Instalco

INSTALCO

Interim report January – December 2018

High profitability, strong cashflow and new acquisitions

October – December 2018

- Net sales increased by 35.1 percent to SEK 1,264 (935) million. Organic growth was 1.5 (–5.5) percent.
- Adjusted EBITA increased to SEK 119 (102) million which corresponds to an adjusted EBITA margin of 9.4 (10.9) percent.
- Operating cash flow for the quarter was SEK 175 (96) million.
- Seven acquisitions were made during the quarter, which, on an annual basis contribute an estimated total sales of SEK 206 million.
- Earnings per share for the quarter amounted to SEK 2.03 (1.38).

January – December 2018

- Net sales increased by 41.8 percent to SEK 4,414 (3,114) million. Organic growth was 6.6 (–1.7) percent.
- Adjusted EBITA increased to SEK 372 (264) million which corresponds to an adjusted EBITA margin of 8.4 (8.5) percent.
- Operating cash flow for the period was SEK 382 (227) million.
- Sixteen acquisitions were made during the period, which, on an annual basis are expected to contribute SEK 759 million in sales.
- Earnings per share for the period amounted to SEK 5.20 (3.69).
- The Board proposes dividends of SEK 1.50 (1.10) per share.

Key figures

SEK m	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	1,264	935	4,414	3,114
EBITA	124	94	331	244
EBITA margin, %	9.8	10.1	7.5	7.8
Adjusted EBITA[1)]	119	102	372	264
Adjusted EBITA margin, %[1)]	9.4	10.9	8.4	8.5
Earnings before taxes	123	92	316	229
Order backlog	4,063	3,194	4,063	3,194
Earnings per share, SEK [2)]	2.03	1.38	5.20	3.69

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 the Oslo and Helsinki regions. Through innovative thinking and efficiency, the operations are conducted in close collaboration with our customers.

CEO Comments

I am very pleased that 2018 has ended with a quarter where we had a high profitability and added several new companies to the Instalco family. Sales for the quarter amounted to SEK 1,264 (935) million. Growth in 2018 was 40.3 percent, of which 6.6 percent was organic growth. Adjusted EBITA for the fourth quarter was SEK 119 (102) million, which corresponds to an adjusted EBITA margin of 9.4 (10.9) percent.

Order backlog remained stable and at the end of the quarter, it amounted to SEK 4,063 (3,194) million, which corresponds to an increase of 27.2 percent.

Acquisitions in Sweden and Finland

We continue pursuing our acquisition strategy and during the quarter, we acquired companies in both Sweden and Finland. We strengthened our position in Östergötland with the acquisition of the electrical installation and plumbing company, MSI i Motala. APC and Vallacom are other Instalco companies working in that region. In the plumbing sector, we also acquired Rörman AB in Svedala, which adds to our expertise in Skåne and Business Area, South.

We expanded in Finland via the acquisition two new companies, Twinputki and Sähkö-Buumi. Both companies operate in the Helsinki area. Twinputki, specializes in sprinkler systems and Sähkö-Buumi in electrical installations.

Altogether, our company acquisitions in 2018 contribute annual sales of approximately SEK 759 million, which is in line with our target of acquired sales per year. Our goal for 2019 is to once again achieve sales growth through acquisitions at that same level.

Medium-sized projects

Instalco companies initiated many interesting, profitable projects in 2018. Instalco derives its high margins primarily from small and medium-sized projects, where there is low risk.

One example is VVS-Kraft, which has been contracted to reconstruct the central cooling system at properties for SVT, SR, UR and Berwalldhallen in Stockholm. The assignment requires specialist expertise, with a particular focus on security and ongoing operations.

In the fourth quarter, one project in particular really stood out from the rest and was highly visible to both the end customer and the general public. It involved work by RIKELEKTROS at Kicks' (beauty supply chain) largest store in the Nordic region. RIKELEKTRO was responsible for the shop fittings and all of the technical installations at the new store at Gallerian Mall in Stockholm. It's well worth a visit!

At the end of the year, it was confirmed that Ohmegi had been contracted for electrical installation work at Skanska's new office buildings at Hammarby Sjöstad in Stockholm. Once completed, the buildings will offer 6,000 workplaces and one of them will become Stockholm's tallest buildings.

Collaboration between Instalco companies enables us to deliver attractive solutions to customers that meet all of their needs. For example, three Instalco companies specialized in electrical installations, plumbing and ventilation, collaborated in starting renovation of the illustrious Elite Hotel Savoy in Malmö. The assignment has been set up as a collaborative project, where PEAB is the client.

On track for reaching our financial goals

In total, Instalco now has approximately 60 companies, all of which are involved in identifying new forms of collaboration. Instalco's companies are well-managed and entrepreneurial spirit is high. They all strive for continual development and improvement. We are constantly creating new synergies between our companies. 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!

Our future acquisition opportunities remain good and we have a close dialogue with several potential candidates. With a slowdown of the economy we still believe in a strong coming year even if it will start somewhat slower.

We can already see that we are well on our way towards achieving our financial target of SEK 450 million in adjusted EBITA (pro forma) by the end of 2019. For that reason, the Board of Directors has decided pursue a growth target of at least 10 percent of average sales growth per year over one business cycle. With growth, attractive margins and high cash conversion, we look forward to 2019 with optimism.

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, the market is fuelled by several underlying macroeconomic factors, including GDP, infrastructure investments, urbanisation, housing shortage, ageing property holdings, development of technology, energy efficiency, environmental awareness and a higher demand for sustainable construction.

Net sales

Fourth quarter

Sales for the fourth quarter amounted to SEK 1,264 (935) million, which is an increase of 35.1 percent. Adjusted for currency effects, organic growth was 1.5 percent and acquired growth was 34.2 percent. Currency fluctuations had an effect on net sales of 1.3 percent. Seven new company acquisitions were made during the quarter.

January-December

Net sales for the period amounted to SEK 4,414 (3,114) million, which is an increase of 41.8 percent. Organic growth, adjusted for currency effects, was 6.6 percent and acquired growth was 36.5 percent. Currency fluctuations had an effect on net sales of 1.1 percent. Sixteen companies were acquired during the period.

Earnings

Fourth quarter

Adjusted EBITA for the fourth quarter was SEK 119 (102) million. Net financial items for the quarter amounted to SEK –2 (–2) million. Interest expense on external loans was SEK –3 (–3) million. Earnings for the period were SEK 98 (64) million, which corresponds to earnings per share of SEK 2.03 (1.38). Tax for the quarter was SEK 25 (28) million.

January-December

Adjusted EBITA for the period was SEK 372 (264) million. Net financial items for the period amounted to SEK –15 (–15) million. Interest expense on external loans was SEK –12 (–9) million. Earnings for the period were SEK 249 (171) million, which corresponds to earnings per share of SEK 5.20 (3.69). Tax for the period was SEK 67 (58) million.

Order backlog

January-December

Outstanding orders at the end of the fourth quarter amounted to SEK 4,063 (3,194) million, which is an increase of 27.2 percent. For comparable units, order backlog increased by 9.2 percent and acquired growth was 17.2 percent. During the fourth quarter, Instalco companies (via for example Vito and Romerike Elektro) were involved in comprehensive installations associated with the construction of new schools built in solid wood, in Norway. In addition, APC Elinstallatören was awarded a contract for comprehensive electrical installation work at Linköping University Hospital.

Cash flow

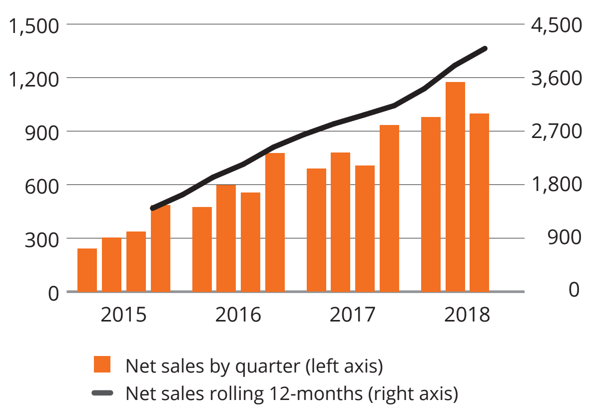
Fourth quarter

Operating cash flow was SEK 175 (96) million. Instalco's cash flow varies over time, primarily because of work-in-progress. The ending balances of accounts receivable, accounts payable and changes in work-in-progress can therefore differ considerably when making comparisons between quarters.

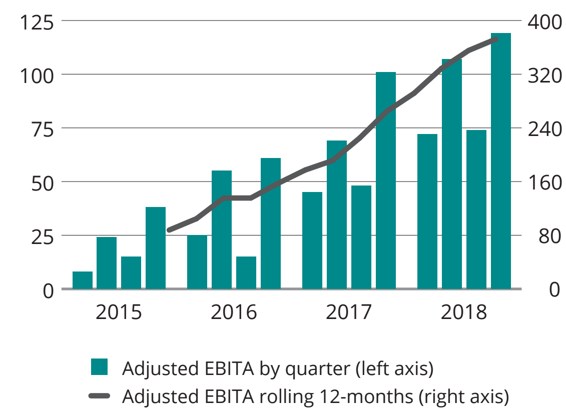
January-December

Operating cash flow was SEK 382 (227) million.

NET SALES BY QUARTER, SEK M



ADJUSTED EBITA BY QUARTER, SEK M



Operations in Sweden

Market

There is healthy demand in the market, which is reflected in the size of our backlog of orders. Slowdown in housing construction has persisted, particularly for new construction of condominiums in metropolitan regions. Instalco has not been particularly affected by these developments, since its exposure to new construction is only around 10 percent of total sales.

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

Net sales

Fourth quarter

Sales for the fourth quarter increased by SEK 281 million to SEK 944 (663) million compared to the same period last year. Organic growth was 6.9 percent and acquired growth was 38.6 percent.

January-December

Net sales for the period increased by SEK 894 million to SEK 3,312 (2,418) million compared to the same period last year. Organic growth was 7.3 percent and acquired growth was 33.3 percent.

Earnings

Fourth quarter

Adjusted EBITA for the quarter was SEK 99 (72) million.

January-December

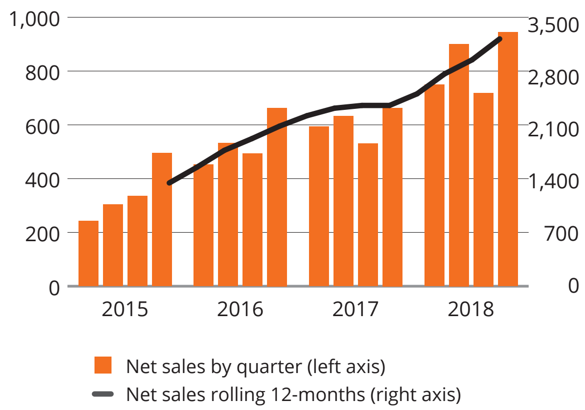
Adjusted EBITA for the period was SEK 346 (236) million. The improvement is attributable to acquisitions and improved processes, more focus on measures to improve profitability and IFOKUS, which is the company's improvement initiative.

Order backlog

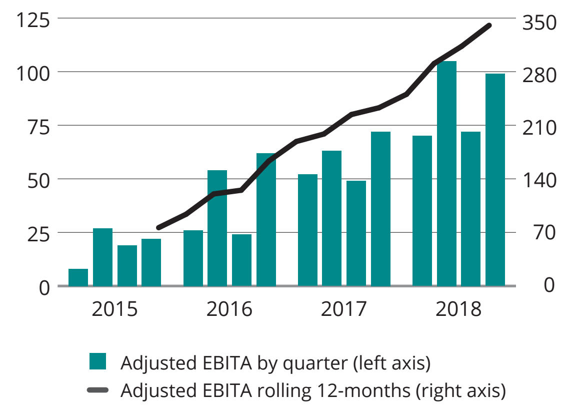
January-December

Order backlog at the end of the period amounted to SEK 3,202 (2,587) million, which is an increase of 23.8 percent. For comparable units, order backlog increased by 9.7 percent and acquired growth was 14.0 percent.

NET SALES BY QUARTER, SEK M



ADJUSTED EBITA BY QUARTER, SEK M



Key figures for Sweden

SEK m	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	944	663	3,312	2,418
EBITA	99	72	346	236
EBITA %	10.5	10.8	10.4	9.8
Order backlog	3,202	2,587	3,202	2,587

Operations in Rest of Nordic

Market

The Norwegian market is stable, with growth in all areas where Instalco is 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 stable in Finland, fuelled by activity in the Helsinki region.

Net sales

Fourth quarter

Net sales for the fourth quarter increased by SEK 47 million to SEK 320 (273) million compared to the same period last year. Organic growth, adjusted for currency effects, was –11.7 percent and acquired growth was 23.3 percent.

January-December

Net sales for the period increased by SEK 407 million to SEK 1,102 (695) million compared to the same period last year. Organic growth, adjusted for currency effects, was 4.5 percent and acquired growth was 47.5 percent.

Earnings

Fourth quarter

Adjusted EBITA for the quarter was SEK 22 (33) million.

January-December

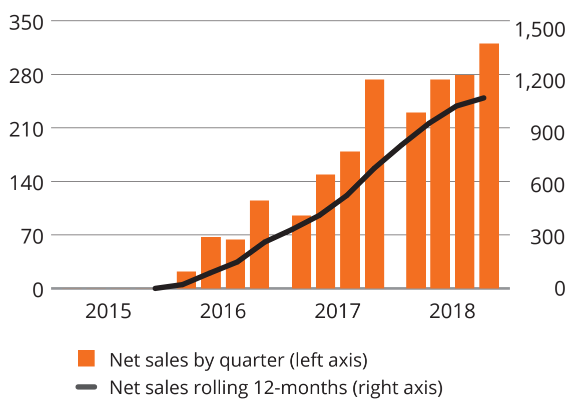
Adjusted EBITA for the period was SEK 50 (48) million. The result has been charged with a write-down of a major project in Oslo. The project is now completed and settled in its entirety.

Order backlog

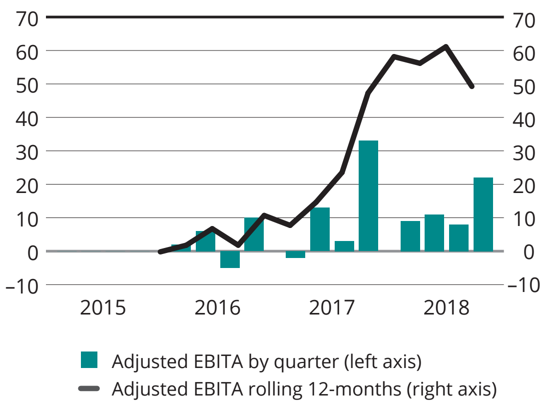
January-December

Order backlog at the end of the period amounted to SEK 860 (607) million, which is an increase of 37.7 percent, adjusted for currency effects. For comparable units, order backlog increased by 6.7 percent and acquired growth was 31.0 percent.

NET SALES BY QUARTER, SEK M



ADJUSTED EBITA BY QUARTER, SEK M



Key figures, Rest of Nordic

SEK m	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	320	273	1,102	695
EBITA	22	33	50	48
EBITA %	6.7	12.3	4.5	6.9
Order backlog	860	607	860	607

Acquisitions

Instalco made 16 acquisitions during the period January through December 2018. For each of them, 100 percent of the shares were acquired. Included in the acquisitions are doubtful accounts for SEK 3 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 125 million, of which SEK 94 million is acquisitions that were made in 2018. The total amount of accrued additional consideration is SEK 65 million, of which SEK 48 million is for acquisitions made in 2018.

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

Goodwill of SEK 342 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.

Three new companies were set up during the period January through December 2018 to cover new geographic areas in the segment, Sweden.

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 i 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	57	17
June	LVI-Urakointi Paavola Oy	Rest of Nordic	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	27	10
November	Sähkö-Buumi OY	Rest of Nordic	48	25
Total			**759**	**377**

Impact of acquisitions

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	8
Other current assets	221
Cash and cash equivalents	121
Deferred tax liability	–5
Current liabilities	–199
Total identifiable assets and liabilities (net)	**146**
Goodwill	**342**
Consideration paid	
Cash and cash equivalents	412
Non-controlling interests	0
Conditional consideration	77
Total transferred consideration	**489**
Impact on cash and cash equivalents	
Cash consideration paid	412
Cash and cash equivalents of the acquired units	–121
Total impact on cash and cash equivalents	**291**
Total settled, including revaluated	78
Exchange rate difference	0
Total impact on cash and cash equivalents	**369**
Impact on operating income and earnings in 2018	
Operating income	537
Earnings	52

Other financial information

Financial position

Equity at the end of the period amounted to SEK 1,070 (793) million. Net debt as of 31 December was SEK 520 (446) million. Currency changes impacted net debt by SEK –9 million. The gearing ratio as of 31 December was SEK 48.6 (56.2) percent. For the fourth quarter, net financial items amounted to SEK –2 (–2) million, of which net interest income/expense was SEK –2 (–2) million. For the period January – December 2018, net financial items amounted to SEK –15 (–15) million, of which net interest income/expense was SEK –11 (–9) million. The Group's cash and cash equivalents, together with its other short-term investments amounted to SEK 218 (211) million as of 31 December. The Group's interest-bearing liabilities as of 31 December 2018 were SEK 739 (657) million. Instalco's total amount of granted credit was SEK 1,201 million, of which SEK 828 million had been utilised as of 31 December 2018. The change in working capital for the quarter was SEK 54 (–5) million. The change is primarily attributable to lower accounts receivable, higher accounts payable and a change in work-in-progress.

Investments, depreciation and amortisation

For the year, the Group's net investments, not including company acquisitions, amounted to SEK 4 (3) million. Depreciation on property, plant and equipment was SEK 9 (6) million. Investments in company acquisitions amounted to SEK 369 (426) million. That amount includes conditional consideration on prior year acquisitions that was paid out in the amount of SEK 78 (31) 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 31 December 2018. Net sales for the Parent Company amounted to SEK 24 (15) million. Operating profit/loss was SEK 2(–17) million. Last year, there was a significant impact from the costs attributable to the IPO. Net financial items amounted to SEK –3 (–4) million. Earnings before taxes were SEK –1 (–21) million and earnings for the period were SEK 26 (–21) million. Cash and cash equivalents at the end of the period amounted to SEK 46 (46) 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, competence, 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 29-31 of the 2017 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	91%	9%
Rest of Nordic	83%	17%
Group	89%	11%

Events after the end of the reporting period

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.

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.
- **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 remain unchanged.

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	20
Cash and cash equivalents	142
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

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 2018 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 2018 and beyond

On 1 January 2018, IFRS 15 Revenue from Contracts with Customers entered into force. 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. In 2016 and 2017, the Group reviewed its revenue and agreements. 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. There is thus no impact on revenue or reported earnings from the new standard.

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.

IFRS 16 Leasing will replace IAS 17 Leasing and it enters into force on 1 January 2019. When the new standard enters into force, all of Instalco's long-term operating leases will be reported as fixed assets and financial liabilities in the consolidated balance sheet. Instalco will apply the full retroactive method. The company's lease agreements include premises, cars, tools and machinery. Implementation of this method means that all lease agreements are reported in the balance sheet, except for short-term leases with a low value (an allowed exemption, which eases the financial burden of the new standard). The transition effects mean preliminary that the leasing assets increase by SEK 160 million and corresponding leasing liabilities amount to SEK 162 million and that equity decreases wth SEK 2 million. Furthermore, the effect of the income statement increase the operating profit with SEK 3, and decrease financial items with SEK 3 million

As of the date that these financial reports were approved, other new standards, amendments and interpretations of existing standards that have not yet entered into force have been published by the IASB. The Group has not elected for early adoption of any of these.

New tax rules for corporate sector

In June 2017, the Riksdag accepted the proposal on new tax rules for the corporate sector. Among the changes is interest deduction limitation rules in accordance with the EU Directive. In brief, the proposal includes:

- A maximum interest deduction equal to 30 percent of taxable EBITDA.
- Lowering the corporate tax, in two steps, to 20.6 percent by 2021.

With this proposal, nominal tax is lowered. For Instalco, paid tax is not, however, expected to increase over the next few years as a result of the interest deduction limitation rules. The new regulations will enter into force on 1 January 2019.

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 65 million.

Condensed consolidated income statement and statement of comprehensive income

AMOUNTS IN SEK M	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	1,264	935	4,414	3,114
Other operating income	30	2	39	33
Operating income	**1,294**	**937**	**4,454**	**3,147**
Materials and purchased services	–632	–447	–2,295	–1,589
Other external services	–92	–74	–308	–256
Personnel costs	–421	–312	–1,438	–1,031
Depreciation/amortisation and impairment of property, plant and equipment and intangible assets	–2	–2	–9	–6
Other operating expenses	–22	–8	–73	–21
Operating expenses	**–1,170**	**–843**	**–4,123**	**–2,903**
Operating profit/loss (EBIT)	**124**	**94**	**331**	**244**
Net financial items	–2	–2	–15	–15
Earnings before taxes	**123**	**92**	**316**	**229**
Tax on profit for the year	–25	–28	–67	–58
Earnings for the period	**98**	**64**	**249**	**171**
Other comprehensive income				
Translation difference	–32	–7	14	–15
Comprehensive income for the period	**66**	**57**	**263**	**156**
Comprehensive income for the period attributable to:				
Parent Company's shareholders	66	57	263	156
Non-controlling interests	0	–	0	–
Earnings per share for the period, before dilution, SEK	2.03	1.38	5.20	3.69
Earnings per share for the period, after dilution, SEK	1.95	1.32	5.10	3.54
Average number of shares before dilution	48,135,327	46,472,887	47,843,559	46,377,256
Average number of shares after dilution[3)]	49,994,805	48,402,537	48,773,298	48,306,906

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

Condensed consolidated balance sheet

AMOUNTS IN SEK M	31 Dec 2018	31 Dec 2017
Goodwill	1,582	1,260
Other non-current assets	23	21
Financial assets	3	2
Deferred tax receivable	6	0
Total non-current assets	**1,614**	**1,282**
Inventories	29	14
Accounts receivable	698	549
Receivables on customers	205	142
Other receivables and investments	48	38
Prepaid expenses and accrued income	63	61
Cash and cash equivalents	218	211
Total current assets	**1,261**	**1,015**
Total assets	**2,875**	**2,297**
Equity	1,070	793
Non-controlling interests	0	–
Total equity	**1,070**	**793**
Non-current liabilities	795	700
Accounts payable	317	262
Liabilities to customers	212	136
Other current liabilities	208	180
Accrued expenses and deferred income, including provisions	273	226
Total liabilities	**1,805**	**1,504**
Total equity and liabilities	**2,875**	**2,297**
Of which interest-bearing liabilities	739	657
Equity attributable to:		
Parent Company shareholders	1,070	793
Non-controlling interests	0	–

Condensed statement of changes in equity

AMOUNTS IN SEK M	31 Dec 2018	31 Dec 2017
Opening equity	793	553
Total comprehensive income for the period	263	156
New issues	67	76
Unregistered share capital	–	–
Issue warrants	0	8
Dividend, external	–52	–
Other	0	0
Non-controlling interests	0	–
Closing equity	**1,070**	**793**
Equity attributable to:		
Parent Company’s shareholders	1,070	793
Non-controlling interests	0	–

Condensed consolidated cash flow statement

AMOUNTS IN SEK M	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Cash flow from operating activities				
Earnings before taxes	123	92	316	229
Adjustment for items not included in cash flow	–12	17	33	21
Tax paid	–18	–3	–79	–50
Changes in working capital	54	–5	4	–41
Cash flow from operating activities	**147**	**100**	**273**	**160**
Investing activities				
Acquisition of subsidiaries and businesses	–85	–186	–369	–426
Divestment of subsidiaries	–	–	4	–
Other	–1	–2	–3	–1
Cash flow from investing activities	**–86**	**–187**	**–368**	**–427**
Financing activities				
New issue	15	33	67	76
Other capital contributions	–	0	0	8
New loans	0	99	185	745
Repayment of loan	0	–58	–103	–499
Dividends	0	–	–52	–
Cash flow from financing activities	**14**	**74**	**96**	**329**
Cash flow for the period	76	–14	2	60
Cash and cash equivalents at the beginning of the period	151	226	211	155
Translation differences in cash and cash equivalents	–9	–1	5	–4
Cash and cash equivalents at the end of the period	**218**	**211**	**218**	**211**

Condensed Parent Company income statement

AMOUNTS IN SEK M	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
Net sales	6	9	24	15
Operating expenses	–6	–5	–22	–32
Operating profit/loss	**0**	**4**	**2**	**–17**
Net financial items	–1	–1	–3	–4
Profit/loss after net financial items	**–1**	**3**	**–1**	**–21**
Group contributions received	27	–	27	–
Earnings before taxes	**27**	**3**	**26**	**–21**
Tax	–6	–	–	–
Earnings for the period	**21**	**3**	**26**	**–21**

Condensed Parent Company balance sheet

AMOUNTS IN SEK M	31 Dec 2018	31 Dec 2017
Shares in subsidiaries	1,315	1,290
Deferred tax receivable	–	–
Total non-current assets	**1,315**	**1,290**
Receivables from Group companies	27	9
Other current assets	0	0
Cash and cash equivalents	46	46
Total current assets	**73**	**55**
Total assets	**1,388**	**1,346**
Equity	1,239	1,198
Total equity	**1,239**	**1,198**
Non-current liabilities	141	141
Accounts payable	1	1
Other current liabilities	3	4
Accrued expenses and deferred income	5	2
Total liabilities	**149**	**148**
Total equity and liabilities	**1,388**	**1,346**

Quarterly data

AMOUNTS IN SEK M	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
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
EBIT	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
EBIT margin, %	9.8	6.8	8.5	4.0	10.0	7.4	7.8	5.3
EBITA margin, %	9.8	6.8	8.5	4.0	10.0	7.4	7.8	5.3
EBITDA margin, %	10.0	7.0	8.7	4.2	10.2	7.6	8.0	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	11.0	7.0	9.1	6.7
Working capital	33	71	–24	–14	–1	15	–26	–69
Interest-bearing net debt	520	588	538	493	446	392	346	302
Cash conversion %	144	10	115	100	93	–5	42	224
Gearing ratio, %	48.6	59.4	57.1	55.7	56.2	55.9	52.8	49.5
Net debt/in relation to adjusted EBITDA, times	1.4	1.6	1.6	1.7	1.8	1.7	1.8	1.7
Order backlog	4,063	3,724	3,875	3,736	3,194	2,611	2,496	2,189
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

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	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	0	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	1174	979	935	708	781	689
(A/F) EBIT margin, %	*9.8*	*6.8*	*8.5*	*4.0*	*10.0*	*7.4*	*7.8*	*5.3*
(B/F) EBIT margin, %	*9.8*	*6.8*	*8.5*	*4.0*	*10.0*	*7.4*	*7.8*	*5.3*
(C/F) EBIT margin, %	*10.0*	*7.0*	*8.7*	*4.2*	*10.2*	*7.6*	*8.0*	*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*	*11.0*	*7.0*	*9.1*	*6.7*

Capital structure

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
Other current liabilities	–208	–195	–241	–187	–180	–105	–82	–54
Accrued expenses and deferred income, including provisions	–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**	**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	–	–	8
Short-term investments	–	–	–	–	–	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**	**57.2**	**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**

Signatures

Future reporting dates

Annual Report 2018	Week of 25 March, 2019
Interim report January-March 2019	8 May 2019
AGM	8 May 2019, Stockholm
Interim report January – June 2019	23 August 2019
Interim Report January – September 2019	7 November 2019

Stockholm 15 February 2019
Instalco Intressenter AB (publ)

Per Sjöstrand
CEO

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

Presentation of the report

The report will be presented in a telephone conference/audiocast today, 15 February at 14:00 CET via https://tv.streamfabriken.com/instalco-q4-2018 To participate by phone: +46(0)8-505 583 55.

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 15 February 2019 at 12:00 CET.

Additional information

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Lotta Sjögren CFO lotta.sjogren@instalco.se +46 70-999 62 44

Definitions with explanation

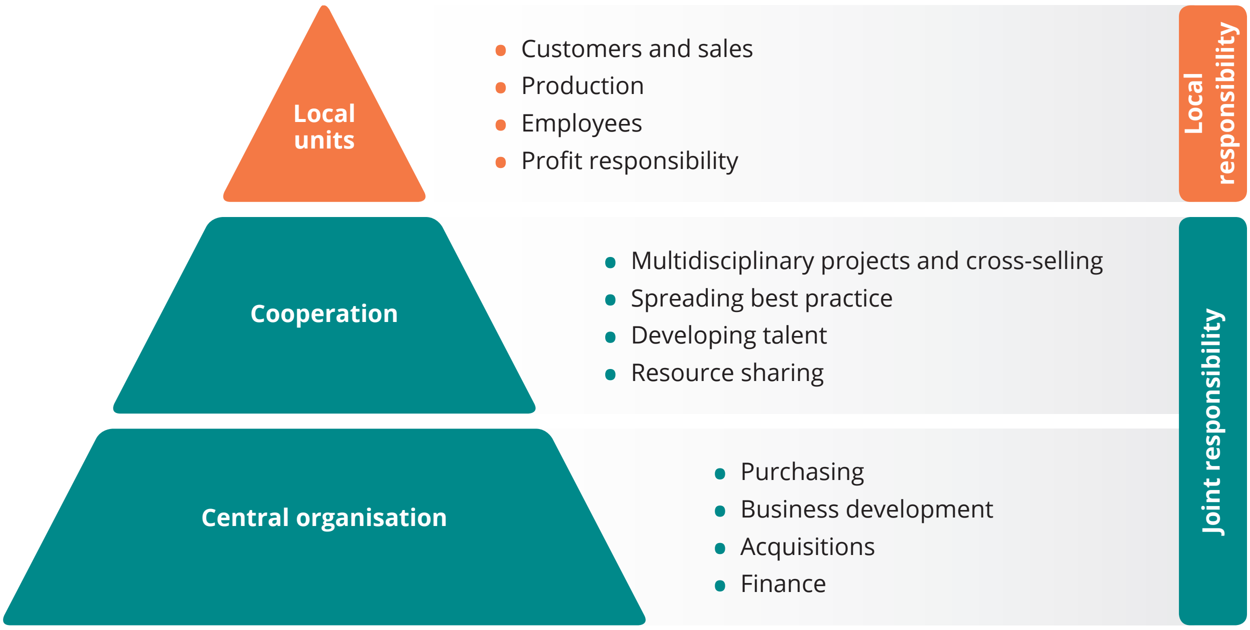
General Unless otherwise indicated, all amounts in the tables are in SEK m. All amounts in parentheses () are comparison figures for the same period in the prior year, unless otherwise indicated.

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 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.
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/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.
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.

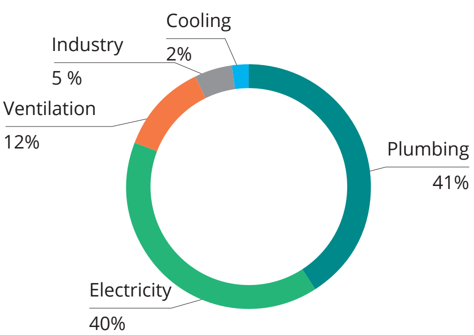
Key figures	Definition/calculation	Purpose
Working capital	Inventories, accounts receivable, earned but not yet invoiced income, prepaid expenses and accrued income and other current assets, less accounts payable, invoiced but not yet earned income, accrued expenses and deferred income and other current 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

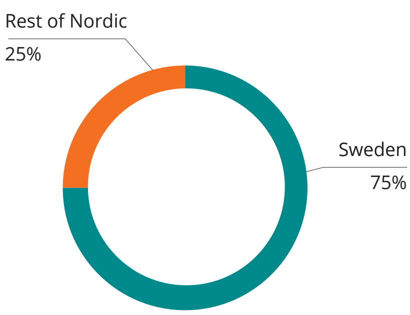
Instalco has a decentralised structure, where operations are conducted in each unit, in close cooperation with customers and with the support of a very streamlined central organisation. The Instalco model is designed to benefit from the advantages of both strong local ties and joint functions.



NET SALES BY AREA OF OPERATION



NET SALES BY MARKET AREA



INSTALCO

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