



# YEAR-END REPORT 2018 JANUARY – DECEMBER

Troax Group AB (publ)  
Hillerstorp 13th of February, 2019



**MAKING YOUR  
WORLD SAFE**

## INTERIM REPORT JANUARY - DECEMBER 2018

### OCTOBER - DECEMBER

- Order intake increased by 9 per cent to 41,7 (38,4) MEUR. Adjusted for currency the increase was 9 per cent.
- Sales increased by 6 per cent to 43,5 (41,0) MEUR. Adjusted for currency and the IFRS 15 adjustment the increase was 8 per cent.
- Operating profit increased to 10,1 (8,3) MEUR.
- Operating margin increased to 23,2 (20,2) per cent.
- Financial net was -0,1 (-0,3) MEUR.
- Profit after tax increased to 7,9 (4,1) MEUR.
- Earnings per share after dilution increased to 0,39 (0,21) EUR.

### JANUARY - DECEMBER

- Order intake increased by 9 per cent to 165,0 (152,0) MEUR. Adjusted for currency the increase was 11 per cent.
- Sales increased by 6 per cent to 161,0 (152,1) MEUR. Adjusted for currency and the IFRS 15 adjustment the increase was 8 per cent.
- Operating profit increased to 32,8 (30,6) MEUR.
- Operating margin increased to 20,4 (20,1) per cent.
- Financial net was -0,8 (-5,2) MEUR of which -2,3 MEUR is related to a one-time cost related to the redemption of the bond.
- Profit after tax increased to 24,4 (17,0) MEUR.
- Earnings per share after dilution increased to 1,22 (0,85) EUR.
- The board suggest a dividend of 5,00 (4,25) SEK (Swedish Krona) per share

## TROAX GROUP FIGURES

MEUR	3 Months	3 Months	12 Months	12 Months	12 Months
	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
Order intake	41,7	38,4	165,0	152,0	119,6
Sales	43,5	41,0	161,0	152,1	115,8
Gross profit	17,4	15,6	63,6	60,0	48,8
Gross margin, %	40,0	38,0	39,5	39,4	42,1
Operating profit	10,1	8,3	32,8	30,6	25,3
Operating margin, %	23,2	20,2	20,4	20,1	21,8
Profit after tax	7,9	4,1	24,4	17,0	16,3
EBITDA	10,9	9,0	35,6	33,7	28,0
EBITDA margin, %	25,1	22,0	22,1	22,2	24,2
Net debt / EBITDA			1,3	1,6	2,3
Earnings per share after dilution in €	0,39	0,21	1,22	0,85	0,82
Closing rate SEK/EUR	10,28	9,85	10,28	9,85	9,57
Earnings per share after dilution in SEK. 1.)	4,05	2,02	12,53	8,37	7,84

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

## CEO COMMENTS

The Group's development has been positive also during the fourth quarter. The fourth quarter orders showed an organic growth of around 9 per cent excluding currency impact. During the fourth quarter we have again received several important orders from customers within automation, warehouse and property, and have also during this quarter, similar to the past quarter, experienced lower activity within the automotive sector. In terms of order intake, this can mostly be seen in the North American operations which during the fourth quarter had significantly lower orders from automotive. Reduced activity in the automotive sector during the recent years has resulted in this area now accounting for only 10-12 per cent of our sales. Despite this fact we have still managed rather good growth. We have especially received important orders in our operation in the UK which shows strong growth figures for the quarter.

We have continued to devote a great deal of time and effort to the integration and improvement of our Folding Guard entity in Chicago. We can conclude that it takes longer time than expected to change culture and attitude to customer requirements, but the changes are now starting to come and we can concentrate more on increasing the efforts in marketing and sales. The market conditions in the US have during the fourth quarter been good and we can find a good development for the Troax brand. Steel prices have been stable during the quarter.

Our assessment for this quarter is that the market has grown approximately as expected. The indication is still that the order books of our customers are well filled and their investment in our solutions is high but that the market growth now has levelled out on a continued high level. The development for the Group has been positive in most markets and our assessment is that we are continuing to take market share on many regions. The orderbook at the end of the quarter is on a satisfying level and to some extent higher than what we usually have at the end of a year.

During the fourth quarter of 2018, production of Troax products commenced in our Chicago factory. This results in shorter lead times and better service levels to US customers. This also results in an improved environmental performance as our emissions of CO<sub>2</sub> are reduced by this change. We have also invested in a completely new production line for panel manufacturing in the Group's main unit in Hillerstorp. This plant is now operating in test mode and is expected to reach full production speed during the first half of 2019.

Sales increased in the quarter by 6 per cent compared with the same period last year (including currency the increase is 8 per cent). The progress has been positive especially in the continental Europe, UK and New markets.

With this volume increase, the result for the quarter is better than last year. We have a continued good capacity utilisation in our facilities in Hillerstorp, Sweden and Calco, Italy. The operating result for the quarter was 10,1 (8,3) MEUR, which corresponds to a profit margin of 23,2 per cent to be compared with 20,2 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 7,9 MEUR for the quarter compared to 4,1 MEUR last year. The increase is mainly due to the higher EBIT and a lower tax expense. Earnings per diluted share for the fourth quarter is 0,39 EUR to be compared with 0,21 EUR in the same quarter of 2017.

Working Capital is on an expected level where accounts receivables have increased somewhat due to the increase in sales whereas inventory is on a continued desired level. Cash flow from operations is higher than the same period last year. The investments was 2,7 MEUR for the quarter and 8,9 MEUR for the full year. The key figure of our net debt in comparison with the 12-month rolling EBITDA is now 1,3 which clearly is below our target for the Group. As a result of the good sales development, the Group has decided to expand its machine capacity in our operations in Italy. This will happen during 2019-2020 and the size of the investment is approximately 4-5 MEUR.

**Thomas Widstrand, President and CEO**

## THE GROUP SUMMARY

### OCTOBER - DECEMBER

Total Order intake developed positively during the quarter. Order intake amounted to 41,7 (38,4) MEUR, an increase by 9 per cent or 9 per cent adjusted for currency. All regions except for North America increased their order intake compared with the same period last year.

Net sales amounted to 43,5 (41,0) MEUR, an increase by 6 per cent, or 8 per cent adjusted for currency and an IFRS 15 adjustment. All regions except North America increased their net sales compared to the same period last year.

Operating result amounted to 10,1 (8,3) MEUR, corresponding to an operating margin of 23,2 (20,2) per cent.

### JANUARY - DECEMBER

Total order intake developed positively during the period. Order intake amounted to 165,0 (152,0) MEUR, an increase by 9 per cent or 11 per cent adjusted for currency. All regions increased their order intake compared with the same period last year.

Net sales amounted to 161,0 (152,1) MEUR, an increase by 6 per cent, or 8 per cent adjusted for currency and an IFRS 15 adjustment. All regions increased their net sales compared to the same period last year.

Operating result amounted to 32,8 (30,6) MEUR, corresponding to an operating margin of 20,4 (20,1) per cent.

### FINANCIAL NET

Financial net was -0,1 (-0,3) MEUR in the quarter and -0,8 (-5,2) MEUR for the year. The decrease compared to last year is related to the redemption of the bond that took place in the second quarter of 2017 which rendered a one-time cost of -2,3 MEUR.

### TAXES

Taxes increased to -2,1 (-3,9) MEUR in the quarter and -7,6 (-8,4) MEUR for the year. The cost for income tax was in the fourth quarter of last year impacted by -2,2 MEUR due to a reduction of corporation tax in USA from 35% to 21% and is related to a decrease in deferred tax assets that arose in conjunction with the acquisition of Folding Guard.

### NET RESULT

Net result for the quarter amounted to 7,9 (4,1) MEUR and 24,2 (17,0) MEUR for the year. The increase is mainly related to increased sales and a lower expense for interest and income tax which is described above.

### CASH FLOW, WORKING CAPITAL AND NET DEBT

Cash flow from operating activities was 8,8 (7,2) MEUR in the fourth quarter and 26,0 (18,7) MEUR for the year. Net debt was 46,3 (54,5) MEUR at the end of the period. Net debt in relation to the 12-month rolling EBITDA was 1,3 (1,6) to be compared with the company's financial targets of less than 2,5.

### INVESTMENTS

In the quarter the investments were 2,7 (1,9) MEUR and for the year the Group has invested 8,9 (2,8) 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

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

Order intake MEUR	3 Months			12 Months			12 Months		
	Oct-Dec 2018	Oct-Dec 2017	Diff	Jan-Dec 2018	Jan-Dec 2017	Diff	Jan-Dec 2017	Jan-Dec 2016	Diff
Continental Europe	21,0	19,8	6%	86,7	77,4	12%	77,5	65,5	18%
Nordic region	7,4	6,9	7%	27,3	25,7	6%	26,0	22,8	14%
United Kingdom	5,7	3,5	63%	19,7	15,9	24%	17,0	18,0	-6%
North America	5,5	6,1	-10%	25,2	24,7	2%	6,0	5,7	5%
New Markets	2,2	2,1	5%	9,1	8,3	10%	8,3	7,6	9%
<b>Total excl Currency and Acq.</b>	<b>41,8</b>	<b>38,4</b>	<b>9%</b>	<b>168,0</b>	<b>152,0</b>	<b>11%</b>	<b>134,8</b>	<b>119,6</b>	<b>13%</b>
Currency effect	-0,1	0,0	0%	-3,0	0,0	-2%	-1,8	0,0	-2%
Order intake acquisitions	0,0	0,0	0%	0,0	0,0		19,0	0,0	16%
<b>Total Order intake</b>	<b>41,7</b>	<b>38,4</b>	<b>9%</b>	<b>165,0</b>	<b>152,0</b>	<b>9%</b>	<b>152,0</b>	<b>119,6</b>	<b>27%</b>

Total Sales MEUR	3 Months			12 Months			12 Months		
	Oct-Dec 2018	Oct-Dec 2017	Diff	Jan-Dec 2018	Jan-Jun 2017	Diff	Jan-Dec 2017	Jan-Dec 2016	Diff
Continental Europe	23,7	21,0	13%	86,2	77,1	12%	77,1	63,3	19%
Nordic region	7,9	7,7	3%	26,7	25,7	4%	25,9	22,4	16%
United Kingdom	4,3	3,6	19%	17,4	16,0	9%	17,1	17,6	-3%
North America	6,3	6,8	-7%	25,2	25,0	1%	6,2	5,2	19%
New Markets	2,1	1,9	11%	8,9	8,3	7%	8,8	7,3	21%
<b>Total excl Currency and Acq.</b>	<b>44,3</b>	<b>41,0</b>	<b>8%</b>	<b>164,4</b>	<b>152,1</b>	<b>8%</b>	<b>135,1</b>	<b>115,8</b>	<b>17%</b>
Currency effect	-0,2	0,0	0%	-3,0	0,0	-2%	-1,8	0,0	-2%
Sales acquisitions / IFRS 15 adjustment	-0,6	0,0	-1%	-0,4	0,0		18,8	0,0	16%
<b>Total Sales</b>	<b>43,5</b>	<b>41,0</b>	<b>6%</b>	<b>161,0</b>	<b>152,1</b>	<b>6%</b>	<b>152,1</b>	<b>115,8</b>	<b>31%</b>

\* 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 42 countries. In 2018 Troax net sales amounted to around 161 MEUR and the number of employees amounted to about 700 persons. The Company's head office is located in Hillerstorp, Sweden. [www.troax.com](http://www.troax.com)



## THE GROUP – SUMMARY

### INCOME STATEMENT

MEUR	3 Months	3 Months	12 Months	12 Months	12 Months
	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
<b>Sales</b>	<b>43,5</b>	<b>41,0</b>	<b>161,0</b>	<b>152,1</b>	<b>115,8</b>
Cost of goods sold	-26,1	-25,4	-97,4	-92,1	-67,1
<b>Gross profit</b>	<b>17,4</b>	<b>15,6</b>	<b>63,6</b>	<b>60,0</b>	<b>48,7</b>
Sales expenses	-5,2	-4,7	-21,4	-20,3	-18,0
Administrative expenses	-2,5	-2,1	-9,1	-8,4	-6,5
Other operating income and expenses	0,4	-0,5	-0,3	-0,7	1,0
<b>Operating profit</b>	<b>10,1</b>	<b>8,3</b>	<b>32,8</b>	<b>30,6</b>	<b>25,2</b>
Financial income and expenses	-0,1	-0,3	-0,8	-5,2	-3,9
<b>Result after financial expenses</b>	<b>10,0</b>	<b>8,0</b>	<b>32,0</b>	<b>25,4</b>	<b>21,3</b>
Taxes	-2,1	-3,9	-7,6	-8,4	-5,0
<b>Net result for the period</b>	<b>7,9</b>	<b>4,1</b>	<b>24,4</b>	<b>17,0</b>	<b>16,3</b>
Earnings per share before dilution	<b>0,39 €</b>	<b>0,21 €</b>	<b>1,22 €</b>	<b>0,85 €</b>	<b>0,81 €</b>
Number of shares after dilution in thousands	<b>20 000</b>	<b>20 000</b>	<b>20 000</b>	<b>20 000</b>	<b>20 000</b>
Earnings per share after dilution	<b>0,39 €</b>	<b>0,21 €</b>	<b>1,22 €</b>	<b>0,85 €</b>	<b>0,81 €</b>
Number of shares after dilution in thousands	<b>20 037</b>	<b>20 000</b>	<b>20 012</b>	<b>20 000</b>	<b>20 000</b>

### STATEMENT OF COMPREHENSIVE INCOME

	3 Months	3 Months	12 Months	12 Months	12 Months
	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
<b>Net result for the period</b>	<b>7,9</b>	<b>4,1</b>	<b>24,4</b>	<b>17,0</b>	<b>16,3</b>
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified to the income statement</b>					
Translation differences	0,0	-3,6	-2,5	-5,8	-3,8
Tax related to items that may be reclassified	0,0	0,0	0,0	0,0	0,0
	<b>0,0</b>	<b>-3,6</b>	<b>-2,5</b>	<b>-5,8</b>	<b>-3,8</b>
<b>Items that will not be reclassified to the income statement</b>					
Actuarial gains and losses on defined-benefit pension commitment	-0,4	-0,2	-0,4	-0,2	-0,1
Tax related to items that may be reclassified	0,1	0,0	0,1	0,1	0,0
	<b>-0,3</b>	<b>-0,2</b>	<b>-0,3</b>	<b>-0,1</b>	<b>-0,1</b>
<b>Other comprehensive income, net of tax</b>	<b>-0,3</b>	<b>-3,8</b>	<b>-2,8</b>	<b>-5,9</b>	<b>-3,9</b>
<b>Total comprehensive income for the period</b>	<b>7,6</b>	<b>0,3</b>	<b>21,6</b>	<b>11,1</b>	<b>12,4</b>
<b>EBITDA</b>	<b>10,1</b>	<b>8,3</b>	<b>32,8</b>	<b>30,6</b>	<b>25,2</b>
Depreciations	0,8	0,7	2,8	3,1	2,8
<b>EBITDA</b>	<b>10,9</b>	<b>9,0</b>	<b>35,6</b>	<b>33,7</b>	<b>28,0</b>

## STATEMENT OF FINANCIAL POSITION

MEUR	2018 31-dec	2017 31-dec	2016 31-dec
<b>Assets</b>			
Intangible assets	87,9	90,0	94,6
Tangible assets	26,2	20,1	19,7
Financial fixed assets	5,5	4,7	7,2
<b>Total fixed assets</b>	<b>119,6</b>	<b>114,8</b>	<b>121,5</b>
Inventories	11,9	10,7	10,6
Current receivables	37,3	32,6	28,2
Cash and cash equivalents	22,7	14,1	12,2
<b>Total current assets</b>	<b>71,9</b>	<b>57,4</b>	<b>51,0</b>
<b>TOTAL ASSETS</b>	<b>191,5</b>	<b>172,2</b>	<b>172,5</b>
<b>Equity and liabilities</b>			
Equity	82,6	69,1	65,9
Long-term liabilities	78,1	77,1	83,4
Current liabilities	30,8	26,0	23,2
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>191,5</b>	<b>172,2</b>	<b>172,5</b>
Net debt (Bank loan of 69 MEUR less cash and equivalents)	46,3	54,9	63,9

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

Opening balance	69,1	65,9	60,0
Dividends	-8,1	-7,8	-6,5
Total comprehensive income for the period	21,6	11,0	12,4
<b>Closing balance</b>	<b>82,6</b>	<b>69,1</b>	<b>65,9</b>

## CASH FLOW

MEUR	3 Months 2018 31-dec	3 Months 2017 31-dec	12 Months 2018 31-dec	12 Months 2017 31-dec	12 Months 2016 31-dec
<b>Operating profit</b>	<b>10,1</b>	<b>8,3</b>	<b>32,8</b>	<b>30,6</b>	<b>25,2</b>
Interest received and paid, tax paid and adjustments	-2,3	-1,3	-6,3	-8,9	-6,5
Changes in working capital	1	0,2	-0,5	-3,0	-2,5
<b>Cash flow from operating activities</b>	<b>8,8</b>	<b>7,2</b>	<b>26,0</b>	<b>18,7</b>	<b>16,2</b>
Net investments	-2,7	-1,9	-8,9	-2,8	-27,4
<b>Cash flow after investing activities</b>	<b>6,1</b>	<b>5,3</b>	<b>17,1</b>	<b>15,9</b>	<b>-11,2</b>
Financing activities	0,0	0,0	-8,1	-14,9	12,9
<b>Cash flow for the period</b>	<b>6,1</b>	<b>5,3</b>	<b>9,0</b>	<b>1,0</b>	<b>1,7</b>
Cash and cash equivalents at the start of the period	16,6	8,3	14,1	12,2	10,8
Translation difference in cash and cash equivalents	0,0	0,5	-0,4	0,9	-0,3
<b>Cash and cash equivalents at the end of the period</b>	<b>22,7</b>	<b>14,1</b>	<b>22,7</b>	<b>14,1</b>	<b>12,2</b>

## PARENT COMPANY - SUMMARY

INCOME STATEMENT	3 Months	3 Months	12 Months	12 Months	12 Months
	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec	Jan-Dec
MEUR	2018	2017	2018	2017	2016
Sales	0,3	0,3	1,2	1,3	1,3
Cost of goods sold	0,0	0,0	0,0	0,0	0,0
<b>Gross profit</b>	<b>0,3</b>	<b>0,3</b>	<b>1,2</b>	<b>1,3</b>	<b>1,3</b>
Administrative expenses	-0,5	-0,7	-1,8	-1,8	-1,5
Other operating income and expenses	0,0	0,2	-0,1	-0,1	0,5
<b>Operating profit</b>	<b>-0,2</b>	<b>-0,2</b>	<b>-0,7</b>	<b>-0,6</b>	<b>0,3</b>
Financial income and expenses	0,3	-2,8	10,4	-7,6	-3,7
<b>Result after financial expenses</b>	<b>0,1</b>	<b>-3,0</b>	<b>9,7</b>	<b>-8,2</b>	<b>-3,4</b>
Year-end appropriations	7,3	9,8	7,3	9,8	7,6
<b>Profit before tax</b>	<b>7,4</b>	<b>6,8</b>	<b>17,0</b>	<b>1,6</b>	<b>4,2</b>
Taxes	-1,6	-1,5	-1,6	-0,4	-0,9
<b>Net result for the period</b>	<b>5,8</b>	<b>5,3</b>	<b>15,4</b>	<b>1,2</b>	<b>3,3</b>

## STATEMENT OF FINANCIAL POSITION

MEUR	31-dec	31-dec	31-dec
	2018	2017	2016
<b>Assets</b>			
Shares in subsidiaries	87,7	87,7	87,7
Receivables to subsidiaries	22,9	21,8	25,2
<b>Total fixed assets</b>	<b>110,6</b>	<b>109,5</b>	<b>112,9</b>
Receivables to subsidiaries	7,4	10,0	4,2
Current receivables	0,7	0,3	0,1
Cash and cash equivalents	0,0	0,0	0,1
<b>Total current assets</b>	<b>8,1</b>	<b>10,3</b>	<b>4,4</b>
<b>TOTAL ASSETS</b>	<b>118,7</b>	<b>119,8</b>	<b>117,3</b>
<b>Equity and liabilities</b>			
Equity	38,2	30,8	37,4
Untaxed reserves	4,3	1,9	1,3
Long-term liabilities	69,0	69,0	76,9
Current liabilities	7,2	18,1	1,7
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>118,7</b>	<b>119,8</b>	<b>117,3</b>

CASH FLOW	3 Months	3 Months	12 Months	12 Months	12 Months
	2018	2017	2018	2017	2016
MEUR	31-dec	31-dec	31-dec	31-dec	31-dec
Operating profit before financial items	-0,2	-0,2	-0,7	-0,6	0,3
Interest paid and received, taxes, adjustments	0	0,0	9,5	-4,8	-3,8
Change in working capital	0,2	-9,2	-0,7	-4,4	-17,4
<b>Cash flow from continuing operations</b>	<b>0,0</b>	<b>-9,4</b>	<b>8,1</b>	<b>-9,8</b>	<b>-20,9</b>
Investments	0	0,0	0,0	0,0	0,0
<b>Cash flow from investment activities</b>	<b>0,0</b>	<b>-9,4</b>	<b>8,1</b>	<b>-9,8</b>	<b>-20,9</b>
Cash flow from financing activities	0	9,4	-8,1	9,8	20,8
<b>Cash flow for the period</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>-0,1</b>
Cash and cash equivalents at the beginning of the period	0	0,0	0,0	0,0	0,0
Translation difference	0	0,0	0,0	0,0	0,0
<b>Cash and cash equivalents at the end of the period</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>-0,1</b>



## 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.

<b>Growth</b>	Troax's objective is to grow in its current markets, both organically and by selective acquisitions
<b>Profitability</b>	Troax's target is to have an operating margin in excess of 20 per cent.
<b>Financial Structure</b>	Net debt in relation to the 12-month rolling EBITDA, excluding temporary deviations, shall not exceed 2.5 times.
<b>Dividend</b>	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](http://www.troax.com), with the following additions.

IFRS 9, Financial instruments. The Group applies since the 1<sup>st</sup> of January 2018 IFRS 9 Financial instruments. The Group applies the simplified approach for bad debt reservations regarding accounts receivables, i.e the reserve will correspond to the expected loss over the entire life of the receivable. The implementation of IFRS 9 has not had any material impact to the financial statement of the Group due to the historical low cost for bad debt and the assessment is that the credit risk remains low.

IFRS 15, Income from agreements with customers, is applied since the 1<sup>st</sup> of January 2018 IFRS 15 income from agreement with customers where the accounting principles were presented in the annual report for 2017. The implementation of IFRS 15 has led to a change in the Group's accounting policy which is applied with forward-looking retroactive effect. The changed accounting policy has affected the opening equity 2018-01-01 positively by 0,7 MEUR, corresponding to 0,9%.

#### *Preparations for new accounting standards*

IFRS 16, Leasing, requires that assets and liabilities attributable to all leases, with some exceptions, are reported in the balance sheet. The view is based on the lessee having a right to use an asset and at the same time an obligation to pay for this right. Some of the Group's commitments are covered by the exception for short contracts and contracts of lesser value. The implementation of IFRS 16 will entail a change in the Group's accounting principle, which will be applied with retroactive effect. This means that a recalculation of the opening balance will take place as of 2019-01-01. The changed accounting principle will lead to that tangible fixed assets as well as long and short term liabilities will increase by approximately 7 MEUR as of January 1<sup>st</sup>, 2019, or by 3,5% of the total assets. The equity ratio will fall from 43,1% to 41,6% and the implementation of IFRS 16 will have a limited positive impact on EBIT.

## **OTHER INFORMATION (CONT.)**

### **ALTERNATIVE KEY RATIOS**

In this interim report, Troax presents certain financial measures that are not defined by IFRS, so-called alternative key ratios. The Group believes that these measures provide valuable supplementary information to investors as they enable an evaluation of the company's results and position. Since not all companies calculate financial measurements in the same way, these are not always comparable to those used by other companies. Investors should consider these financial measures as a complement rather than an IFRS financial statement.

### **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 WITH RELATED PARTIES**

No significant transactions with related parties has taken place during the period.

### **CALL OPTION PROGRAM FOR SENIOR EXECUTIVES**

At the Annual General Meeting in 2018, a share-based incentive program was decided based on call options for the CEO, senior executives and certain other key employees within the Group. The program comprises 105,000 options, of which 37,000 were subscribed for at a subscription price of SEK 29. The vesting date for the warrants is from 20 May 2022 to 30 June 2022.

### **EMPLOYEES**

At the end of the period the Group had 707 (673) employees.

### **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 been reviewed by the auditors.

### **NEXT REPORT**

Annual report 2018, will be published on [www.troax.com](http://www.troax.com) week 16, 2019.

Interim report Q1, 14th of May 2019.

Interim report Q2, 14th of August 2019.

Interim report Q3, 7th of November 2019.

## **OTHER INFORMATION (CONT.)**

### **DIVIDEND**

The board suggest a dividend of 5,00 SEK (Swedish Krona) per share to the owners (4,25 SEK last year). Total 100 MSEK. The dividend is 40% of the Net result in 2018. The proposed reconciliation date for the dividend is the 16th of May 2019.

### **SHAREHOLDERS MEETING**

The Annual General Meeting will be held at Troax in Hillerstorp on the 14th of May 2019, at 15:00hrs. Shareholders who wish to add topics to be handled during the Shareholders Meeting can send their suggestions to the Chairman, Troax Group AB, attention "Topic for the Shareholders Meeting", Box 89, 335 04 Hillerstorp, Sweden. The topics must arrive at least seven weeks prior to the meeting, and by the 26th of March 2019 at the latest. The notification to the Annual shareholders meeting can be made as of the 15<sup>th</sup> of April.

### **PHONE CONFERENCE**

Invitation to presentation of the fourth quarter result:

Thomas Widstrand, CEO presents the result on a phone conference on the 13<sup>th</sup> of February 2019 at 16:00 CET. The conference will be held in English. For more information, please refer to <https://www.troax.com/en/news>.



Hillerstorp 2019-02-13

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*This information is information that Troax Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 12:30 CET on 13th of February 2019.*

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