

Trox Group AB (publ)
Hillerstorp, the 14th of May 2019



SOME DANGERS ARE OBVIOUS. OTHERS APPEAR UNEXPECTEDLY, OR WHEN YOU TURN YOUR BACK. WE BELIEVE THERE ARE NO SHORTCUTS WHEN IT COMES TO SAFETY. ON THE CONTRARY, TO ACHIEVE AN APPROPRIATE LEVEL OF SAFETY, YOU NEED TOP-NOTCH QUALITY, A HIGH LEVEL OF SKILL AND A WELL-THOUGHT-OUT SOLUTION. FOR US, SAFETY IS ABOUT ALWAYS BEING ONE STEP AHEAD AND TESTING OUR PRODUCTS TO MAKE SURE THAT THEY STAND UP TO THE TASK – REGARDLESS OF THE FORM THE DANGER TAKES.

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

INTERIM REPORT JANUARY-MARCH 2019

JANUARY - MARCH

- Order intake decreased by 1 per cent to 39,7 (40,3) MEUR. Adjusted for currency the decrease was 1 per cent.
- Sales increased by 6 per cent to 39,1 (36,7) MEUR. Adjusted for currency the increase was 6 per cent.
- Operating profit decreased to 5,9 (6,5) MEUR.
- Operating margin decreased to 15,1 (17,1) per cent.
- Financial net was -0,3 (-0,3) MEUR.
- Profit after tax decreased to 4,3 (4,6) MEUR.
- Earnings per share after dilution decreased to 0,22 (0,23) EUR.

TROAX GROUP FIGURES

MEUR	3 Months	3 Months	12 Months	12 Months	12 Months
	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018	Jan-Dec 2017	Apr-Mar 2018/19
Order intake	39,7	40,3	165,0	152,0	164,4
Sales	39,1	36,7	161,0	152,1	163,4
Gross profit	14,5	14,7	63,6	60,0	63,4
Gross margin, %	37,1	40,1	39,5	39,4	38,8
Operating profit	5,9	6,5	32,8	30,6	32,2
Operating margin, %	15,1	17,7	20,4	20,1	19,7
Profit after tax	4,3	4,6	24,4	17,0	24,1
EBITDA	7,3	7,1	35,6	33,7	35,8
EBITDA margin, %	18,7	19,3	22,1	22,2	21,9
Net debt / EBITDA			1,3	1,6	
Earnings per share after dilution in €	0,22	0,23	1,22	0,85	1,21
Closing rate SEK/EUR	10,42	10,29	10,28	9,85	10,29
Earnings per share after dilution in SEK. 1.)	2,24	2,32	12,54	8,37	12,40

1) Only the 2019 numbers are impacted by IFRS 16 (0,7 MEUR in decreased leasing costs in the first quarter).

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

CEO COMMENTS

After a comparatively strong last quarter of 2018, the Group started slightly weaker in 2019. The first quarter had an order intake slightly lower than the previous year. Only the Nordic region grew in value. The market has been characterized by a sideways movement and has not increased during the quarter. Order intake remains at a high level, but with longer decision times from our customers. We have again received several important orders from customers in automation, warehousing and property but have during this quarter noted a lower activity on larger projects within warehouses, which has not previously been the case. Our assessment is that this lower activity is short-term and will increase again later in the year. The previously reported lower activity in the automotive industry has not changed during the first quarter. In terms of order intake, this is most pronounced in the North American operations, which during the first quarter had a significantly lower order volume from the automotive industry. We are still devoting a great deal of time and effort into the integration and improvement of our Folding Guard unit in Chicago. We can once again conclude that it takes longer than expected to change the culture and attitude towards customer requirements, but that we now see positive changes, and we can concentrate on increasing the efforts in marketing and sales. This has been manifested during the quarter in a new initiative and re-profiling of the brand and a clearly increased activity towards new and old customers. After the end of the period, an important trade fair was held in the USA where our concept and market orientation were well received by customers. We can also note that the quote level for the company is clearly better than the previous year at the end of the quarter, but that order intake and also earnings have still been weak. The market in the US has been good during the first quarter and we can see a good development for our sales under the Troax brand. Our assessment is that during this quarter the market has been stable, possibly slightly declining in certain geographic markets. The indication is still that most customers have well-filled order books and the activity level has been high, but that, like the fourth quarter last year, market growth has levelled out to a continued high level. The development for the Group has been below the historical average and is not at a desired level. However, the order backlog at the end of the period remains at a good level.

During the fourth quarter of 2018, we started the production of Troax products in our factory in Chicago. This has been welcomed by many customers. We are also in the final phase of investing in a completely new mesh panel production line at the Group's main unit in Hillerstorp. This production line is now manufacturing and is expected to reach full speed during the second quarter of 2019.

Net sales increased by 6 percent in the quarter compared with the corresponding period last year. The development is positive especially in the UK and in the Nordic region. The result for the quarter is lower than in the previous year, as some increased price competition on certain parts of the Group's product range was noted. A certain negative product mix has also been noted, as several larger projects in the warehouse sector were invoiced during the period. We have increased sales and marketing costs according to plan, which together with the lower gross margin, resulted in a lower operating margin compared with the previous year. We still have good capacity utilization in our facilities in Hillerstorp, Sweden and Calco, Italy. During the period, a certain increase in inventories in the UK was made as a result of the uncertainty surrounding Brexit. In total for the Group, the operating margin was 15,1 per cent compared with 17,7 the previous year. The consolidation of Folding Guard continues to adversely affect the Group's operating margin. However, we still see good opportunities to increase the margin for Folding Guard in the long term. Net profit amounted to MEUR 4,3 for the quarter, compared to MEUR 4,6 last year. The decline is mainly attributable to lower operating profit. Earnings per share for the first quarter are EUR 0,22 compared with EUR 0,23 in the corresponding quarter of 2018. Working capital is at the expected level. The balance sheet item "tangible assets" has increased by approximately EUR 6,9 million due to reporting in accordance with IFRS 16. Cash flow during the quarter is lower than the same period in 2018, due to lower earnings and somewhat higher capital tied up in accounts receivable. Investments were charged EUR 1,5 million in cash flow in the quarter. The key figure for net borrowing in relation to EBITDA is now 1,2 which is clearly below the Group's target.

Thomas Widstrand, President and CEO

THE GROUP SUMMARY

JANUARY - MARCH

The total order intake developed slightly negatively during the period. Order intake amounted to 39,7 (40,3) MEUR, a decrease of 1 percent or 1 percent adjusted for currency. Only the Nordic region increased its order intake during the quarter compared with the corresponding period last year.

Net sales amounted to 39,1 (36,7) MEUR, an increase of 6 percent or 6 percent adjusted for currency. All regions except North America increased their sales in the quarter compared with the corresponding period last year.

Operating profit amounted to 5,9 (6,5) MEUR, corresponding to an operating margin of 15,1 (17,7) per cent.

FINANCIAL NET

During the first quarter of 2019, financial net amounted to -0.3 (-0.3) MEUR.

TAXES

The tax expense was -1,3 (-1,6) MEUR for the quarter.

NET RESULT

Net result for the quarter amounted to 4,3 (4,6) MEUR. The decrease is mainly due to a reduced gross profit margin and higher selling costs.

CASH FLOW, WORKING CAPITAL AND NET DEBT

Cash flow from operating activities was 3,6 (5,6) MEUR for the quarter. Net debt excluding the impact from IFRS 16 was 44,2 (51,3) MEUR. Net debt in relation to the 12-month rolling EBITDA was 1,3 (1,5) to be compared with the company's financial target of less than 2,5.

INVESTMENTS

During the first quarter of 2019, investments were 1,5 (2,5) MEUR. The year's investments mainly relate to the extension of the factory in Hillerstorp.

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		Diff	12 Months		Diff	12 Months Apr-Mar 2018/2019
	Jan-Mar 2019	Jan-Mar 2018		Jan-Dec 2018	Jan-Dec 2017		
Continental Europe	21,5	22,0	-2%	86,7	77,4	12%	86,2
Nordic region	7,2	6,5	11%	27,3	25,7	6%	28,0
United Kingdom	4,3	4,3	0%	19,7	15,9	24%	19,7
North America	4,8	5,7	-16%	25,2	24,7	2%	24,3
New Markets	1,7	1,8	-6%	9,1	8,3	10%	9,0
Total excl Currency and Acq.	39,5	40,3	-2%	168,0	152,0	11%	167,2
Currency effect	0,2	0,0	0%	-3,0	0,0	-2%	-2,8
Order intake acquisitions	0,0	0,0	0%	0,0	0,0	0%	0,0
Total Order intake	39,7	40,3	-1%	165,0	152,0	9%	164,4

Total Sales MEUR	3 Months		Diff	12 Months		Diff	12 Months Apr-Mar 2018/2019
	Jan-Mar 2019	Jan-Mar 2018		Jan-Dec 2018	Jan-Dec 2017		
Continental Europe	20,5	19,8	4%	86,2	77,1	19%	86,9
Nordic region	6,6	5,9	12%	26,7	25,7	4%	27,4
United Kingdom	5,5	3,9	41%	17,4	16,0	9%	19,0
North America	4,7	5,5	-15%	25,2	25,0	1%	24,4
New Markets	1,6	1,6	0%	8,9	8,3	7%	8,9
Total excl Currency and Acq.	38,9	36,7	6%	164,4	152,1	8%	166,6
Currency effect	0,2	0,0	1%	-3,0	0,0	-2%	-2,8
Sales acquisitions	0,0	0,0	0%	-0,4	0,0	0%	-0,4
Total Sales	39,1	36,7	7%	161,0	152,1	6%	163,4

* Note that we report organic growth excluding currency effect.

** All figures from 2018 and 2019 includes the IFRS 15 effect.

THE GROUP - SUMMARY

INCOME STATEMENT

MEUR	3 Months	3 Months	12 Months	12 Months	12 Months
	Jan-Mar	Jan-Mar	Jan-Dec	Jan-Dec	Apr-Mar
	2019	2018	2018	2017	2018/19
Sales	39,1	36,7	161,0	152,1	163,4
Cost of goods sold	-24,6	-22,0	-97,4	-92,1	-100,0
Gross profit	14,5	14,7	63,6	60,0	63,4
Sales expenses	-6,1	-5,4	-21,4	-20,3	-22,1
Administrative expenses	-2,4	-2,3	-9,1	-8,4	-9,2
Other operating income and expenses	-0,1	-0,5	-0,3	-0,7	0,1
Operating profit	5,9	6,5	32,8	30,6	32,2
Financial income and expenses	-0,3	-0,3	-0,8	-5,2	-0,8
Result after financial expenses	5,6	6,2	32,0	25,4	31,4
Taxes	-1,3	-1,6	-7,6	-8,4	-7,3
Net result for the period	4,3	4,6	24,4	17,0	24,1
Earnings per share before dilution	0,22 €	0,23 €	1,22 €	0,85 €	1,21 €
Number of shares after dilution in thousands	20 000	20 000	20 000	20 000	20 000
Earnings per share after dilution	0,22 €	0,23 €	1,22 €	0,85 €	1,21 €
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	Jan-Mar	Jan-Dec	Jan-Dec	Apr-Mar
	2019	2018	2018	2017	2018/19
Net result for the period	4,3	4,6	24,4	17,0	24,1
Other comprehensive income:					
Items that may be reclassified to the income statement					
Translation differences	-0,7	-3,6	-2,5	-5,8	-2,9
Tax related to items that may be reclassified	0,0	0,0	0,0	0,0	0,0
	-0,7	-3,6	-2,5	-5,8	-2,9
Items that will not be reclassified to the income statement					
Actuarial gains and losses on defined-benefit pension commitments	0,0	0,0	-0,4	-0,2	-0,2
Tax related to items that may be reclassified	0,0	0,0	0,1	0,1	0,1
	0,0	0,0	-0,3	-0,1	-0,1
Other comprehensive income, net of tax	-0,7	-3,6	-2,8	-5,9	-3,0
Total comprehensive income for the period	3,6	1,0	21,6	11,1	21,1
	3 Months	3 Months	12 Months	12 Months	12 Months
	Jan-Mar	Jan-Mar	Jan-Dec	Jan-Dec	Apr-Mar
	2019	2018	2018	2017	2018/19
EBITDA	5,9	6,5	32,8	30,6	32,2
Operating result	5,9	6,5	32,8	30,6	32,2
Depreciations	1,4	0,6	2,8	3,1	3,6
EBITDA	7,3	7,1	35,6	33,7	35,8

1) Only the 2019 numbers are impacted by IFRS 16 (0,7 MEUR in decreased leasing costs in the first quarter).

STATEMENT OF FINANCIAL POSITION

	2019	2018	2018	2017
MEUR	31-mar	31-mar	31-dec	31-dec
Assets				
Intangible assets	87,4	87,2	87,9	90,0
Tangible assets	33,2	21,3	26,2	20,1
Financial fixed assets	5,3	4,7	5,5	4,7
Total fixed assets	125,9	113,2	119,6	114,8
Inventories	11,4	11,6	11,9	10,7
Current receivables	35,8	32,0	37,3	32,6
Cash and cash equivalents	24,8	17,7	22,7	14,1
Total current assets	72,0	61,3	71,9	57,4
TOTAL ASSETS	197,9	174,5	191,5	172,2
Equity and liabilities				
Equity	86,2	70,1	82,6	69,1
Long-term liabilities	84,4	76,9	78,1	77,1
Current liabilities	27,3	27,5	30,8	26,0
TOTAL EQUITY AND LIABILITIES	197,9	174,5	191,5	172,2
Net debt (Bank loan of 69 MEUR less cash and equivalents)	44,2	51,3	46,3	54,9

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

Opening balance	82,6	69,1	69,1	65,9
Dividends	0,0	0,0	-8,1	-7,8
Total comprehensive income for the period	3,6	1,0	21,6	11,0
Closing balance	86,2	70,1	82,6	69,1

STATEMENT OF CASH FLOW

	3 Months	3 Months	12 Months	12 Months
MEUR	2019	2018	2018	2017
	31-mar	31-mar	31-dec	31-dec
Operating profit	5,9	6,5	32,8	30,6
Interest received and paid, tax paid and adjustments	0,4	-1,0	-6,3	-8,9
Changes in working capital	-2,0	0,1	-0,5	-3,0
Cash flow from operating activities	4,3	5,6	26,0	18,7
Net investments	-1,5	-2,5	-8,9	-2,8
Cash flow after investing activities	2,8	3,1	17,1	15,9
Financing activities	-0,7	0,0	-8,1	-14,9
Cash flow for the period	2,1	3,1	9,0	1,0
Cash and cash equivalents at the start of the period	22,7	14,1	14,1	12,2
Translation difference in cash and cash equivalents	0,0	0,4	-0,4	0,9
Cash and cash equivalents at the end of the period	24,8	17,6	22,7	14,1

PARENT COMPANY - SUMMARY

INCOME STATEMENT	3 Months	3 Months	12 Months	12 Months
	Jan-Mar	Jan-Mar	Jan-Dec	Jan-Dec
MEUR	2019	2018	2018	2017
Sales	0,3	0,3	1,2	1,3
Cost of goods sold	0,0	0,0	0,0	0,0
Gross profit	0,3	0,3	1,2	1,3
Administrative expenses	-0,5	-0,4	-1,8	-1,8
Other operating income and expenses	-0,1	-0,1	-0,1	-0,1
Operating profit	-0,3	-0,2	-0,7	-0,6
Financial income and expenses	0,4	-0,7	10,4	-7,6
Result after financial expenses	0,1	-0,9	9,7	-8,2
Year-end appropriations	0,0	0,0	7,3	9,8
Profit before tax	0,1	-0,9	17,0	1,6
Taxes	0,0	0,2	-1,6	-0,4
Net result for the period	0,1	-0,7	15,4	1,2

STATEMENT OF COMPREHENSIVE INCOME				
Net result for the period	0,1	-0,7	15,4	1,2
Other comprehensive income, net of tax	0,0	0,0	0,0	0,0
Total comprehensive income for the period	0,1	-0,7	15,4	1,2

STATEMENT OF FINANCIAL POSITION	31-mar	31-mar	31-dec	31-dec
MEUR	2019	2018	2018	2017
Assets				
Shares in subsidiaries	87,7	87,7	87,7	87,7
Receivables to subsidiaries	23,2	21,3	22,9	21,8
Total fixed assets	110,9	109,0	110,6	109,5
Receivables to subsidiaries	7,6	0,0	7,4	10,0
Current receivables	0,1	0,1	0,7	0,3
Cash and cash equivalents	0,0	0,0	0,0	0,0
Total current assets	7,7	0,1	8,1	10,3
TOTAL ASSETS	118,6	109,1	118,7	119,8
Equity and liabilities				
Equity	38,4	30,2	38,2	30,8
Untaxed reserves	4,3	1,9	4,3	1,9
Long-term liabilities	69,0	69,0	69,0	69,0
Current liabilities	6,9	8,0	7,2	18,1
TOTAL EQUITY AND LIABILITIES	118,6	109,1	118,7	119,8

CASH FLOW	3 Months	3 Months	12 Months	12 Months
MEUR	2019	2018	2018	2017
	31-mar	31-mar	31-dec	31-dec
Operating profit before financial items	-0,3	-0,2	-0,7	-0,6
Interest paid and received, taxes, adjustments	0,2	-1,9	9,5	-4,8
Change in working capital	0,1	1,3	-0,7	-4,4
Cash flow from continuing operations	0,0	-0,8	8,1	-9,8
Investments	0	0,0	0,0	0,0
Cash flow from investment activities	0,0	-0,8	8,1	-9,8
Cash flow from financing activities	0	0,8	-8,1	9,8
Cash flow for the period	0,0	0,0	0,0	0,0
Cash and cash equivalents at the beginning of the period	0	0,0	0,0	0,0
Translation difference	0	0,0	0,0	0,0
Cash and cash equivalents at the end of the period	0,0	0,0	0,0	0,0

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 the 12-month rolling EBITDA, excluding temporary deviations, shall not exceed 2,5 times.
Dividend policy	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 2018 is available on www.troax.com, with the following additions.

IFRS 16, Leasing. The company has applied IFRS 16 since January 1, 2019, which 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 has resulted in a change in the Group's accounting principle, which is applied with retroactive effect. This means that a recalculation of the opening balance has occurred as of 1 January 2019 and the changed accounting principle has led to an increase of tangible fixed assets and long-term liabilities by 6,9 MEUR as of January 1, 2019, which corresponds to 3,6% of the total assets.

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.

OTHER INFORMATION (CONT.)

RISKS AND RISK MANAGEMENT

Exposure to risks is a natural part of business operations and this reflects Troax's approach to risk management. This aims to identify and prevent the occurrence of risks and to limit any damage from these risks. The most significant risks to which the Group is exposed are related to the cyclical impact on demand. For further information, see the Annual Report 2018 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 have 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 709 (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 not been reviewed by the auditors.

NEXT REPORTS

Interim report Q2, 14th of August 2019
Interim report Q3, 7th of November 2019

TELEPHONE CONFERENCE

Invitation to presentation of the first quarter result:

Thomas Widstrand, CEO presents the result on a phone conference on the 14th of May 2019 at 17:00 CET. The conference will be held in English. For more information, please refer to <https://www.troax.com/en/news>.

INTERIM REPORT 2019
JANUARY-MARCH



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Hillerstorp, 14th of May 2019

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