs.	By excluding items affecting profitability, it is easier to compare earnings between periods.
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.
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.
Working capital	Inventories, accounts receivable, earned but not yet invoiced income, prepaid expenses and accrued income and other current assets, less accounts payable, invoiced but not yet earned income, accrued expenses and deferred income and other current liabilities.	Working capital is used to measure the company’s ability to meet short-term capital requirements.
Working capital as a percentage of net sales	Working capital at the end of the period as a percentage of net sales on a 12-month rolling basis.	Working capital as a percentage of net sales is used to measure the extent to which working capital is tied up.

Instalco in brief

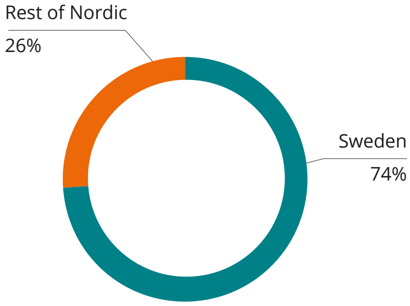
Instalco has a decentralised structure, where operations are conducted in each unit, in close cooperation with customers and with the support of a very streamlined central organisation. The Instalco model is designed to benefit from the advantages of both strong local ties and joint functions.



NET SALES BY AREA OF OPERATION



NET SALES BY MARKET AREA



INSTALCO
Instalco AB (publ)
Lilla Bantorget 11
111 23 Stockholm
info@instalco.se