

**Q3**

Interim report July–September 2018

# A solid quarter

- Net sales for the third quarter of 2018 rose 14 percent to SEK 8,300 M (7,310).
- Organic sales increased 4 percent. Excluding project deliveries, the corresponding increase was 6 percent.
- EBIT, excluding items affecting comparability, rose 23 percent to SEK 1,133 M (920), which was equivalent to an EBIT margin of 13.6 percent (12.6). EBIT and the EBIT margin were the highest ever for the Group in a third quarter.
- Items affecting comparability for the quarter were a negative SEK 28 M (neg: 45).
- Earnings per share for continuing operations excluding items affecting comparability totaled SEK 2.98 (2.47).
- Operating cash flow amounted to SEK 847 M (967). The cash conversion ratio for the most recent 12-month period was 76 percent (95), impacted primarily by a higher level of capital expenditure year on year.

SEK M	Q3 2018	Q3 2017	Change, %	9M 2018	9M 2017	Change, %
Net sales	8,300	7,310	14	25,663	23,873	7
Organic sales, %	4	3		3	3	
EBITA, excluding items affecting comparability	1,210	993	22	3,948	3,383	17
EBITA-margin, %	14.6	13.5		15.4	14.1	
EBIT, excluding items affecting comparability	1,133	920	23	3,717	3,163	18
EBIT-margin, %	13.6	12.6		14.5	13.2	
<i>Restructuring costs</i>	-28	-45		-78	-227	
<i>Capital gain divestment of compounding operation</i>	0	0		-	472	
Items affecting comparability	-28	-45		-78	245	
EBIT	1,105	875	26	3,639	3,408	7
Profit before tax	1,033	809	28	3,435	3,235	6
Net profit, Group	782	635	23	2,589	2,601	0
Earnings per share, SEK						
Continuing operations, excluding items affecting comparability	2.98	2.47	21	9.79	8.51	15
Continuing operations	2.88	2.34	23	9.55	9.59	0
Group	2.88	2.34	23	9.55	9.59	0
Operating cash flow	847	967	-12	2,322	2,480	-6

# A solid quarter

*“During the third quarter, sales rose 14 percent, of which organic sales increased 4 percent. Excluding project business, which mainly comprises offshore oil & gas-related deliveries, organic sales increased 6 percent, impacted by improved demand in most market segments and geographic regions. EBIT, adjusted for items affecting comparability, increased by 23 percent to the highest level to date for a third quarter.*

*The Group continues to perform favorably. Most operations are growing at a good pace, with higher profitability and stronger order intake than a year ago. Synergy gains from previous acquisitions contribute according to plan. We continue to acquire complementary operations and during the quarter, we announced three acquisitions, of which two were finalized. Strategic investments remain at a high level, and will contribute to better structure and sustainably higher profitability.*

*Sales to general industry continued to grow in the third quarter. Deliveries to other market segments, such as the automotive and aerospace industries, also developed favorably. Demand for our tires for the agricultural sector, as well as for industrial and construction vehicles, continues to grow, mainly as a result of increased deliveries of agricultural machinery to OEMs.*

*In our project operations, orders received strengthened during the quarter for oil & gas, as well as the infrastructure segment. However, this pertains mainly to projects with delivery during next year. In the immediate future, several orders that were expected to be delivered in the current year have been postponed until 2019. Our assessment now is that the Trelleborg Offshore & Construction business area will also generate a loss for the final quarter of the year, but is expected to see an earnings improvement with positive results in 2019, particularly during the second half of the year.*

*Our order books continued to grow during the third quarter, but the market outlook is associated with greater uncertainty than previously, with trade policy decisions potentially having further consequences for global economic development.*

*However, our overall assessment is that demand in the fourth quarter will be in line with the third quarter. As previously, we will follow economic developments closely and remain well prepared to manage shifting market conditions.”*

Peter Nilsson,  
President and CEO

## Market outlook for the fourth quarter 2018

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

### **Market outlook from the interim report published on July 20, 2018, relating to the third quarter of 2018**

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

# Third quarter

## Net sales

# 2018

SEK M, growth	Q3 2018	Q3 2017	9M 2018	9M 2017	R12 2018	12M 2017
Net sales	8,300	7,310	25,663	23,873	33,371	31,581
Change total, %	14	3	7	21		16
Organic sales, %	4	3	3	3		4
Structural change, %	2	2	1	17		12
Currency effects, %	8	-2	3	1		0

Net sales for the third quarter of 2018 amounted to SEK 8,300 M (7,310). Organic sales increased 4 percent during the quarter. Structural changes contributed 2 percent. Exchange rate effects accounted for a positive 8-percent impact on sales compared with the year-earlier period.

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

The Group's organic sales increased 6 percent year on year. Organic sales in Western Europe rose 5 percent, while in the rest of Europe, organic sales declined 3 percent. In the North American market, organic sales rose 8 percent. Organic sales in South and Central America grew 39 percent, as in Asia and other markets, where the increase was 8 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 less than 10 percent of the Group's net sales.

## Result

SEK M	Q3 2018	Q3 2017	Change, %	9M 2018	9M 2017	Change, %
EBITA, excluding items affecting comparability	1,210	993	22	3,948	3,383	17
EBITA-margin, %	14.6	13.5		15.4	14.1	
EBIT, excluding items affecting comparability	1,133	920	23	3,717	3,163	18
EBIT-margin, %	13.6	12.6		14.5	13.2	
Restructuring costs	-28	-45		-78	-227	
Capital gain divestment of compounding operation	-	-		-	472	
Items affecting comparability	-28	-45		-78	245	
EBIT	1,105	875	26	3,639	3,408	7
Financial income and expenses	-72	-66	-9	-204	-173	-18
Profit before tax	1,033	809	28	3,435	3,235	6
Taxes	-251	-174	-44	-846	-634	-33
Net profit, Group	782	635	23	2,589	2,601	0

EBITA, excluding items affecting comparability, totaled SEK 1,210 M (993), corresponding to a margin of 14.6 percent (13.5).

EBIT, excluding items affecting comparability, amounted to SEK 1,133 M (920) for the third quarter, a year-on-year increase of 23 percent.

The EBIT margin, excluding items affecting comparability, amounted to 13.6 percent (12.6).

The total exchange rate effect on EBIT, excluding items affecting comparability, from the translation of foreign subsidiaries, had a positive impact of SEK 60 M on earnings compared with the year-earlier period.

The quarter was impacted by items affecting comparability of negative SEK 28 M (neg: 45).

EBIT for the quarter, including items affecting comparability, amounted to SEK 1,105 M (875), up 26 percent.

The net financial expense was SEK 72 M (expense: 66). Net financial items in relation to net debt were 2.6 percent (2.4).

Net profit for the Group totaled SEK 782 M (635). Excluding items affecting comparability, the tax rate for the quarter was 24 percent (22).

## Return on capital employed

%	R12 2018	R12 2017	12M 2017
Excluding items affecting comparability	11.7	10.6	10.8
Including items affecting comparability	10.8	10.9	10.6

Capital employed for continuing operations increased year on year to SEK 40,796 M (37,202).

The return on capital employed, excluding items affecting comparability, was 11.7 percent (10.6).

## Cash flow

SEK M	Q3 2018	Q3 2017	Change, %	9M 2018	9M 2017	Change, %
EBITDA, operating profit before depreciation	1,467	1,240	18	4,705	4,134	14
Capital expenditure	-472	-271	-74	-1,083	-687	-58
Sold non-current assets	4	7		22	14	
Change in working capital	-152	-5		-1,315	-967	
Dividend from associated companies	0	0		1	1	
Non cash-flow affecting items	0	-4		-8	-15	
<b>Operating cash flow</b>	<b>847</b>	<b>967</b>	<b>-12</b>	<b>2,322</b>	<b>2,480</b>	<b>-6</b>
Cash impact from items affecting comparability	-54	-82		-184	-195	
Financial items	-56	-81		-152	-196	
Paid tax	-170	-151		-691	-570	
<b>Free cash flow</b>	<b>567</b>	<b>653</b>	<b>-13</b>	<b>1,295</b>	<b>1,519</b>	<b>-15</b>
Acquisitions	-293	1		-428	-103	
Disposed/discontinuing operations <sup>1</sup>	-	-		4	649	
Dividend - equity holders of the parent company	0	0		-1,220	-1,152	
<b>Sum net cash flow</b>	<b>274</b>	<b>654</b>	<b>-58</b>	<b>-349</b>	<b>913</b>	<b>-138</b>

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

Operating cash flow for the quarter was slightly lower year on year and amounted to SEK 847 M (967), 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 76 percent (95), mainly impacted by a higher level

of investment compared with the year-earlier period.

Free cash flow amounted to SEK 567 M (653).

The net cash flow for the quarter, after the effect of acquisitions, amounted to SEK 274 M (654).

## Net debt

Change in net debt, SEK M	9M 2018	9M 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	-349	913	1,705
Exchange rate differences	-758	572	360
Receivable related to the divestment of Vibracoustic	-	-	467
<b>Net debt, closing balance</b>	<b>-10,700</b>	<b>-10,640</b>	<b>-9,593</b>
Debt/equity ratio, %	36	41	35
<b>Net debt/EBITDA</b>			
Continuing operations, excluding items affecting comparability	1.8	2.0	1.8
Continuing operations, including items affecting comparability	1.8	2.0	1.7
Total Group	1.8	1.9	1.7

Since the beginning of the year, net debt has increased SEK 1,107 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 36 percent (41).

Net debt in relation to EBITDA, excluding items affecting comparability, amounted to 1.8 (2.0). The ratio for the Group as a whole was 1.8 (1.9).

## Return on equity

%	R12 2018	R12 2017	12M 2017
Continuing operations, excluding items affecting comparability	11.8	11.5	11.2
Continuing operations, including items affecting comparability	10.3	12.3	11.0
Total Group	10.3	12.3	11.0

Shareholders' equity for the Group at the close of the period amounted to SEK 29,535 M (27,216 at January 1, 2018). Equity per share amounted to SEK 109 (96), up 13 percent.

The equity/assets ratio was 57 percent (55). The total return on shareholders' equity for the Group was 10.3 percent (12.3).

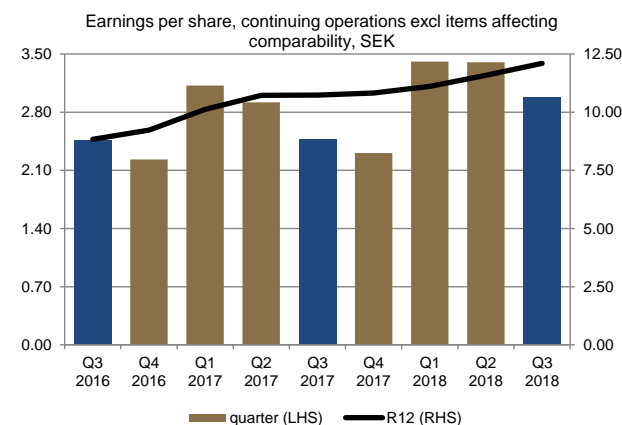
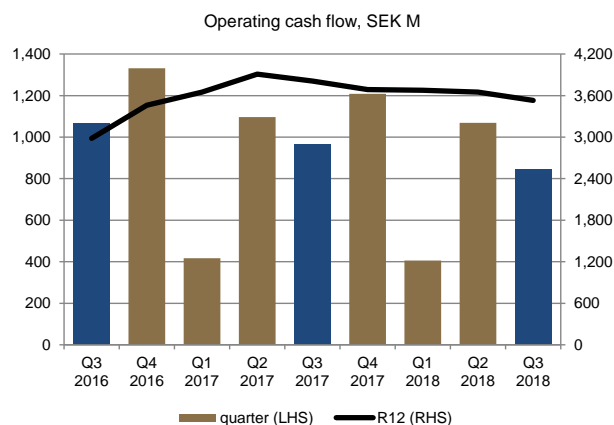
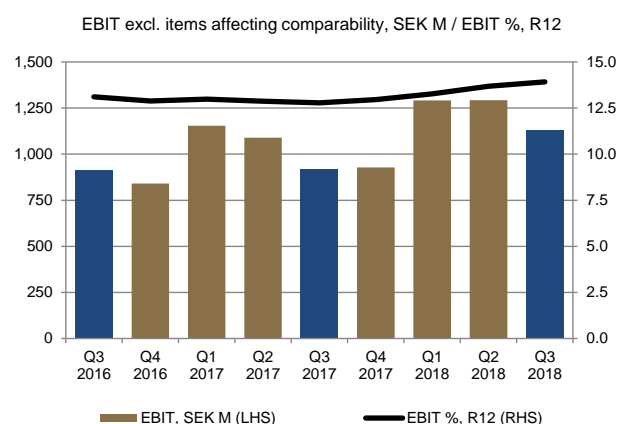
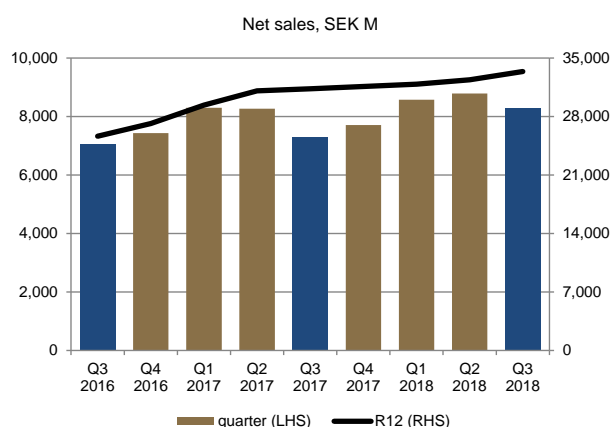
## Earnings per share

Earnings per share, SEK <sup>1</sup>	Q3 2018	Q3 2017	9M 2018	9M 2017	R12 2018	12M 2017
Continuing operations	2.88	2.34	9.55	9.59	10.56	10.60
Discontinuing operations	0.00	0.00	0.00	0.00	0.00	0.00
<b>Group, total</b>	<b>2.88</b>	<b>2.34</b>	<b>9.55</b>	<b>9.59</b>	<b>10.56</b>	<b>10.60</b>
Continuing operations, excluding items affecting comparability	2.98	2.47	9.79	8.51	12.10	10.82

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

Earnings per share for continuing operations, excluding items affecting comparability, during the third quarter totaled SEK 2.98 (2.47).

For the Group in total, earnings per share amounted to SEK 2.88 (2.34).



## January–September 2018

Net sales for the first nine months of 2018 totaled SEK 25,663 M (23,873), up 7 percent year on year.

EBIT for the first nine months of 2018 amounted to SEK 3,639 M (3,408). 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 204 M (expense: 173). Net financial items in relation to net debt were 2.6 percent (2.0).

Profit before tax totaled SEK 3,435 M (3,235).

Net profit for the Group totaled SEK 2,589 M (2,601).

Total earnings per share for the Group were SEK 9.55 (9.59).

## Significant events during the quarter

### 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 was 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 was consolidated as of July 1, 2018.

The press release was published on July 3, 2018.

### Acquisition of silicone components manufacturer.

Trelleborg Sealing Solutions signed an agreement to acquire Sil-Pro, LLC. Sil-Pro is a U.S.-based privately owned contract manufacturer of high-tolerance silicone and thermoplastic

components that also offers assembly for medical devices. The company specializes in applications mainly for medical technology original equipment manufacturers (OEMs). The acquisition complements and broadens Trelleborg's current offering in the healthcare & medical industry.

Completion of the transaction is subject to the approval of the relevant authorities.

Sil-Pro has its head office and production facility in Delano, Minnesota, in the U.S. Total sales amounted to about SEK 350 M in 2017. This bolt-on acquisition is part of Trelleborg's strategy to strengthen its positions in attractive market segments.

The transaction is expected to be finalized in the beginning of the first quarter of 2019.

The press release was published on August 6, 2018.

**Nomination Committee 2019.** 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 individuals have agreed to participate in the Nomination Committee prior to 2019 Annual General Meeting:

Ragnar Lindqvist, Dunker Interests  
Henrik Didner, Didner & Gerge Funds  
Peter Lagerlöf, Lannebo Funds  
Tomas Risbecker, AMF & AMF Funds  
Olof Jonasson, First AP Fund

The Annual General Meeting will be held in Trelleborg, Sweden, on March 27, 2019, at 2:00 p.m. CET.

The press release was published on September 26, 2018.

## Significant events after the close of the period

No significant events were reported after the close of the period.

## 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.

*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**

**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.

### **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 as the difference between operational leases and financial leases is being removed. According to the new standard, an asset pertaining to the right to use the leased asset and a financial debt pertaining to the obligation to pay the leases fees are recognized, with certain exceptions. The standard will impact the recognition of the Group's operational leases, particularly pertaining to buildings and premises. The Group has a project in progress to manage the transition to IFRS 16, in which the effect of IFRS 16 is currently being evaluated.

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

Trelleborg, October 31, 2018  
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, 2018. 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 31, 2018

Deloitte AB

Hans Warén  
Authorized Public Accountant  
Auditor in charge

Maria Ekelund  
Authorized Public Accountant



# 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	Q3 2018	Q3 2017	Change, %	9M 2018	9M 2017	Change, %
Net sales	913	768	19	2,692	2,565	5
Change total, %	19	-6		5	19	
Organic sales, %	0	-4		-4	-1	
Structural change, %	11	0		6	17	
Currency effects, %	8	-2		3	3	
EBIT	92	77	19	309	272	14
EBIT, %	10.1	9.9		11.5	10.6	

Additional key ratios on pages 17 - 18

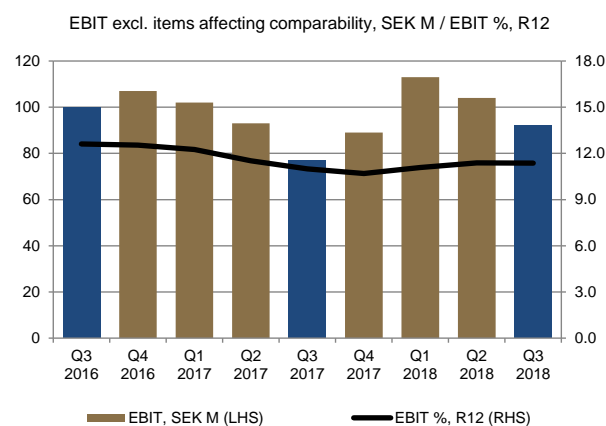
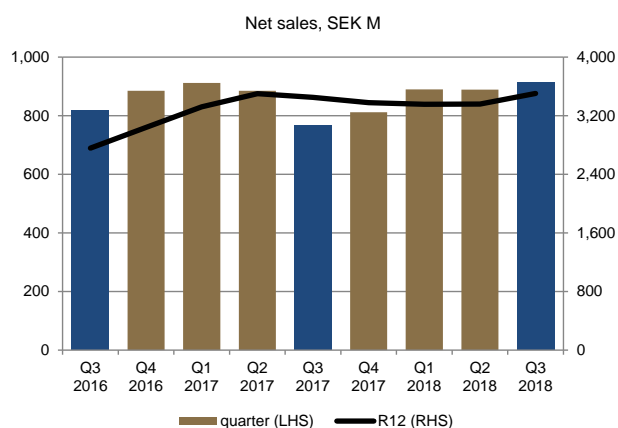
Organic sales for the quarter were unchanged year on year. Structural growth contributed 11 percentage points during the quarter. The organic trend was impacted negatively by an earlier decision to reduce external sales of polymer compounds. Excluding this adaptation, organic sales increased 1 percent year on year.

Coated fabrics increased somewhat compared with the third quarter of 2017, due to higher demand, particularly in the aerospace industry. General industry and the automotive industry were stable and growing overall, while demand from the transportation segment was muted. Printing blankets noted unchanged organic sales, with weaker sales to Europe, while

sales to North and South America and Asia developed favorably.

EBIT and the EBIT margin increased year on year, primarily as a result of a completed acquisition. The EBIT margin improved slightly. Exchange rate effects from the translation of foreign subsidiaries had a positive impact on earnings of SEK 6 M compared with the year-earlier period.

During the quarter, 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	Q3 2018	Q3 2017	Change, %	9M 2018	9M 2017	Change, %
Net sales	1,870	1,609	16	5,775	5,178	12
Change total, %	16	13		12	28	
Organic sales, %	9	5		8	4	
Structural change, %	-	9		-	23	
Currency effects, %	7	-1		4	1	
EBIT	174	146	19	609	523	16
EBIT, %	9.3	9.1		10.5	10.1	

Additional key ratios on pages 17 - 18

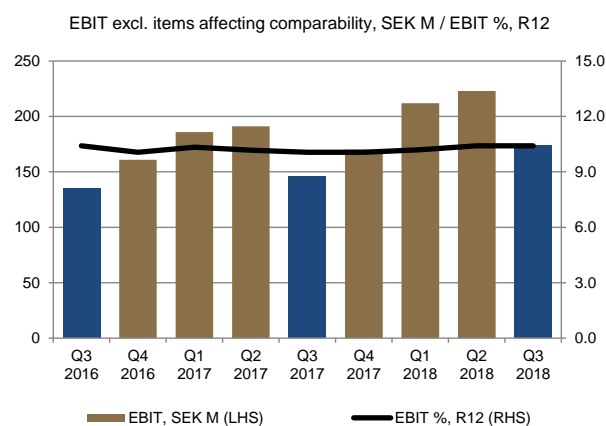
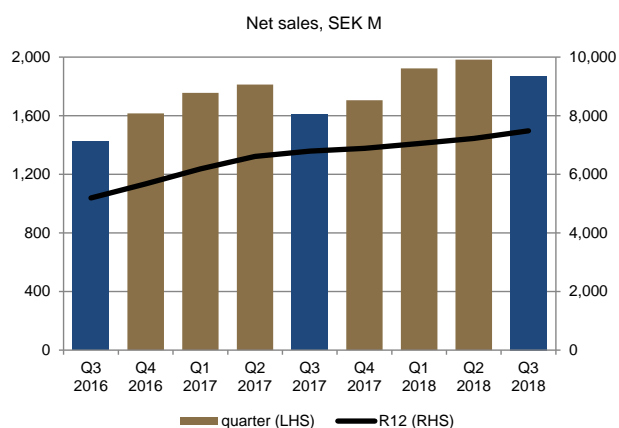
Organic sales for the quarter increased 9 percent year on year. The sales trend was positive in most market segments and geographic markets. Deliveries to general industry developed well. Sales to the infrastructure and construction-related segments were somewhat weaker compared with the year-earlier period. Organic sales increased in all major geographic regions.

EBIT increased year on year due primarily due to higher volumes and good cost control. The EBIT margin increased, but to a lesser extent. Profitability was negatively impacted by

higher costs, mainly due to bottlenecks in the supply of qualified operators in certain expanding geographic regions. Exchange rate effects from the translation of foreign subsidiaries had a positive effect of

SEK 8 M on earnings compared with the year-earlier period.

During the quarter, the business area officially inaugurated a manufacturing facility in Mexico that will manufacture control cables and other critical sealing components.



# 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	Q3 2018	Q3 2017	Change, %	9M 2018	9M 2017	Change, %
Net sales	558	647	-14	1,737	2,100	-17
Change total, %	-14	-20		-17	-15	
Organic sales, %	-19	-17		-19	-15	
Structural change, %	-	-		-	-	
Currency effects, %	5	-3		2	0	
EBIT	-45	-33	-36	-104	-49	-112
EBIT, %	-8.0	-5.2		-6.0	-2.3	

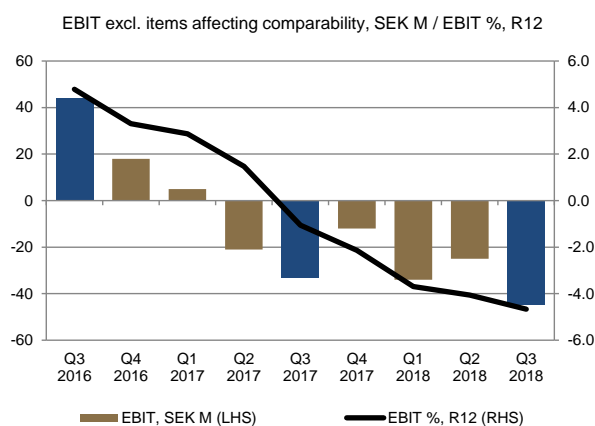
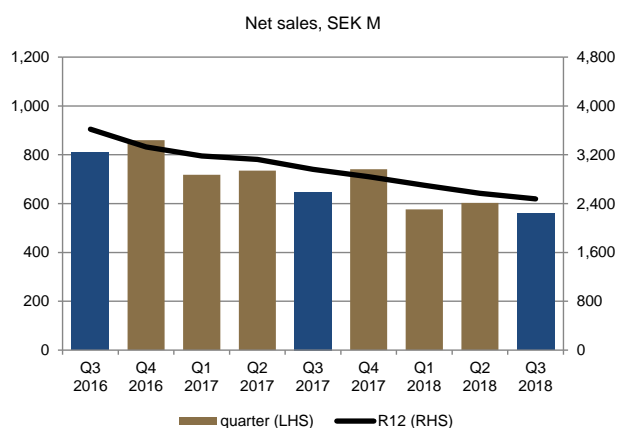
Additional key ratios on pages 17 - 18

Organic sales for the quarter declined 19 percent year on year. The negative sales trend was driven by fewer project transactions throughout the business area. Order intake strengthened during the quarter for oil & gas, as well as the infrastructure construction segment. The order intake primarily refers to projects for shipment in 2019 and beyond. In the meantime, several deliveries have been transferred from current to next year.

EBIT and the EBIT margin declined considerably year on year, due primarily to fewer deliveries of larger project orders. Due to the postponement of orders that had been expected, our assessment is now that the business area will also recognize a negative result for the fourth quarter of the year. An earnings improvement is expected for 2019, with positive earnings, particularly during the second half of the year. Exchange rate

effects from the translation of foreign subsidiaries had a negative impact on earnings of SEK 5 M compared with the year-earlier period.

The shipping of manufacturing equipment from a closed North American facility to a similar operation in the U.K. is proceeding as planned and the manufacturing capacity is scheduled to be ready for operation at the beginning of next year. During the quarter, the business area signed a framework agreement to supply cable protection systems to wind farm projects, creating opportunities for increased sales in this growing market segment. Also during the quarter, the business area supplied a strategically important order of complete marine solutions, related to our SmartPort concept, to an Indian terminal for liquefied natural gas.





# 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	Q3 2018	Q3 2017	Change, %	9M 2018	9M 2017	Change, %
Net sales	2,787	2,388	17	8,427	7,607	11
Change total, %	17	9		11	16	
Organic sales, %	8	8		7	8	
Structural change, %	1	3		1	7	
Currency effects, %	8	-2		3	1	
EBIT	647	533	21	2,024	1,762	15
EBIT, %	23.2	22.3		24.0	23.2	

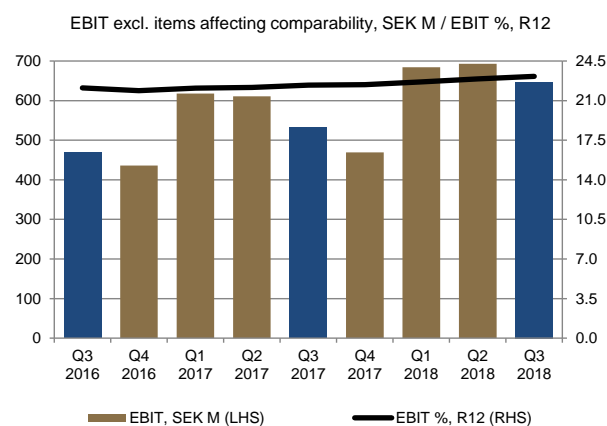
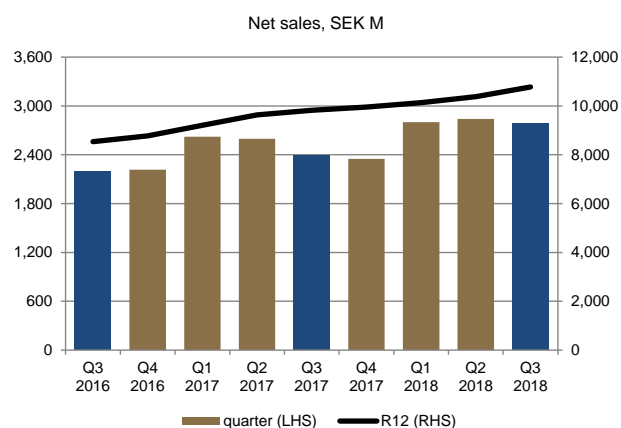
Additional key ratios on pages 17 - 18

Organic sales for the quarter increased 8 percent year on year. Deliveries increased in all geographic regions. Sales to general industry and the automotive industry increased in all geographic regions, with a particularly favorable trend being noted in Asia. Sales to the aerospace industry also displayed healthy growth in all markets.

EBIT and the EBIT margin increased year on year, due primarily due to sales growth. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of

SEK 38 M on earnings compared with the year-earlier period.

During the quarter, the business area signed an agreement to acquire an American manufacturer of high-tolerance silicone and thermoplastic components for the healthcare & medical industry. Refer to page 6. Furthermore, the business area officially inaugurated its new innovation center in Germany, which is a critical element in the business area's global R&D network.





**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 2018	Q3 2017	Change, %	9M 2018	9M 2017	Change, %
Net sales	2,280	1,992	14	7,368	6,680	10
Change total, %	14	7		10	49	
Organic sales, %	3	7		4	9	
Structural change, %	3	0		2	39	
Currency effects, %	8	0		4	1	
EBIT	268	215	25	1,009	776	30
EBIT, %	11.8	10.8		13.7	11.6	

Additional key ratios on pages 17 - 18

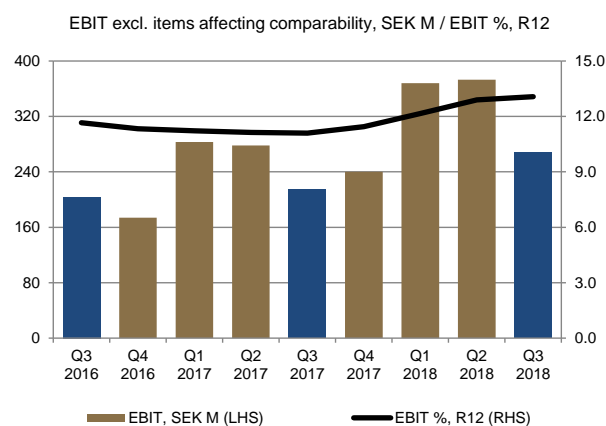
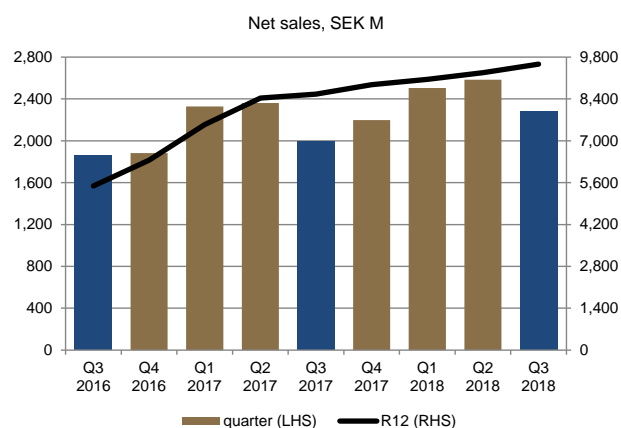
Organic sales for the quarter increased 3 percent year on year. Organic sales of tires for agricultural machinery remained unchanged overall during the quarter; the trend in North and South America was positive and was unchanged in Europe, while organic sales had a somewhat weak performance in Asia.

Organic sales of tires for material handling vehicles and construction vehicles rose year on year, with a particularly strong trend being noted in North and South America. In general, capacity utilization is high within the business area, but capacity-raising investments will gradually lead to greater growth opportunities.

EBIT and the EBIT margin increased as a result of higher sales volumes and synergy gains according to plan from the ongoing integration of completed acquisitions. However, the earnings improvement was dampened somewhat by an unfavorable sales mix.

Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 12 M on earnings compared with the year-earlier period.

During the quarter, 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	Q3 2018	Q3 2017	9M 2018	9M 2017	R12 2018	12M 2017
Net sales	8,300	7,310	25,663	23,873	33,371	31,581
Cost of goods sold	-5,664	-4,959	-17,249	-16,110	-22,537	-21,398
<b>Gross profit</b>	<b>2,636</b>	<b>2,351</b>	<b>8,414</b>	<b>7,763</b>	<b>10,834</b>	<b>10,183</b>
Selling expenses	-651	-599	-1,995	-1,926	-2,625	-2,556
Administrative expenses	-815	-733	-2,431	-2,308	-3,232	-3,109
Research and development costs	-143	-122	-422	-382	-556	-516
Other operating income/expenses	105	20	146	8	217	79
Profit from associated companies	1	3	5	8	7	10
<b>EBIT, excluding items affecting comparability</b>	<b>1,133</b>	<b>920</b>	<b>3,717</b>	<b>3,163</b>	<b>4,645</b>	<b>4,091</b>
Items affecting comparability	-28	-45	-78	245	-392	-69
<b>EBIT</b>	<b>1,105</b>	<b>875</b>	<b>3,639</b>	<b>3,408</b>	<b>4,253</b>	<b>4,022</b>
Financial income and expenses	-72	-66	-204	-173	-261	-230
<b>Profit before tax</b>	<b>1,033</b>	<b>809</b>	<b>3,435</b>	<b>3,235</b>	<b>3,992</b>	<b>3,792</b>
Tax	-251	-174	-846	-634	-1,130	-918
<b>Total net profit</b>	<b>782</b>	<b>635</b>	<b>2,589</b>	<b>2,601</b>	<b>2,862</b>	<b>2,874</b>
- equity holders of the parent company	782	635	2,589	2,601	2,862	2,874

Earnings per share, SEK <sup>1</sup>	Q3 2018	Q3 2017	9M 2018	9M 2017	R12 2018	12M 2017
Continuing operations	2.88	2.34	9.55	9.59	10.56	10.60
Discontinuing operations	0.00	0.00	0.00	0.00	0.00	0.00
<b>Group, total</b>	<b>2.88</b>	<b>2.34</b>	<b>9.55</b>	<b>9.59</b>	<b>10.56</b>	<b>10.60</b>
Continuing operations, excluding items affecting comparability	2.98	2.47	9.79	8.51	12.10	10.82

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

Number of shares	Q3 2018	Q3 2017	9M 2018	9M 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	Q3 2018	Q3 2017	9M 2018	9M 2017	R12 2018	12M 2017
<b>Total net profit</b>	<b>782</b>	<b>635</b>	<b>2,589</b>	<b>2,601</b>	<b>2,862</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 <sup>1</sup>	-	-	28	19	47	38
Income tax relating to components of other comprehensive income	-	-	-6	-4	-17	-15
<b>Total</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>15</b>	<b>30</b>	<b>23</b>
<b>Items that may be reclassified to the income statement</b>						
Cash flow hedges	59	8	76	58	93	75
Hedging of net investment	187	225	-614	287	-916	-15
Translation difference	-750	-654	1,372	-771	2,425	282
Income tax relating to components of other comprehensive income	-55	-50	102	-69	166	-5
Other comprehensive income relating to disposed / discontinuing operations	-	-	-	-3	0	-3
<b>Total</b>	<b>-559</b>	<b>-471</b>	<b>936</b>	<b>-498</b>	<b>1,768</b>	<b>334</b>
<b>Other comprehensive income, net of tax</b>	<b>-559</b>	<b>-471</b>	<b>958</b>	<b>-483</b>	<b>1,798</b>	<b>357</b>
<b>Total comprehensive income</b>	<b>223</b>	<b>164</b>	<b>3,547</b>	<b>2,118</b>	<b>4,660</b>	<b>3,231</b>

<sup>1</sup> Remeasurement is carried out in connection with preparation of the six-month and full-year financial statements and thereafter only in the event of significant changes.

EBIT specification, SEK M	Q3 2018	Q3 2017	9M 2018	9M 2017	R12 2018	12M 2017
EBITDA, excluding items affecting comparability	1,467	1,240	4,705	4,134	5,953	5,382
Depreciation, property, plant and equipment	-257	-247	-757	-751	-1,003	-997
EBITA, excluding items affecting comparability	1,210	993	3,948	3,383	4,950	4,385
Amortization, intangible assets	-77	-73	-231	-220	-305	-294
EBIT, excluding items affecting comparability	1,133	920	3,717	3,163	4,645	4,091
Items affecting comparability	-28	-45	-78	245	-392	-69
<b>EBIT</b>	<b>1,105</b>	<b>875</b>	<b>3,639</b>	<b>3,408</b>	<b>4,253</b>	<b>4,022</b>

# Condensed Balance Sheets

Balance Sheets, SEK M	Sep 30 2018	Sep 30 2017	Dec 31 2017
Property, plant and equipment	10,039	8,855	9,444
Goodwill	19,068	17,925	18,127
Other intangible assets	5,041	4,694	4,843
Participations in associated companies	84	71	76
Financial non-current assets	104	72	57
Deferred tax assets	698	652	718
<b>Total non-current assets</b>	<b>35,034</b>	<b>32,269</b>	<b>33,265</b>
Inventories	6,110	5,184	5,383
Current operating receivables	7,366	6,440	6,235
Current tax assets	1,078	910	891
Interest-bearing receivables	285	305	844
Cash and cash equivalents	2,368	2,045	1,994
<b>Total current assets</b>	<b>17,207</b>	<b>14,884</b>	<b>15,347</b>
<b>Total assets</b>	<b>52,241</b>	<b>47,153</b>	<b>48,612</b>
<b>Equity</b>	<b>29,535</b>	<b>26,103</b>	<b>27,216</b>
Interest-bearing non-current liabilities	9,181	8,758	8,097
Other non-current liabilities	78	139	111
Pension obligations	542	602	570
Other provisions	222	212	228
Deferred tax liabilities	907	828	791
<b>Total non-current liabilities</b>	<b>10,930</b>	<b>10,539</b>	<b>9,797</b>
Interest-bearing current liabilities	4,173	4,238	4,337
Current tax liabilities	1,287	966	1,134
Other current liabilities	5,905	5,066	5,699
Other provisions	411	241	429
<b>Total current liabilities</b>	<b>11,776</b>	<b>10,511</b>	<b>11,599</b>
<b>Total equity and liabilities</b>	<b>52,241</b>	<b>47,153</b>	<b>48,612</b>

Specification of changes in equity, SEK M	Sep 30 2018	Sep 30 2017	Dec 31 2017
<b>Opening balance, January 1</b>	<b>27,216</b>	<b>25,137</b>	<b>25,137</b>
Non-recurring item relating to IFRS9	-8	-	-
Total net profit	2,589	2,601	2,874
Other comprehensive income	958	-483	357
Dividend	-1,220	-1,152	-1,152
<b>Closing balance</b>	<b>29,535</b>	<b>26,103</b>	<b>27,216</b>

Specification of capital employed, SEK M	Sep 30 2018	Sep 30 2017	Dec 31 2017
Total assets	52,241	47,153	48,612
Less:			
Interest-bearing receivables <sup>1</sup>	368	337	877
Cash and cash equivalents	2,368	2,045	1,994
Tax assets	1,776	1,562	1,609
Operating liabilities	7,001	6,084	6,876
<b>Capital employed</b>	<b>40,728</b>	<b>37,125</b>	<b>37,256</b>
of which discontinuing operations	-68	-77	-75
<b>Capital employed excluding discontinuing operations</b>	<b>40,796</b>	<b>37,202</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	Q3 2018	Q3 2017	9M 2018	9M 2017	R12 2018	12M 2017
<b>Operating activities</b>						
EBIT incl part in associated companies	1,105	875	3,639	3,408	4,253	4,022
Adjustments for items not included in cash flow from operating activities:						
Depreciation, property, plant and equipment	256	243	755	747	998	990
Amortization, intangible assets	77	73	231	220	305	294
Impairment losses, property, plant and equipment	12	4	13	4	66	57
Impairment losses, intangible assets	-	-	0	25	354	379
Dividend from associated companies	0	0	1	1	2	2
Participations in associated companies and other non cash-flow affecting items	0	-4	-8	-15	-10	-17
Result relating to Vibracoustic	-	-	-	-	-467	-467
Capital gain in divested operations	-	-	-	-472	-	-472
Interest received and other financial items	12	9	30	29	41	40
Interest paid and other financial items	-68	-90	-182	-225	-244	-287
Taxes paid	-170	-151	-691	-570	-853	-732
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,224</b>	<b>959</b>	<b>3,788</b>	<b>3,152</b>	<b>4,445</b>	<b>3,809</b>
<b>Cash flow from changes in working capital:</b>						
Change in inventories	-158	-111	-428	-399	-480	-451
Change in operating receivables	142	399	-848	-803	-501	-456
Change in operating liabilities	-136	-293	-39	235	354	628
Change in items affecting comparability	-37	-37	-117	7	180	304
<b>Cash flow from operating activities</b>	<b>1,035</b>	<b>917</b>	<b>2,356</b>	<b>2,192</b>	<b>3,998</b>	<b>3,834</b>
<b>Investing activities</b>						
Acquisitions	-293	1	-428	-103	-551	-226
Disposed/discontinuing operations	-	-	4	649	4	649
Capital expenditure, property, plant and equipment	-446	-260	-1,008	-656	-1,695	-1,343
Capital expenditure, intangible assets	-26	-11	-75	-31	-138	-94
Sale of non-current assets	4	7	22	14	45	37
<b>Cash flow from investing activities</b>	<b>-761</b>	<b>-263</b>	<b>-1,485</b>	<b>-127</b>	<b>-2,335</b>	<b>-977</b>
<b>Financing activities</b>						
Change in interest-bearing investments	-111	369	88	1,361	-138	1,135
Change in interest-bearing liabilities	155	64	-181	352	-802	-269
New/utilized loans	110	501	1,943	501	1,943	501
Amortized loans	-161	-1,576	-1,127	-2,834	-1,194	-2,901
Dividend - equity holders of the parent company	-	-	-1,220	-1,152	-1,220	-1,152
<b>Cash flow from financing activities</b>	<b>-7</b>	<b>-642</b>	<b>-497</b>	<b>-1,772</b>	<b>-1,411</b>	<b>-2,686</b>
<b>Cash flow for the period</b>	<b>267</b>	<b>12</b>	<b>374</b>	<b>293</b>	<b>252</b>	<b>171</b>
Cash and cash equivalents:						
At beginning of the period	2,177	2,096	1,994	1,879	2,045	1,879
Exchange rate differences	-76	-63	0	-127	71	-56
<b>Cash and cash equivalents at end of period</b>	<b>2,368</b>	<b>2,045</b>	<b>2,368</b>	<b>2,045</b>	<b>2,368</b>	<b>1,994</b>



## Key figures

SEK M	Q3 2018	Q3 2017	9M 2018	9M 2017	R12 2018	12M 2017
<b>Net sales <sup>1</sup></b>						
Trelleborg Coated Systems	913	768	2,692	2,565	3,504	3,377
Trelleborg Industrial Solutions	1,870	1,609	5,775	5,178	7,481	6,884
Trelleborg Offshore & Construction	558	647	1,737	2,100	2,478	2,841
Trelleborg Sealing Solutions	2,787	2,388	8,427	7,607	10,776	9,956
Trelleborg Wheel Systems	2,280	1,992	7,368	6,680	9,566	8,878
Group items/Eliminations	-108	-94	-336	-257	-434	-355
<b>Total</b>	<b>8,300</b>	<b>7,310</b>	<b>25,663</b>	<b>23,873</b>	<b>33,371</b>	<b>31,581</b>
<b>EBIT, excluding items affecting comparability</b>						
Trelleborg Coated Systems	92	77	309	272	398	361
Trelleborg Industrial Solutions	174	146	609	523	779	693
Trelleborg Offshore & Construction	-45	-33	-104	-49	-116	-61
Trelleborg Sealing Solutions	647	533	2,024	1,762	2,493	2,231
Trelleborg Wheel Systems	268	215	1,009	776	1,249	1,016
Group items	-3	-18	-130	-121	-158	-149
<b>Total</b>	<b>1,133</b>	<b>920</b>	<b>3,717</b>	<b>3,163</b>	<b>4,645</b>	<b>4,091</b>
<b>EBIT %, excluding items affecting comparability</b>						
Trelleborg Coated Systems	10.1	9.9	11.5	10.6	11.4	10.7
Trelleborg Industrial Solutions	9.3	9.1	10.5	10.1	10.4	10.1
Trelleborg Offshore & Construction	-8.0	-5.2	-6.0	-2.3	-4.7	-2.1
Trelleborg Sealing Solutions	23.2	22.3	24.0	23.2	23.1	22.4
Trelleborg Wheel Systems	11.8	10.8	13.7	11.6	13.1	11.4
<b>Total</b>	<b>13.6</b>	<b>12.6</b>	<b>14.5</b>	<b>13.2</b>	<b>13.9</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 9M 2018 which is accounted for over time amounts to approximately SEK 670 M or 2.5% (approx SEK 830 M or 3.5%), while the remainder is accounted for at a specific point in time.

Net sales per market, share and organic growth, %	Q3 2018	Q3 2017	9M 2018	9M 2017
Western Europe (47%)	5	3	4	1
Other Europe (11%)	-3	-5	-2	6
North America (22%)	5	-1	2	3
South and Central America (4%)	20	4	19	-3
Asia and other markets (16%)	-1	14	0	9
<b>Total (100% refer to share 2017)</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>

Net sales per market excluding project related <sup>1</sup> , organic growth, %	Q3 2018	Q3 2017	9M 2018	9M 2017
Western Europe	5	6	5	5
Other Europe	-3	-4	-3	9
North America	8	6	6	5
South and Central America	39	8	22	9
Asia and other markets	8	9	7	13
<b>Total</b>	<b>6</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	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
<b>Net sales</b>									
Trelleborg Coated Systems	913	889	890	812	768	885	912	885	817
Trelleborg Industrial Solutions	1,870	1,982	1,923	1,706	1,609	1,813	1,756	1,616	1,424
Trelleborg Offshore & Construction	558	603	576	741	647	735	718	860	809
Trelleborg Sealing Solutions	2,787	2,840	2,800	2,349	2,388	2,596	2,623	2,216	2,195
Trelleborg Wheel Systems	2,280	2,583	2,505	2,198	1,992	2,360	2,328	1,883	1,855
Group items/Eliminations	-108	-111	-117	-98	-94	-124	-39	-26	-28
<b>Total</b>	<b>8,300</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>EBIT, excluding items affecting comparability</b>									
Trelleborg Coated Systems	92	104	113	89	77	93	102	107	100
Trelleborg Industrial Solutions	174	223	212	170	146	191	186	161	135
Trelleborg Offshore & Construction	-45	-25	-34	-12	-33	-21	5	18	44
Trelleborg Sealing Solutions	647	693	684	469	533	611	618	436	470
Trelleborg Wheel Systems	268	373	368	240	215	278	283	174	204
Group items	-3	-75	-52	-28	-18	-63	-40	-55	-38
<b>Total</b>	<b>1,133</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>EBIT %, excluding items affecting comparability</b>									
Trelleborg Coated Systems	10.1	11.7	12.7	11.0	9.9	10.5	11.2	12.2	12.2
Trelleborg Industrial Solutions	9.3	11.3	11.0	9.9	9.1	10.5	10.6	9.9	9.5
Trelleborg Offshore & Construction	-8.0	-4.2	-5.9	-1.6	-5.2	-2.8	0.7	2.1	5.4
Trelleborg Sealing Solutions	23.2	24.4	24.4	20.0	22.3	23.5	23.6	19.7	21.4
Trelleborg Wheel Systems	11.8	14.5	14.7	10.9	10.8	11.8	12.1	9.2	11.0
<b>Total</b>	<b>13.6</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>
Items affecting comparability	-28	-32	-18	-314	-45	-76	366	-118	-51
<b>EBIT</b>	<b>1,105</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>

Bridge net sales SEK M, %	Q3 2017, SEK M	Organic sales, %	Structural change, %	Currency effects, %	Q3 2018, SEK M
Trelleborg Coated Systems	768	0	11	8	913
Trelleborg Industrial Solutions	1,609	9	-	7	1,870
Trelleborg Offshore & Construction	647	-19	-	5	558
Trelleborg Sealing Solutions	2,388	8	1	8	2,787
Trelleborg Wheel Systems	1,992	3	3	8	2,280
Group items/Eliminations	-94	-	-	-	-108
<b>Total</b>	<b>7,310</b>	<b>4</b>	<b>2</b>	<b>8</b>	<b>8,300</b>

Exchange rate differences impacting EBIT excluding items affecting comparability <sup>1</sup> , SEK M	Q3 2018	9M 2018
Trelleborg Coated Systems	6	8
Trelleborg Industrial Solutions	8	10
Trelleborg Offshore & Construction	-5	-5
Trelleborg Sealing Solutions	38	49
Trelleborg Wheel Systems	12	30
Group items	1	2
<b>Total</b>	<b>60</b>	<b>94</b>

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

Condensed Income Statements, SEK M	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net sales	8,300	8,786	8,577	7,708	7,310	8,265	8,298	7,434	7,072
Cost of goods sold	-5,664	-5,855	-5,730	-5,288	-4,959	-5,586	-5,565	-5,077	-4,749
<b>Gross profit</b>	<b>2,636</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>
Selling expenses	-651	-676	-668	-630	-599	-670	-657	-629	-591
Administrative expenses	-815	-840	-776	-801	-733	-797	-778	-828	-757
Research and development costs	-143	-146	-133	-134	-122	-131	-129	-128	-100
Other operating income/costs	105	23	18	71	20	6	-18	66	36
Profit from associated companies	1	1	3	2	3	2	3	3	4
<b>EBIT, excluding items affecting comparability</b>	<b>1,133</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>
Items affecting comparability	-28	-32	-18	-314	-45	-76	366	-118	-51
<b>EBIT</b>	<b>1,105</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>
Financial income and expenses	-72	-70	-62	-57	-66	-56	-51	-53	-46
<b>Profit before tax</b>	<b>1,033</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>
Tax	-251	-294	-301	-284	-174	-220	-240	-151	-187
<b>Net profit in continuing operations</b>	<b>782</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>
Net profit in discontinuing operations	-	-	-	-	-	-	-	-	-
<b>Total net profit</b>	<b>782</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>
- equity holders of the parent company	782	897	910	273	635	737	1,229	519	631
- non-controlling interest	-	-	-	-	-	-	-	-	-
<b>Earnings per share, SEK</b>	<b>Q3 2018</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>
Continuing operations	2.88	3.31	3.36	1.01	2.34	2.72	4.53	1.92	2.33
Discontinuing operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Group, total</b>	<b>2.88</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>
Continuing operations, excluding items affecting comparability	2.98	3.40	3.41	2.31	2.47	2.92	3.12	2.23	2.46

## Acquisitions

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

#### 9M 2018

Trelleborg, through its Trelleborg Coated Systems business area, 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.

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

Acquisitions during the first six months of the year:

- Industrial Tire Service Inc.
- Dartex Holdings Ltd.

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

#### 9M 2017

Acquisitions during the first nine months of the year:

- Carolina Seal Inc.

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	9M 2018 Acquired 2018 Adjustments to Acquisitions 2017	9M 2017 Acquired 2017 Adjustments to Acquisitions 2016
Developed technology <sup>1</sup>	29	
Trademarks <sup>2</sup>	18	-158
Customer relationships <sup>3</sup>	75	83
Other intangible assets		1
Property, plant and equipment	46	2
Deferred tax assets	5	-1
Shares in associated companies		-23
Interest-bearing receivables	6	
Inventories	107	14
Operating receivables	69	8
Current tax asset		2
Cash and cash equivalents	42	3
Deferred tax liabilities	-28	1
Interest-bearing liabilities	-49	
Post employment benefits		-2
Provision obligations	-1	
Current tax liability	-1	
Operating liabilities	-48	-3
<b>Net assets</b>	<b>270</b>	<b>-73</b>
Goodwill	157	179
<b>Total purchase price</b>	<b>427</b>	<b>106</b>
Cash and other net debt in acquired operations	1	-3
<b>Impact shown in cash flow statement</b>	<b>428</b>	<b>103</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 September 30, 2018, SEK M		Assets at fair value in profit and loss		Derivatives used for hedging purposes		Total
	Loan receivable and accounts receivable	Carrying amount	Measurement level	Carrying amount	Measurement level	
Assets in the balance sheet						
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 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	-	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
Total	16,030	322		164		16,516

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 65 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, 2017, SEK M		Assets at fair value in profit and loss		Derivatives used for hedging purposes		Total
	Loan receivable and accounts receivable	Carrying amount	Measurement level	Carrying amount	Measurement level	
Assets in the balance sheet						
Derivative instruments	-	43	2	117	2	160
Financial non-current assets	3	-		-		3
Accounts receivable	5,148	-		-		5,148
Interest-bearing receivable <sup>1</sup>	227	-		-		227
Cash and cash equivalents	2,045	-		-		2,045
<b>Total</b>	<b>7,423</b>	<b>43</b>		<b>117</b>		<b>7,583</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	-	96	2	229	2	325
Interest-bearing non-current liabilities	8,758	-		-		8,758
Interest-bearing current liabilities	4,238	-		-		4,238
Accounts payable	2,514	-		-		2,514
Total	15,510	96		229		15,835

<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	Q3 2018	Q3 2017	9M 2018	9M 2017	R12 2018	12M 2017
Administrative expenses	-61	-61	-206	-208	-276	-278
Other operating income	229	52	332	399	399	466
Other operating expenses	-25	-19	-69	-58	-287	-276
<b>EBIT</b>	<b>143</b>	<b>-28</b>	<b>57</b>	<b>133</b>	<b>-164</b>	<b>-88</b>
Financial income and expenses	-116	606	762	904	-404	-262
<b>Profit before tax</b>	<b>27</b>	<b>578</b>	<b>819</b>	<b>1,037</b>	<b>-568</b>	<b>-350</b>
Appropriations	-	-	-	-	835	835
Tax	-3	34	46	48	-64	-62
<b>Net profit</b>	<b>24</b>	<b>612</b>	<b>865</b>	<b>1,085</b>	<b>203</b>	<b>423</b>

Statements of comprehensive income, SEK M	Q3 2018	Q3 2017	9M 2018	9M 2017	R12 2018	12M 2017
Net profit	24	612	865	1,085	203	423
<b>Total comprehensive income</b>	<b>24</b>	<b>612</b>	<b>865</b>	<b>1,085</b>	<b>203</b>	<b>423</b>

Condensed Balance sheets, SEK M	Sep 30 2018	Sep 30 2017	Dec 31 2017
Property, plant and equipment	15	15	15
Intangible assets	7	9	9
Financial assets	36,321	35,568	34,880
<b>Total non-current assets</b>	<b>36,343</b>	<b>35,592</b>	<b>34,904</b>
Current receivables	398	73	68
Current tax asset	-	1	-
Interest-bearing receivables	1	1	837
Cash and cash equivalents	-	-	-
<b>Total current assets</b>	<b>399</b>	<b>75</b>	<b>905</b>
<b>Total assets</b>	<b>36,742</b>	<b>35,667</b>	<b>35,809</b>
<b>Equity</b>	<b>9,228</b>	<b>10,244</b>	<b>9,582</b>
Interest-bearing non-current liabilities	4,430	4,374	4,430
Other non-current liabilities	22	22	24
<b>Total non-current liabilities</b>	<b>4,452</b>	<b>4,396</b>	<b>4,454</b>
Interest-bearing current liabilities	22,942	20,865	21,588
Other current liabilities	120	162	185
<b>Total current liabilities</b>	<b>23,062</b>	<b>21,027</b>	<b>21,773</b>
<b>Total equity and liabilities</b>	<b>36,742</b>	<b>35,667</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 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.

## 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

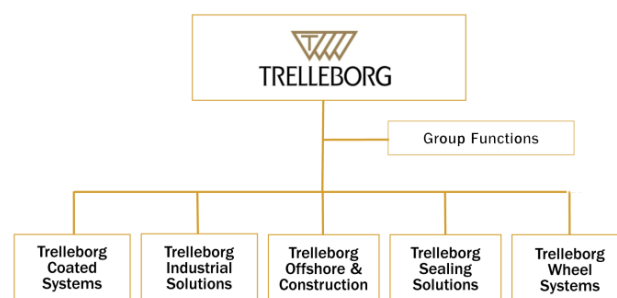
Refers to operations within Trelleborg's five business areas: Trelleborg Coated Systems, Trelleborg Industrial Solutions, Trelleborg Offshore & Construction, Trelleborg Sealing Solutions and Trelleborg Wheel Systems. In addition, it includes central staff functions.

### 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.



## Presentation and telephone conference on October 31 at 10:30 a.m. CET

A presentation and telephone conference will be held on October 31 at 10:00 a.m. CET. The presentation will take place at Operaterrassen in Stockholm, Sweden. To participate in the telephone conference, call +46 8 566 426 62 (Sweden), +44 203 008 9806 (U.K.) or +1 855 753 2235 (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

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

February 13, 2019  
Week starting March 4, 2019  
March 27, 2019  
April 26, 2019  
July 18, 2019  
October 24, 2019

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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 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 October 31, 2018.**

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