

**Q3**

Interim report July–September 2019

# More demanding environment

- Net sales for the third quarter of 2019 rose 6 percent to SEK 8,828 M (8,300).
- Organic sales declined 1 percent for the Group in its entirety, and declined 3 percent, excluding project deliveries.
- EBIT, excluding items affecting comparability, amounted to SEK 1,036 M (1,133), which was equivalent to an EBIT margin of 11.7 percent (13.6).
- Items affecting comparability for the quarter were a negative SEK 127 M (neg: 28) and pertained to restructuring costs. At the end of the second quarter, an action program was launched and communicated to address an anticipated downturn in certain market segments. Restructuring costs for the full year is estimated to approximately SEK 500 M.
- The Trelleborg Offshore & Construction business area recognized a positive result for the first time since the first quarter of 2017.
- Earnings per share, excluding items affecting comparability, totaled SEK 2.83 (2.98). For the Group, earnings per share amounted to SEK 2.44 (2.88).
- Operating cash flow amounted to SEK 1,413 M (854). The cash conversion ratio for the most recent 12-month period was 82 percent (77).

SEK M	Q3 2019 <sup>1</sup>	Q3 2018	Change, %	9M 2019 <sup>1</sup>	9M 2018	Change, %
Net sales	8,828	8,300	6	27,570	25,663	7
Organic sales, %	-1	4		0	3	
EBITA, excluding items affecting comparability	1,132	1,210	-6	3,921	3,948	-1
EBITA-margin, %	12.8	14.6		14.2	15.4	
EBIT, excluding items affecting comparability	1,036	1,133	-9	3,652	3,717	-2
EBIT-margin, %	11.7	13.6		13.2	14.5	
Items affecting comparability	-127	-28		-265	-78	
EBIT	909	1,105	-18	3,387	3,639	-7
Profit before tax	850	1,033	-18	3,097	3,435	-10
Net profit, Group	662	782	-15	2,320	2,589	-10
Earnings per share, SEK						
Excluding items affecting comparability <sup>2</sup>	2.83	2.98	-5	9.44	9.79	-4
Group	2.44	2.88	-15	8.56	9.55	-10
Operating cash flow	1,413	854	65	2,644	2,336	13
Cash conversion ratio R12, %				82	77	

<sup>1</sup> Impacted by recognition of leases in accordance to IFRS 16.

<sup>2</sup> Earnings per share have been adjusted referring to items affecting comparability after tax. 9M 2019 and full-year 2018 figures have also been adjusted for costs attributable to the US Tax Reform.

# More demanding environment

*“The third quarter was marked by a somewhat weaker organic sales trend in a number of market segments, which was partly offset by a good development in the aerospace segment as well as a significant sales increase in oil & gas and infrastructure solutions. Overall, organic sales decreased by 1 percent and by 3 percent excluding our positive project transactions. Operating profit declined 9 percent, mainly due to reduced sales and stock adjustments in Trelleborg Wheel Systems.*

*At the end of the second quarter, we announced cost-saving measures to address an anticipated lower level of demand. The effects of these initiatives will primarily have an impact toward the end of the year and during 2020. An increased focus on working capital contributed to strong cash flow.*

*The industrial trend is generally weaker in most geographical markets compared with the first half of the year, probably affected by the trade conflict between the US and China, as well as the uncertainty related to Brexit. This global economic slowdown has impacted sales volumes, not least to customers in the automotive and general engineering industries for both Trelleborg Sealing Solutions and Trelleborg Industrial Solutions. Customer activity in the aerospace industry and for our project-related operations related to oil & gas and infrastructure construction remains at a high level.*

*The demand for tires in both the agriculture sector and tires for material handling and construction vehicles continued to decline during the quarter in most markets. We made a decision to keep production below the level of demand in order to adapt our stock levels to a weaker market situation, which has had a negative earnings impact in Trelleborg Wheel Systems. During the period, we transferred production between facilities to meet new trading patterns and to create a better production structure for the future. Together, inventory adjustments and production transfers have contributed to temporarily reduced efficiency and increased costs, which will also impact the business area’s earnings during the next quarter in a corresponding manner.*

*Overall, our assessment is that the demand in the last quarter of the year will be on a par with the third quarter, and with an unfavorable sales mix similar to what we saw during the third quarter. As previously, we are carefully monitoring economic developments and stand well prepared to manage fluctuating market conditions.”*

Peter Nilsson,  
President and CEO

## MARKET OUTLOOK FOR THE FOURTH QUARTER 2019

Demand is expected to be on a par with the third quarter of 2019, adjusted for seasonal variations.

### **Market outlook from the interim report published on July 18, 2019, relating to the third quarter of 2019**

Demand is expected to be on a par with the second quarter of 2019, adjusted for seasonal variations.

## NET SALES AND RESULT

SEK M	Q3 2019	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
Net sales	8,828	8,300	6	27,570	25,663	7
Change total, %	6	14		7	7	
Organic sales, %	-1	4		0	3	
Structural change, %	3	2		3	1	
Currency effects, %	4	8		4	3	
EBIT, excluding items affecting comparability	1,036	1,133	-9	3,652	3,717	-2
EBIT-margin, %	11.7	13.6		13.2	14.5	
Items affecting comparability	-127	-28		-265	-78	
EBIT	909	1,105	-18	3,387	3,639	-7
Financial income and expenses	-59	-72	18	-290	-204	-42
Profit before tax	850	1,033	-18	3,097	3,435	-10
Taxes	-188	-251	25	-777	-846	8
Net profit, Group	662	782	-15	2,320	2,589	-10
Earnings per share, SEK						
Excluding items affecting comparability <sup>1</sup>	2.83	2.98	-5	9.44	9.79	-4
Group	2.44	2.88	-15	8.56	9.55	-10

<sup>1</sup> Earnings per share have been adjusted referring to items affecting comparability after tax. 9M 2019 and full-year 2018 figures have also been adjusted for costs attributable to the US Tax Reform.

**Net sales** for the third quarter of 2019 amounted to SEK 8,828 M (8,300). Organic sales declined 1 percent compared with the preceding year. Structural changes made a positive contribution of 3 percent. Exchange rate effects accounted for a positive 4-percent impact on sales compared with the year-earlier period.

Excluding project deliveries<sup>1</sup>:

The Group's organic sales decreased 3 percent year on year. Organic sales declined 2 percent in Western Europe and declined 1 percent in the rest of Europe. In the North American market, organic sales declined 3 percent. In South and Central America, organic sales increased 4 percent, while in Asia and other markets, the decline was 4 percent.

**EBIT, excluding items affecting comparability**, totaled SEK 1,036 M (1,133), corresponding to a margin of 11.7 percent (13.6).

The total exchange rate effect on EBIT, excluding items affecting comparability, from the translation of foreign subsidiaries, had a positive impact of SEK 38 M on earnings compared with the year-earlier period.

An interest expense for leases was recognized for 2019 as a financial expense in accordance with IFRS 16, which is a difference compared to the preceding year, when this was included in lease expenses for operating leases. Accordingly, EBIT increased SEK 20 M during the quarter compared with the preceding year.

Items affecting comparability for the quarter amounted to negative SEK 127 M (neg: 28) and pertained to restructuring costs. At the end of the second quarter, an action program was launched and communicated to address an anticipated downturn in certain market segments. The initiatives are mainly related to personnel reductions comprising about 700 people. Restructuring costs for the full year is estimated to approximately SEK 500 M, an increase of about SEK 250 M compared with information provided earlier.

EBIT, including items affecting comparability, amounted to SEK 909 M (1,105) for the quarter.

**The net financial expense** was SEK 59 M (expense: 72), impacted by positive exchange rate differences of SEK 30 M and effects from interest expenses on leases recognized in accordance with IFRS 16 of SEK 20 M. In addition, interest expenses from pension liabilities, which are classified as financial items as of 2019, impacted the financial net negatively in an amount of SEK 3 M. Net interest in relation to net debt was 1.1 percent (2.6), excluding effects from leases and pension liabilities.

**Net profit** for the Group totaled SEK 662 M (782). The tax rate for the quarter for the Group amounted to 22 percent (24), impacted by a favorable country mix. Excluding items affecting comparability, the underlying tax rate was 21 percent (24).

**Earnings per share**, excluding items affecting comparability, for the third quarter totaled SEK 2.83 (2.98). For the Group in total, earnings per share amounted to SEK 2.44 (2.88).

<sup>1</sup> Project deliveries refer to the whole of Trelleborg Offshore & Construction and minor parts of Trelleborg Industrial Solutions operations. Overall, project deliveries account for about 10 percent of the Group's net sales.

## CASH FLOW AND NET DEBT

SEK M	Q3 2019	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
EBITDA, operating profit before depreciation	1,526	1,467	4	5,081	4,705	8
Capital expenditure	-458	-472	3	-1,126	-1,083	-4
Sold non-current assets	-6	4		9	22	
Amortization of lease liabilities	-100	-		-290	-	
Change in working capital	451	-145		-1,026	-1,301	
Dividend from associated companies	0	0		1	1	
Non cash-flow affecting items	0	0		-5	-8	
<b>Operating cash flow</b>	<b>1,413</b>	<b>854</b>	<b>65</b>	<b>2,644</b>	<b>2,336</b>	<b>13</b>

SEK M	9M 2019	9M 2018	12M 2018
<b>Net debt, opening balance</b>	<b>-10,499</b>	<b>-9,593</b>	<b>-9,593</b>
Operating cash flow	2,644	2,336	3,495
Cash impact from items affecting comparability	-226	-184	-263
Financial items	-289	-166	-245
Paid tax	-678	-691	-919
<b>Free cash flow</b>	<b>1,451</b>	<b>1,295</b>	<b>2,068</b>
Acquisitions	-2,241	-428	-440
Disposed operations	-	4	4
Dividend - equity holders of the parent company	-1,288	-1,220	-1,220
<b>Sum net cash flow</b>	<b>-2,078</b>	<b>-349</b>	<b>412</b>
Exchange rate differences	-674	-758	-797
Lease liability according to IFRS 16 <sup>1</sup>	-2,435	-	-
Pension liability <sup>1</sup>	-174	-533	-521
<b>Net debt, closing balance</b>	<b>-15,860</b>	<b>-11,233</b>	<b>-10,499</b>
Of which:			
Pension liability <sup>1</sup>	-713	-533	-521
Lease liability according to IFRS 16 <sup>1</sup>	-2,435	-	-
Net debt, excluding effect of lease and pension liability	-12,712	-10,700	-9,978
<b>Debt/equity ratio, %</b>			
Group	49	38	35
Group, excluding effect of lease and pension liability	39	36	33
<b>Net debt/EBITDA <sup>2</sup></b>			
Group <sup>3</sup>	2.6	1.9	1.8
Group, excluding effect of lease and pension liability	2.2	1.8	1.7

<sup>1</sup> Net debt including, as of 2019, lease liability in accordance with IFRS 16 and pension liability. Accordingly, comparative figures were adjusted by SEK 533 M for 9M 2018 and by SEK 521 M for 12M 2018 for pension liabilities. The adjustment on pension liability in 2019 refers to a revaluation performed during the year.

<sup>2</sup> EBITDA including items affecting comparability.

<sup>3</sup> EBITDA for 2019 adjusted to reflect full-year impact of the effects of IFRS 16.

**Operating cash flow** for the quarter amounted to SEK 1,413 M (854). The improvement is primarily attributable to a positive change in working capital attributable to such factors as adaptations of the rate of production and inventory levels. The cash conversion ratio for the most recent 12-month period was 82 percent (12 months 2018: 74).

Free cash flow for the first nine months of the year amounted to SEK 1,451 M (1,295). Net cash flow amounted to a negative SEK 2,078 M (neg: 349). Net cash flow for the year was impacted by completed acquisitions in the negative amount of SEK 2,241 M (neg: 428) and the dividend paid to shareholders of SEK 1,288 M (neg: 1,220).

**Net debt** amounted to SEK 9,978 M at the beginning of the year. The opening balance was then adjusted due to the reclassification of the pension liability from capital employed to net debt in the negative amount of SEK 521 M.

Closing net debt at the end of the third quarter was impacted by the effects of the introduction of IFRS 16, net cash flow for the year, negative exchange rate differences and acquisitions completed during the year. Closing net debt at the end of the quarter amounted to SEK 15,860 M. Excluding the impact from IFRS 16 and pension liabilities, the net debt amounted to SEK 12,712 M.

The debt/equity ratio, excluding the impact of leases recognized according to IFRS 16 and pension liabilities, amounted to 39 percent (36) at the end of the period. Including these items, the debt/equity ratio was 49 percent (38).

Net debt in relation to EBITDA, excluding the impact of leases recognized in accordance with IFRS 16 and pension liabilities, was 2.2 (1.8) at the end of the period. Including these items, the ratio was 2.6 (1.9).

# RETURN ON CAPITAL EMPLOYED AND RETURN ON EQUITY

%	R12 2019	R12 2018	12M 2018
<b>Return on capital employed<sup>1</sup></b>			
Excluding items affecting comparability	10.0	11.6	11.4
Group	9.3	10.6	11.1
<b>Return on equity<sup>2</sup></b>			
Excluding items affecting comparability	10.5	11.8	11.7
Group	9.4	10.3	11.1

<sup>1</sup> Comparative figures for capital employed were adjusted due to reclassification of pension liability from capital employed to net debt. In addition, capital employed for 2019 was impacted by recognition of leases in accordance with IFRS 16.

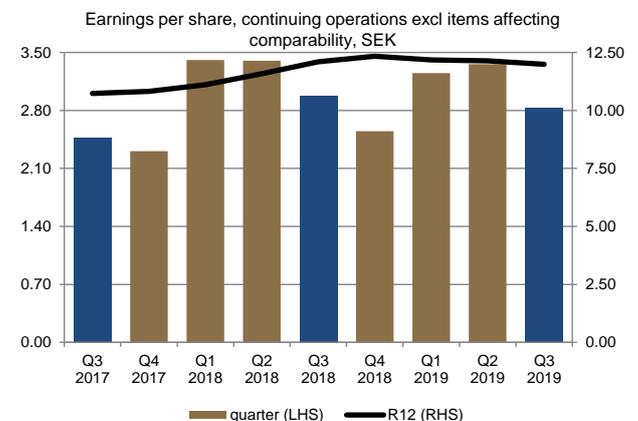
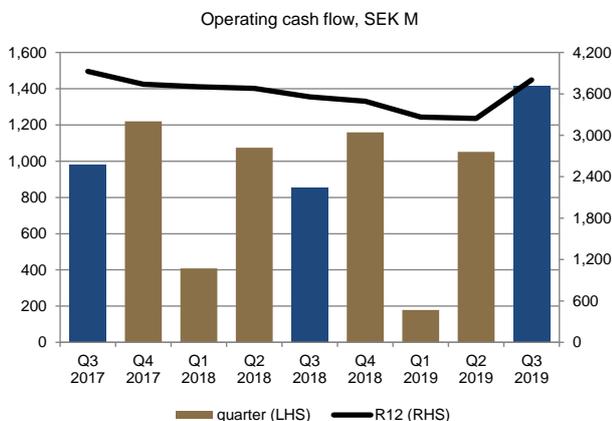
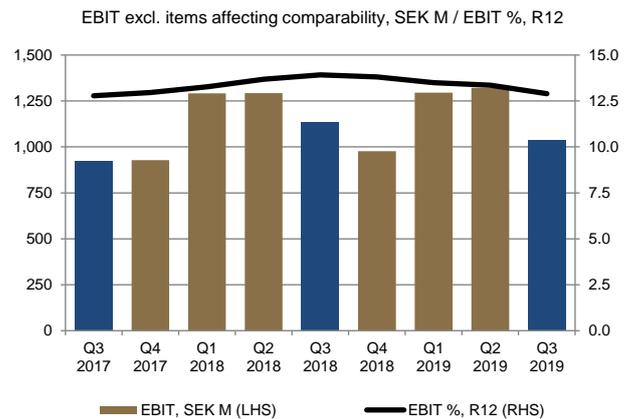
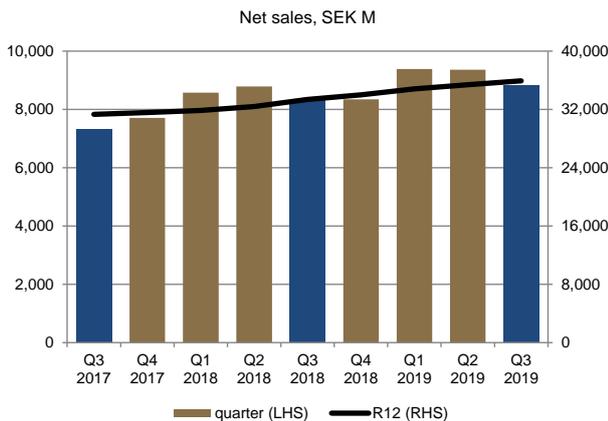
<sup>2</sup> Equity for 2019 was affected by a nonrecurring item attributable to IFRS 16.

**Capital employed** increased year on year to SEK 49,033 M (41,261), mainly impacted by acquisitions completed, investments, translation effects and the effect of leases recognized in accordance with IFRS 16.

The return on capital employed, excluding items affecting comparability, was 10.0 percent (11.6).

**Shareholders' equity** for the Group at the close of the period amounted to SEK 32,491 M (30,126 at year-end).

Equity per share amounted to SEK 120 (109). The equity/assets ratio was 54 percent (57). The total return on shareholders' equity for the Group was 9.4 percent (10.3).



## JANUARY–SEPTEMBER 2019

Net sales for the first nine months of 2019 totaled SEK 27,570 M (25,663), up 7 percent year on year.

EBIT for the first nine months of 2019 amounted to SEK 3,387 M (3,639).

The financial net expense was SEK 290 M (expense: 204). Net financial items in relation to net debt were 2.4 percent (2.6).

Profit before tax totaled SEK 3,097 M (3,435).

Net profit for the Group totaled SEK 2,320 M (2,589).

Total earnings per share for the Group were SEK 8.56 (9.55).

## SIGNIFICANT EVENTS DURING THE QUARTER

**Acquisition within LNG transfer.** Trelleborg Industrial Solutions signed an agreement and finalized the acquisition of Signum Technology Ltd. The company delivers safety critical solutions for flow control for the oil, gas and petrochemicals industries, such as marine breakaway couplings and LNG transfer systems. The acquisition complements and extends Trelleborg's product portfolio and strengthens Trelleborg as a system provider, primarily to the fast-growing LNG transfer market segment.

The company is headquartered in Wiltshire, England, with manufacturing in the U.K., and service centers globally. Sales totaled approximately SEK 410 M in 2018.

This bolt-on acquisition is part of Trelleborg's strategy to strengthen its positions in attractive market segments.

The transaction was consolidated as of July 10, 2019.

A press release was published on July 11, 2019.

## SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

### **Nomination Committee prior to 2020 Annual General Meeting.**

According to the previous resolution by the Annual General Meeting of Trelleborg AB, the Chairman of the Board is assigned the task of annually asking the five largest shareholders, in terms of votes registered on August 31, to appoint one member each to the Nomination Committee prior to the next Annual General Meeting.

The following have agreed to participate in the Nomination Committee prior to the 2020 Annual General Meeting:

Ragnar Lindqvist, Dunker Interests

Henrik Didner, Didner & Gerge Funds

Peter Lagerlöf, Lannebo Funds

Anna Sundberg, Handelsbanken Funds

Johan Sjöström, AP2

The Annual General Meeting will be held in Trelleborg, Sweden, on April 23, 2020, at 5:00 p.m. CET.

A press release was published on October 17, 2019.

## OTHER

**Effects of Brexit and trade tariffs.** All of the business areas have analyzed the effects of Brexit and other relevant trade barriers for customers and suppliers regarding the supply chain and tariff charges. The conclusion is that the Group overall is well prepared to manage various scenarios and any directly negative effects for the Group are expected to be limited. However, it is not possible to estimate indirect negative effects of Brexit, and other relevant trade tariffs, due to the number of variables such an assessment would include.

## RISK MANAGEMENT

Trelleborg serves a broad range of customers in a variety of market segments and niches. The business has a wide geographic spread. The Group has operations in about 50 countries, sales are conducted in just over 150 countries worldwide and manufacturing operations are carried out at more than 100 production sites. The business is diversified, which provides Trelleborg with an effective underlying risk spread.

Demand for the Group's products and solutions largely moves in line with fluctuations in global industrial production. Trelleborg focuses on maintaining an exposure to its market segments that has a good balance between early and late cyclical industry, meaning general as well as capital-intensive industry, the demands from which often balance each other out. Seasonal effects occur in the various market segments,

particularly in the agricultural segment, which normally experiences higher demand for tires for agricultural machines during the first half of the year. For the Group, demand is usually higher in the first half of the year than in the second half of the year.

Trelleborg has identified the relevant areas based on strategic risks, operational risks, regulatory compliance risks and financial risks that may result in damage or loss with substantial impact on the entire Group and therefore justify management of the risk exposure at Group level.

For information regarding the Group's risks, risk exposure and risk management, refer to the latest Trelleborg Annual Report, [www.trelleborg.com](http://www.trelleborg.com) and the information published in this interim report.

This report has been subject to a brief review by the company's auditor.

Trelleborg, October 24, 2019  
Board of Directors of Trelleborg AB (publ)

## REVIEW REPORT

### Introduction

We have reviewed the interim report for Trelleborg AB (publ) for the period January 1–September 30, 2019. The Board of Directors and the President 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.

### Scope of review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

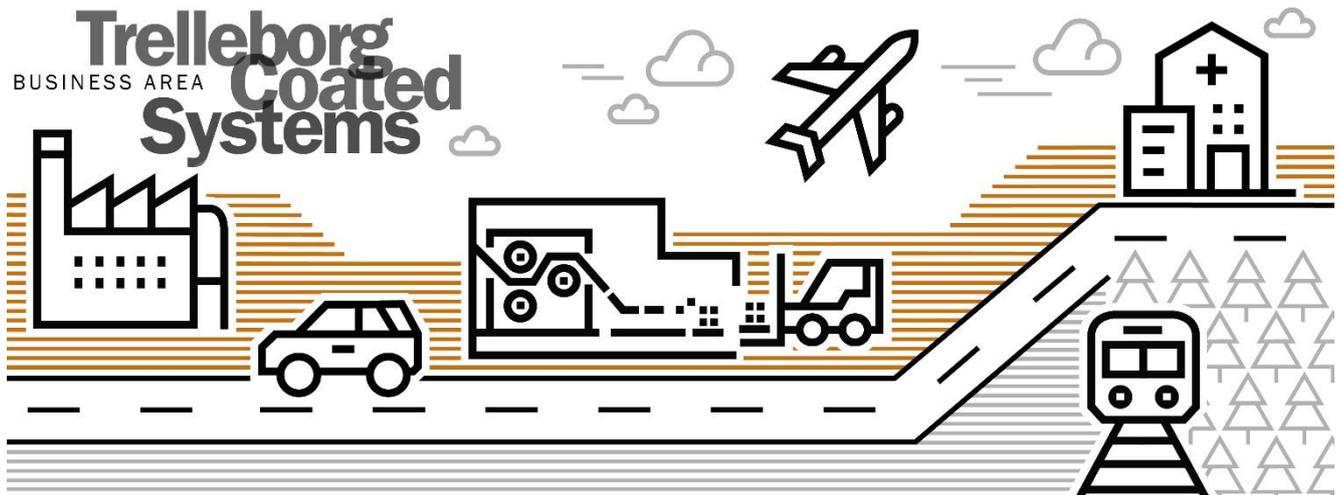
Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Trelleborg, October 24, 2019

Deloitte AB

Hans Warén  
Authorized Public Accountant  
Auditor in charge

Maria Ekelund  
Authorized Public Accountant



Trelleborg Coated Systems is a leading global supplier of unique customer solutions for polymer-coated fabrics deployed in several industrial applications.

Excluding items affecting comparability, SEK M	Q3 2019	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
Net sales	969	913	6	2,994	2,692	11
Change total, %	6	19		11	5	
Organic sales, %	2	0		0	-4	
Structural change, %	-	11		5	6	
Currency effects, %	4	8		6	3	
EBIT	99	92	8	355	309	15
EBIT, %	10.2	10.1		11.9	11.5	

Additional key ratios on pages 17 - 19

**Organic sales** increased 2 percent year on year. Coated fabrics increased compared with the year-earlier period, impacted by higher demand, primarily from the aerospace industry. Sales to general industry and the automotive industry were stable and growing overall. Printing blankets noted reduced organic sales, whereby deliveries to Europe and North and South America were negative, while deliveries to Asia had a positive trend.

**EBIT and the EBIT margin** increased somewhat year on year, mainly due to higher volumes. A bad debt loss during the quarter had a negative impact of more than SEK 10 M on the business area's earnings. Exchange rate effects from the translation of foreign subsidiaries had a positive impact on EBIT of SEK 5 M compared with the year-earlier period.



**Lighter airplanes.** The business area developed new lightweight engineered coated fabrics for aircraft evacuation slides, which results in lighter airplanes, hence less fuel consumption.



**Smart mattresses.** The business area launched a smart polyurethane-coated fabric with embedded sensors that can monitor the load and movement in a hospital bed, in addition to suppressing the development of pressure ulcers.



Trelleborg Industrial Solutions is a leading supplier of polymer-based critical solutions in such industrial application areas as selected hose and sealing systems and antivibration solutions for rail vehicles, vessels and industrial equipment.

Excluding items affecting comparability, SEK M	Q3 2019	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
Net sales	2,019	1,870	8	6,180	5,775	7
Change total, %	8	16		7	12	
Organic sales, %	-1	9		2	8	
Structural change, %	6	-		2	-	
Currency effects, %	3	7		3	4	
EBIT	170	174	-2	582	609	-4
EBIT, %	8.4	9.3		9.4	10.5	

Additional key ratios on pages 17 - 19

**Organic sales** declined 1 percent year on year. There was a downward sales trend in Western Europe and North America, but the trend was positive in other geographic markets. Deliveries to general industry were somewhat weaker compared with a year earlier. Sales to infrastructure and construction-related market segments increased somewhat compared with the year-earlier period. Sales to the automotive industry were stable.

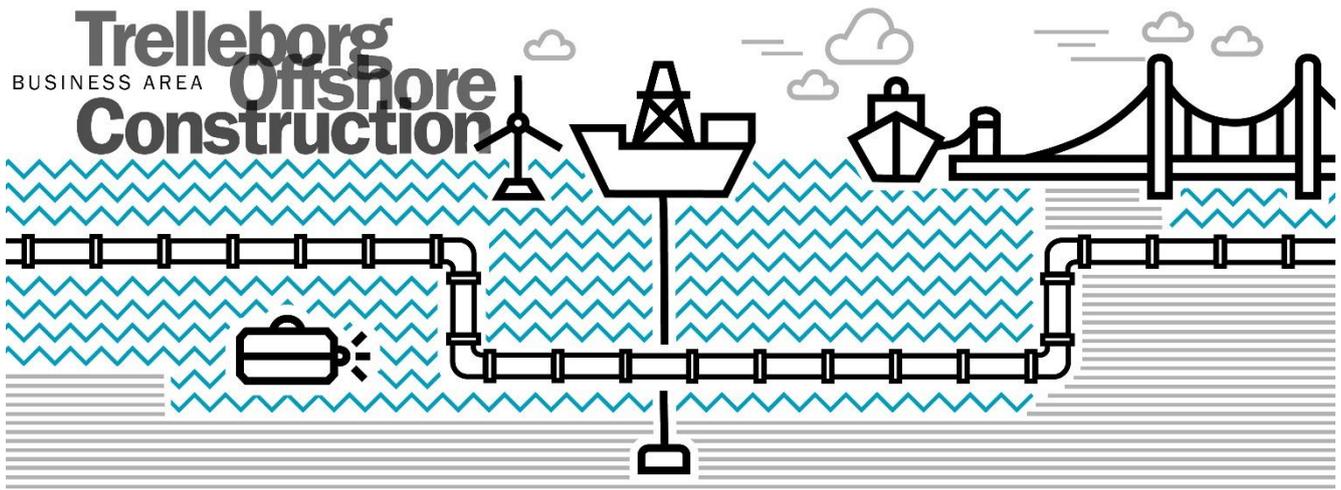
**EBIT and the EBIT margin** declined somewhat year on year, primarily as a result of lower volumes and a certain amount of cost inflation. Acquisitions finalized during the quarter made a positive contribution to earnings. Cost savings were launched during the quarter and will mainly have an impact from the beginning of next year. Exchange rate effects from the translation of foreign subsidiaries had a positive effect on EBIT of SEK 8 M compared with the year-earlier period.

 **Acquisition within LNG transfer.** The business area acquired a company that is active in safety critical solutions for flow control, which strengthens Trelleborg as a system provider, primarily to the fast-growing LNG transfer market segment. See also page 6.

 **Action program.** The business area's investment program in the Czech Republic proceeded according to plan, together with the measures relating to the organization, production structure and personnel, aimed at achieving increased efficiency and profitability.

 **Reduced train maintenance.** The business area launched its enhanced axle guiding bush for railroad cars in Europe and Asia. The innovation reduces curve squeal noise as well as energy and the need of wheel and track maintenance.

 **Renewable power.** The demand for the business area's sealing profile solution for solar panels is becoming bigger. The solution ensures the longevity of both the solar panels and the house or building underneath them, in addition to sealing effectively and being easy to install.



Trelleborg Offshore & Construction is a leading global project supplier of polymer-based critical solutions deployed in highly demanding offshore oil & gas and infrastructure construction environments.

Excluding items affecting comparability, SEK M	Q3 2019	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
Net sales	739	558	32	1,972	1,737	14
Change total, %	32	-14		14	-17	
Organic sales, %	27	-19		9	-19	
Structural change, %	1	-		0	-	
Currency effects, %	4	5		5	2	
EBIT	18	-45	140	-32	-104	69
EBIT, %	2.5	-8.0		-1.6	-6.0	

Additional key ratios on pages 17 - 19

**Organic sales** increased 27 percent during the quarter, year on year. The positive sales trend was driven by a higher number of project transactions across the business area. Order intake was strengthened during the quarter for both the infrastructure segment and the oil & gas segment.

**EBIT and the EBIT margin** increased significantly year on year, primarily due to increased deliveries of major project orders. Based on the existing order situation, the assessment is that the business area will also recognize a positive result during the fourth quarter of the year. Exchange rate effects from the translation of foreign subsidiaries had a negative impact on EBIT of SEK 1 M compared with the year-earlier period.



**Acquisition of technology.** The business area acquired a small US-based company that develops and produces small hollow spheres that are used in low density materials.



**Smart port solutions.** The business area signed a contract with the Port of Tallinn, Estonia, for the delivery of vacuum technology that enables faster and safer berthing processes.



**Contract to an FPSO.** The business area was awarded a contract for elastomeric bearings to be installed on an FPSO (Floating Production Storage and Offloading) vessel off the coast of Mexico. The bearings keep the vessel's hull and modules safe from the damage and deformation that can arise from adverse sea and weather conditions.



**Tunnel seals in China.** The business area continued to receive orders for tunnel seals in China, an application where Trelleborg is a globally leading supplier.



Trelleborg Sealing Solutions is a leading global supplier of polymer-based critical sealing solutions deployed in demanding general industry, light vehicle and aerospace environments.

Excluding items affecting comparability, SEK M	Q3 2019	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
Net sales	2,982	2,787	7	9,190	8,427	9
Change total, %	7	17		9	11	
Organic sales, %	-2	8		0	7	
Structural change, %	5	1		4	1	
Currency effects, %	4	8		5	3	
EBIT	668	647	3	2,103	2,024	4
EBIT, %	22.3	23.2		22.9	24.0	

Additional key ratios on pages 17 - 19

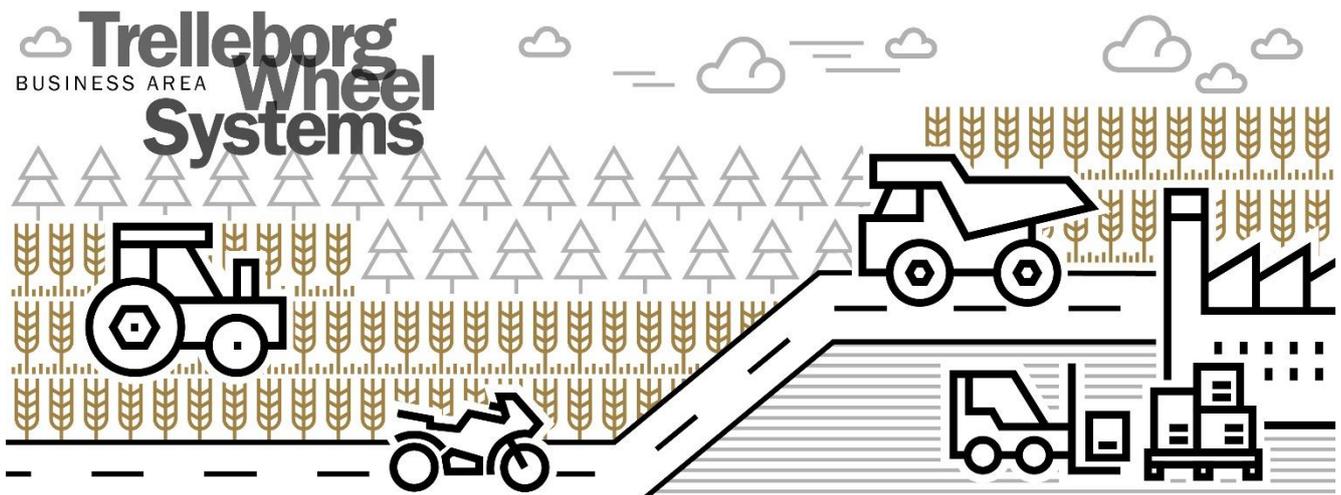
**Organic sales** declined 2 percent during the quarter, compared with the year-earlier period. Sales to general industry declined in all geographic regions, although the trend was more stable in North America. Sales to the automotive industry increased in North America, but were weaker in other regions. Sales to the aerospace industry recorded healthy growth in all markets.

**EBIT** increased somewhat year on year, mainly due to acquisitions and effective cost control. The EBIT margin declined as a result of lower organic sales and an unfavorable sales mix. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 25 M on EBIT compared with the year-earlier period.

 **Acquisition of tool maker specialist.** After the end of the period, the business area acquired a small Swiss-based company that develops and manufactures specialized tools for complex two component products.

 **Focus on healthcare & medical.** Following recent years' acquisitions and investments in the fast-growing area of healthcare and medical, the business area established a dedicated operation containing functions such as sales, marketing, innovation, technology and manufacturing, which works in partnership with customers.

 **Nano-scale coatings.** An innovative nano-scale surface treatment allows elastomer seals to be coated thinly to just a few hundred nanometers. It significantly improves the seals' so called stickslip properties, which increases their service life.



Trelleborg Wheel Systems is a leading global supplier of tires and complete wheels for agricultural machines, material handling and construction vehicles and two-wheeled vehicles.

Excluding items affecting comparability, SEK M	Q3 2019	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
Net sales	2,223	2,280	-3	7,587	7,368	3
Change total, %	-3	14		3	10	
Organic sales, %	-6	3		-3	4	
Structural change, %	1	3		2	2	
Currency effects, %	2	8		4	4	
EBIT	145	268	-46	817	1,009	-19
EBIT, %	6.5	11.8		10.8	13.7	

Additional key ratios on pages 17 - 19

**Organic sales** declined 6 percent year on year. Organic sales of tires for agricultural machines declined in most markets during the quarter. The organic sales of tires for material handling vehicles and construction vehicles declined year on year. The trend in North America was negative, unchanged in Europe and weaker in other geographic regions. The ongoing trade conflicts have had a negative impact on the business climate and contributed to increased uncertainty and reduced order intake.

**EBIT and the EBIT** margin declined as a result of lower sales volumes and a lower rate of production during the quarter with the aim of adjusting stock levels in line with the reduced market activity. During the period, production was transferred between plants to meet new trading patterns and to create a better production structure for the future. This contributed to temporarily reduced efficiency and increased costs. These measures will impact the business area's earnings during the next quarter in a corresponding manner. Exchange rate fluctuations from the translation of foreign subsidiaries did not impact EBIT compared with the year-earlier period.

 **Intelligent tires.** The business areas launched a new Central Tire Inflation System (CTIS) for agricultural machinery that enables the adaptation of tire pressure to load and ground conditions. The system, fully integrated in the rim, boosts tractor efficiency, sustainability and operational reliability, while increasing the user experience.

 **Action program.** The business area's targeted activities relating to personnel proceeded according to plan during the quarter. The aim is to adapt the operation to the lower level of demand.

 **Hybrid tire.** Together with a larger tractor manufacturer, the business area officially launched its hybrid solution PneuTrac. It combines the advantages of a radial agricultural tire in terms of fuel efficiency, comfort and handling, with the wide footprint and traction benefits of a track.

## NOTES

This report has been prepared in accordance with IAS 34 Interim Financial Reporting and the applicable rules of the Swedish Annual Accounts Act. Disclosures in accordance with IAS 34.16A appear in addition to the financial reports and their accompanying notes also in other parts of the interim report. The Parent Company applies recommendation RFR 2, Accounting for Legal Entities of the Swedish Financial Reporting Board and Chapter 9 of the Swedish Annual Accounts Act, Interim Reports. The accounting policies applied by the Group and Parent Company correspond to the accounting policies applied in the preparation of the most recent annual report, with the exceptions presented below regarding IFRS 16.

### New standards to be applied as of January 1, 2019

**IFRS 16** Leases replaces IAS 17 Leases and will be applied as of January 1, 2019. The new standard entails that most leases will be recognized in the balance sheet, since the difference between operational leases and financial leases is being removed.

The Group assesses whether a contract is, or contains, a lease at the beginning of the year. The Group recognizes a right-of-use asset and a corresponding lease liability for all leases for which the Group is the lessee, except for short-term leases (leases with a maximum term of 12 months) and for leases in which the underlying asset is of low value. For leases that meet the criteria of exemption rules, the Group recognizes lease payments over the term of the lease. The lease liability is initially recognized at the present value of the future lease payments that have not been paid at the starting date of the lease, discounted by an incremental borrowing rate that is set quarterly at Group level by country. Lease payments that are included in the measurement of the lease liabilities comprise the following:

- fixed payments, less any benefits in conjunction with the signing of the lease to be obtained,
- variable lease payments that are dependent on an index or a price, initially measured using an index or price on the start date,
- amounts expected to be paid by the lessee according to residual value guarantees,
- The redemption price for an option to buy if the lessee is reasonably certain to exercise such a possibility, and
- penalties arising from the termination of the lease if the term reflects that the lessee will exercise the possibility to terminate the lease.

Lease liabilities are included on the lines for interest-bearing liabilities in the statement of financial position and are recognized in subsequent periods by the liability being increased to reflect the effect of interest and reduced to reflect the effect of lease payments made. Lease liabilities are

restated by a corresponding adjustment of the right-of-use asset in accordance with the rules contained in the standard. The right-of-use asset is initially recognized at the value of the lease liability, with the addition of lease payments made on or before the initial date of the lease and initial direct payments. The right-of-use asset is recognized in subsequent periods at cost less amortization and impairment. If the Group incurs obligations for the dismantling of a leased asset, remediation of land or restoration and renovation of an asset to the state agreed in the contract, a provision is recognized for such obligations in accordance with IAS 37. Such provisions are included in the cost of the right-of-use asset insofar as they are not connected with the production of inventory. Right-of-use assets are amortized over their anticipated useful life, or if it is shorter, over the agreed lease term. If a lease transfers ownership rights at the end of the lease term or if the cost includes the probable exercise of a call option, the right-of-use asset is amortized over its useful life. Amortization commences on the start date of the lease. Right-of-use assets are included on the line for tangible assets in the statement of financial position. The Group applies the principles in IAS 36 for the impairment of right-of-use assets and recognizes this in the same manner as described in the policies for property, plant and equipment recognized in accordance with IAS 16. Variable lease payments that are not dependent on an index or price are not included in the measurement of lease liabilities and right-of-use assets. Such lease payments are recognized as a cost in operating profit/loss in the periods as they arise. The Group applies a practical exemption that entails that service components are not separated from the lease payments for leases that do not pertain to asset classes for office and production premises, unless this is specifically stated in the invoice.

The effects of opening balances for 2019 and earnings impact for the first nine months of 2019 are presented in the table below. For further description of transition effects and transition rules for the transition to IFRS 16, see Note 1 in the Group's 2018 Annual Report.

SEK M	January 1, 2019
<b>Impact on opening balance</b>	
Right-of-use assets <sup>1</sup>	2,242
Lease liabilities	2,414
Equity	-135
Deferred tax assets	37

<sup>1</sup> 90% pertains to office and production premises.

SEK M	9M 2019
<b>Earnings impact, IFRS 16</b>	
Amortization of right-of-use assets	-306
Interest on lease liability	-59

## Condensed Income Statements

Income Statements, SEK M	Q3 2019	Q3 2018	9M 2019	9M 2018	R12 2019	12M 2018
Net sales	8,828	8,300	27,570	25,663	35,912	34,005
Cost of goods sold	-6,071	-5,664	-18,682	-17,249	-24,481	-23,048
<b>Gross profit</b>	<b>2,757</b>	<b>2,636</b>	<b>8,888</b>	<b>8,414</b>	<b>11,431</b>	<b>10,957</b>
Selling expenses	-786	-651	-2,402	-1,995	-3,076	-2,669
Administrative expenses	-750	-815	-2,294	-2,431	-3,224	-3,361
Research and development costs	-152	-143	-459	-422	-602	-565
Other operating income/expenses	-36	105	-87	146	96	329
Profit from associated companies	3	1	6	5	4	3
<b>EBIT, excluding items affecting comparability</b>	<b>1,036</b>	<b>1,133</b>	<b>3,652</b>	<b>3,717</b>	<b>4,629</b>	<b>4,694</b>
Items affecting comparability	-127	-28	-265	-78	-363	-176
<b>EBIT</b>	<b>909</b>	<b>1,105</b>	<b>3,387</b>	<b>3,639</b>	<b>4,266</b>	<b>4,518</b>
Financial income and expenses	-59	-72	-290	-204	-368	-282
<b>Profit before tax</b>	<b>850</b>	<b>1,033</b>	<b>3,097</b>	<b>3,435</b>	<b>3,898</b>	<b>4,236</b>
Tax	-188	-251	-777	-846	-977	-1,046
<b>Total net profit</b>	<b>662</b>	<b>782</b>	<b>2,320</b>	<b>2,589</b>	<b>2,921</b>	<b>3,190</b>
- equity holders of the parent company	662	782	2,320	2,589	2,921	3,190

Earnings per share, SEK <sup>1</sup>	Q3 2019	Q3 2018	9M 2019	9M 2018	R12 2019	12M 2018
Excluding items affecting comparability <sup>2</sup>	2.83	2.98	9.44	9.79	11.99	12.34
Group	2.44	2.88	8.56	9.55	10.78	11.77

<sup>1</sup> No dilution effects arose.

<sup>2</sup> Earnings per share have been adjusted referring to items affecting comparability after tax. 9M 2019 and full-year 2018 figures have also been adjusted for costs attributable to the US Tax Reform.

### Number of shares

End of period	271,071,783	271,071,783	271,071,783	271,071,783	271,071,783	271,071,783
Average number	271,071,783	271,071,783	271,071,783	271,071,783	271,071,783	271,071,783

Statements of comprehensive income, SEK M	Q3 2019	Q3 2018	9M 2019	9M 2018	R12 2019	12M 2018
<b>Total net profit</b>	<b>662</b>	<b>782</b>	<b>2,320</b>	<b>2,589</b>	<b>2,921</b>	<b>3,190</b>
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to the income statement</b>						
Reassessment of net pension obligation	-98	-	-174	28	-153	49
Income tax relating to components of other comprehensive income	22	-	38	-6	35	-9
<b>Total</b>	<b>-76</b>	<b>0</b>	<b>-136</b>	<b>22</b>	<b>-118</b>	<b>40</b>
<b>Items that may be reclassified to the income statement</b>						
Cash flow hedges	-41	59	-165	76	-226	15
Hedging of net investment	-244	187	-725	-614	-731	-620
Translation difference	864	-750	2,404	1,372	2,425	1,393
Income tax relating to components of other comprehensive income	8	-55	90	102	108	120
<b>Total</b>	<b>587</b>	<b>-559</b>	<b>1,604</b>	<b>936</b>	<b>1,576</b>	<b>908</b>
<b>Other comprehensive income, net of tax</b>	<b>511</b>	<b>-559</b>	<b>1,468</b>	<b>958</b>	<b>1,458</b>	<b>948</b>
<b>Total comprehensive income</b>	<b>1,173</b>	<b>223</b>	<b>3,788</b>	<b>3,547</b>	<b>4,379</b>	<b>4,138</b>

EBIT specification, SEK M	Q3 2019	Q3 2018	9M 2019	9M 2018	R12 2019	12M 2018
Excluding items affecting comparability:						
EBITDA	1,526	1,467	5,081	4,705	6,353	5,977
Depreciation, property, plant and equipment	-288	-257	-854	-757	-1,071	-974
Amortization of right-of-use assets	-106	-	-306	-	-306	-
EBITA	1,132	1,210	3,921	3,948	4,976	5,003
Amortization, intangible assets	-96	-77	-269	-231	-347	-309
EBIT	1,036	1,133	3,652	3,717	4,629	4,694
Items affecting comparability	-127	-28	-265	-78	-363	-176
<b>EBIT</b>	<b>909</b>	<b>1,105</b>	<b>3,387</b>	<b>3,639</b>	<b>4,266</b>	<b>4,518</b>

## Condensed Balance Sheets

Balance Sheets, SEK M	Sep 30 2019	Sep 30 2018	Dec 31 2018
Property, plant and equipment <sup>1</sup>	13,801	10,039	10,612
Goodwill	21,448	19,068	19,100
Other intangible assets	5,782	5,041	5,013
Participations in associated companies	98	84	81
Financial non-current assets	60	104	67
Deferred tax assets	819	698	692
<b>Total non-current assets</b>	<b>42,008</b>	<b>35,034</b>	<b>35,565</b>
Inventories	6,863	6,110	6,142
Current operating receivables	8,005	7,366	6,657
Current tax assets	1,117	1,078	970
Interest-bearing receivables	81	285	74
Cash and cash equivalents	2,587	2,368	2,341
<b>Total current assets</b>	<b>18,653</b>	<b>17,207</b>	<b>16,184</b>
<b>Total assets</b>	<b>60,661</b>	<b>52,241</b>	<b>51,749</b>
<b>Equity</b>	<b>32,491</b>	<b>29,535</b>	<b>30,126</b>
Interest-bearing non-current liabilities <sup>1</sup>	13,217	9,181	9,367
Other non-current liabilities	242	78	99
Pension obligations	731	542	530
Other provisions	222	222	227
Deferred tax liabilities	1,093	907	944
<b>Total non-current liabilities</b>	<b>15,505</b>	<b>10,930</b>	<b>11,167</b>
Interest-bearing current liabilities <sup>1</sup>	4,602	4,173	3,028
Current tax liabilities	1,228	1,287	1,098
Other current liabilities	6,499	5,905	6,041
Other provisions	336	411	289
<b>Total current liabilities</b>	<b>12,665</b>	<b>11,776</b>	<b>10,456</b>
<b>Total equity and liabilities</b>	<b>60,661</b>	<b>52,241</b>	<b>51,749</b>

<sup>1</sup> Includes leases according to IFRS 16 as of 2019.

Specification of changes in equity, SEK M	Sep 30 2019	Sep 30 2018	Dec 31 2018
<b>Opening balance, January 1</b>	<b>30,126</b>	<b>27,216</b>	<b>27,216</b>
Non-recurring item relating to IFRS 9	-	-8	-8
Non-recurring item relating to IFRS 16	-135	-	-
Total net profit	2,320	2,589	3,190
Other comprehensive income	1,468	958	948
Dividend	-1,288	-1,220	-1,220
<b>Closing balance</b>	<b>32,491</b>	<b>29,535</b>	<b>30,126</b>

Specification of capital employed, SEK M	Sep 30 2019	Sep 30 2018	Dec 31 2018
Total assets	60,661	52,241	51,749
Less:			
Interest-bearing receivables	122	376	119
Cash and cash equivalents	2,587	2,368	2,341
Tax assets	1,936	1,776	1,662
Operating liabilities	6,983	6,460	6,509
<b>Capital employed <sup>1</sup></b>	<b>49,033</b>	<b>41,261</b>	<b>41,118</b>

<sup>1</sup> Comparative figures for capital employed were adjusted due to reclassification of pension liability from capital employed to net debt. In addition, capital employed for 2019 was impacted by recognition of leases in accordance with IFRS 16.

## Cash-flow statements

Cash flow statements, SEK M	Q3 2019	Q3 2018	9M 2019	9M 2018	R12 2019	12M 2018
<b>Operating activities</b>						
EBIT incl part in associated companies	909	1,105	3,387	3,639	4,266	4,518
Adjustments for items not included in cash flow from operating activities:						
Depreciation, property, plant and equipment <sup>1</sup>	393	256	1,155	755	1,426	1,026
Amortization, intangible assets	97	77	269	231	347	309
Impairment losses, property, plant and equipment	8	12	11	13	-39	-37
Impairment losses, intangible assets	-	-	2	0	2	0
Dividend from associated companies	0	0	1	1	2	2
Participations in associated companies and other non cash-flow affecting items	-3	0	-8	-8	-9	-9
Items affecting comparability	3	-	3	-	3	-
Interest received and other financial items	10	12	26	30	48	52
Interest paid and other financial items	-56	-75	-315	-196	-416	-297
Taxes paid	-172	-170	-678	-691	-906	-919
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,189</b>	<b>1,217</b>	<b>3,853</b>	<b>3,774</b>	<b>4,724</b>	<b>4,645</b>
<b>Cash flow from changes in working capital</b>						
Change in inventories	71	-158	-235	-428	-270	-463
Change in operating receivables	523	142	-597	-848	108	-143
Change in operating liabilities	-143	-129	-194	-25	-139	30
Change in items affecting comparability	26	-37	31	-117	46	-102
<b>Cash flow from operating activities</b>	<b>1,666</b>	<b>1,035</b>	<b>2,858</b>	<b>2,356</b>	<b>4,469</b>	<b>3,967</b>
<b>Investing activities</b>						
Acquisitions	-1,133	-293	-2,241	-428	-2,253	-440
Disposed/discontinuing operations	-	-	-	4	0	4
Capital expenditure, property, plant and equipment	-412	-446	-1,007	-1,008	-1,821	-1,822
Capital expenditure, intangible assets	-46	-26	-119	-75	-165	-121
Sale of non-current assets	-6	4	9	22	31	44
<b>Cash flow from investing activities</b>	<b>-1,597</b>	<b>-761</b>	<b>-3,358</b>	<b>-1,485</b>	<b>-4,208</b>	<b>-2,335</b>
<b>Financing activities</b>						
Change in interest-bearing investments	138	-177	-2	559	209	770
Change in interest-bearing liabilities <sup>1</sup>	-305	190	-743	-429	-979	-665
New/utilized loans	773	85	3,265	2,768	3,234	2,737
Amortized loans	-456	-105	-649	-2,175	-1,423	-2,949
Dividend - equity holders of the parent company	0	0	-1,288	-1,220	-1,288	-1,220
<b>Cash flow from financing activities</b>	<b>150</b>	<b>-7</b>	<b>583</b>	<b>-497</b>	<b>-247</b>	<b>-1,327</b>
<b>Cash flow for the period</b>	<b>219</b>	<b>267</b>	<b>83</b>	<b>374</b>	<b>14</b>	<b>305</b>
<b>Cash and cash equivalents</b>						
At beginning of the period	2,299	2,177	2,341	1,994	2,368	1,994
Exchange rate differences	69	-76	163	0	205	42
<b>Cash and cash equivalents at end of period</b>	<b>2,587</b>	<b>2,368</b>	<b>2,587</b>	<b>2,368</b>	<b>2,587</b>	<b>2,341</b>

<sup>1</sup> Includes leases according to IFRS 16 as of 2019.

## Key figures

Trelleborg employs a number of alternative key figures related to financial position: return on equity and capital employed, net debt, debt/equity ratio and equity/assets ratio. The Group deems the key figures useful for the readers of its financial reports as a complement for assessing the possibility of dividends, implementing strategic investments and considering the Group's ability to meet its financial commitments. In addition, Trelleborg uses the cash-flow measurements of operating cash flow and free cash flow to provide an indication of the funds the operations generate to be able to implement strategic investments, make amortizations and pay returns to the shareholders. Trelleborg also uses the result measurements of EBITDA, EBITA and EBIT, excluding items affecting comparability, which are measurements the Group considers relevant for investors who want to understand earnings generation before items affecting comparability. The Group defines the key figures as set out below.

For further description and calculation of key figures, see <https://www.trelleborg.com/en/investors/financial--definitions>.

SEK M	Q3 2019	Q3 2018	9M 2019	9M 2018	R12 2019	12M 2018
<b>Net sales</b>						
Trelleborg Coated Systems	969	913	2,994	2,692	3,953	3,651
Trelleborg Industrial Solutions	2,019	1,870	6,180	5,775	8,070	7,665
Trelleborg Offshore & Construction	739	558	1,972	1,737	2,621	2,386
Trelleborg Sealing Solutions	2,982	2,787	9,190	8,427	11,812	11,049
Trelleborg Wheel Systems	2,223	2,280	7,587	7,368	9,907	9,688
Group items/Eliminations	-104	-108	-353	-336	-451	-434
<b>Total</b>	<b>8,828</b>	<b>8,300</b>	<b>27,570</b>	<b>25,663</b>	<b>35,912</b>	<b>34,005</b>
<b>EBIT, excluding items affecting comparability</b>						
Trelleborg Coated Systems	99	92	355	309	469	423
Trelleborg Industrial Solutions	170	174	582	609	748	775
Trelleborg Offshore & Construction	18	-45	-32	-104	-93	-165
Trelleborg Sealing Solutions	668	647	2,103	2,024	2,638	2,559
Trelleborg Wheel Systems	145	268	817	1,009	1,063	1,255
Group items	-64	-3	-173	-130	-196	-153
<b>Total</b>	<b>1,036</b>	<b>1,133</b>	<b>3,652</b>	<b>3,717</b>	<b>4,629</b>	<b>4,694</b>
<b>EBIT %, excluding items affecting comparability</b>						
Trelleborg Coated Systems	10.2	10.1	11.9	11.5	11.9	11.6
Trelleborg Industrial Solutions	8.4	9.3	9.4	10.5	9.3	10.1
Trelleborg Offshore & Construction	2.5	-8.0	-1.6	-6.0	-3.5	-6.9
Trelleborg Sealing Solutions	22.3	23.2	22.9	24.0	22.3	23.2
Trelleborg Wheel Systems	6.5	11.8	10.8	13.7	10.7	13.0
<b>Total</b>	<b>11.7</b>	<b>13.6</b>	<b>13.2</b>	<b>14.5</b>	<b>12.9</b>	<b>13.8</b>

Net sales per market, share and organic growth, %	Q3 2019	Q3 2018	9M 2019	9M 2018
Western Europe (48%)	-1	4	0	4
Other Europe (10%)	0	-3	-2	-2
North America (22%)	0	5	2	2
South and Central America (4%)	-11	39	-11	25
Asia and other markets (16%)	2	-1	1	0
<b>Total (100% refer to share 2018)</b>	<b>-1</b>	<b>4</b>	<b>0</b>	<b>3</b>

Net sales per market excluding project related <sup>1</sup> , organic growth, %	Q3 2019	Q3 2018	9M 2019	9M 2018
Western Europe	-2	5	-1	5
Other Europe	-1	-3	-3	-3
North America	-3	8	1	6
South and Central America	4	39	3	22
Asia and other markets	-4	7	-3	7
<b>Total</b>	<b>-3</b>	<b>6</b>	<b>-1</b>	<b>5</b>

<sup>1</sup> Project deliveries refer to the whole of Trelleborg Offshore & Construction and minor parts of Trelleborg Industrial Solutions' operations.

Bridge net sales SEK M, %	Q3 2018, SEK M	Organic sales, %	Structural change, %	Currency effects, %	Q3 2019, SEK M
Trelleborg Coated Systems	913	2	-	4	969
Trelleborg Industrial Solutions	1,870	-1	6	3	2,019
Trelleborg Offshore & Construction	558	27	1	4	739
Trelleborg Sealing Solutions	2,787	-2	5	4	2,982
Trelleborg Wheel Systems	2,280	-6	1	2	2,223
Group items/Eliminations	-108	-	-	-	-104
<b>Total</b>	<b>8,300</b>	<b>-1</b>	<b>3</b>	<b>4</b>	<b>8,828</b>

Exchange rate differences impacting EBIT excluding items affecting comparability <sup>1</sup> , SEK M	Q3 2019	9M 2019
Trelleborg Coated Systems	5	17
Trelleborg Industrial Solutions	8	14
Trelleborg Offshore & Construction	-1	-6
Trelleborg Sealing Solutions	25	91
Trelleborg Wheel Systems	0	10
Group items	1	-3
<b>Total</b>	<b>38</b>	<b>123</b>

<sup>1</sup> Impact on EBIT excluding items affecting comparability in translation of foreign subsidiaries.

SEK M	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
<b>Net sales</b>									
Trelleborg Coated Systems	969	1,039	986	959	913	889	890	812	768
Trelleborg Industrial Solutions	2,019	2,092	2,069	1,890	1,870	1,982	1,923	1,706	1,609
Trelleborg Offshore & Construction	739	671	562	649	558	603	576	741	647
Trelleborg Sealing Solutions	2,982	3,090	3,118	2,622	2,787	2,840	2,800	2,349	2,388
Trelleborg Wheel Systems	2,223	2,591	2,773	2,320	2,280	2,583	2,505	2,198	1,992
Group items/Eliminations	-104	-122	-127	-98	-108	-111	-117	-98	-94
<b>Total</b>	<b>8,828</b>	<b>9,361</b>	<b>9,381</b>	<b>8,342</b>	<b>8,300</b>	<b>8,786</b>	<b>8,577</b>	<b>7,708</b>	<b>7,310</b>
<b>EBIT, excluding items affecting comparability</b>									
Trelleborg Coated Systems	99	137	119	114	92	104	113	89	77
Trelleborg Industrial Solutions	170	208	204	166	174	223	212	170	146
Trelleborg Offshore & Construction	18	-8	-42	-61	-45	-25	-34	-12	-33
Trelleborg Sealing Solutions	668	711	724	535	647	693	684	469	533
Trelleborg Wheel Systems	145	321	351	246	268	373	368	240	215
Group items	-64	-48	-61	-23	-3	-75	-52	-28	-18
<b>Total</b>	<b>1,036</b>	<b>1,321</b>	<b>1,295</b>	<b>977</b>	<b>1,133</b>	<b>1,293</b>	<b>1,291</b>	<b>928</b>	<b>920</b>
<b>EBIT %, excluding items affecting comparability</b>									
Trelleborg Coated Systems	10.2	13.3	12.0	11.9	10.1	11.7	12.7	11.0	9.9
Trelleborg Industrial Solutions	8.4	10.0	9.8	8.8	9.3	11.3	11.0	9.9	9.1
Trelleborg Offshore & Construction	2.5	-1.2	-7.5	-9.4	-8.0	-4.2	-5.9	-1.6	-5.2
Trelleborg Sealing Solutions	22.3	23.0	23.2	20.4	23.2	24.4	24.4	20.0	22.3
Trelleborg Wheel Systems	6.5	12.4	12.7	10.6	11.8	14.5	14.7	10.9	10.8
<b>Total</b>	<b>11.7</b>	<b>14.1</b>	<b>13.8</b>	<b>11.7</b>	<b>13.6</b>	<b>14.7</b>	<b>15.1</b>	<b>12.0</b>	<b>12.6</b>
<b>Condensed Income Statements, SEK M</b>									
Net sales	8,828	9,361	9,381	8,342	8,300	8,786	8,577	7,708	7,310
Cost of goods sold	-6,071	-6,291	-6,320	-5,799	-5,664	-5,855	-5,730	-5,288	-4,959
<b>Gross profit</b>	<b>2,757</b>	<b>3,070</b>	<b>3,061</b>	<b>2,543</b>	<b>2,636</b>	<b>2,931</b>	<b>2,847</b>	<b>2,420</b>	<b>2,351</b>
Selling expenses	-786	-816	-800	-674	-651	-676	-668	-630	-599
Administrative expenses	-750	-766	-778	-930	-815	-840	-776	-801	-733
Research and development costs	-152	-155	-152	-143	-143	-146	-133	-134	-122
Other operating income/costs	-36	-14	-37	183	105	23	18	71	20
Profit from associated companies	3	2	1	-2	1	1	3	2	3
<b>EBIT, excluding items affecting comparability</b>	<b>1,036</b>	<b>1,321</b>	<b>1,295</b>	<b>977</b>	<b>1,133</b>	<b>1,293</b>	<b>1,291</b>	<b>928</b>	<b>920</b>
Items affecting comparability	-127	-118	-20	-98	-28	-32	-18	-314	-45
<b>EBIT</b>	<b>909</b>	<b>1,203</b>	<b>1,275</b>	<b>879</b>	<b>1,105</b>	<b>1,261</b>	<b>1,273</b>	<b>614</b>	<b>875</b>
Financial income and expenses	-59	-111	-120	-78	-72	-70	-62	-57	-66
<b>Profit before tax</b>	<b>850</b>	<b>1,092</b>	<b>1,155</b>	<b>801</b>	<b>1,033</b>	<b>1,191</b>	<b>1,211</b>	<b>557</b>	<b>809</b>
Tax	-188	-286	-303	-200	-251	-294	-301	-284	-174
<b>Net profit</b>	<b>662</b>	<b>806</b>	<b>852</b>	<b>601</b>	<b>782</b>	<b>897</b>	<b>910</b>	<b>273</b>	<b>635</b>
- equity holders of the parent company	662	806	852	601	782	897	910	273	635
- non-controlling interest	-	-	-	-	-	-	-	-	-
<b>Group Key Figures</b>									
Net sales, SEK M	8,828	9,361	9,381	8,342	8,300	8,786	8,577	7,708	7,310
Organic sales, %	-1	0	1	2	4	2	4	7	3
EBITDA, excl items affecting comparability, SEK M	1,526	1,800	1,755	1,272	1,467	1,624	1,614	1,248	1,240
EBITDA, excl items affecting comparability, %	17.3	19.2	18.7	15.3	17.7	18.5	18.8	16.2	16.9
EBITA, excl items affecting comparability, SEK M	1,132	1,407	1,382	1,055	1,210	1,373	1,365	1,002	993
EBITA, excl items affecting comparability, %	12.8	15.0	14.7	12.7	14.6	15.6	15.9	13.0	13.6
EBIT, excl items affecting comparability, SEK M	1,036	1,321	1,295	977	1,133	1,293	1,291	928	920
EBIT, excl items affecting comparability, %	11.7	14.1	13.8	11.7	13.6	14.7	15.1	12.0	12.6
Items affecting comparability, SEK M	-127	-118	-20	-98	-28	-32	-18	-314	-45
EBIT, SEK M	909	1,203	1,275	879	1,105	1,261	1,273	614	875
Earnings per share, excl items affecting comparability, SEK	2.83	3.36	3.25	2.55	2.98	3.40	3.41	2.31	2.47
Earnings per share, Group, SEK	2.44	2.98	3.14	2.22	2.88	3.31	3.36	1.01	2.34
Operating cash flow, excl items affecting comparability, SEK M	1,413	1,052	179	1,159	854	1,074	408	1,220	979
Cash conversion ratio, excl items affecting comparability, R12, %	82	69	70	74	77	83	88	91	98
Free cash flow, SEK M	1,102	631	-282	773	567	732	-4	915	653
Capital employed, closing balance, SEK M	49,033	47,210	46,678	41,118	41,261	41,253	40,282	37,818	37,705
Return on capital employed R12, %	9.3	10.1	10.6	11.1	10.6	10.3	9.8	10.5	10.8
Net debt, closing balance, SEK M	-15,860	-15,307	-15,766	-10,499	-11,233	-11,560	-10,654	-10,154	-11,219
Net debt/EBITDA	2.6	2.5	2.5	1.8	1.9	2.0	1.9	1.8	2.0
Debt/equity ratio %	49	49	52	35	38	39	36	37	43
Return on equity, %	9.4	10.0	10.5	11.1	10.3	9.8	9.2	11.0	12.3
Equity/assets ratio, %	54	54	52	58	57	56	57	56	55

## Acquisitions

### Carrying amounts of identifiable acquired assets and assumed liabilities

#### 9M 2019

Trelleborg has, through its Trelleborg Sealing Solutions business area, signed agreements and finalized the acquisition of Sil-Pro, LLC, a US-based privately owned contract manufacturer of high-tolerance silicone and thermoplastic components, which also offers assembly of medical devices.

Trelleborg has, through its Trelleborg Wheel Systems business area, signed an agreement and finalized the acquisition of the Canadian-based privately owned company Pneus ICM Inc. The company specializes in distribution and service of industrial tires to customers in eastern Canada.

Trelleborg has, through its Trelleborg Wheel Systems business area, signed agreements and finalized the acquisitions of Provana Solutions srl and Provana Quality Center srl. Provana Solutions specializes in the distribution and service of tires and complete wheels to tractor dealers and farmers in Italy. Provana Quality Center provides testing of various tire solutions to original equipment manufacturers (OEMs) of agricultural machinery.

Trelleborg has, through its Trelleborg Industrial Solutions business area, signed an agreement and finalized the acquisition of the engineering group Signum Technology Ltd. The group delivers safety critical solutions for flow control for the oil, gas and petrochemicals industries, such as marine breakaway couplings and LNG transfer systems.

Trelleborg has, through its Trelleborg Offshore & Construction business area, signed an agreement and finalized the acquisition of the US-based, privately owned company Deep Spring Technology. The company is a leader in innovation and the development of small microspheres that are used in low density materials.

In addition, certain adjustments were made to acquisition analyses attributable to acquisitions made in 2018.

#### 9M 2018

Acquisitions made during the first nine months:

- Dartex Holdings Ltd.
- Industrial Tire Service Inc.
- TRS Tyre & Wheel Ltd.
- Laminating Coating Technologies, Inc.

In addition, final settlement of earlier acquisitions took place and certain adjustments were also made to acquisition analyses attributable to acquisitions in 2017.

Acquisitions, SEK M	9M 2019 Acquired 2019 Adjustments to Acquisitions 2018	9M 2018 Acquired 2018 Adjustments to Acquisitions 2017
Developed technology <sup>1</sup>	4	29
Trademarks <sup>2</sup>	4	18
Customer relationships <sup>3</sup>	626	75
Other intangible assets	0	-
Property, plant and equipment	213	46
Deferred tax assets	8	5
Shares in associated companies	-	-
Interest-bearing receivables	5	6
Inventories	168	107
Operating receivables	258	69
Current tax asset	2	-
Cash and cash equivalents	598	42
Deferred tax liabilities	9	-28
Interest-bearing liabilities	-1,578	-49
Post employment benefits	-1	-
Provision obligations	0	-1
Current tax liability	-36	-1
Operating liabilities	-223	-48
<b>Net assets</b>	<b>57</b>	<b>270</b>
Goodwill	1,208	157
<b>Total purchase price</b>	<b>1,265</b>	<b>427</b>
Cash and other net debt in acquired operations	976	1
<b>Impact shown in cash flow statement</b>	<b>2,241</b>	<b>428</b>

<sup>1</sup> Excess value of developed technology is amortized over 10 years.

<sup>2</sup> Trademarks have an indefinite useful life, no amortization takes place.

<sup>3</sup> Excess value of customer relationships are amortized over 10-12 years.

The above goodwill for 2019 is attributable to acquired non-separable customer relationships and synergy effects expected after the acquisition. The fair value of acquired, identifiable, intangible assets is provisional pending final measurement of these assets.

The acquisitions that occurred after the end of the period, see further page 6, are expected to have a marginal effect on the Group's key figures.

## Financial instruments - classification and valuation

A description of how fair value is calculated is provided below and in Accounting policies in the latest Annual Report.

At September 30, 2019, SEK M	Assets measured at amortized cost	Assets at fair value in profit and loss		Derivatives used for hedging purposes		Total
		Carrying amount	Measurement level	Carrying amount	Measurement level	
<b>Assets in the balance sheet</b>						
Derivative instruments	-	41	2	36	2	77
Financial non-current assets	2	-	-	-	-	2
Accounts receivable	6,393	-	-	-	-	6,393
Interest-bearing receivable	7	-	-	-	-	7
Cash and cash equivalents	2,587	-	-	-	-	2,587
<b>Total</b>	<b>8,989</b>	<b>41</b>		<b>36</b>		<b>9,066</b>

	Liabilities measured at amortized cost	Liabilities at fair value in profit and loss		Derivatives used for hedging purposes		Total
		Carrying amount	Measurement level	Carrying amount	Measurement level	
<b>Liabilities in the balance sheet</b>						
Derivative instruments	-	165	2	300	2	465
Interest-bearing non-current liabilities	13,130	-	-	-	-	13,130
Interest-bearing current liabilities	4,515	-	-	-	-	4,515
Accounts payable	3,260	-	-	-	-	3,260
<b>Total</b>	<b>20,905</b>	<b>165</b>		<b>300</b>		<b>21,370</b>

Financial assets and liabilities fair value at the balance sheet date are, essentially, based on observable data (level 2 in accordance with the fair-value hierarchy).

### Valuation techniques used to derive Level 2 fair values

Level 2 derivatives comprise forward foreign contracts and interest rate swaps and are used mainly for hedging purposes but also for proprietary trading. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.

### Disclosure of fair value for debt and other financial instruments

Financial interest-bearing liabilities, with the exception of financial derivatives that adjust the loans, are recognized at amortized cost. Changes in interest rates and credit margins create differences between the fair value and amortized cost. A calculation at fair value would increase the Group's long-term loans by SEK 85 M. The Group's current loans were not remeasured because the carrying amount is considered to be a good estimation of the fair value due to their short maturity.

At September 30, 2018, SEK M	Assets measured at amortized cost	Assets at fair value in profit and loss		Derivatives used for hedging purposes		Total
		Carrying amount	Measurement level	Carrying amount	Measurement level	
<b>Assets in the balance sheet</b>						
Derivative instruments	-	49	2	314	2	363
Financial non-current assets	2	-	-	-	-	2
Accounts receivable	5,856	-	-	-	-	5,856
Interest-bearing receivable	10	-	-	-	-	10
Cash and cash equivalents	2,368	-	-	-	-	2,368
<b>Total</b>	<b>8,236</b>	<b>49</b>		<b>314</b>		<b>8,599</b>

	Liabilities measured at amortized cost	Liabilities at fair value in profit and loss		Derivatives used for hedging purposes		Total
		Carrying amount	Measurement level	Carrying amount	Measurement level	
<b>Liabilities in the balance sheet</b>						
Derivative instruments	-	322	2	164	2	486
Interest-bearing non-current liabilities	9,120	-	-	-	-	9,120
Interest-bearing current liabilities	3,911	-	-	-	-	3,911
Accounts payable	2,999	-	-	-	-	2,999
<b>Total</b>	<b>16,030</b>	<b>322</b>		<b>164</b>		<b>16,516</b>

Financial assets and liabilities fair value at the balance sheet date are, essentially, based on observable data (level 2 in accordance with the fair-value hierarchy).

## Parent Company

Condensed Income statements, SEK M	Q3 2019	Q3 2018	9M 2019	9M 2018	R12 2019	12M 2018
Net sales	150	228	392	330	538	476
Administrative expenses	-67	-61	-218	-206	-360	-348
Other operating income	0	1	1	2	1	2
Other operating expenses	-29	-25	-83	-69	-339	-325
<b>EBIT</b>	<b>54</b>	<b>143</b>	<b>92</b>	<b>57</b>	<b>-160</b>	<b>-195</b>
Financial income and expenses	-389	-116	-79	762	-1,553	-712
<b>Profit before tax</b>	<b>-335</b>	<b>27</b>	<b>13</b>	<b>819</b>	<b>-1,713</b>	<b>-907</b>
Appropriations	-	-	-	-	1,822	1,822
Tax	-44	-3	-37	46	-167	-84
<b>Net profit</b>	<b>-379</b>	<b>24</b>	<b>-24</b>	<b>865</b>	<b>-58</b>	<b>831</b>

Statements of comprehensive income, SEK M	Q3 2019	Q3 2018	9M 2019	9M 2018	R12 2019	12M 2018
Net profit	-379	24	-24	865	-58	831
<b>Total comprehensive income</b>	<b>-379</b>	<b>24</b>	<b>-24</b>	<b>865</b>	<b>-58</b>	<b>831</b>

Condensed Balance sheets, SEK M	Sep 30 2019	Sep 30 2018	Dec 31 2018
Property, plant and equipment	13	15	15
Intangible assets	20	7	6
Financial assets	35,950	36,321	36,679
<b>Total non-current assets</b>	<b>35,983</b>	<b>36,343</b>	<b>36,700</b>
Current receivables	300	398	108
Current tax asset	0	-	-
Interest-bearing receivables	262	1	1,822
Cash and cash equivalents	-	-	-
<b>Total current assets</b>	<b>562</b>	<b>399</b>	<b>1,930</b>
<b>Total assets</b>	<b>36,545</b>	<b>36,742</b>	<b>38,630</b>
<b>Equity</b>	<b>7,882</b>	<b>9,228</b>	<b>9,193</b>
Interest-bearing non-current liabilities	85	4,430	85
Other non-current liabilities	62	22	56
<b>Total non-current liabilities</b>	<b>147</b>	<b>4,452</b>	<b>141</b>
Interest-bearing current liabilities	28,355	22,942	29,084
Current tax liabilities	-	-	2
Other current liabilities	161	120	210
<b>Total current liabilities</b>	<b>28,516</b>	<b>23,062</b>	<b>29,296</b>
<b>Total equity and liabilities</b>	<b>36,545</b>	<b>36,742</b>	<b>38,630</b>

## GLOSSARY

**OEM** (Original Equipment Manufacturer) A company that manufactures an end-product that can be sold on the open market. The product often consists of a combination of proprietary manufactured and purchased components from suppliers that are assembled by the OEM company to make the final product.

**Plastics** can be divided into two main groups: **Thermoplastics** are non-cross-linked plastics that are solid at room temperature but become soft and moldable when heated, and **Hard plastics** are cross-linked plastics that disintegrate upon heating and do not regain their properties.

**Polymer** The word is derived from the Greek “poly,” meaning “many” and “meros” meaning “parts.” Polymers are made up of many small molecules – monomers – that are linked in long chains. Examples of polymers are plastics and rubber.

**Polymer technology** The technology relating to manufacturing processes for polymers in combination with their unique properties.

## ABOUT TRELLEBORG

Trelleborg is a world leader in engineered polymer solutions that seal, damp and protect critical applications in demanding environments. Our innovative solutions accelerate performance for customers in a sustainable way.

### Business concept

Trelleborg’s business concept is to seal, damp and protect in demanding industrial environments.

### Strategy

Trelleborg’s strategy is to secure leading positions in selected segments. This means that Trelleborg seeks segments, niches and product categories that – by virtue of the Group’s market insights, core competencies and offering of advanced products and solutions – provide market leadership. In this manner, long-term shareholder value and added value are generated for customers. Trelleborg works with the strategy, both Group-wide and in the business areas, supported by four strategic cornerstones that – individually and in combination – underpin the strategy. The strategic cornerstones are: Geographic balance, Portfolio optimization, Structural improvements and Excellence.

### Value drivers

**Polymer engineering.** Trelleborg should be best at developing polymer-based solutions that optimize and accelerate customers’ applications and processes.

**Local presence, global reach.** Trelleborg leverages global strength and capabilities, while acting as a local partner to customers.

**Application expertise.** Trelleborg should be best at understanding customers’ applications, thereby adding the most value.

**Customer integration.** Trelleborg makes it easy to do business with the Group and integrates in close partnerships with its customers.

**Business accelerator.** Powered by these core capabilities, the aim is always to improve, accelerate and grow customers’ businesses. Trelleborg grows with its customers.

### Trelleborg’s market segments:

Business area/Segment distribution	General industry	Capital intensive industry					Light Vehicles	
		Oil & gas	Transport equipment	Agriculture	Infrastructure construction	Aerospace		
Trelleborg Coated Systems	85%		1%			13%	14%	1%
Trelleborg Industrial Solutions	53%	3%	18%		13%		34%	13%
Trelleborg Offshore & Construction		41%			59%		100%	
Trelleborg Sealing Solutions	44%	2%	11%	4%		15%	32%	24%
Trelleborg Wheel Systems			42%	58%			100%	
<b>Total</b>	<b>34%</b>	<b>4%</b>	<b>20%</b>	<b>18%</b>	<b>7%</b>	<b>6%</b>	<b>55%</b>	<b>11%</b>

Net sales per market segment and business area based on annual accounts 2018. Historically, these percentages have not changed substantially between the quarters, the full year figures of 2018 will therefore give a good approximation.

## PRESENTATION AND TELEPHONE CONFERENCE ON OCTOBER 24

A presentation and telephone conference will be held on October 24 at 10:30 a.m. CET. The presentation will be held at GT30 (Grev Turegatan 30, Turbine venue) in Stockholm, Sweden (note that this is a new venue). To participate in the meeting at Grev Turegatan 30, provide notification by visiting <http://www.financialhearings.com/event/11947>. To participate in the telephone conference, call +46 8 505 583 53 (Sweden), +44 333 3009 031 (UK) or +1 833 526 8382 (US). Code: "Trelleborg". The conference will also be broadcast on the Internet in real time. Visit our website [www.trelleborg.com](http://www.trelleborg.com) for the Internet link and presentation materials.

## FINANCIAL CALENDER

Year-end report 2019	February 12, 2020
Annual Report 2019	Week starting March 16, 2020
Interim report January-March 2020	April 23, 2020
Annual General Meeting 2020 (Trelleborg)	April 23, 2020
Interim report April-June 2020	July 20, 2020
Interim report July-September 2020	October 27, 2020

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For information about the Trelleborg Group, Annual Reports, the stakeholder magazine *T-TIME* and other information, please visit the Group's website [www.trelleborg.com](http://www.trelleborg.com).



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This report contains forward-looking statements that are based on the current expectations of the management of Trelleborg. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors.

**This information is information that Trelleborg AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 07:45 a.m. CET on October 24, 2019.**

This is a translation of the company's Interim Report in Swedish.