



INTERIM REPORT Q1 2018 JANUARY – MARCH

Troax Group AB (publ)
Hillerstorp 2nd of May, 2018



**MAKING YOUR
WORLD SAFE**

INTERIM REPORT JANUARY - MARCH 2018

JANUARY - MARCH

- Order intake increased by 5 per cent to 40,3 (38,5) MEUR. Adjusted for currency the increase was 8 per cent.
- Sales increased by 1 per cent to 36,7 (36,3) MEUR. Adjusted for currency and the IFRS 15 adjustment the increase was 6 per cent.
- Operating profit decreased to 6,5 (6,6) MEUR.
- Operating margin decreased to 17,7 (18,2) per cent.
- Financial net was -0,3 (-1,1) MEUR.
- Profit after tax increased to 4,6 (4,0) MEUR.
- Earnings per share increased to 0,23 (0,20) EUR.

TROAX GROUP FIGURES

MEUR	3 Months	3 Months	12 Months	12 Months	12 Months
	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017	Jan-Dec 2016	Apr-Mar 2017/18
Order intake	40,3	38,5	152,0	119,6	153,8
Sales	36,7	36,3	152,1	115,8	152,5
Gross profit	14,7	14,1	60,0	48,8	60,6
Gross margin, %	40,1	38,8	39,4	42,1	39,7
Operating profit	6,5	6,6	30,6	25,3	30,5
Operating margin, %	17,7	18,2	20,1	21,8	20,0
Profit after tax	4,6	4,0	17,0	16,3	17,6
EBITDA	7,1	7,5	33,7	28,0	33,3
EBITDA margin, %	19,3	20,7	22,2	24,2	21,8
Net debt / EBITDA	1,5	1,9	1,6	2,3	1,8
Earnings per share after dilution in €	0,23	0,20	0,85	0,82	0,88
Closing rate SEK/EUR	10,29	9,55	9,85	9,57	10,29
Earnings per share after dilution in SEK. 1.)	2,32	1,91	8,42	7,80	8,83

1) Earnings per share after dilution in SEK, is calculated based on result in Euro at Closing rate SEK/EUR.

CEO COMMENTS

Troax started 2018 with an organic growth (excluding currency impact) of around 8% which is close to the historical average. We have during the first quarter of 2018, similarly to Q4 2017, noted a lower activity from customers within the automotive sector. During the quarter, we have again received several important orders from customers within automation, warehouse and property. The US based company Folding Guard that was acquired in late 2016 is generally following their plans. The market in the US has during the first quarter been somewhat reserved. Price on steel has gone up, especially in the US, and the Group has therefore adjusted pricing to reflect the higher cost for steel purchases. Our assessment for this quarter is that the market has grown only marginally. The indication is that the order books of our customers are well filled but that the market growth has planned out on a high level. The growth has been strong in Continental Europe while North America and New markets have performed below expectations. The situation in the UK seems to be stabilizing after a negative development over the last few periods, probably caused by the uncertainty related to among others the Brexit issue. The orderbook at the end of the quarter is on a satisfying level.

The integration work of the company Folding Guard is progressing. The focus to realize the growth synergies from the acquisition remains strong and is expected to deliver positive effects during the year. We see continued good opportunities to take market share for both brands in the important market of North America. During the second half of 2018 we will start-up production of Troax products in our Chicago factory.

Sales increased in the quarter by 6 per cent compared with the same period last year (including currency the increase is 1 per cent). The progress has been positive especially in Continental Europe.

The result for the quarter is on the same level as last year. The result is now impacted by the increasing marketing activities for both mature and new markets after having focused more on the integration of Folding Guard in 2017.

The operating result was 6,5 (6,6) MEUR, which corresponds to a profit margin of 17,7 per cent to be compared with 18,2 per cent last year. The consolidation of Folding Guard still decreases the margin in percentage terms. We do however see clear possibilities to increase the margin also for Folding Guard long term.

The Net result amounts to 4,6 MEUR for the quarter compared to 4,0 MEUR last year. The increase is mainly related to lower interest costs.

The earnings per share for the fourth quarter are 0,23 EUR to be compared with 0,20 EUR in the same quarter of 2017.

Working Capital is on the same level as previous quarter and we have a continued positive cash flow in the quarter which is at the same level as last year. The key figure of our net debt in comparison with EBITDA is now 1,5 which clearly is below our target for the Group. The production capacity in our main factory in Hillerstorp will be increased at the end of the year through an investment of approximately 5 MEUR where most of this investment will impact the cash flow in 2018.

Thomas Widstrand, President and CEO

THE GROUP SUMMARY

JANUARY - MARCH

Total Order intake developed positively during the quarter. Order intake amounted to 40,3 (38,5) MEUR, an increase by 5 per cent or 8 per cent adjusted for currency. All regions except the UK and new markets increased their order intake compared with the same period last year.

Net sales amounted to 36,7 (36,3) MEUR, an increase of 1 per cent, or 6 per cent adjusted for currency and an IFRS 15 adjustment. All regions except the UK and the US increased their net sales compared to the same period last year.

In the geographical compilation of the order intake and sales of the Group, North America is from Q1 2018 will be reported as a separate market region since this region is an important part of the Group's operation.

Operating result amounted to 6,5 (6,6) MEUR, corresponding to an operating margin of 17,7 (18,2) per cent.

FINANCIAL NET

Financial net was -0,3 (-1,1) MEUR in the quarter. The decrease is related to the redemption of the bond that took place in the second quarter of 2017.

TAXES

Taxes increased to -1,6 (-1,5) MEUR in the quarter.

NET RESULT

Net result for the quarter amounted to 4,6 (4,0) MEUR. The increase is mainly related to lower interest costs.

CASH FLOW, WORKING CAPITAL AND NET DEBT

Cash flow from operating activities was 5,7 (5,1) MEUR. Net debt was 51,3 (59,6) MEUR at the end of the period. Net debt to EBITDA was 1,5 (1,9) to be compared with the company's financial targets of less than 2,5.

INVESTMENTS

In the quarter, Troax invested 2,5 (0,7) MEUR. This year's investments are primarily related to investments in machinery.

REGIONAL DEVELOPMENT

Troax operations are reported as one segment. As secondary information Order intake and Sales are reported based on geographical regions.

Nordic – Sweden, Denmark, Norway and Finland

Continental Europe – Europe excluding Nordic and United Kingdom

United Kingdom – Great Britain and Ireland

North America – US and Canada

New Markets – rest of the world including all distributors directly connected to Sweden

Order intake MEUR	3 Months	3 Months	Diff	12 months	12 months	Diff	12 months
	Jan-Mar 2018	Jan-Mar 2017		Jan-Dec 2017	Jan-Dec 2016		Apr/Mar 2017/2018
Continental Europe	22,2	18,9	17%	77,5	65,5	18%	80,8
Nordic region	6,7	6,5	3%	26,0	22,8	14%	26,2
United Kingdom	4,3	4,5	-4%	17,0	18,0	-6%	16,8
North America	6,6	6,5	2%	25,0	5,7	339%	25,1
New Markets	1,9	2,1	-10%	8,3	7,6	9%	8,1
Total excl Currency and Acq.	41,7	38,5	8%	153,8	119,6	29%	157,0
Currency effect	-1,4	0,0	-4%	-1,8	0,0	-2%	-3,2
Order intake acquisitions	0,0	0,0	0%	0,0	0,0	0%	0,0
Total Order intake	40,3	38,5	5%	152,0	119,6	27%	153,8

Total Sales MEUR	3 Months	3 Months	Diff	12 months	12 Months	Diff	12 months
	Jan-Mar 2018	Jan-Mar 2017		Jan-Dec 2017	Jan-Dec 2016		Apr/Mar 2017/2018
Continental Europe	20,3	18,2	12%	77,1	63,3	19%	79,2
Nordic region	6,1	5,8	5%	25,9	22,4	16%	26,2
United Kingdom	4,0	4,1	-2%	17,1	17,6	-3%	17,0
North America	6,3	6,6	-5%	25,0	5,2	381%	24,7
New Markets	1,7	1,6	6%	8,8	7,3	21%	8,9
Total excl Currency and Acq.	38,4	36,3	6%	153,9	115,8	33%	156,0
Currency effect	-1,3	0,0	-4%	-1,8	0,0	-2%	-3,1
Sales acquisitions / IFRS 15 adjustment	-0,4	0,0	-1%	0,0	0,0	0%	-0,4
Total Sales	36,7	36,3	1%	152,1	115,8	31%	152,5

* Note that we report organic growth excluding currency effect.

** All figures from 2017 and 2018 includes Folding Guard.

ABOUT TROAX

Troax is the leading global supplier of indoor perimeter protection ("metal-based mesh panel solutions") for the market segments: Machine guarding, Warehouse partitioning and Property Protection. Troax develops high quality and innovative safety solutions to protect people, property and processes.

Troax Group AB (publ), Reg. No. 556916-4030, has a global organisation with an unparalleled sales force and efficient logistics setup, enabling local presence and short delivery times in 36 countries. In 2017 Troax net sales amounted to around 152 MEUR and the number of employees amounted to about 670 persons.

The Company's head office is located in Hillerstorp, Sweden. www.troax.com

THE GROUP – SUMMARY

INCOME STATEMENT

MEUR	3 Months	3 Months	12 Months	12 Months	12 Months
	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017	Jan-Dec 2016	Apr-Mar 2017/18
Sales	36,7	36,3	152,1	115,8	152,5
Cost of goods sold	-22,0	-22,2	-92,1	-67,1	-91,9
Gross profit	14,7	14,1	60,0	48,7	60,6
Sales expenses	-5,4	-5,1	-20,3	-18,0	-20,6
Administrative expenses	-2,3	-2,1	-8,4	-6,5	-8,6
Other operating income and expenses	-0,5	-0,3	-0,7	1,0	-0,9
Operating profit	6,5	6,6	30,6	25,2	30,5
Financial income and expenses	-0,3	-1,1	-5,2	-3,9	-4,4
Result after financial expenses	6,2	5,5	25,4	21,3	26,1
Taxes	-1,6	-1,5	-8,4	-5,0	-8,5
Net result for the period	4,6	4,0	17,0	16,3	17,6
Earnings per share before dilution	0,23 €	0,20 €	0,85 €	0,81 €	0,88 €
Number of shares after dilution in thousands	20 000	20 000	20 000	20 000	20 000
Earnings per share after dilution	0,23 €	0,20 €	0,85 €	0,81 €	0,88 €
Number of shares after dilution in thousands	20 000	20 000	20 000	20 000	20 000
STATEMENT OF COMPREHENSIVE INCOME					
	3 Months	3 Months	12 Months	12 Months	12 Months
	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017	Jan-Dec 2016	Apr-Mar 2017/18
Net result for the period	4,6	4,0	17,0	16,3	17,6
Other comprehensive income:					
Items that may be reclassified to the income statement					
Translation differences	-3,6	0,2	-5,8	-3,8	-9,6
Tax related to items that may be reclassified	0,0	0,0	0,0	0,0	0,0
	-3,6	0,2	-5,8	-3,8	-9,6
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit pension commitments	0,0	0,0	-0,2	-0,1	-0,2
Tax related to items that may be reclassified	0,0	0,0	0,1	0,0	0,1
	0,0	0,0	-0,1	-0,1	-0,1
Other comprehensive income, net of tax	-3,6	0,2	-5,9	-3,9	-9,7
Total comprehensive income for the period	1,0	4,2	11,1	12,4	7,9
EBITDA					
	3 Months	3 Months	12 Months	12 Months	12 Months
	Jan-Mar 2018	Jan-Mar 2017	Jan-Dec 2017	Jan-Dec 2016	Apr-Mar 2017/18
Operating result	6,5	6,6	30,6	25,2	30,5
Depreciations	0,6	0,9	3,1	2,8	2,8
EBITDA	7,1	7,5	33,7	28,0	33,3

STATEMENT OF FINANCIAL POSITION

MEUR	2018	2017	2017	2016
	Jan-Mar	Jan-Mar	Jan-Dec	Jan-Dec
Assets				
Intangible assets	87,2	93,2	90,0	94,6
Tangible assets	21,3	20,8	20,1	19,7
Financial fixed assets	4,7	7,2	4,7	7,2
Total fixed assets	113,2	121,2	114,8	121,5
Inventories	11,6	11,6	10,7	10,6
Current receivables	32,0	29,1	32,6	28,2
Cash and cash equivalents	17,7	16,6	14,1	12,2
Total current assets	61,3	57,3	57,4	51,0
TOTAL ASSETS	174,5	178,5	172,2	172,5
Equity and liabilities				
Equity	70,1	70,2	69,1	65,9
Long-term liabilities	76,9	79,8	77,1	79,7
Current liabilities	27,5	28,5	26,0	26,9
TOTAL EQUITY AND LIABILITIES	174,5	178,5	172,2	172,5
Net debt = Loan (Bond) less cash and equivalents	51,3	59,6	54,9	63,9

STATEMENT OF CHANGES IN EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDERS

Opening balance	69,1	65,9	65,9	60,0
Dividends	0,0	0,0	-7,8	-6,5
Total comprehensive income for the period	1,0	4,2	11,0	12,4
Closing balance	70,1	70,1	69,1	65,9

CASH FLOW

MEUR	3 Months	3 Months	12 Months	12 Months
	2018	2017	2017	2016
	Jan-Mar	Jan-Mar	Jan-Dec	Jan-Dec
Operating profit	6,5	6,6	30,6	25,2
Interest received and paid, tax paid and adjustments	-1,0	-0,1	-8,4	-6,5
Changes in working capital	0,1	-1,4	-3,0	-2,5
Cash flow from operating activities	5,6	5,1	19,2	16,2
Net investments	-2,5	-0,7	-3,3	-27,4
Cash flow after investing activities	3,1	4,4	15,9	-11,2
Financing activities	0,0	0,0	-14,9	12,9
Cash flow for the period	3,1	4,4	1,0	1,7
Cash and cash equivalents at the start of the period	14,1	12,2	12,2	10,8
Translation difference in cash and cash equivalents	0,4	0,0	0,9	-0,3
Cash and cash equivalents at the end of the period	17,6	16,6	14,1	12,2

PARENT COMPANY - SUMMARY**INCOME STATEMENT**

	3 Months	3 Months	12 Months	12 Months
	Jan-Mar	Jan-Mar	Jan-Dec	Jan-Dec
MEUR	2018	2017	2017	2016
Sales	0,3	0,3	1,3	1,3
Cost of goods sold	0,0	0,0	0,0	0,0
Gross profit	0,3	0,3	1,3	1,3
Administrative expenses	-0,4	-0,6	-1,8	-1,5
Other operating income and expenses	-0,1	-0,1	-0,1	0,5
Operating profit	-0,2	-0,4	-0,6	0,3
Financial income and expenses	-0,7	-0,7	-7,6	-3,7
Result after financial expenses	-0,9	-1,1	-8,2	-3,4
Year-end appropriations	0,0	0,0	9,8	7,6
Profit before tax	-0,9	-1,1	1,6	4,2
Taxes	0,2	0,0	-0,4	-0,9
Net result for the period	-0,7	-1,1	1,2	3,3

STATEMENT OF COMPREHENSIVE INCOME

Net result for the period	-0,7	-1,1	1,2	3,3
	0,0	0,0	0,0	0,0
Other comprehensive income, net of tax	0,0	0,0	0,0	0,0
Total comprehensive income for the period	-0,7	-1,1	1,2	3,3

STATEMENT OF FINANCIAL POSITION

	Jan-Mar	Jan-Mar	Jan-Dec	Jan-Dec
MEUR	2018	2017	2017	2016
Assets				
Shares in subsidiaries	87,7	87,7	87,7	87,7
Receivables to subsidiaries	21,3	32,3	31,8	24,8
Total fixed assets	109,0	120,0	119,5	112,5
Current receivables	0,1	0,0	0,3	4,8
Cash and cash equivalents	0,0	0,0	0,0	0,0
Total current assets	0,1	0,0	0,3	4,8
TOTAL ASSETS	109,1	120,0	119,8	117,3
Equity and liabilities				
Equity	30,2	36,3	30,8	37,4
Untaxed reserve	1,9	1,3	1,9	1,3
Long-term liabilities	76,9	80,8	69,0	76,9
Current liabilities	0,1	1,6	18,1	1,7
TOTAL EQUITY AND LIABILITIES	109,1	120,0	119,8	117,3

CASH FLOW

	3 Months	3 Months	12 Months	12 Months
	2018	2017	2017	2016
MEUR	Jan-Mar	Jan-Mar	Jan-Dec	Jan-Dec
Operating profit before financial items	-0,2	-0,4	-0,6	0,3
Interest paid and received, taxes, adjustments	-1,9	-0,7	-4,8	-3,8
Change in working capital	1,3	-2,8	-4,4	-17,4
Cash flow from continuing operations	-0,8	-3,9	-9,8	-20,9
Investments	0,0	0,0	0,0	0,0
Cash flow from investment activities	-0,8	-3,9	-9,8	-20,9
Cash flow from financing activities	0,8	3,8	9,8	20,8
Cash flow for the period	0,0	-0,1	0,0	-0,1
Cash and cash equivalents at the beginning of the period	0,0	0,1	0,0	0,0
Translation difference	0,0	0,0	0,0	0,0
Cash and cash equivalents at the end of the period	0,0	0,0	0,0	-0,1

FINANCIAL TARGETS

Troax Group's financial targets connected to the company's strategic initiatives are presented below. All expressed opinions in this part are future orientated.

Growth	Troax's objective is to grow in its current markets, both organically and by selective acquisitions
Profitability	Troax's target is to have an operating margin in excess of 20 per cent.
Financial Structure	Net debt in relation to EBITDA, excluding temporary deviations, shall not exceed 2.5 times.
Dividend	Troax's target is to pay approximately 50 per cent of its net profit in dividends. The dividend proposal shall consider Troax's long-term development potential, its financial position and its investment needs.

The financial targets represent future oriented information. Future oriented information shall not be considered as guarantees for future result or development. The actual result may and can materially vary from what is expressed in the future oriented information.

OTHER INFORMATION

ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2, Accounting for Legal Entities. The Accounting principles that have been applied coincide with those accounting principles used for preparing the latest Annual Report. The Annual report for 2017 is available on www.troax.com

Preparations for new accounting standards

IFRS 16, Leasing, the company is currently collecting data in order to fulfill the requirements of the new accounting standard. The impact to the financial statement is not expected to be material.

RISK AND RISK ASSESSMENT

Exposure to risk is a natural part of business activity which is reflected in the Troax approach to risk assessment. The aim is to identify and prevent and reduce the risks and limit the damages these risks might cause. The most essential risk for the Group is related to how the general business cycle effects demand. For further information, see the Annual report 2017 note 24.

SEASONAL VARIATIONS

Seasonal variations have some impact on Troax business. Sales are normally in general stable between the quarters, but can fluctuate between the months in the quarter. Sales can be somewhat lower in the summer months (July-August) and from December to January. In periods of high production, the company normally ties up more money in Working Capital. Cash is then released from working capital after a high season when manufactured goods are installed and the customer's receivables paid.

TRANSACTIONS

No special transaction to report.

EMPLOYEES

At the end of the period the Group had 671 (644) employees.

OTHER INFORMATION (CONT.)

OTHER EVENTS DURING THE QUARTER

There is no other significant information to report for the quarter.

OTHER EVENTS AFTER THE QUARTER

There is no significant information to report after the quarter.

AUDIT

This report has not been reviewed by the auditors.

NEXT REPORTS

Interim report Q2, 15th of August 2018.

Interim report Q3, 8th of November 2018.

PHONE CONFERENCE

Invitation to presentation of the second quarter result:

Thomas Widstrand, CEO presents the result on a phone conference on the 2nd of May 2018 at 17:00 CET. The conference will be held in English. For more information, please refer to

<https://www.troax.com/en/news>.



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