

**Q2**

Interim report April-June 2018

# Continued earnings improvement

- Net sales for the second quarter of 2018 rose 6 percent to SEK 8,786 M (8,265).
- Organic sales increased 2 percent. Excluding project deliveries, the corresponding increase was 4 percent.
- EBIT, excluding items affecting comparability, rose 19 percent to SEK 1,293 M (1,089), which was equivalent to an EBIT margin of 14.7 percent (13.2). EBIT was the highest on record for the Group.
- Items affecting comparability for the quarter were a negative SEK 32 M (neg: 76), in line with information previously communicated.
- Earnings per share for continuing operations excluding items affecting comparability totaled SEK 3.40 (2.92).
- Operating cash flow amounted to SEK 1,069 M (1,096). The cash conversion ratio for the most recent 12-month period was 82 percent (98), impacted by a slightly higher level of capital expenditure.

SEK M	Q2 2018	Q2 2017	Change, %	6M 2018	6M 2017	Change, %
Net sales	8,786	8,265	6	17,363	16,563	5
Organic sales, %	2	2		3	3	
EBITA, excluding items affecting comparability	1,373	1,163	18	2,738	2,390	15
EBITA-margin, %	15.6	14.0		15.7	14.4	
EBIT, excluding items affecting comparability	1,293	1,089	19	2,584	2,243	15
EBIT-margin, %	14.7	13.2		14.9	13.5	
<i>Restructuring costs</i>	-32	-76		-50	-182	
<i>Capital gain divestment of compounding operation</i>	0	0		-	472	
Items affecting comparability	-32	-76		-50	290	
EBIT	1,261	1,013	24	2,534	2,533	0
Profit before tax	1,191	957	24	2,402	2,426	-1
Net profit, Group	897	737	22	1,807	1,966	-8
Earnings per share, SEK						
Continuing operations, excluding items affecting comparability	3.40	2.92	16	6.81	6.04	13
Continuing operations	3.31	2.72	22	6.67	7.25	-8
Group	3.31	2.72	22	6.67	7.25	-8
Operating cash flow	1,069	1,096	-2	1,475	1,513	-3

# Continued earnings improvement

*“Trelleborg continues to perform well. During the second quarter of the year, sales increased 6 percent, with organic sales accounting for 2 percent of the increase. Excluding project transactions, which mainly comprises offshore oil & gas operations, organic sales increased 4 percent, impacted by improved demand in many market segments and most geographic regions. EBIT, adjusted for items affecting comparability, increased 19 percent to its highest level on record for a single quarter.*

*General industry is continuing to perform well in all regions. Our presence in Asia continues to strengthen. The demand for our tires for both the agricultural sector and for industrial and construction vehicles is still growing. In this context, it is important to underline that the demand for our agricultural tires is developing stronger than the underlying market, driven mainly by increased deliveries to OEMs of agricultural machinery. In comparison, European tractor registration – an important indicator for us – declined by about 3 percent during the period.*

*Our oil & gas operation experienced a continued weak market, mainly affecting the business area Trelleborg Offshore & Construction, which again reported a loss for the quarter. However, this operation only had a minor impact on our quarterly earnings from a Group perspective. Meanwhile, we are now seeing clear signs of increased activity in this segment, which is expected to lead to increased deliveries with a certain time lag, depending on the nature of the business.*

*During the summer we have finalized two acquisitions, one in the U.S. and one in New Zealand. The focus remains on organic initiatives, but we are continuing to seek out bolt-on acquisitions that will further strengthen our niche positions.*

*The degree of capacity utilization is high in parts of our operations, which we are addressing by taking various measures and this is reflected in, for example, a higher rate of investment.*

*At the beginning of June, we held a Capital Markets Day in Stockholm, Sweden, at which we presented the Group's overall strategy. The presidents of the business areas were also given extensive scope to demonstrate the strong innovative energy that exists across the Group. This was exemplified by a number of smart products and offerings. In recent years we have received a number of awards for our value-creating, innovative solutions.*

*To summarize, during the period, we have seen a positive demand situation in most of our segments and we are entering the third quarter with strengthened optimism. That said, political and economic tensions in the global arena have intensified, which may impact trade and the willingness to invest more than we see today.*

*In the third quarter, our overall assessment is that demand will be in line with the second quarter of the year, with the reservation that the third quarter is a seasonally weak one due to the vacation period in Europe. We continue to follow economic developments closely and are well prepared to manage the shifting market conditions.”*

Peter Nilsson,  
President and CEO

## Market outlook for the third quarter 2018

Demand is expected to be on a par with the second quarter of 2018, adjusted for seasonal variations.

### **Market outlook from the interim report published on April 25, 2018, relating to the second quarter of 2018**

Demand is expected to be on a par with the first quarter of 2018, adjusted for seasonal variations.

# Second quarter

## Net sales

# 2018

SEK M, growth	Q2 2018	Q2 2017	6M 2018	6M 2017	R12 2018	12M 2017
Net sales	8,786	8,265	17,363	16,563	32,381	31,581
Change total, %	6	26	5	31		16
Organic sales, %	2	2	3	3		4
Structural change, %	1	20	0	25		12
Currency effects, %	3	4	2	3		0

Net sales for the second quarter of 2018 amounted to SEK 8,786 M (8,265). Organic sales increased 2 percent during the quarter. Structural changes contributed 1 percent. Exchange rate effects accounted for a positive 3-percent impact on sales compared with the year-earlier period.

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

The Group's organic sales increased 4 percent year on year. Organic sales in Western Europe rose 4 percent, while in the rest of Europe, organic sales declined 2 percent. In the North American market, organic sales rose 5 percent. Organic sales in South and Central America grew 19 percent, as in Asia and other markets, where the increase was 5 percent.

<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 approximately 10 percent of the Group's net sales.

## Result

SEK M	Q2 2018	Q2 2017	Change, %	6M 2018	6M 2017	Change, %
EBITA, excluding items affecting comparability	1,373	1,163	18	2,738	2,390	15
EBITA-margin, %	15.6	14.0		15.7	14.4	
EBIT, excluding items affecting comparability	1,293	1,089	19	2,584	2,243	15
EBIT-margin, %	14.7	13.2		14.9	13.5	
Restructuring costs	-32	-76		-50	-182	
Capital gain divestment of compounding operation	-	-		-	472	
Items affecting comparability	-32	-76		-50	290	
EBIT	1,261	1,013	24	2,534	2,533	0
Financial income and expenses	-70	-56	-25	-132	-107	-23
Profit before tax	1,191	957	24	2,402	2,426	-1
Taxes	-294	-220	-34	-595	-460	-29
Net profit, Group	897	737	22	1,807	1,966	-8

EBITA, excluding items affecting comparability, totaled SEK 1,373 M (1,163), corresponding to a margin of 15.6 percent (14.0).

EBIT, excluding items affecting comparability, amounted to SEK 1,293 M (1,089) for the second quarter, a year-on-year increase of 19 percent. The EBIT margin, excluding items affecting comparability, amounted to 14.7 percent (13.2).

The total exchange rate effect on EBIT, excluding items affecting comparability, from the translation of foreign subsidiaries, had a positive impact of SEK 29 M on earnings compared with the year-earlier period.

The quarter was impacted by items affecting comparability of negative SEK 32 M (neg: 76), which is in line with information previously communicated.

EBIT for the quarter, including items affecting comparability, amounted to SEK 1,261 M (1,013), up 24 percent.

The net financial expense was SEK 70 M (expense: 56), corresponding to an interest rate of 2.6 percent (1.9).

Net profit for the Group totaled SEK 897 M (737). Excluding items affecting comparability, the tax rate for the quarter was 25 percent (23).

## Return on capital employed

%	R12 2018	R12 2017	12M 2017
Excluding items affecting comparability	11.5	10.6	10.8
Including items affecting comparability	10.5	11.0	10.6

Capital employed for continuing operations increased year on year to SEK 40,767 M (37,922).

The return on capital employed, excluding items affecting comparability, was 11.5 percent (10.6).

## Cash flow

SEK M	Q2 2018	Q2 2017	Change, %	6M 2018	6M 2017	Change, %
EBITDA, operating profit before depreciation	1,624	1,416	15	3,238	2,894	12
Capital expenditure	-395	-247	-60	-611	-416	-47
Sold non-current assets	3	6		18	7	
Change in working capital	-161	-71		-1,163	-962	
Dividend from associated companies	0	1		1	1	
Non cash-flow affecting items	-2	-9		-8	-11	
<b>Operating cash flow</b>	<b>1,069</b>	<b>1,096</b>	<b>-2</b>	<b>1,475</b>	<b>1,513</b>	<b>-3</b>
Cash impact from items affecting comparability	-65	-56		-130	-113	
Financial items	-27	-35		-96	-115	
Paid tax	-245	-220		-521	-419	
<b>Free cash flow</b>	<b>732</b>	<b>785</b>	<b>-7</b>	<b>728</b>	<b>866</b>	<b>-16</b>
Acquisitions	-19	-30		-135	-104	
Disposed/discontinuing operations <sup>1</sup>	-	-		4	649	
Dividend - equity holders of the parent company	-1,220	-1,152		-1,220	-1,152	
<b>Sum net cash flow</b>	<b>-507</b>	<b>-397</b>	<b>-28</b>	<b>-623</b>	<b>259</b>	<b>-341</b>

<sup>1</sup> Relates to divestment of compounding operation in Lesina, Czech Republic.

Operating cash flow was slightly lower year on year and amounted to SEK 1,069 M (1,096), affected by an improved earnings level, a higher investment rate and sales growth. The cash conversion ratio for the most recent 12-month period was 82 percent (98).

Free cash flow amounted to SEK 732 M (785).

The net cash flow for the quarter amounted to a negative SEK 507 M (neg: 397).

Net cash flow during the quarter was impacted by a dividend of SEK 1,220 M, corresponding to a 6-percent increase compared with the preceding year.

## Net debt

Change in net debt, SEK M	6M 2018	6M 2017	12M 2017
<b>Net debt, opening balance</b>	<b>-9,593</b>	<b>-12,125</b>	<b>-12,125</b>
Net cash flow for the period	-623	259	1,705
Exchange rate differences	-789	312	360
Receivable related to the divestment of Vibracoustic	-	-	467
<b>Net debt, closing balance</b>	<b>-11,005</b>	<b>-11,554</b>	<b>-9,593</b>
Debt/equity ratio, %	38	45	35
<b>Net debt/EBITDA</b>			
Continuing operations, excluding items affecting comparability	1.9	2.2	1.8
Continuing operations, including items affecting comparability	1.9	2.1	1.7
Total Group	1.9	2.1	1.7

Since the beginning of the year, net debt has increased SEK 1,412 M, affected by net cash flow for the year and negative exchange rate differences. The debt/equity ratio at the end of the period was 38 percent (45).

Net debt in relation to EBITDA, excluding items affecting comparability, amounted to 1.9 (2.2). The ratio for the Group as a whole was 1.9 (2.1).

## Return on equity

%	R12 2018	R12 2017	12M 2017
Continuing operations, excluding items affecting comparability	11.4	11.8	11.2
Continuing operations, including items affecting comparability	9.8	12.7	11.0
Total Group	9.8	12.7	11.0

Shareholders' equity for the Group at the close of the period amounted to SEK 29,312 M (27,216 at January 1, 2018). Equity per share amounted to SEK 108 (96), up 13 percent.

The equity/assets ratio was 56 percent (53). The total return on shareholders' equity for the Group was 9.8 percent (12.7).

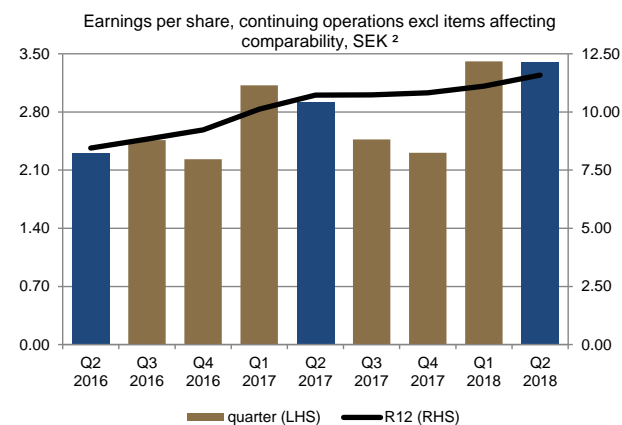
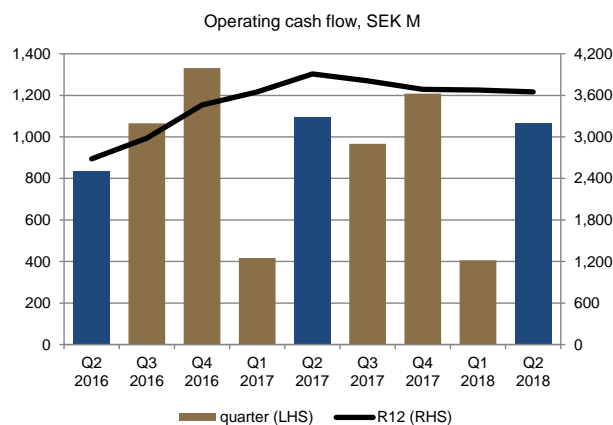
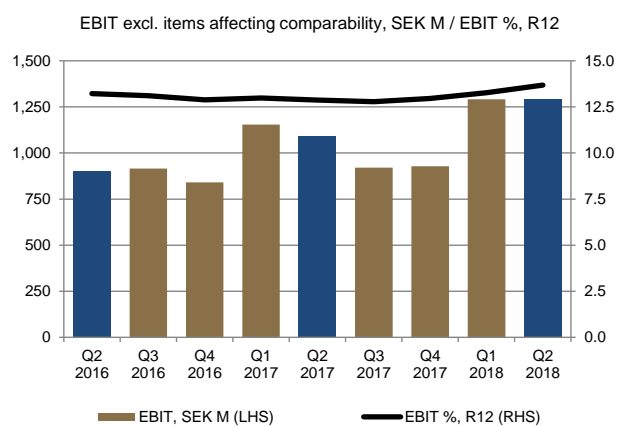
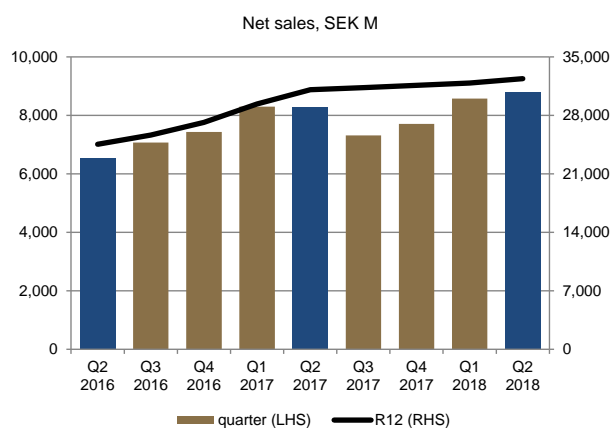
## Earnings per share

Earnings per share, SEK <sup>1</sup>	Q2 2018	Q2 2017	6M 2018	6M 2017	R12 2018	12M 2017
Continuing operations	3.31	2.72	6.67	7.25	10.02	10.60
Discontinuing operations	0.00	0.00	0.00	0.00	0.00	0.00
<b>Group, total</b>	<b>3.31</b>	<b>2.72</b>	<b>6.67</b>	<b>7.25</b>	<b>10.02</b>	<b>10.60</b>
Continuing operations, excluding items affecting comparability	3.40	2.92	6.81	6.04	11.59	10.82

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

Earnings per share for continuing operations excluding items affecting comparability during the second quarter totaled SEK 3.40 (2.92).

For the Group in total, earnings per share amounted to SEK 3.31 (2.72).



## January–June 2018

Net sales for the first six months of 2018 totaled SEK 17,363 M (16,563), up 5 percent year on year.

EBIT for the first six months of 2018 amounted to SEK 2,534 M (2,533). EBIT for 2017 was positively impacted by the divestment of a compounding operation in Lesina in the Czech Republic.

The financial net expense was SEK 132 M (expense: 107), corresponding to an average interest rate of 2.6 percent (1.8).

Profit before tax totaled SEK 2,402 M (2,426).

Net profit for the Group totaled SEK 1,807 M (1,966).

Total earnings per share for the Group were SEK 6.67 (7.25).

## Significant events during the quarter

**Capital Markets Day.** Trelleborg carried out a Capital Markets Day in Stockholm, Sweden, on June 5, 2018. The day included a review of Trelleborg's strategic priorities and objectives, the Group's financial performance and how Trelleborg is working to make it easy for customers to do business with the Group. Presentations were held by the President and CEO, CFO and the Group's business area presidents.

All presentations are available at [www.trelleborg.com](http://www.trelleborg.com).

## Significant events after the close of the period

### Acquisition of coated fabrics operation in North America.

Trelleborg Coated Systems signed an agreement and finalized the acquisition of the U.S. based privately owned company Laminating Coating Technologies, Inc. (Lamcotec). Lamcotec develops and manufactures polyurethane-coated and laminated fabrics primarily used in the aerospace industry and in the healthcare & medical industry. The acquisition complements Trelleborg's offering and strengthens the Group's position in engineered polyurethane-coated fabrics.

The company has its head office and production facility in Monson, Massachusetts, U.S. Total sales amounted to about SEK 185 M in 2017. This bolt-on acquisition is part of Trelleborg's strategy to strengthen its positions in attractive market segments.

The transaction is consolidated as of July 1, 2018.

The press release was published on July 3, 2018.

### Acquisition of tire distributor in New Zealand.

Trelleborg Wheel Systems signed an agreement and finalized the acquisition of the New Zealand company TRS Tyre & Wheel Ltd, owned by Bapcor Group. The company is a distributor of tires for agricultural, material handling and construction vehicles in New Zealand. It specializes in tires and complete wheels for tire and tractor dealers.

The company is located in Wanganui, New Zealand, and has operations in four other locations within the country. Annual sales amount to approximately SEK 160 M. This bolt-on acquisition is part of Trelleborg's strategy to strengthen its positions in attractive market segments.

The transaction is consolidated as of July 1, 2018.

The press release was published on July 3, 2018.

## Risk management

Trelleborg serves a broad range of customers in a variety of market segments and niches. Sales are made to approximately 150 countries worldwide and the Group has manufacturing operations at over 100 production units in around 50 countries. Although the business is diversified, deploying several business models and operating a number of production units, and has an effective underlying spread of financial risks, a number of risks remain.

Trelleborg has identified eight major risks in five areas. These include 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.

## Board of Directors' assurance

This interim report provides a fair overview of the operations, position and results of the Parent Company and the Group, and describes material risks and uncertainties faced by the Parent Company and the companies that are included in the Group.

Trelleborg, July 20, 2018  
Trelleborg AB (publ)

*Hans Biörck*  
*Chairman of the Board*

*Gunilla Fransson*  
*Board Member*

*Johan Malmquist*  
*Board Member*

*Peter Nilsson*  
*Board Member and*  
*President/CEO*

*Anne Mette Olesen*  
*Board Member*

*Susanne Pahlén Åklundh*  
*Board Member*

*Panu Routila*  
*Board Member*

*Jan Ståhlberg*  
*Board Member*

*Jimmy Faltin*  
*Employee representative*

*Peter Larsson*  
*Employee representative*

*Lars Pettersson*  
*Employee representative*

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 Report. 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.

### **New and amended standards applied from January 1, 2018**

As of January 1, 2018, Trelleborg applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

**IFRS 9** regulates classification, measurement and recognition of financial assets and liabilities. It replaces the sections of IAS 39 that regulate the classification and measurement of financial instruments as well as hedge accounting and provisions for credit losses. A project was conducted within Trelleborg on the basis of the following areas: classification, measurement and documentation of financial liabilities and assets, adjustment of documentation relating to hedge accounting to the new regulation and calculation of the effects of the transition to a new model for recognition of anticipated credit losses, known as the expected loss model. The conclusion is that the new standard will not have any material impact on the Trelleborg Group's reporting. Given the immaterial effects of the new standard, previous periods will not be restated. In 2018, the Group recognized a non-recurring item of SEK 7 M in equity on account of the modified calculation model for anticipated credit losses on accounts receivable and SEK 1 M for anticipated credit losses in cash and cash equivalents.

**IFRS 15** introduces a new model for revenue recognition (five-step model) that is based on when control of a good or service is transferred to the customer. IFRS 15 replaces all previous standards, statements and interpretations relating to revenue recognition. Trelleborg has chosen to retroactively restate the 2017 fiscal year. During 2017, the Group completed its IFRS 15 project, which involved taking an inventory of customer contracts and assessing these in accordance with the five-step model. The review concluded that the transition to IFRS 15 will not have any material impact on the Group's financial statements.

This report has not been subject to a brief review by the company's auditor.



# Trelleborg BUSINESS AREA Coated Systems

**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	Q2 2018	Q2 2017	Change, %	6M 2018	6M 2017	Change, %
Net sales	889	885	1	1,779	1,797	-1
Change total, %	1	25		-1	34	
Organic sales, %	-6	-3		-5	0	
Structural change, %	4	22		3	29	
Currency effects, %	3	6		1	5	
EBIT	104	93	12	217	195	11
EBIT, %	11.7	10.5		12.2	10.9	

Additional key ratios on pages 16 - 17

Organic sales for the quarter declined 6 percent year on year. The organic trend was impacted negatively by a strategic decision to adapt a specific compounding operation to be more in line with internal requirements. Excluding this adaptation, organic sales declined 3 percent year on year.

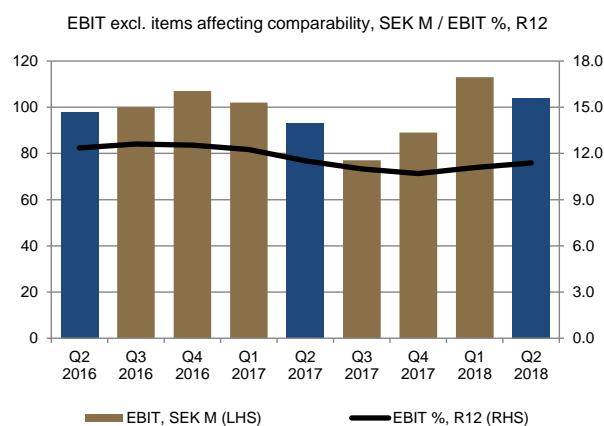
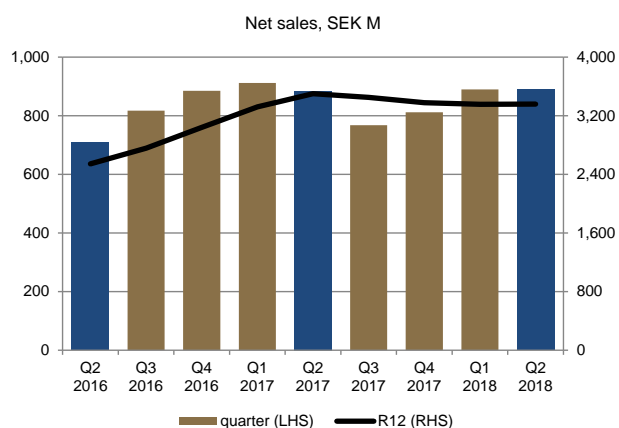
Coated fabrics declined compared with the second quarter of 2017 due to lower demand in individual market segments. Demand from general industry and the automotive industry was stable and growing overall, while sales to aerospace demonstrated a temporary slowdown during the quarter. Printing blankets noted somewhat lower organic sales, with weaker development in sales to Europe and North and South

America, while the trend in Asia was rising.

EBIT and the EBIT margin improved year on year, driven primarily by improved productivity. Exchange rate effects from the translation of foreign subsidiaries had a positive impact on earnings of SEK 2 M compared with the year-earlier period.

During the quarter, a new online shop for printing blankets was launched in France, the first of its kind.

After the close of the period, the business area acquired a company that develops and manufactures polyurethane-coated and laminated fabrics primarily used in the aerospace industry and in the healthcare & medical industry. Refer to page 6.







**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.**

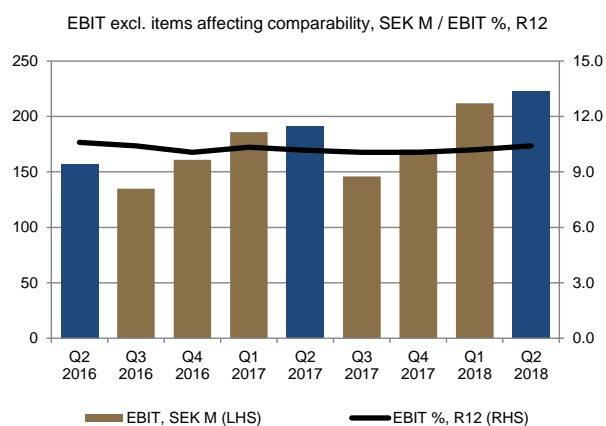
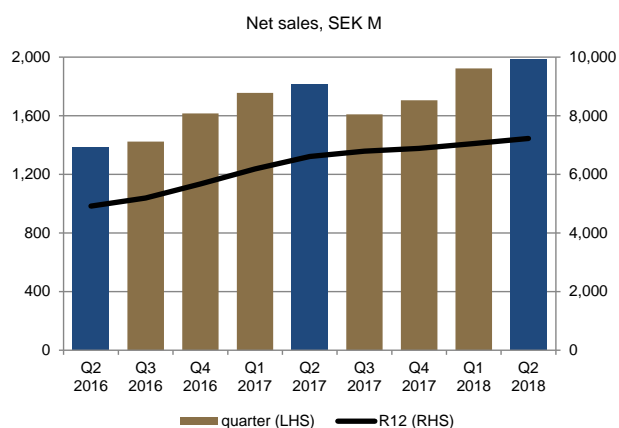
Excluding items affecting comparability, SEK M	Q2 2018	Q2 2017	Change, %	6M 2018	6M 2017	Change, %
Net sales	1,982	1,813	9	3,905	3,569	9
Change total, %	9	31		9	36	
Organic sales, %	6	2		7	2	
Structural change, %	-	26		-	31	
Currency effects, %	3	3		2	3	
EBIT	223	191	17	435	377	15
EBIT, %	11.3	10.5		11.2	10.6	

Additional key ratios on pages 16 - 17

Organic sales for the quarter increased 6 percent year on year. The sales trend was positive in most market segments and geographic markets. Deliveries of industry-related products developed well. Sales to the infrastructure and construction-related segments remained at a similar level to the year-earlier period. Organic sales increased in all major geographic regions.

The availability of qualified labor remained limited in the Czech Republic, which impacted productivity in a number of units.

EBIT and the EBIT margin increased year on year due primarily to higher volumes and good cost control. Exchange rate effects from the translation of foreign subsidiaries had a positive effect of SEK 2 M on earnings compared with the year-earlier period.



# Trelleborg

BUSINESS AREA

# Offshore & Construction

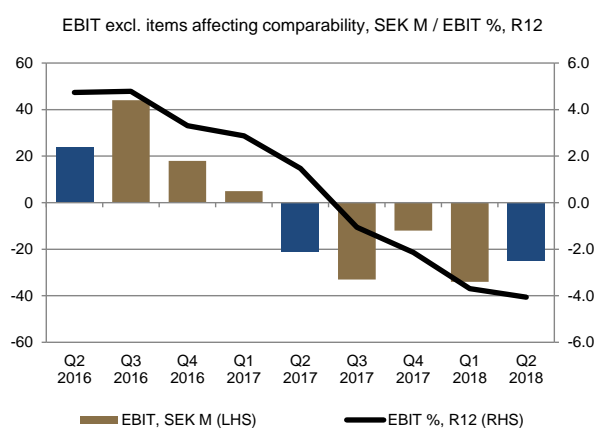
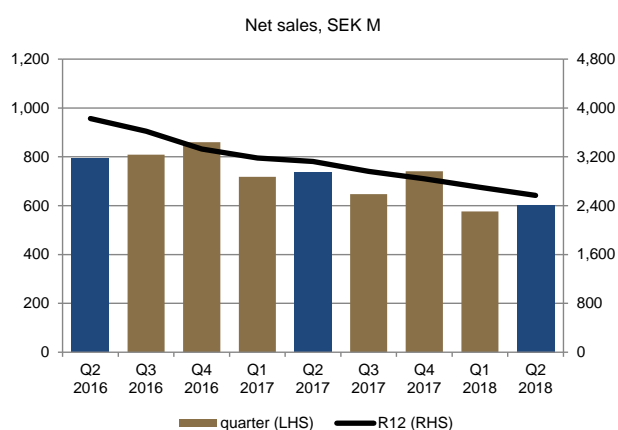
**Trelleborg Offshore & Construction is a leading global project supplier of polymer-based critical solutions deployed in highly demanding offshore oil & gas and infrastructure construction environments.**

Excluding items affecting comparability, SEK M	Q2 2018	Q2 2017	Change, %	6M 2018	6M 2017	Change, %
Net sales	603	735	-18	1,179	1,453	-19
Change total, %	-18	-7		-19	-13	
Organic sales, %	-19	-9		-19	-14	
Structural change, %	-	-		-	-	
Currency effects, %	1	2		0	1	
EBIT	-25	-21	-19	-59	-16	-269
EBIT, %	-4.2	-2.8		-5.0	-1.1	

Additional key ratios on pages 16 - 17

Organic sales for the quarter declined 19 percent year on year. The negative sales trend was driven by fewer project transactions primarily in the oil & gas segment whilst deliveries in the infrastructure construction segment declined somewhat compared with the year-earlier period. At the same time, market activity in the oil & gas segment increased during the period, which is expected to lead to more project transactions, albeit with a certain time lag depending on the nature of the business. The order situation in the infrastructure construction segment was strengthened during the period, and is expected to lead to slightly higher deliveries in the second half of the year.

EBIT and the EBIT margin declined year on year, due primarily to fewer deliveries of larger project orders. The closure of a North American facility related to the oil & gas segment is proceeding as planned. Manufacturing operations have now ceased and dismantling of the facility has begun. Following this, the manufacturing equipment will be shipped to a similar operation in the U.K. to be installed and ready for operation at the beginning of next year. Exchange rate effects from the translation of foreign subsidiaries were unchanged compared with the year-earlier period.



# Trelleborg

BUSINESS AREA

## Sealing Solutions

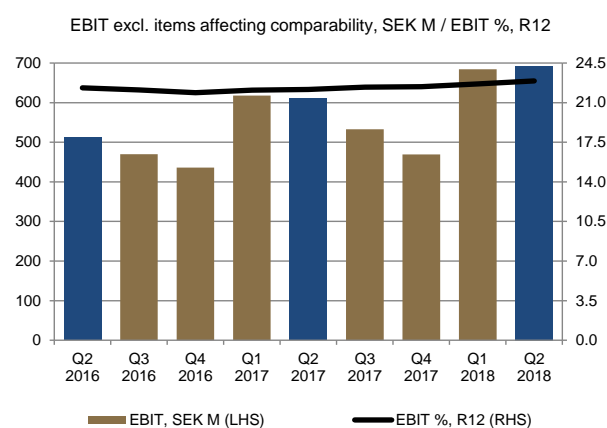
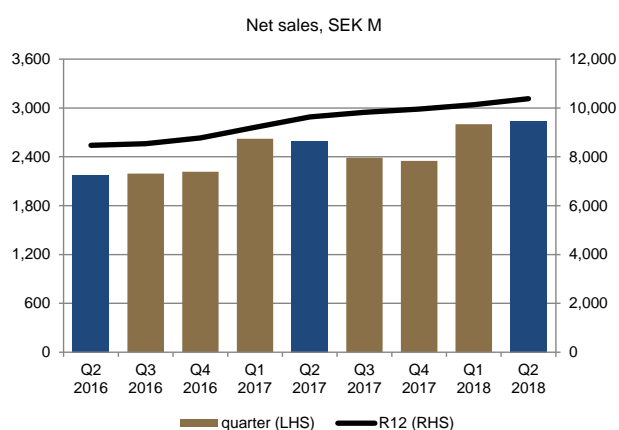
**Trelleborg Sealing Solutions is a leading global supplier of polymer-based critical sealing solutions deployed in demanding general industry, light vehicle and aerospace environments.**

Excluding items affecting comparability, SEK M	Q2 2018	Q2 2017	Change, %	6M 2018	6M 2017	Change, %
Net sales	2,840	2,596	9	5,640	5,219	8
Change total, %	9	19		8	20	
Organic sales, %	6	6		7	8	
Structural change, %	0	9		1	8	
Currency effects, %	3	4		0	4	
EBIT	693	611	13	1,377	1,229	12
EBIT, %	24.4	23.5		24.4	23.5	

Additional key ratios on pages 16 - 17

Organic sales for the quarter increased 6 percent year on year. Deliveries increased in all geographic regions. Sales to general industry increased in all geographic regions, in particular in Asia. Sales to the automotive industry were favorable during the quarter, mainly driven by positive development in Europe and Asia. Deliveries to the aerospace industry also displayed favorable growth in all markets.

EBIT and the EBIT margin increased year on year, due primarily to sales growth. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 15 M on earnings compared with the year-earlier period.







**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.**

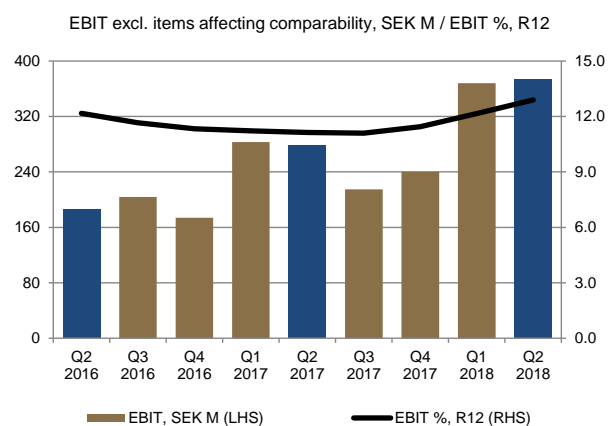
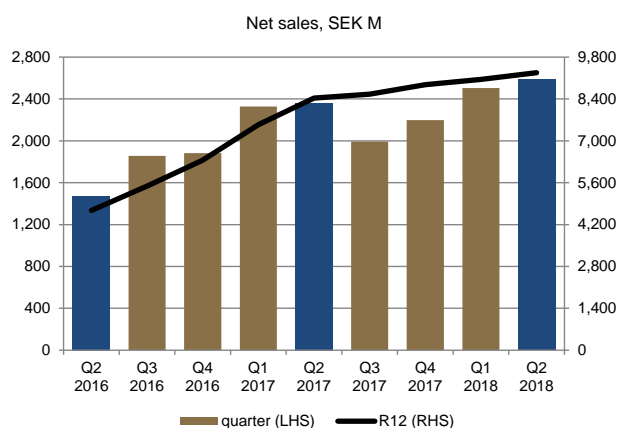
Excluding items affecting comparability, SEK M	Q2 2018	Q2 2017	Change, %	6M 2018	6M 2017	Change, %
Net sales	2,583	2,360	9	5,088	4,688	9
Change total, %	9	60		9	79	
Organic sales, %	4	7		4	8	
Structural change, %	1	49		1	67	
Currency effects, %	4	4		4	4	
EBIT	373	278	34	741	561	32
EBIT, %	14.5	11.8		14.6	12.0	

Additional key ratios on pages 16 - 17

Organic sales for the quarter increased 4 percent year on year. Organic sales to OEMs of agricultural machinery noted a positive trend in most regions, performing particularly strongly in Asia. Aftermarket sales were on par with the year-earlier period and are considered to have been somewhat negatively affected by the unusually dry and warm early summer in northern Europe. Organic sales of tires for material handling vehicles and construction vehicles rose year on year. In general, capacity utilization is high within the business area, but capacity-raising investments will gradually lead to greater growth opportunities in the future.

EBIT and the EBIT margin increased as a result of higher sales volumes, earlier adjustments made to sales prices and synergy gains from the ongoing integration of completed acquisitions. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 11 M on earnings compared with the year-earlier period.

After the close of the period, the business area acquired a distributor of tires for agricultural, material handling and construction vehicles in New Zealand. Refer to page 6.



# Condensed Income Statements

Income Statements, SEK M	Q2 2018	Q2 2017	6M 2018	6M 2017	R12 2018	12M 2017
Net sales	8,786	8,265	17,363	16,563	32,381	31,581
Cost of goods sold	-5,855	-5,586	-11,585	-11,151	-21,832	-21,398
<b>Gross profit</b>	<b>2,931</b>	<b>2,679</b>	<b>5,778</b>	<b>5,412</b>	<b>10,549</b>	<b>10,183</b>
Selling expenses	-676	-670	-1,344	-1,327	-2,573	-2,556
Administrative expenses	-840	-797	-1,616	-1,575	-3,150	-3,109
Research and development costs	-146	-131	-279	-260	-535	-516
Other operating income/expenses	23	6	41	-12	132	79
Profit from associated companies	1	2	4	5	9	10
<b>EBIT, excluding items affecting comparability</b>	<b>1,293</b>	<b>1,089</b>	<b>2,584</b>	<b>2,243</b>	<b>4,432</b>	<b>4,091</b>
Items affecting comparability	-32	-76	-50	290	-409	-69
<b>EBIT</b>	<b>1,261</b>	<b>1,013</b>	<b>2,534</b>	<b>2,533</b>	<b>4,023</b>	<b>4,022</b>
Financial income and expenses	-70	-56	-132	-107	-255	-230
<b>Profit before tax</b>	<b>1,191</b>	<b>957</b>	<b>2,402</b>	<b>2,426</b>	<b>3,768</b>	<b>3,792</b>
Tax	-294	-220	-595	-460	-1,053	-918
<b>Total net profit</b>	<b>897</b>	<b>737</b>	<b>1,807</b>	<b>1,966</b>	<b>2,715</b>	<b>2,874</b>
- equity holders of the parent company	897	737	1,807	1,966	2,715	2,874

Earnings per share, SEK <sup>1</sup>	Q2 2018	Q2 2017	6M 2018	6M 2017	R12 2018	12M 2017
Continuing operations	3.31	2.72	6.67	7.25	10.02	10.60
Discontinuing operations	0.00	0.00	0.00	0.00	0.00	0.00
<b>Group, total</b>	<b>3.31</b>	<b>2.72</b>	<b>6.67</b>	<b>7.25</b>	<b>10.02</b>	<b>10.60</b>
Continuing operations, excluding items affecting comparability	3.40	2.92	6.81	6.04	11.59	10.82

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

Number of shares	Q2 2018	Q2 2017	6M 2018	6M 2017	R12 2018	12M 2017
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	Q2 2018	Q2 2017	6M 2018	6M 2017	R12 2018	12M 2017
<b>Total net profit</b>	<b>897</b>	<b>737</b>	<b>1,807</b>	<b>1,966</b>	<b>2,715</b>	<b>2,874</b>
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to the income statement</b>						
Reassessment of net pension obligation	28	19	28	19	47	38
Non-recurring item relating to IFRS9	-	-	-8	-	-8	-
Income tax relating to components of other comprehensive income	-6	-4	-6	-4	-17	-15
<b>Total</b>	<b>22</b>	<b>15</b>	<b>14</b>	<b>15</b>	<b>22</b>	<b>23</b>
<b>Items that may be reclassified to the income statement</b>						
Cash flow hedges	-27	27	17	50	42	75
Hedging of net investment	-240	23	-801	62	-878	-15
Translation difference	532	-15	2,122	-117	2,521	282
Income tax relating to components of other comprehensive income	46	-5	157	-19	171	-5
Other comprehensive income relating to disposed / discontinuing operations	-	0	0	-3	0	-3
<b>Total</b>	<b>311</b>	<b>30</b>	<b>1,495</b>	<b>-27</b>	<b>1,856</b>	<b>334</b>
<b>Other comprehensive income, net of tax</b>	<b>333</b>	<b>45</b>	<b>1,509</b>	<b>-12</b>	<b>1,878</b>	<b>357</b>
<b>Total comprehensive income</b>	<b>1,230</b>	<b>782</b>	<b>3,316</b>	<b>1,954</b>	<b>4,593</b>	<b>3,231</b>

EBIT specification, SEK M	Q2 2018	Q2 2017	6M 2018	6M 2017	R12 2018	12M 2017
EBITDA, excluding items affecting comparability	1,624	1,416	3,238	2,894	5,726	5,382
Depreciation, property, plant and equipment	-251	-253	-500	-504	-993	-997
EBITA, excluding items affecting comparability	1,373	1,163	2,738	2,390	4,733	4,385
Amortization, intangible assets	-80	-74	-154	-147	-301	-294
EBIT, excluding items affecting comparability	1,293	1,089	2,584	2,243	4,432	4,091
Items affecting comparability	-32	-76	-50	290	-409	-69
<b>EBIT</b>	<b>1,261</b>	<b>1,013</b>	<b>2,534</b>	<b>2,533</b>	<b>4,023</b>	<b>4,022</b>

## Condensed Balance Sheets

Balance Sheets, SEK M	Jun 30 2018	Jun 30 2017	Dec 31 2017
Property, plant and equipment	10,015	9,045	9,444
Goodwill	19,208	18,245	18,127
Other intangible assets	5,079	4,817	4,843
Participations in associated companies	84	70	76
Financial non-current assets	92	65	57
Deferred tax assets	786	726	718
<b>Total non-current assets</b>	<b>35,264</b>	<b>32,968</b>	<b>33,265</b>
Inventories	5,969	5,191	5,383
Current operating receivables	7,653	7,000	6,235
Current tax assets	1,036	820	891
Interest-bearing receivables	108	459	844
Cash and cash equivalents	2,177	2,096	1,994
<b>Total current assets</b>	<b>16,943</b>	<b>15,566</b>	<b>15,347</b>
<b>Total assets</b>	<b>52,207</b>	<b>48,534</b>	<b>48,612</b>
<b>Equity</b>	<b>29,312</b>	<b>25,939</b>	<b>27,216</b>
Interest-bearing non-current liabilities	9,791	8,745	8,097
Other non-current liabilities	87	143	111
Pension obligations	565	628	570
Other provisions	214	219	228
Deferred tax liabilities	881	800	791
<b>Total non-current liabilities</b>	<b>11,538</b>	<b>10,535</b>	<b>9,797</b>
Interest-bearing current liabilities	3,502	5,368	4,337
Current tax liabilities	1,226	916	1,134
Other current liabilities	6,173	5,500	5,699
Other provisions	456	276	429
<b>Total current liabilities</b>	<b>11,357</b>	<b>12,060</b>	<b>11,599</b>
<b>Total equity and liabilities</b>	<b>52,207</b>	<b>48,534</b>	<b>48,612</b>
<b>Specification of changes in equity, SEK M</b>	<b>Jun 30 2018</b>	<b>Jun 30 2017</b>	<b>Dec 31 2017</b>
<b>Opening balance, January 1</b>	<b>27,216</b>	<b>25,137</b>	<b>25,137</b>
Total net profit	1,807	1,966	2,874
Other comprehensive income	1,509	-12	357
Dividend	-1,220	-1,152	-1,152
<b>Closing balance</b>	<b>29,312</b>	<b>25,939</b>	<b>27,216</b>
<b>Specification of capital employed, SEK M</b>	<b>Jun 30 2018</b>	<b>Jun 30 2017</b>	<b>Dec 31 2017</b>
Total assets	52,207	48,534	48,612
Less:			
Interest-bearing receivables <sup>1</sup>	180	477	877
Cash and cash equivalents	2,177	2,096	1,994
Tax assets	1,822	1,546	1,609
Operating liabilities	7,331	6,573	6,876
<b>Capital employed</b>	<b>40,697</b>	<b>37,842</b>	<b>37,256</b>
of which discontinuing operations	-70	-80	-75
<b>Capital employed excluding discontinuing operations</b>	<b>40,767</b>	<b>37,922</b>	<b>37,331</b>

<sup>1</sup> Dec 31, 2017 including receivable relating to disposal of Vibracoustic.

## Cash-flow statements

Cash flow statements, SEK M	Q2 2018	Q2 2017	6M 2018	6M 2017	R12 2018	12M 2017
<b>Operating activities</b>						
EBIT incl part in associated companies	1,261	1,013	2,534	2,533	4,023	4,022
Adjustments for items not included in cash flow from operating activities:						
Depreciation, property, plant and equipment	251	253	499	504	985	990
Amortization, intangible assets	80	74	154	147	301	294
Impairment losses, property, plant and equipment	0	0	1	0	58	57
Impairment losses, intangible assets	-	-	0	25	354	379
Dividend from associated companies	0	1	1	1	2	2
Participations in associated companies and other non cash-flow affecting items	-2	-9	-8	-11	-14	-17
Result relating to Vibracoustic	-	-	-	-	-467	-467
Capital gain in divested operations	-	-	-	-472	-	-472
Interest received and other financial items	10	9	18	20	38	40
Interest paid and other financial items	-37	-44	-114	-135	-266	-287
Taxes paid	-245	-220	-521	-419	-834	-732
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,318</b>	<b>1,077</b>	<b>2,564</b>	<b>2,193</b>	<b>4,180</b>	<b>3,809</b>
<b>Cash flow from changes in working capital:</b>						
Change in inventories	-197	-142	-270	-288	-433	-451
Change in operating receivables	-88	-27	-990	-1,202	-244	-456
Change in operating liabilities	124	98	97	528	197	628
Change in items affecting comparability	-33	20	-80	44	180	304
<b>Cash flow from operating activities</b>	<b>1,124</b>	<b>1,026</b>	<b>1,321</b>	<b>1,275</b>	<b>3,880</b>	<b>3,834</b>
<b>Investing activities</b>						
Acquisitions	-19	-30	-135	-104	-257	-226
Disposed/discontinuing operations	-	-	4	649	4	649
Capital expenditure, property, plant and equipment	-369	-235	-562	-396	-1,509	-1,343
Capital expenditure, intangible assets	-26	-12	-49	-20	-123	-94
Sale of non-current assets	3	6	18	7	48	37
<b>Cash flow from investing activities</b>	<b>-411</b>	<b>-271</b>	<b>-724</b>	<b>136</b>	<b>-1,837</b>	<b>-977</b>
<b>Financing activities</b>						
Change in interest-bearing investments	-124	293	199	992	342	1,135
Change in interest-bearing liabilities	326	54	531	-970	-1,168	-2,669
Dividend - equity holders of the parent company	-1,220	-1,152	-1,220	-1,152	-1,220	-1,152
<b>Cash flow from financing activities</b>	<b>-1,018</b>	<b>-805</b>	<b>-490</b>	<b>-1,130</b>	<b>-2,046</b>	<b>-2,686</b>
<b>Cash flow for the period</b>	<b>-305</b>	<b>-50</b>	<b>107</b>	<b>281</b>	<b>-3</b>	<b>171</b>
Cash and cash equivalents:						
At beginning of the period	2,446	2,230	1,994	1,879	2,096	1,879
Exchange rate differences	36	-84	76	-64	84	-56
<b>Cash and cash equivalents at end of period</b>	<b>2,177</b>	<b>2,096</b>	<b>2,177</b>	<b>2,096</b>	<b>2,177</b>	<b>1,994</b>



## Key figures

SEK M	Q2 2018	Q2 2017	6M 2018	6M 2017	R12 2018	12M 2017
<b>Net sales <sup>1</sup></b>						
Trelleborg Coated Systems	889	885	1,779	1,797	3,359	3,377
Trelleborg Industrial Solutions	1,982	1,813	3,905	3,569	7,220	6,884
Trelleborg Offshore & Construction	603	735	1,179	1,453	2,567	2,841
Trelleborg Sealing Solutions	2,840	2,596	5,640	5,219	10,377	9,956
Trelleborg Wheel Systems	2,583	2,360	5,088	4,688	9,278	8,878
Group items/Eliminations	-111	-124	-228	-163	-420	-355
<b>Total</b>	<b>8,786</b>	<b>8,265</b>	<b>17,363</b>	<b>16,563</b>	<b>32,381</b>	<b>31,581</b>
<b>EBIT, excluding items affecting comparability</b>						
Trelleborg Coated Systems	104	93	217	195	383	361
Trelleborg Industrial Solutions	223	191	435	377	751	693
Trelleborg Offshore & Construction	-25	-21	-59	-16	-104	-61
Trelleborg Sealing Solutions	693	611	1,377	1,229	2,379	2,231
Trelleborg Wheel Systems	373	278	741	561	1,196	1,016
Group items	-75	-63	-127	-103	-173	-149
<b>Total</b>	<b>1,293</b>	<b>1,089</b>	<b>2,584</b>	<b>2,243</b>	<b>4,432</b>	<b>4,091</b>
<b>EBIT %, excluding items affecting comparability</b>						
Trelleborg Coated Systems	11.7	10.5	12.2	10.9	11.4	10.7
Trelleborg Industrial Solutions	11.3	10.5	11.2	10.6	10.4	10.1
Trelleborg Offshore & Construction	-4.2	-2.8	-5.0	-1.1	-4.1	-2.1
Trelleborg Sealing Solutions	24.4	23.5	24.4	23.5	22.9	22.4
Trelleborg Wheel Systems	14.5	11.8	14.6	12.0	12.9	11.4
<b>Total</b>	<b>14.7</b>	<b>13.2</b>	<b>14.9</b>	<b>13.5</b>	<b>13.7</b>	<b>13.0</b>

<sup>1</sup> According to IFRS15 revenue is recognized as control is passed, either over time or at a point in time. The part of the sales in first half-year of 2018 which is accounted for over time amounts to approximately SEK 400 M or 2% (approx SEK 600 M or 4%), while the remainder is accounted for at a specific point in time.

Net sales per market, share and organic growth, %	Q2 2018	Q2 2017	6M 2018	6M 2017
Western Europe (47%)	4	-2	4	1
Other Europe (11%)	-2	2	-2	6
North America (22%)	1	6	1	5
South and Central America (4%)	23	17	18	-6
Asia and other markets (16%)	-2	7	1	7
<b>Total (100% refer to share 2017)</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>

Net sales per market excluding project related <sup>1</sup> , organic growth, %	Q2 2018	Q2 2017	6M 2018	6M 2017
Western Europe	4	3	5	4
Other Europe	-2	5	-3	9
North America	5	6	5	5
South and Central America	19	6	14	11
Asia and other markets	5	11	7	14
<b>Total</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>7</b>

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

SEK M	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
<b>Net sales</b>									
Trelleborg Coated Systems	889	890	812	768	885	912	885	817	708
Trelleborg Industrial Solutions	1,982	1,923	1,706	1,609	1,813	1,756	1,616	1,424	1,384
Trelleborg Offshore & Construction	603	576	741	647	735	718	860	809	794
Trelleborg Sealing Solutions	2,840	2,800	2,349	2,388	2,596	2,623	2,216	2,195	2,176
Trelleborg Wheel Systems	2,583	2,505	2,198	1,992	2,360	2,328	1,883	1,855	1,472
Group items/Eliminations	-111	-117	-98	-94	-124	-39	-26	-28	10
<b>Total</b>	<b>8,786</b>	<b>8,577</b>	<b>7,708</b>	<b>7,310</b>	<b>8,265</b>	<b>8,298</b>	<b>7,434</b>	<b>7,072</b>	<b>6,544</b>
<b>EBIT, excluding items affecting comparability</b>									
Trelleborg Coated Systems	104	113	89	77	93	102	107	100	98
Trelleborg Industrial Solutions	223	212	170	146	191	186	161	135	157
Trelleborg Offshore & Construction	-25	-34	-12	-33	-21	5	18	44	24
Trelleborg Sealing Solutions	693	684	469	533	611	618	436	470	512
Trelleborg Wheel Systems	373	368	240	215	278	283	174	204	186
Group items	-75	-52	-28	-18	-63	-40	-55	-38	-78
<b>Total</b>	<b>1,293</b>	<b>1,291</b>	<b>928</b>	<b>920</b>	<b>1,089</b>	<b>1,154</b>	<b>841</b>	<b>915</b>	<b>899</b>
<b>EBIT %, excluding items affecting comparability</b>									
Trelleborg Coated Systems	11.7	12.7	11.0	9.9	10.5	11.2	12.2	12.2	13.8
Trelleborg Industrial Solutions	11.3	11.0	9.9	9.1	10.5	10.6	9.9	9.5	11.4
Trelleborg Offshore & Construction	-4.2	-5.9	-1.6	-5.2	-2.8	0.7	2.1	5.4	3.1
Trelleborg Sealing Solutions	24.4	24.4	20.0	22.3	23.5	23.6	19.7	21.4	23.5
Trelleborg Wheel Systems	14.5	14.7	10.9	10.8	11.8	12.1	9.2	11.0	12.6
<b>Total</b>	<b>14.7</b>	<b>15.1</b>	<b>12.0</b>	<b>12.6</b>	<b>13.2</b>	<b>13.9</b>	<b>11.3</b>	<b>12.9</b>	<b>13.7</b>
Items affecting comparability	-32	-18	-314	-45	-76	366	-118	-51	-107
<b>EBIT</b>	<b>1,261</b>	<b>1,273</b>	<b>614</b>	<b>875</b>	<b>1,013</b>	<b>1,520</b>	<b>723</b>	<b>864</b>	<b>792</b>

Bridge net sales SEK M, %	Q2 2017, SEK M	Organic sales, %	Structural change, %	Currency effects, %	Q2 2018, SEK M
Trelleborg Coated Systems	885	-6	4	3	889
Trelleborg Industrial Solutions	1,813	6	-	3	1,982
Trelleborg Offshore & Construction	735	-19	-	1	603
Trelleborg Sealing Solutions	2,596	6	0	3	2,840
Trelleborg Wheel Systems	2,360	4	1	4	2,583
Group items/Eliminations	-124	-	-	-	-111
<b>Total</b>	<b>8,265</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>8,786</b>

Exchange rate differences impacting EBIT excluding items affecting comparability <sup>1</sup> , SEK M	Q2 2018	6M 2018
Trelleborg Coated Systems	2	2
Trelleborg Industrial Solutions	2	2
Trelleborg Offshore & Construction	0	1
Trelleborg Sealing Solutions	15	11
Trelleborg Wheel Systems	11	18
Group items	-1	1
<b>Total</b>	<b>29</b>	<b>35</b>

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

Condensed Income Statements, SEK M	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Net sales	8,786	8,577	7,708	7,310	8,265	8,298	7,434	7,072	6,544
Cost of goods sold	-5,855	-5,730	-5,288	-4,959	-5,586	-5,565	-5,077	-4,749	-4,269
<b>Gross profit</b>	<b>2,931</b>	<b>2,847</b>	<b>2,420</b>	<b>2,351</b>	<b>2,679</b>	<b>2,733</b>	<b>2,357</b>	<b>2,323</b>	<b>2,275</b>
Selling expenses	-676	-668	-630	-599	-670	-657	-629	-591	-558
Administrative expenses	-840	-776	-801	-733	-797	-778	-828	-757	-712
Research and development costs	-146	-133	-134	-122	-131	-129	-128	-100	-105
Other operating income/costs	23	18	71	20	6	-18	66	36	-3
Profit from associated companies	1	3	2	3	2	3	3	4	2
<b>EBIT, excluding items affecting comparability</b>	<b>1,293</b>	<b>1,291</b>	<b>928</b>	<b>920</b>	<b>1,089</b>	<b>1,154</b>	<b>841</b>	<b>915</b>	<b>899</b>
Items affecting comparability	-32	-18	-314	-45	-76	366	-118	-51	-107
<b>EBIT</b>	<b>1,261</b>	<b>1,273</b>	<b>614</b>	<b>875</b>	<b>1,013</b>	<b>1,520</b>	<b>723</b>	<b>864</b>	<b>792</b>
Financial income and expenses	-70	-62	-57	-66	-56	-51	-53	-46	-63
<b>Profit before tax</b>	<b>1,191</b>	<b>1,211</b>	<b>557</b>	<b>809</b>	<b>957</b>	<b>1,469</b>	<b>670</b>	<b>818</b>	<b>729</b>
Tax	-294	-301	-284	-174	-220	-240	-151	-187	-192
<b>Net profit in continuing operations</b>	<b>897</b>	<b>910</b>	<b>273</b>	<b>635</b>	<b>737</b>	<b>1,229</b>	<b>519</b>	<b>631</b>	<b>537</b>
Net profit in discontinuing operations	-	-	-	-	-	-	-	-	4,369
<b>Total net profit</b>	<b>897</b>	<b>910</b>	<b>273</b>	<b>635</b>	<b>737</b>	<b>1,229</b>	<b>519</b>	<b>631</b>	<b>4,906</b>
- equity holders of the parent company	897	910	273	635	737	1,229	519	631	4,906
- non-controlling interest	-	-	-	-	-	-	-	-	-
<b>Earnings per share, SEK</b>	<b>Q2 2018</b>	<b>Q1 2018</b>	<b>Q4 2017</b>	<b>Q3 2017</b>	<b>Q2 2017</b>	<b>Q1 2017</b>	<b>Q4 2016</b>	<b>Q3 2016</b>	<b>Q2 2016</b>
Continuing operations	3.31	3.36	1.01	2.34	2.72	4.53	1.92	2.33	1.98
Discontinuing operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.12
<b>Group, total</b>	<b>3.31</b>	<b>3.36</b>	<b>1.01</b>	<b>2.34</b>	<b>2.72</b>	<b>4.53</b>	<b>1.92</b>	<b>2.33</b>	<b>18.10</b>
Continuing operations, excluding items affecting comparability	3.40	3.41	2.31	2.47	2.92	3.12	2.23	2.46	2.31

## Acquisitions

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

#### 6M 2018

##### Second quarter

Trelleborg signed, through its Trelleborg Wheel Systems business area, an agreement and finalized the acquisition of a small American regional tire distributor, Industrial Tire Service Inc. The company specializes in solid industrial tires for material handling vehicles.

In addition, final settlement took place of earlier acquisitions made during 2017.

##### First quarter

Trelleborg signed, through its Trelleborg Coated Systems business area, an agreement and finalized the acquisition of Dartex Holdings Ltd. The company is specialized in the manufacture of coated fabrics primarily for the healthcare & medical industry and is a world leader in coated fabrics for pressure injury prevention. The acquisition is not of a significant nature.

In addition, certain adjustments were also made to acquisition analyses attributable to acquisitions in 2017.

#### 6M 2017

Trelleborg signed, through its Trelleborg Sealing Solutions business area, an agreement and finalized the acquisition of the privately owned U.S.-based Carolina Seal Inc. The company specializes in the distribution of polymer seals such as O-Rings, hydraulic seals and specialty kitting.

In addition, final settlement of earlier acquisitions took place and certain adjustments were also made to acquisition analyses attributable to acquisitions in 2016.

Acquisitions, SEK M	6M 2018 Acquired 2018 Adjustments to Acquisitions 2017	6M 2017 Acquired 2017 Adjustments to Acquisitions 2016
Developed technology <sup>1</sup>	29	
Trademarks <sup>2</sup>	18	-158
Customer relationships <sup>3</sup>	11	83
Other intangible assets		1
Property, plant and equipment	16	2
Deferred tax assets		-1
Shares in associated companies		-23
Interest-bearing receivables	5	
Inventories	16	14
Operating receivables	22	9
Current tax asset		2
Cash and cash equivalents	2	3
Deferred tax liabilities	-12	1
Interest-bearing liabilities	-19	
Post employment benefits		-1
Provision obligations	-1	
Current tax liability	-1	
Operating liabilities	-19	-3
<b>Net assets</b>	<b>67</b>	<b>-71</b>
Goodwill	56	178
<b>Total purchase price</b>	<b>123</b>	<b>107</b>
Cash and other net debt in acquired operations	12	-3
<b>Impact shown in cash flow statement</b>	<b>135</b>	<b>104</b>

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

<sup>2</sup> The majority 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 2018 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.

## Financial assets and liabilities measured at fair value

A description of how fair value is calculated is provided under Accounting policies and in the below table.

At June 30, 2018, SEK M		Assets at fair value in profit and loss		Derivatives used for hedging purposes		
	Loan receivable and accounts receivable	Carrying amount	Measurement level	Carrying amount	Measurement level	Total
Assets in the balance sheet						
Derivative instruments	-	95	2	81	2	176
Financial non-current assets	2	-		-		2
Accounts receivable	6,230	-		-		6,230
Interest-bearing receivable	5	-	2	-		5
Cash and cash equivalents	2,177	-		-		2,177
Total	8,414	95		81		8,590
		Liabilities at fair value in profit and loss		Derivatives used for hedging purposes		
	Other financial liabilities	Carrying amount	Measurement level	Carrying amount	Measurement level	Total
Liabilities in the balance sheet						
Derivative instruments	-	172	2	290	2	462
Interest-bearing non-current liabilities	9,681	-		-		9,681
Interest-bearing current liabilities	3,337	-		-		3,337
Accounts payable	3,332	-		-		3,332
Total	16,350	172		290		16,812

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 90 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 Jun 30, 2017, SEK M		Assets at fair value in profit and loss		Derivatives used for hedging purposes		
	Loan receivable and accounts receivable	Carrying amount	Measurement level	Carrying amount	Measurement level	Total
Assets in the balance sheet						
Derivative instruments	-	96	2	206	2	302
Financial non-current assets	3	-		-		3
Accounts receivable	5,564	-		-		5,564
Interest-bearing receivable <sup>1</sup>	459	-		-		459
Cash and cash equivalents	2,096	-		-		2,096
<b>Total</b>	<b>8,122</b>	<b>96</b>		<b>206</b>		<b>8,424</b>
		Liabilities at fair value in profit and loss		Derivatives used for hedging purposes		
	Other financial liabilities	Carrying amount	Measurement level	Carrying amount	Measurement level	Total
Liabilities in the balance sheet						
Derivative instruments	-	116	2	187	2	303
Interest-bearing non-current liabilities	8,720	-		-		8,720
Interest-bearing current liabilities	5,279	-		-		5,279
Accounts payable	2,865	-		-		2,865
<b>Total</b>	<b>16,864</b>	<b>116</b>		<b>187</b>		<b>17,167</b>

<sup>1</sup> The receivable, totaling SEK 224 M, linked to Vibracoustic's realized sales development in 2016 was classified as Level 3 in the fair-value hierarchy.

# Parent Company

Condensed Income statements, SEK M	Q2 2018	Q2 2017	6M 2018	6M 2017	R12 2018	12M 2017
Administrative expenses	-83	-76	-145	-147	-276	-278
Other operating income	52	284	103	347	222	466
Other operating expenses	-19	-20	-44	-39	-281	-276
<b>EBIT</b>	<b>-50</b>	<b>188</b>	<b>-86</b>	<b>161</b>	<b>-335</b>	<b>-88</b>
Financial income and expenses	816	-59	878	298	318	-262
<b>Profit before tax</b>	<b>766</b>	<b>129</b>	<b>792</b>	<b>459</b>	<b>-17</b>	<b>-350</b>
Appropriations	-	-	-	-	835	835
Tax	29	-19	49	14	-27	-62
<b>Net profit</b>	<b>795</b>	<b>110</b>	<b>841</b>	<b>473</b>	<b>791</b>	<b>423</b>

Statements of comprehensive income, SEK M	Q2 2018	Q2 2017	6M 2018	6M 2017	R12 2018	12M 2017
Net profit	795	110	841	473	791	423
<b>Total comprehensive income</b>	<b>795</b>	<b>110</b>	<b>841</b>	<b>473</b>	<b>791</b>	<b>423</b>

Condensed Balance sheets, SEK M	Jun 30 2018	Jun 30 2017	Dec 31 2017
Property, plant and equipment	15	15	15
Intangible assets	8	1	9
Financial assets	36,089	35,536	34,880
<b>Total non-current assets</b>	<b>36,112</b>	<b>35,552</b>	<b>34,904</b>
Current receivables	178	73	68
Current tax asset	1	-	-
Interest-bearing receivables	1	1	837
Cash and cash equivalents	-	0	-
<b>Total current assets</b>	<b>180</b>	<b>74</b>	<b>905</b>
<b>Total assets</b>	<b>36,292</b>	<b>35,626</b>	<b>35,809</b>
<b>Equity</b>	<b>9,204</b>	<b>9,632</b>	<b>9,582</b>
Interest-bearing non-current liabilities	4,430	4,374	4,430
Other non-current liabilities	20	19	24
<b>Total non-current liabilities</b>	<b>4,450</b>	<b>4,393</b>	<b>4,454</b>
Interest-bearing current liabilities	22,541	21,407	21,588
Other current liabilities	97	194	185
<b>Total current liabilities</b>	<b>22,638</b>	<b>21,601</b>	<b>21,773</b>
<b>Total equity and liabilities</b>	<b>36,292</b>	<b>35,626</b>	<b>35,809</b>

## Financial definitions

Trelleborg uses the following alternative performance measures relating to its financial position, return on shareholders' equity and capital employed, net debt, debt/equity ratio and equity/assets ratio. The Group believes that these performance measures can be utilized by users of the financial statements as a supplement in assessing the possibility of dividends, making strategic investments and assessing the Group's ability to meet its financial commitments. Trelleborg also uses the cash flow metrics of operating cash flow and free cash flow to provide an indication of the funds generated by the operations in order to conduct strategic investments, carry out amortizations and generate a return for its shareholders. Trelleborg uses the performance metrics of EBITDA, EBITA and EBIT excluding items affecting comparability, which the Group considers to be relevant for investors seeking to understand its earnings generation before items affecting comparability. The Group defines its key figures as follows.

**Capital employed** Total assets less interest-bearing financial assets and non-interest-bearing operating liabilities (including pension liabilities) and excluding tax assets and tax liabilities.

**Cash conversion ratio** Operating cash flow as a percentage of EBIT.

**Debt/equity ratio, %** Net debt divided by total equity.

**Discontinuing operations** Profit from discontinuing operations is recognized net in the consolidated income statement under the item "Net profit in discontinuing operations".

**Earnings per share** Net profit for the period, attributable to shareholders of the Parent Company, divided by the average number of shares outstanding.

**EBIT** Operating profit including items affecting comparability.

**EBIT, excluding items affecting comparability** Operating profit excluding items affecting comparability.

**EBIT margin excluding items affecting comparability, %** EBIT excluding items affecting comparability as a percentage of net sales.

**EBITA** Operating profit excluding amortization and impairment of intangible assets and excluding items affecting comparability.

**EBITA margin, %** EBITA as a percentage of net sales.

**EBITDA** Operating profit excluding depreciation/amortization and impairment of PPE and intangible assets and excluding items affecting comparability.

**Equity/assets ratio, %** Total equity divided by total assets.

**Equity method** Associated companies and joint ventures in the Group are recognized in line with the equity method,

implying that the initial participation is changed to reflect the Group's share in the company's profit or loss and for any dividends.

**Free cash flow** Operating cash flow reduced by cash flow from financial items, taxes and the effect of restructuring measures on cash flow.

**Items affecting comparability** The total of the restructuring costs approved by the Board of Directors and major other non-recurring items.

**Net debt** Interest-bearing liabilities including interest-bearing pension liabilities and capitalized financial leases less interest-bearing assets and cash and cash equivalents.

**Net debt/EBITDA** Net debt divided by EBITDA.

**Operating cash flow** EBITDA excluding other non-cash items, capital expenditures, divested PPE and changes in working capital. The key figure excludes cash flow from items affecting comparability.

**Organic growth** The sales growth in comparable exchange rates that is generated by the Group itself on its own merits and in the existing structure. An acquisition is reported only as organic growth if it is included in an equal number of months in the current period and the corresponding period of the previous year. Otherwise, it is reported as structural growth.

**Return on capital employed, %** EBIT divided by the average capital employed calculated on 12 months revolving basis.

**Return on shareholders' equity, %** Profit for the period calculated on 12 months revolving basis, attributable to shareholders of the Parent Company divided by average equity, excluding non-controlling interests.

For further description and calculation of key figures go to [www.trelleborg.com/en/investors/financial--definitions](http://www.trelleborg.com/en/investors/financial--definitions).



## 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 proprietarily 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.

## Seasonal effects

The various market segments are subject to seasonal effects. Demand for the Group is normally higher in the first six months of the year than in the last six months.

## 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.** Being the best at developing polymer based solutions that optimize and accelerate customers' applications and processes.

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

**Application expertise.** Being the best at understanding customers' applications and thereby adding the most value.

**Customer integration.** Making it easy to do business with us and integrate in close partnerships with our customers.

**Business accelerator.** Powered by our core capabilities our aim is always to improve, accelerate and grow our customers' businesses. Growing with our 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%			12%	13%	2%
Trelleborg Industrial Solutions	54%	2%	18%	14%		34%	12%
Trelleborg Offshore & Construction		48%		52%		100%	
Trelleborg Sealing Solutions	43%	2%	12%	4%	14%	32%	25%
Trelleborg Wheel Systems			41%	59%		100%	
<b>Total</b>	<b>34%</b>	<b>5%</b>	<b>19%</b>	<b>18%</b>	<b>8%</b>	<b>55%</b>	<b>11%</b>

Net sales per market segment and business area based on Annual accounts 2017, adjusted for the internal reorganization made in the beginning of 2018. Historically, these percentages have not changed substantially between the quarters, the full year figures of 2017 will therefore give a good approximation.

## The Trelleborg Group's operations

### Continuing operations

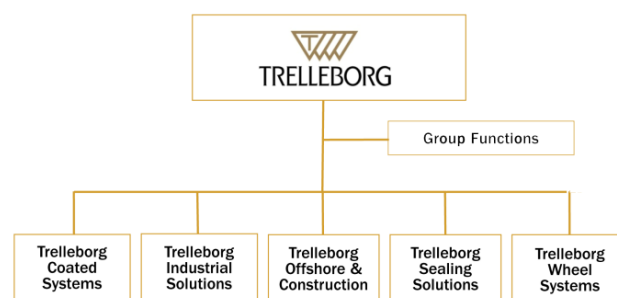
Refers to operations within Trelleborg's five business areas: Trelleborg Coated Systems, Trelleborg Industrial Solutions, Trelleborg Offshore & Construction, Trelleborg Sealing Solutions and Trelleborg Wheel Systems. In addition, it includes central staff functions.

### Discontinuing operations

Refers generally to operations that have been discontinued or are in the process of being divested. The joint venture Vibracoustic's historical comparative figures are included here, for example.

### Group in total

The above parts consolidated sum up to the Trelleborg Group in total.



## Invitation to a telephone conference on July 20 at 10:00 a.m. CET

A telephone conference will be held on July 20 at 10:00 a.m. CET. To participate in the telephone conference, call +46 (0)8 566 426 97 (Sweden), +44 203 008 9807 (U.K.) or +1 855 831 5947 (U.S.). 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 calendar

Interim report July-September 2018  
Year-end report 2018  
Annual Report 2018  
Annual General Meeting 2019 (Trelleborg)  
Interim report January-March 2019  
Interim report April-June 2019

October 31, 2018  
February 13, 2019  
Week starting March 4, 2019  
March 27, 2019  
April 26, 2019  
July 18, 2019

## For further information

### Investors/analysts

Christofer Sjögren, VP Investor Relations  
Phone: +46 (0)410 - 670 68  
Mobile: +46 (0)708 - 66 51 40  
E-mail: [christofer.sjogren@trelleborg.com](mailto:christofer.sjogren@trelleborg.com)

### Media

Karin Larsson, VP Media Relations  
Phone: +46 (0)410 - 670 15  
Mobile: +46 (0)733 - 74 70 15  
E-mail: [karin.larsson@trelleborg.com](mailto:karin.larsson@trelleborg.com)

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).



Trelleborg AB (publ) Corp. Reg. No. 556006-3421  
PO Box 153, SE-231 22 Trelleborg, Sweden. Phone: +46 (0)410-670 00 [www.trelleborg.com](http://www.trelleborg.com)

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 and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 07:45 a.m. CET on July 20, 2018.**

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