

Q2

Interim report April–June 2019

Overall a solid quarter

- Net sales for the second quarter of 2019 rose 7 percent to SEK 9,361 M (8,786).
- Organic sales were in line with the preceding year for the Group in its entirety, and declined 1 percent, excluding project deliveries.
- EBIT, excluding items affecting comparability, amounted to SEK 1,321 M (1,293), which was equivalent to an EBIT margin of 14.1 percent (14.7).
- Items affecting comparability for the quarter were a negative SEK 118 M (neg: 32) and pertained to restructuring costs. At the end of the quarter, an action program was launched to address an anticipated downturn in certain market segments. Restructuring costs for the full year will amount to approximately SEK 500 M, an increase of about SEK 250 M compared with information provided earlier.
- Earnings per share, excluding items affecting comparability, totaled SEK 3.36 (3.40). For the Group in its entirety, earnings per share amounted to SEK 2.98 (3.31).
- Operating cash flow amounted to SEK 1,052 M (1,074). The cash conversion ratio was 69 percent (83).

SEK M	Q2 2019 ¹	Q2 2018	Change, %	6M 2019 ¹	6M 2018	Change, %
Net sales	9,361	8,786	7	18,742	17,363	8
Organic sales, %	0	2		0	3	
EBITA, excluding items affecting comparability	1,407	1,373	2	2,789	2,738	2
EBITA-margin, %	15.0	15.6		14.9	15.7	
EBIT, excluding items affecting comparability	1,321	1,293	2	2,616	2,584	1
EBIT-margin, %	14.1	14.7		14.0	14.9	
Items affecting comparability	-118	-32		-138	-50	
EBIT	1,203	1,261	-5	2,478	2,534	-2
Profit before tax	1,092	1,191	-8	2,247	2,402	-6
Net profit, Group	806	897	-10	1,658	1,807	-8
Earnings per share, SEK						
Excluding items affecting comparability ²	3.36	3.40	-1	6.61	6.81	-3
Group	2.98	3.31	-10	6.12	6.67	-8
Operating cash flow	1,052	1,074	-2	1,231	1,482	-17
Cash conversion ratio R12, %				69	83	

¹ Impacted by recognition of leases in accordance to IFRS 16.

² Earnings per share have been adjusted referring to items affecting comparability after tax. First half year 2019 and full-year 2018 figures have also been adjusted for costs attributable to the US Tax Reform.

Overall a solid quarter

“During the second quarter of the year, sales increased by 7 percent, of which acquired units contributed 3 percentage points. Organic sales were unchanged compared with the year-earlier quarter, with variations between geographies. North and South America generally continued to perform well for us during the quarter, while the trend in Europe and Asia was more tentative, with increased uncertainty. Overall, The Group's earnings trend was stable, with the underlying EBIT increasing by 2 percentage points. The rate of investment remained at a high level, which reflects the ambition to further sharpen our market positions in most segments.

The trend shifted during the period: the quarter began cautiously in April, an improvement was noted in May, while there was a downturn once again in June. Our interpretation is that intensified political tension and escalated global trade conflicts are increasingly impacting the sentiment in several markets, meaning that the near future is difficult to forecast. Our understanding is that we will see increasing differences in the development between various market segments, but that overall demand will remain at the same level for the next quarter. In this scenario, however, we anticipate a disadvantageous sales mix for us, which is expected to have a somewhat negative impact on the earnings trend.

To address an expected decline in demand in parts of the Group, we took a proactive approach at the end of the quarter and initiated measures to reduce costs, primarily through targeted personnel reductions. These initiatives will generate nonrecurring costs and our estimate is that the restructuring costs for the year will amount to approximately SEK 500 M, which is an increase of about SEK 250 M compared with information provided earlier.

Our largest business area, Trelleborg Sealing Solutions, noted unchanged organic sales, but with distinct differences between various segments. Deliveries to the automotive industry were declining, sales to the aerospace industry and the healthcare & medical segment remained strong, while sales to general industry were slightly weaker than during the first quarter of the year.

Demand for tires for the agriculture sector declined during the quarter, probably impacted by the intensified trade conflicts, but also by the weather conditions in certain markets. The market statistics published after the end of the period displayed a significant decline in the European aftermarket for agricultural tires during the quarter. Generally, we continued to grow our market shares, particularly in the OE segment, but this did not offset the decline in the aftermarket and also created a negative sales mix for Trelleborg Wheel Systems. Accordingly, the business area initiated targeted activities during the quarter to adapt to the lower level of demand.

Trelleborg Industrial Solutions continues to note healthy growth, and most market segments performed positively. As previously forecast, profitability continued to be affected by inefficiency in a Czech production unit. Work is continuing to improve the situation, through targeted investments and cost adaptations.

Our oil & gas operation and major infrastructure construction projects are now recovering after a prolonged period of weak market conditions. Order intake was favorable during the quarter and our evaluation stands that the business area will recognize a positive organic sales trend in the second half of the year and achieve profit during the fourth quarter.

For the third quarter, our overall assessment is that demand will be in line with the second quarter of the year, but with a disadvantageous sales mix that is expected to have a somewhat negative effect on earnings. We are continuing to carefully monitor economic developments and maintain a high level of preparedness to manage fluctuating market conditions.”

Peter Nilsson,
President and CEO

MARKET OUTLOOK FOR THE THIRD QUARTER 2019

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

Market outlook from the interim report published on April 26, 2019, relating to the second quarter of 2019

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

NET SALES AND RESULT

SEK M	Q2 2019	Q2 2018	Change, %	6M 2019	6M 2018	Change, %
Net sales	9,361	8,786	7	18,742	17,363	8
Change total, %	7	6		8	5	
Organic sales, %	0	2		0	3	
Structural change, %	3	1		3	0	
Currency effects, %	4	3		5	2	
EBIT, excluding items affecting comparability	1,321	1,293	2	2,616	2,584	1
EBIT-margin, %	14.1	14.7		14.0	14.9	
Items affecting comparability	-118	-32		-138	-50	
EBIT	1,203	1,261	-5	2,478	2,534	-2
Financial income and expenses	-111	-70	-59	-231	-132	-75
Profit before tax	1,092	1,191	-8	2,247	2,402	-6
Taxes	-286	-294	3	-589	-595	1
Net profit, Group	806	897	-10	1,658	1,807	-8
Earnings per share, SEK						
Excluding items affecting comparability ¹	3.36	3.40	-1	6.61	6.81	-3
Group	2.98	3.31	-10	6.12	6.67	-8

¹ Earnings per share have been adjusted referring to items affecting comparability after tax. First half year 2019 and full-year 2018 figures have also been adjusted for costs attributable to the US Tax Reform.

Net sales for the second quarter of 2019 amounted to SEK 9,361 M (8,786). Organic sales were on a par with the preceding year. Structural changes contributed 3 percent. Exchange rate effects accounted for a positive 4-percent impact on sales compared with the year-earlier period.

Excluding project deliveries¹:

The Group's organic sales decreased 1 percent year on year. Organic sales declined 2 percent in Western Europe and declined 5 percent in the rest of Europe. In the North American market, organic sales rose 4 percent. In South and Central America, organic sales increased 3 percent, while in Asia and other markets, the decline was 3 percent.

EBIT, excluding items affecting comparability, totaled SEK 1,321 M (1,293), corresponding to a margin of 14.1 percent (14.7). EBIT is the highest to date for the Group in a single quarter.

The total exchange rate effect on EBIT, excluding items affecting comparability, from the translation of foreign subsidiaries, had a positive impact of SEK 32 M on earnings compared with the year-earlier period.

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

Items affecting comparability for the quarter amounted to negative SEK 118 M (neg: 32) and pertained to restructuring costs. At the end of the quarter, an action program was launched to address an anticipated downturn in certain market segments. The initiatives are mainly related to personnel reductions, which is provisionally estimated to comprise about 700 people. Restructuring costs for the full year will amount to approximately SEK 500 M, an increase of about SEK 250 M compared with information provided earlier.

EBIT, including items affecting comparability, amounted to SEK 1,203 M (1,261) for the quarter.

The net financial expense was SEK 111 M (expense: 70), impacted by negative exchange rate differences of SEK 16 M and effects from interest expenses on leases recognized in accordance with IFRS 16 of SEK 20 M. In addition, interest expenses from pension liabilities, which are classified as financial items as of 2019, impacted the financial net negatively in an amount of SEK 3 M. Net interest in relation to net debt was 2.1 percent (2.2), excluding effects from leases and pension liabilities.

Net profit for the Group totaled SEK 806 M (897). The tax rate for the quarter for the Group amounted to 26 percent (25). Excluding items affecting comparability, the underlying tax rate was 25 percent (25).

Earnings per share, excluding items affecting comparability, for the second quarter totaled SEK 3.36 (3.40). For the Group in total, earnings per share amounted to SEK 2.98 (3.31).

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

CASH FLOW AND NET DEBT

SEK M	Q2 2019	Q2 2018	Change, %	6M 2019	6M 2018	Change, %
EBITDA, operating profit before depreciation	1,800	1,624	11	3,555	3,238	10
Capital expenditure	-370	-395	6	-668	-611	-9
Sold non-current assets	8	3		15	18	
Amortization of lease liabilities	-100	-		-190	-	
Change in working capital	-285	-156		-1,477	-1,156	
Dividend from associated companies	1	0		1	1	
Non cash-flow affecting items	-2	-2		-5	-8	
Operating cash flow	1,052	1,074	-2	1,231	1,482	-17

SEK M	6M 2019	6M 2018	12M 2018
Net debt, opening balance	-10,499	-9,593	-9,593
Operating cash flow	1,231	1,482	3,495
Cash impact from items affecting comparability	-133	-130	-263
Financial items	-243	-103	-245
Paid tax	-506	-521	-919
Free cash flow	349	728	2,068
Acquisitions	-1,108	-135	-440
Disposed operations	-	4	4
Dividend - equity holders of the parent company	-1,288	-1,220	-1,220
Sum net cash flow	-2,047	-623	412
Exchange rate differences	-296	-789	-797
Lease liability according to IFRS 16 ¹	-2,389	-	-
Pension liability ¹	-76	-555	-521
Net debt, closing balance	-15,307	-11,560	-10,499
Of which:			
Pension liability ¹	-607	-555	-521
Lease liability according to IFRS 16 ¹	-2,389	-	-
Net debt, excluding effect of lease and pension liability	-12,311	-11,005	-9,978
Debt/equity ratio, %			
Group	49	39	35
Group, excluding effect of lease and pension liability	39	38	33
Net debt/EBITDA ²			
Group ³	2.5	2.0	1.8
Group, excluding effect of lease and pension liability	2.1	1.9	1.7

¹ Net debt including, as of 2019, lease liability in accordance with IFRS 16 and pension liability. Accordingly, comparative figures were adjusted by SEK 555 M for Q2 2018 and by SEK 521 M for full-year 2018 for pension liabilities. The adjustment on pension liability in 2019 refers to a revaluation performed during the year.

² EBITDA including items affecting comparability.

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

Operating cash flow for the quarter was on a par with the preceding year and amounted to SEK 1,052 M (1,074). The cash conversion ratio for the most recent 12-month period was 69 percent (12 months 2018: 74).

Free cash flow amounted to SEK 349 M (728).

Net cash flow, after the impact of acquisitions and the dividend paid to shareholders, amounted to negative SEK 2,047 M (neg: 623) during the quarter.

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

Closing net debt was impacted by the effects of the introduction of IFRS 16, net cash flow for the year as well as negative exchange rate differences. Net cash flow for the first six months of the year was impacted by the acquisition of Sil-Pro in the U.S., which was completed at the beginning of the year, among other factors. Closing net debt at the end of the quarter amounted to SEK 15,307 M. Excluding the impact from IFRS 16 and pension liabilities, the net debt amounted to SEK 12,311 M.

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

Net debt in relation to EBITDA, excluding the impact of leases recognized in accordance with IFRS 16 and pension liabilities, amounted to 2.1 (1.9) at the end of the period. Including these items, the ratio amounted to 2.5 (2.0).

RETURN ON CAPITAL EMPLOYED AND RETURN ON EQUITY

%	R12 2019	R12 2018	12M 2018
Return on capital employed¹			
Excluding items affecting comparability	10.7	11.3	11.4
Group	10.1	10.3	11.1
Return on equity²			
Excluding items affecting comparability	10.9	11.4	11.7
Group	10.0	9.8	11.1

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

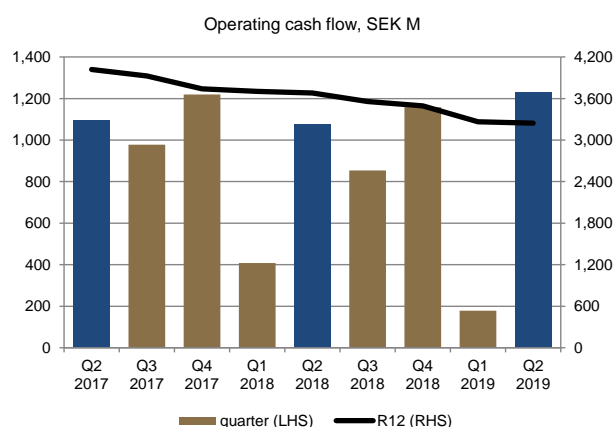
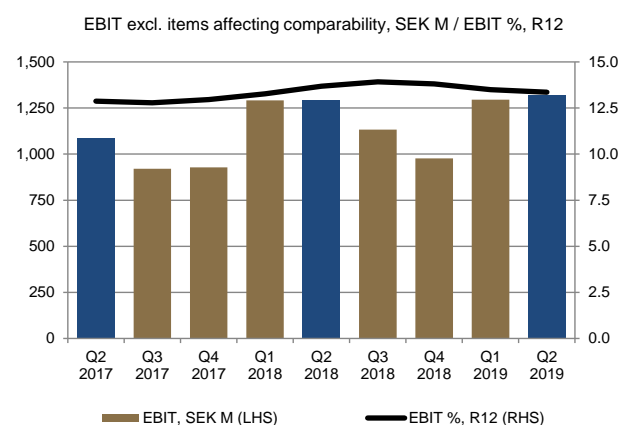
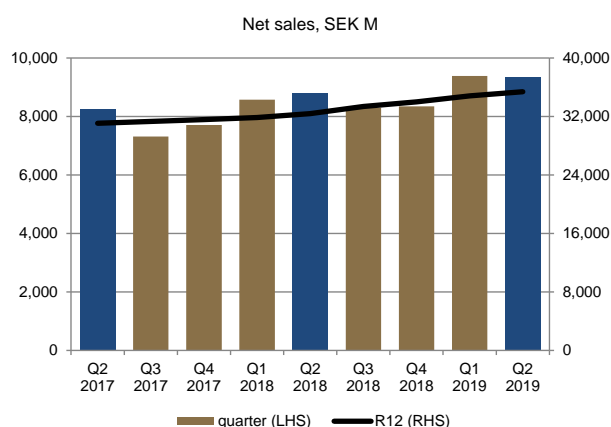
² Equity for 2019 was affected by a nonrecurring item attributable to IFRS 16.

Capital employed increased year on year to SEK 47,210 M (41,253), mainly impacted by higher working capital, acquisitions completed, investments and the effect of leases recognized in accordance with IFRS 16.

The return on capital employed, excluding items affecting comparability, was 10.7 percent (11.3).

Shareholders' equity for the Group at the close of the period amounted to SEK 31,314 M (30,126 at year-end).

Equity per share amounted to SEK 116 (108). The equity/assets ratio was 54 percent (56). The total return on shareholders' equity for the Group was 10.0 percent (9.8).



SIGNIFICANT EVENTS DURING THE QUARTER

No significant events were reported during the period.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

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

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

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

The transaction was consolidated as of July 10, 2019.

A press release was published on July 11, 2019.

OTHER

Effects of Brexit and trade tariffs. All of the business areas have analyzed the effects of Brexit and other current trade barriers for customers and suppliers regarding the supply chain and tariff charges. The conclusion is that the Group overall is well prepared to manage various scenarios and any directly negative effects for the Group are expected to be limited.

However, it is not possible to estimate indirect negative effects of Brexit, and other current trade barriers, due to the amount of variables such an assessment would include.

RISK MANAGEMENT

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

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

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

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

For information regarding the Group's risks, risk exposure and risk management, refer to the latest Trelleborg Annual Report, www.trelleborg.com 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 18, 2019
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

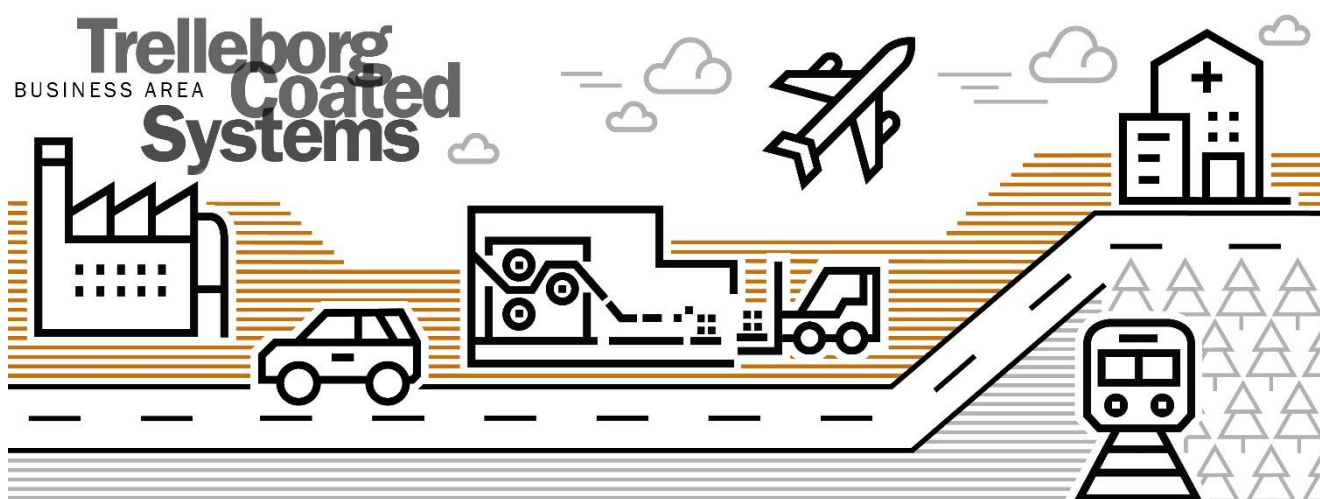
Panu Routila
Board Member

Jan Ståhlberg
Board Member

Jimmy Faltin
Employee representative

Peter Larsson
Employee representative

Lars Pettersson
Employee representative



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 2019	Q2 2018	Change, %	6M 2019	6M 2018	Change, %
Net sales	1,039	889	17	2,025	1,779	14
Change total, %	17	1		14	-1	
Organic sales, %	4	-6		0	-5	
Structural change, %	8	4		8	3	
Currency effects, %	5	3		6	1	
EBIT	137	104	32	256	217	18
EBIT, %	13.3	11.7		12.7	12.2	

Additional key ratios on pages 17 - 18

Organic sales for the quarter increased 4 percent year on year. Coated fabrics increased compared with the year-earlier period, impacted by healthy demand from most market segments. The demand from general industry was stable and growing overall, deliveries to the automotive segment weakened, while sales to the aerospace industry were highly favorable during the quarter. Printing blankets noted unchanged organic sales, with deliveries to the Middle East and Africa offsetting the decline in sales, particularly in Europe.

EBIT and the EBIT margin improved year on year, mainly due to improved productivity and sales mix. Exchange rate effects from the translation of foreign subsidiaries had a positive impact on earnings of SEK 4 M compared with the year-earlier period.



Improved production structure. The business area commenced a consolidation of its printing blanket production aimed at securing its leading position and competitiveness in the segment. The production of printing blankets will gradually be discontinued in the U.S. and consolidated in Italy and Brazil, respectively.



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 2019	Q2 2018	Change, %	6M 2019	6M 2018	Change, %
Net sales	2,092	1,982	6	4,161	3,905	7
Change total, %	6	9		7	9	
Organic sales, %	3	6		4	7	
Structural change, %	-	-		-	-	
Currency effects, %	3	3		3	2	
EBIT	208	223	-7	412	435	-5
EBIT, %	10.0	11.3		9.9	11.2	

Additional key ratios on pages 17 - 18

Organic sales increased 3 percent year on year. The organic sales trend was positive in most geographic markets. Organic sales to the oil and gas industry remained favorable, deliveries to general industry were mixed, while sales to the automotive industry declined.

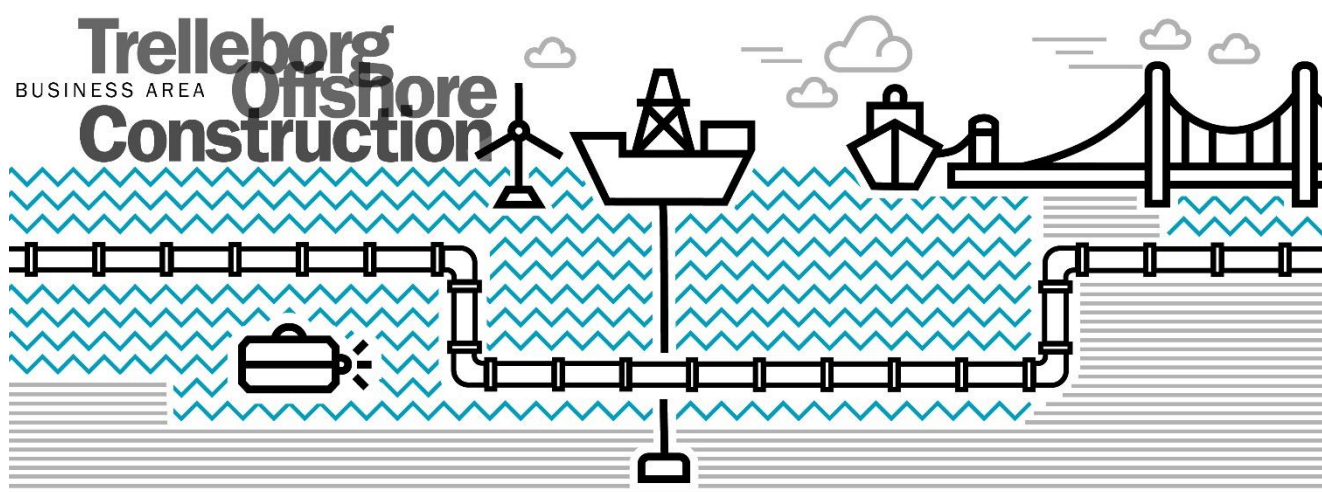
EBIT and the EBIT margin declined year on year and continued to be negatively affected by inefficiencies in a Czech production unit. Exchange rate effects from the translation of foreign subsidiaries had a positive effect of SEK 2 M on EBIT compared with the year-earlier period.



Action program. The business area's investment program in the Czech Republic proceeded according to plan, at the same time as extended measures commenced relating to the organization, production structure and personnel, aimed at achieving increased efficiency and profitability.



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



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 2019	Q2 2018	Change, %	6M 2019	6M 2018	Change, %
Net sales	671	603	11	1,233	1,179	5
Change total, %	11	-18		5	-19	
Organic sales, %	7	-19		0	-19	
Structural change, %	-	-		-	-	
Currency effects, %	4	1		5	0	
EBIT	-8	-25	68	-50	-59	15
EBIT, %	-1.2	-4.2		-4.1	-5.0	

Additional key ratios on pages 17 - 18

Organic sales increased 7 percent year on year. The positive sales trend was primarily driven by a higher number of project transactions in the infrastructure construction segment, although deliveries in the oil & gas market segment also increased year on year. Market activity in the business area increased during the period, which will lead to a positive organic sales trend in the second half of the year and positive operating profit in the fourth quarter.

EBIT improved year on year, due to the increased sales of projects. Exchange rate effects from the translation of foreign subsidiaries had a negative impact on EBIT of SEK 1 M compared with the year-earlier period.



Fenders for The Ocean Cleanup. The business area delivered floating pneumatic fenders to The Ocean Cleanup. They will also serve as a “sail” that pulls The Ocean Cleanup’s drifting boom system.



Specialty seals for shipyards. The business area continues to receive orders for its engineered infrastructure construction seals, for example, to a floating dry dock to a shipyard in Amsterdam, in the Netherlands.



Drill riser buoyancy modules. The business area was awarded, among others, three major contracts for drilling riser buoyancy and associated riser protection for offshore oil platforms during the quarter.



Offshore fire protection solutions. After the end of the period, the business area secured its single largest contract for passive fire protection solutions, which will be delivered to an oil platform in the Gulf of Mexico.



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 2019	Q2 2018	Change, %	6M 2019	6M 2018	Change, %
Net sales	3,090	2,840	9	6,208	5,640	10
Change total, %	9	9		10	8	
Organic sales, %	0	6		0	7	
Structural change, %	4	0		4	1	
Currency effects, %	5	3		6	0	
EBIT	711	693	3	1,435	1,377	4
EBIT, %	23.0	24.4		23.1	24.4	

Additional key ratios on pages 17 - 18

Organic sales were unchanged year on year. The sales trend declined primarily in Asia and was somewhat weaker in Europe. The trend in North America remained positive. Sales to general industry declined in Europe and Asia, and were unchanged in North America. Sales to the automotive industry declined during the quarter, driven by a negative trend in Asia and North America. Deliveries to the aerospace industry recorded strong growth in all markets.

EBIT improved as a result of implemented acquisitions and exchange rate effects, while the EBIT margin declined, mainly due to acquired units. EBIT and the EBIT margin were also negatively impacted by some under absorption in individual manufacturing units, driven by the reduced volume mainly in the automotive segment. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 25 M on EBIT compared with the year-earlier period.



Increased capacity in Bulgaria. The business area inaugurated an expanded production facility in Bulgaria that manufactures products in Liquid Silicon Rubber (LSR) for industrial and automotive-related applications, among others.



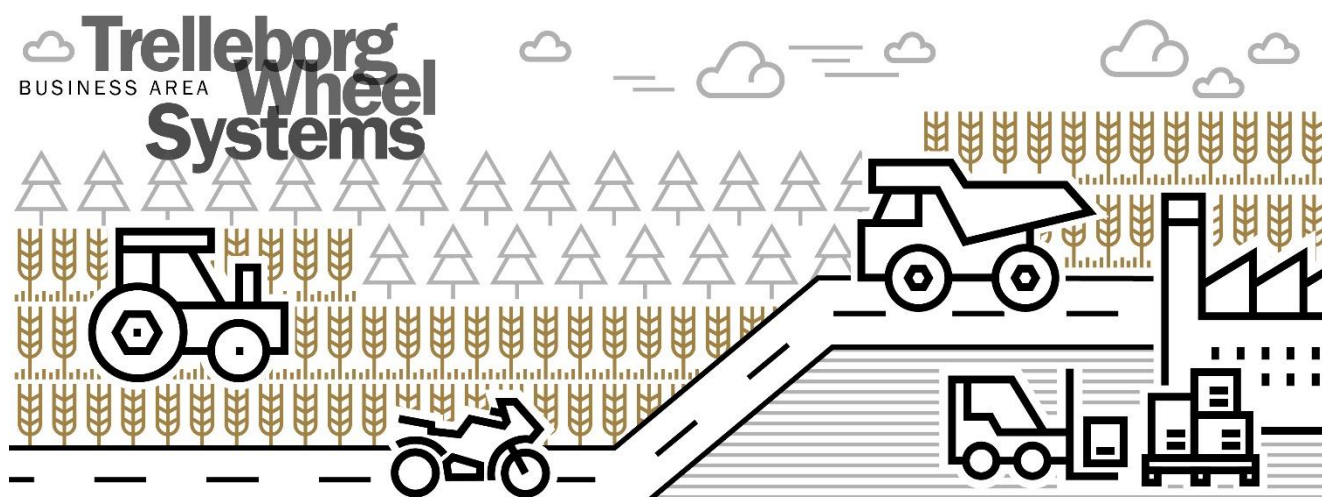
Increased 3D capacity in Malta. The business area is at the leading edge of 3D technology for elastic material and continued to make investments in Malta during the quarter.



Contracts for electric cars. After the end of the period, the business area secured prestigious contracts for applied damping materials for inverters in electric and hybrid cars.



World's largest O-Ring. In a collaboration project with a school in England, the business area achieved the world record in producing the world's largest O-Ring, with a circumference measuring 364 meters.



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 2019	Q2 2018	Change, %	6M 2019	6M 2018	Change, %
Net sales	2,591	2,583	0	5,364	5,088	5
Change total, %	0	9		5	9	
Organic sales, %	-5	4		-1	4	
Structural change, %	2	1		2	1	
Currency effects, %	3	4		4	4	
EBIT	321	373	-14	672	741	-9
EBIT, %	12.4	14.5		12.5	14.6	

Additional key ratios on pages 17 - 18

Organic sales declined 5 percent year on year, impacted by the increased uncertainty caused by factors including the escalation of trade conflicts on a global basis. Deliveries of agricultural tires declined in both Europe and Asia, but increased in North America. Organic sales of tires for material handling vehicles and construction vehicles declined year on year, mainly due to a decrease in deliveries to North America and Asia. Sales of tires to OE manufacturers in both segments generally performed well during the quarter, while sales to the aftermarket declined significantly, in line with developments in underlying market segments.

EBIT and the EBIT margin decreased as a result of lower sales volumes and an unfavorable sales mix. Exchange rate changes from the translation of foreign subsidiaries had a positive impact of SEK 3 M on earnings compared with the year-earlier period.



Action program. The business area initiated targeted activities relating to personnel during the quarter to adapt to the lower level of demand.



Increased capacity in Serbia. During the quarter, the recently expanded production facility in Serbia provided the possibility to broaden the product range of, for example, tires for construction vehicles.



Circular in Sri Lanka. The business area installed an advanced biofuel boiler in its production facility in Sri Lanka, which has reduced the facility's carbon emissions by more than 90 percent. The biofuel is sourced from local producers and mostly comprises wood chips from natural rubber trees.

NOTES

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

New standards to be applied as of January 1, 2019

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

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

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

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

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

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

SEK M	January 1, 2019
Impact on opening balance	
Right-of-use assets ¹	2,309
Lease liabilities	2,487
Equity	-139
Deferred tax assets	39

¹ 90% pertains to office and production premises.

SEK M	6M 2019
Earnings impact, IFRS 16	
Amortization of right-of-use assets	-200
Interest on lease liability	-39

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

Condensed Income Statements

Income Statements, SEK M	Q2 2019	Q2 2018	6M 2019	6M 2018	R12 2019	12M 2018
Net sales	9,361	8,786	18,742	17,363	35,384	34,005
Cost of goods sold	-6,291	-5,855	-12,611	-11,585	-24,074	-23,048
Gross profit	3,070	2,931	6,131	5,778	11,310	10,957
Selling expenses	-816	-676	-1,616	-1,344	-2,941	-2,669
Administrative expenses	-766	-840	-1,544	-1,616	-3,289	-3,361
Research and development costs	-155	-146	-307	-279	-593	-565
Other operating income/expenses	-14	23	-51	41	237	329
Profit from associated companies	2	1	3	4	2	3
EBIT, excluding items affecting comparability	1,321	1,293	2,616	2,584	4,726	4,694
Items affecting comparability	-118	-32	-138	-50	-264	-176
EBIT	1,203	1,261	2,478	2,534	4,462	4,518
Financial income and expenses	-111	-70	-231	-132	-381	-282
Profit before tax	1,092	1,191	2,247	2,402	4,081	4,236
Tax	-286	-294	-589	-595	-1,040	-1,046
Total net profit	806	897	1,658	1,807	3,041	3,190
- equity holders of the parent company	806	897	1,658	1,807	3,041	3,190

Earnings per share, SEK ¹	Q2 2019	Q2 2018	6M 2019	6M 2018	R12 2019	12M 2018
Excluding items affecting comparability ²	3.36	3.40	6.61	6.81	12.14	12.34
Group	2.98	3.31	6.12	6.67	11.22	11.77

¹ No dilution effects arose.

² Earnings per share have been adjusted referring to items affecting comparability after tax. First half-year 2019 and full-year 2018 figures have also been adjusted for costs attributable to the US Tax Reform.

Number of shares	Q2 2019	Q2 2018	6M 2019	6M 2018	R12 2019	12M 2018
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 2019	Q2 2018	6M 2019	6M 2018	R12 2019	12M 2018
Total net profit	806	897	1,658	1,807	3,041	3,190
Other comprehensive income						
Items that will not be reclassified to the income statement						
Reassessment of net pension obligation ¹	-76	28	-76	28	-55	49
Income tax relating to components of other comprehensive income	16	-6	16	-6	13	-9
Total	-60	22	-60	22	-42	40
Items that may be reclassified to the income statement						
Cash flow hedges	-65	-27	-124	17	-126	15
Hedging of net investment	-186	-240	-481	-801	-300	-620
Translation difference	455	532	1,540	2,122	811	1,393
Income tax relating to components of other comprehensive income	13	46	82	157	45	120
Total	217	311	1,017	1,495	430	908
Other comprehensive income, net of tax	157	333	957	1,517	388	948
Total comprehensive income	963	1,230	2,615	3,324	3,429	4,138

¹ 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	Q2 2019	Q2 2018	6M 2019	6M 2018	R12 2019	12M 2018
Excluding items affecting comparability:						
EBITDA	1,800	1,624	3,555	3,238	6,294	5,977
Depreciation, property, plant and equipment	-289	-251	-566	-500	-1,040	-974
Amortization of right-of-use assets	-104	-	-200	-	-200	-
EBITA	1,407	1,373	2,789	2,738	5,054	5,003
Amortization, intangible assets	-86	-80	-173	-154	-328	-309
EBIT	1,321	1,293	2,616	2,584	4,726	4,694
Items affecting comparability	-118	-32	-138	-50	-264	-176
EBIT	1,203	1,261	2,478	2,534	4,462	4,518

Condensed Balance Sheets

Balance Sheets, SEK M	Jun 30 2019	Jun 30 2018	Dec 31 2018
Property, plant and equipment ¹	13,340	10,015	10,612
Goodwill	20,370	19,208	19,100
Other intangible assets	5,309	5,079	5,013
Participations in associated companies	96	84	81
Financial non-current assets	52	92	67
Deferred tax assets	854	786	692
Total non-current assets	40,021	35,264	35,565
Inventories	6,697	5,969	6,142
Current operating receivables	8,115	7,653	6,657
Current tax assets	1,128	1,036	970
Interest-bearing receivables	258	108	74
Cash and cash equivalents	2,299	2,177	2,341
Total current assets	18,497	16,943	16,184
Total assets	58,518	52,207	51,749
Equity	31,314	29,312	30,126
Interest-bearing non-current liabilities ¹	12,391	9,791	9,367
Other non-current liabilities	199	87	99
Pension obligations	620	565	530
Other provisions	220	214	227
Deferred tax liabilities	1,107	881	944
Total non-current liabilities	14,537	11,538	11,167
Interest-bearing current liabilities ¹	4,868	3,502	3,028
Current tax liabilities	1,214	1,226	1,098
Other current liabilities	6,258	6,173	6,041
Other provisions	327	456	289
Total current liabilities	12,667	11,357	10,456
Total equity and liabilities	58,518	52,207	51,749

¹ Includes leases according to IFRS 16 as of 2019.

Specification of changes in equity, SEK M	Jun 30 2019	Jun 30 2018	Dec 31 2018
Opening balance, January 1	30,126	27,216	27,216
Non-recurring item relating to IFRS 9	-	-8	-8
Non-recurring item relating to IFRS 16	-139	-	-
Total net profit	1,658	1,807	3,190
Other comprehensive income	957	1,517	948
Dividend	-1,288	-1,220	-1,220
Closing balance	31,314	29,312	30,126

Specification of capital employed, SEK M	Jun 30 2019	Jun 30 2018	Dec 31 2018
Total assets	58,518	52,207	51,749
Less:			
Interest-bearing receivables	291	187	119
Cash and cash equivalents	2,299	2,177	2,341
Tax assets	1,982	1,822	1,662
Operating liabilities	6,736	6,768	6,509
Capital employed ¹	47,210	41,253	41,118

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

Cash-flow statements

Cash flow statements, SEK M	Q2 2019	Q2 2018	6M 2019	6M 2018	R12 2019	12M 2018
Operating activities						
EBIT incl part in associated companies	1,203	1,261	2,478	2,534	4,462	4,518
Adjustments for items not included in cash flow from operating activities:						
Depreciation, property, plant and equipment ¹	392	251	762	499	1,289	1,026
Amortization, intangible assets	85	80	172	154	327	309
Impairment losses, property, plant and equipment	0	0	3	1	-35	-37
Impairment losses, intangible assets	2	-	2	0	2	0
Dividend from associated companies	1	0	1	1	2	2
Participations in associated companies and other non cash-flow affecting items	-2	-2	-5	-8	-6	-9
Interest received and other financial items	8	10	16	18	50	52
Interest paid and other financial items	-86	-42	-259	-121	-435	-297
Taxes paid	-271	-245	-506	-521	-904	-919
Cash flow from operating activities before changes in working capital	1,332	1,313	2,664	2,557	4,752	4,645
Cash flow from changes in working capital						
Change in inventories	-194	-197	-306	-270	-499	-463
Change in operating receivables	86	-88	-1,120	-990	-273	-143
Change in operating liabilities	-177	129	-51	104	-125	30
Change in items affecting comparability	46	-33	5	-80	-17	-102
Cash flow from operating activities	1,093	1,124	1,192	1,321	3,838	3,967
Investing activities						
Acquisitions	-9	-19	-1,108	-135	-1,413	-440
Disposed/discontinuing operations	-	-	-	4	0	4
Capital expenditure, property, plant and equipment	-327	-369	-595	-562	-1,855	-1,822
Capital expenditure, intangible assets	-43	-26	-73	-49	-145	-121
Sale of non-current assets	8	3	15	18	41	44
Cash flow from investing activities	-371	-411	-1,761	-724	-3,372	-2,335
Financing activities						
Change in interest-bearing investments	-50	188	-140	736	-106	770
Change in interest-bearing liabilities ¹	-240	-461	-438	-619	-484	-665
New/utilized loans	814	798	2,492	2,683	2,546	2,737
Amortized loans	-45	-323	-193	-2,070	-1,072	-2,949
Dividend - equity holders of the parent company	-1,288	-1,220	-1,288	-1,220	-1,288	-1,220
Cash flow from financing activities	-809	-1,018	433	-490	-404	-1,327
Cash flow for the period	-87	-305	-136	107	62	305
Cash and cash equivalents						
At beginning of the period	2,384	2,446	2,341	1,994	2,177	1,994
Exchange rate differences	2	36	94	76	60	42
Cash and cash equivalents at end of period	2,299	2,177	2,299	2,177	2,299	2,341

¹ Includes leases according to IFRS 16 as of 2019.

Key figures

SEK M	Q2 2019	Q2 2018	6M 2019	6M 2018	R12 2019	12M 2018
Net sales						
Trelleborg Coated Systems	1,039	889	2,025	1,779	3,897	3,651
Trelleborg Industrial Solutions	2,092	1,982	4,161	3,905	7,921	7,665
Trelleborg Offshore & Construction	671	603	1,233	1,179	2,440	2,386
Trelleborg Sealing Solutions	3,090	2,840	6,208	5,640	11,617	11,049
Trelleborg Wheel Systems	2,591	2,583	5,364	5,088	9,964	9,688
Group items/Eliminations	-122	-111	-249	-228	-455	-434
Total	9,361	8,786	18,742	17,363	35,384	34,005
EBIT, excluding items affecting comparability						
Trelleborg Coated Systems	137	104	256	217	462	423
Trelleborg Industrial Solutions	208	223	412	435	752	775
Trelleborg Offshore & Construction	-8	-25	-50	-59	-156	-165
Trelleborg Sealing Solutions	711	693	1,435	1,377	2,617	2,559
Trelleborg Wheel Systems	321	373	672	741	1,186	1,255
Group items	-48	-75	-109	-127	-135	-153
Total	1,321	1,293	2,616	2,584	4,726	4,694
EBIT %, excluding items affecting comparability						
Trelleborg Coated Systems	13.3	11.7	12.7	12.2	11.9	11.6
Trelleborg Industrial Solutions	10.0	11.3	9.9	11.2	9.5	10.1
Trelleborg Offshore & Construction	-1.2	-4.2	-4.1	-5.0	-6.4	-6.9
Trelleborg Sealing Solutions	23.0	24.4	23.1	24.4	22.5	23.2
Trelleborg Wheel Systems	12.4	14.5	12.5	14.6	11.9	13.0
Total	14.1	14.7	14.0	14.9	13.4	13.8

Net sales per market, share and organic growth, %	Q2 2019	Q2 2018	6M 2019	6M 2018
Western Europe (48%)	-1	4	1	4
Other Europe (10%)	-2	-2	-3	-2
North America (22%)	5	1	3	1
South and Central America (4%)	-14	23	-11	18
Asia and other markets (16%)	3	-2	1	1
Total (100% refer to share 2018)	0	2	0	3

Net sales per market excluding project related ¹ , organic growth, %	Q2 2019	Q2 2018	6M 2019	6M 2018
Western Europe	-2	4	0	5
Other Europe	-5	-2	-4	-3
North America	4	5	3	5
South and Central America	3	19	3	14
Asia and other markets	-3	5	-2	7
Total	-1	4	0	5

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

SEK M	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net sales									
Trelleborg Coated Systems	1,039	986	959	913	889	890	812	768	885
Trelleborg Industrial Solutions	2,092	2,069	1,890	1,870	1,982	1,923	1,706	1,609	1,813
Trelleborg Offshore & Construction	671	562	649	558	603	576	741	647	735
Trelleborg Sealing Solutions	3,090	3,118	2,622	2,787	2,840	2,800	2,349	2,388	2,596
Trelleborg Wheel Systems	2,591	2,773	2,320	2,280	2,583	2,505	2,198	1,992	2,360
Group items/Eliminations	-122	-127	-98	-108	-111	-117	-98	-94	-124
Total	9,361	9,381	8,342	8,300	8,786	8,577	7,708	7,310	8,265
EBIT, excluding items affecting comparability									
Trelleborg Coated Systems	137	119	114	92	104	113	89	77	93
Trelleborg Industrial Solutions	208	204	166	174	223	212	170	146	191
Trelleborg Offshore & Construction	-8	-42	-61	-45	-25	-34	-12	-33	-21
Trelleborg Sealing Solutions	711	724	535	647	693	684	469	533	611
Trelleborg Wheel Systems	321	351	246	268	373	368	240	215	278
Group items	-48	-61	-23	-3	-75	-52	-28	-18	-63
Total	1,321	1,295	977	1,133	1,293	1,291	928	920	1,089
EBIT %, excluding items affecting comparability									
Trelleborg Coated Systems	13.3	12.0	11.9	10.1	11.7	12.7	11.0	9.9	10.5
Trelleborg Industrial Solutions	10.0	9.8	8.8	9.3	11.3	11.0	9.9	9.1	10.5
Trelleborg Offshore & Construction	-1.2	-7.5	-9.4	-8.0	-4.2	-5.9	-1.6	-5.2	-2.8
Trelleborg Sealing Solutions	23.0	23.2	20.4	23.2	24.4	24.4	20.0	22.3	23.5
Trelleborg Wheel Systems	12.4	12.7	10.6	11.8	14.5	14.7	10.9	10.8	11.8
Total	14.1	13.8	11.7	13.6	14.7	15.1	12.0	12.6	13.2
Items affecting comparability	-118	-20	-98	-28	-32	-18	-314	-45	-76
EBIT	1,203	1,275	879	1,105	1,261	1,273	614	875	1,013

Bridge net sales SEK M, %	Q2 2018, SEK M	Organic sales, %	Structural change, %	Currency effects, %	Q2 2019, SEK M
Trelleborg Coated Systems	889	4	8	5	1,039
Trelleborg Industrial Solutions	1,982	3	-	3	2,092
Trelleborg Offshore & Construction	603	7	-	4	671
Trelleborg Sealing Solutions	2,840	0	4	5	3,090
Trelleborg Wheel Systems	2,583	-5	2	3	2,591
Group items/Eliminations	-111	-	-	-	-122
Total	8,786	0	3	4	9,361

Exchange rate differences impacting EBIT excluding items affecting comparability ¹ , SEK M	Q2 2019	6M 2019
Trelleborg Coated Systems	4	12
Trelleborg Industrial Solutions	2	5
Trelleborg Offshore & Construction	-1	-4
Trelleborg Sealing Solutions	25	66
Trelleborg Wheel Systems	3	10
Group items	-1	-4
Total	32	85

¹ Impact on EBIT excluding items affecting comparability in translation of foreign subsidiaries.

Condensed Income Statements, SEK M	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Net sales	9,361	9,381	8,342	8,300	8,786	8,577	7,708	7,310	8,265
Cost of goods sold	-6,291	-6,320	-5,799	-5,664	-5,855	-5,730	-5,288	-4,959	-5,586
Gross profit	3,070	3,061	2,543	2,636	2,931	2,847	2,420	2,351	2,679
Selling expenses	-816	-800	-674	-651	-676	-668	-630	-599	-670
Administrative expenses	-766	-778	-930	-815	-840	-776	-801	-733	-797
Research and development costs	-155	-152	-143	-143	-146	-133	-134	-122	-131
Other operating income/costs	-14	-37	183	105	23	18	71	20	6
Profit from associated companies	2	1	-2	1	1	3	2	3	2
EBIT, excluding items affecting comparability	1,321	1,295	977	1,133	1,293	1,291	928	920	1,089
Items affecting comparability	-118	-20	-98	-28	-32	-18	-314	-45	-76
EBIT	1,203	1,275	879	1,105	1,261	1,273	614	875	1,013
Financial income and expenses	-111	-120	-78	-72	-70	-62	-57	-66	-56
Profit before tax	1,092	1,155	801	1,033	1,191	1,211	557	809	957
Tax	-286	-303	-200	-251	-294	-301	-284	-174	-220
Net profit	806	852	601	782	897	910	273	635	737
- equity holders of the parent company	806	852	601	782	897	910	273	635	737
- non-controlling interest	-	-	-	-	-	-	-	-	-
Earnings per share, SEK	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Excluding items affecting comparability	3.36	3.25	2.55	2.98	3.40	3.41	2.31	2.47	2.92
Group	2.98	3.14	2.22	2.88	3.31	3.36	1.01	2.34	2.72

Acquisitions

Carrying amounts of identifiable acquired assets and assumed liabilities

First six months of 2019

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

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

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

First six months of 2018

Acquisitions during the first six months of the year:

- Dartex Holding Ltd.
- Industrial Tire Service Inc.

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

Acquisitions, SEK M	6M 2019 Acquired 2019	6M 2018 Acquired 2018 Adjustments to Acquisitions 2017
Developed technology ¹	-	29
Trademarks ²	-	18
Customer relationships ³	216	11
Other intangible assets	0	-
Property, plant and equipment	167	16
Interest-bearing receivables	5	5
Inventories	86	16
Operating receivables	70	22
Current tax asset	-	-
Cash and cash equivalents	9	2
Deferred tax liabilities	11	-12
Interest-bearing liabilities	-42	-19
Post employment benefits	-1	-
Provision obligations	-	-1
Current tax liability	-	-1
Operating liabilities	-41	-19
Net assets	480	67
Goodwill	599	56
Total purchase price	1,079	123
Cash and other net debt in acquired operations	29	12
Impact shown in cash flow statement	1,108	135

¹ Excess value of developed technology is amortized over 10 years.

² Trademarks have an indefinite useful life, no amortization takes place.

³ Excess value of customer relationships are amortized over 10-12 years.

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

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

Financial 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, 2019, SEK M		Assets at fair value in profit and loss		Derivatives used for hedging purposes		Total
	Assets measured at amortized cost	Carrying amount	Measurement level	Carrying amount	Measurement level	
Assets in the balance sheet						
Derivative instruments	-	79	2	180	2	259
Financial non-current assets	2	-		-		2
Accounts receivable	6,540	-		-		6,540
Interest-bearing receivable	3	-		-		3
Cash and cash equivalents	2,299	-		-		2,299
Total	8,844	79		180		9,103
	Liabilities measured at amortized cost	Carrying amount	Measurement level	Carrying amount	Measurement level	Total
Liabilities in the balance sheet						
Derivative instruments	-	234	2	225	2	459
Interst-bearing non-current liabilities	10,291	-		-		10,291
Interest-bearing current liabilities	4,059	-		-		4,059
Accounts payable	3,395	-		-		3,395
Total	17,745	234		225		18,204

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 82 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 June 30, 2018, SEK M		Assets at fair value in profit and loss		Derivatives used for hedging purposes		Total
	Assets measured at amortized cost	Carrying amount	Measurement level	Carrying amount	Measurement level	
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	-	3	-		5
Cash and cash equivalents	2,177	-		-		2,177
Total	8,414	95		81		8,590
	Liabilities measured at amortized cost	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).

Parent Company

Condensed Income statements, SEK M	Q2 2019	Q2 2018	6M 2019	6M 2018	R12 2019	12M 2018
Net sales	180	51	242	102	616	476
Administrative expenses	-72	-83	-151	-145	-354	-348
Other operating income	1	1	1	1	2	2
Other operating expenses	-31	-19	-54	-44	-335	-325
EBIT	78	-50	38	-86	-71	-195
Financial income and expenses	322	816	310	878	-1,280	-712
Profit before tax	400	766	348	792	-1,351	-907
Appropriations	-	-	-	-	1,822	1,822
Tax	-17	29	7	49	-126	-84
Net profit	383	795	355	841	345	831

Statements of comprehensive income, SEK M	Q2 2019	Q2 2018	6M 2019	6M 2018	R12 2019	12M 2018
Net profit	383	795	355	841	345	831
Total comprehensive income	383	795	355	841	345	831

Condensed Balance sheets, SEK M	Jun 30 2019	Jun 30 2018	Dec 31 2018
Property, plant and equipment	14	15	15
Intangible assets	14	8	6
Financial assets	37,799	36,089	36,679
Total non-current assets	37,827	36,112	36,700
Current receivables	218	178	108
Current tax asset	-	1	-
Interest-bearing receivables	261	1	1,822
Cash and cash equivalents	-	-	-
Total current assets	479	180	1,930
Total assets	38,306	36,292	38,630
Equity	8,150	9,204	9,193
Interest-bearing non-current liabilities	85	4,430	85
Other non-current liabilities	61	20	56
Total non-current liabilities	146	4,450	141
Interest-bearing current liabilities	29,913	22,541	29,084
Current tax liabilities	1	-	2
Other current liabilities	96	97	210
Total current liabilities	30,010	22,638	29,296
Total equity and liabilities	38,306	36,292	38,630

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 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 (including right-of-use assets) and intangible assets as well as 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 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, amortization of lease liabilities 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, or a divestment, is only included in the calculation of 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 included in the calculation of 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.

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.

ABOUT TRELLEBORG

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

Business concept

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

Strategy

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

Value drivers

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

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

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

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

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

Trelleborg's market segments:

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

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

TELEPHONE CONFERENCE ON JULY 18

A telephone conference will be held on July 18 at 3:00 p.m. CET. To participate in the telephone conference, call +46 8 505 583 57 (Sweden), +44 333 3009 035 (U.K.) or +1 833 526 8383 (U.S.). Code: "Trelleborg". The conference will also be broadcast on the Internet in real time. Visit our website www.trelleborg.com for the Internet link and presentation materials.

FINANCIAL CALENDER

Interim report July-September 2019
Year-end report 2019
Annual Report 2019
Interim report January-March 2020
Annual General Meeting (Trelleborg)
Interim report April-June 2020

October 24, 2019
February 12, 2020
Week starting March 16, 2020
April 23, 2020
April 23, 2020
July 20, 2020

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For information about the Trelleborg Group, Annual Reports, the stakeholder magazine T-TIME and other information, please visit the Group's website www.trelleborg.com.



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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 1:00 p.m. CET on July 18, 2019.

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