



# **LEAX GROUP**

Interim Report

Q4 2018

# Interim Report

January 1 – December 31, 2018

## Highlights of the fourth quarter of 2018

Net Sales amounted to SEK 488,7 million (439,2)

Adjusted operating profit before depreciation (Adjusted EBITDA) amounted to SEK 34,7 million (42,3)

Earnings before tax (EBT) decreased to SEK 0 million (10,5)

Profit margin before tax (EBT%) amounted to 0%, (2,4%)

Cash flow from operating activities amounted to SEK 122 million (37,9)

Net income for the period amounted to SEK 9,1 million (30,7)\*

## Highlights of the year of 2018

Net Sales amounted to SEK 1 818,1 million (1 628,3)

Adjusted operating profit before depreciation (Adjusted EBITDA) amounted to SEK 110,5 million (120,6)

Earnings before taxes (EBT) decreased to SEK -17,6 million (4,1)

Profit margin before tax (EBT%) amounted to -1,0% (0,3)

Cash flow from operating activities amounted to SEK 145 million (7,7)

Net income for the period decreased to SEK -6,6 million (100,3)\*

\* Net income 2017 had a positive effect from discontinued business of SEK 84,9 million. The effect from discontinued business in the fourth quarter of 2017 was SEK 15,3 million.

## Key Ratios LEAX Group

MSEK		2018	2017	2018	2017
		Oct-Dec	Oct-Dec	Full year	Full year
Net Sales	A	488,7	439,2	1 818,1	1 628,3
Net Sales Core operations		423,9	389,6	1 566,2	1 452,8
Net Sales International operations		64,8	49,6	251,8	175,5
Net Sales by customer segment in %					
Commercial vehicles (%)		71,9	69,2	68,4	67,8
General industry (%)		18,2	19,6	20,7	20,0
Mining & construction (%)		2,9	3,4	3,4	4,4
Agriculture (%)		0,4	0,3	0,6	0,3
Automotive (%)		6,5	7,4	6,9	7,5
EBITDA	B	34,7	36,9	104,9	108,3
EBITDA margin %	B/A*100	7,1	8,4	5,8	6,7
EBITDA Core Operations		30,2	45,2	114,3	140,3
EBITDA International		4,5	-8,4	-9,5	-32,0
EBITDA LTM	C	104,9	108,3	104,9	108,3
Adjusted EBITDA	D	34,7	42,3	110,5	120,6
Adjusted EBITDA margin %	D/A*100	7,1	9,6	6,1	7,4
Adjusted EBITDA LTM	E	110,5	120,6	110,5	120,6
EBT	F	0,0	10,5	-17,6	4,1
EBT margin %	F/A*100	0,0	2,4	-1,0	0,3
Net income		9,1	30,7	-6,6	100,3
Cash flow from operations		83,6	22,9	-43,8	6,1
Net Debt	G	608,7	553,3	608,7	553,3
Equity	H	256,4	274,8	256,4	274,8
Net Debt / EBITDA LTM	G/C	5,8	5,1	5,8	5,1
Net Debt / Adjusted EBITDA LTM	G/E	5,5	4,6	5,5	4,6
Net Debt / Equity	G/H	2,4	2,0	2,4	2,0
Realized currency gains/losses		-1,4	-2,9	-6,4	-3,3
Unrealized currency gains/losses		2,8	0,6	1,3	-2,4

## CEO comments



The high demand from our customers has continued during the fourth quarter of 2018. During the quarter we

saw a more stable Swedish krona which reduced the negative currency effect on our earnings experienced previously. Even though we have managed to reduce our internal bottlenecks in production, the total supply chain is still strained and has continued to cause disruption in our production flow, resulting in higher cost levels due to extra manning and extra shifts during nights and weekends.

During the quarter we have seen positive effects from the previously announced program to increase profitability. Most of the activities to increase margins on products with low profitability have been implemented and we observed a positive trend in our profit levels compared to earlier quarters. Some of the planned rationalisations have been achieved and the cost of personnel was reduced at some sites. The program continues with full focus and the positive trend is expected to continue. As is normal, December was somewhat weaker than the two first months of the quarter regarding net sales and profit levels due to Christmas and New Year's vacation period.

During the quarter we have successfully focused to reduce net working capital. This has been achieved through reduction in inventory and lower accounts receivable due to proactive work with our customers. The

accounts receivable have also been positively impacted by the calendar effect.

Moreover, the ongoing investment projects for the passenger car business went according to plan during the quarter and these investments continue also during the coming quarters. We expect a positive effect on revenues during the end of 2019 from these projects with a full effect during 2020.

### Short-term outlook

The high industrial activity among our customers is likely to continue in the next quarter. However, LEAX is prepared to take measures if or when a downturn in the activity occurs.

### Significant events during the fourth quarter

As of December 1, Ulrika Hellberg joined LEAX Group as CFO.

### Risk and uncertainties

For information regarding the most significant risks and uncertainty factors, please read the description in the annual report for 2017. The company does not consider that there have been any material changes during the reporting period in the risks and uncertainty factors presented in the annual report. The current macroeconomic uncertainty may influence the development of the business.

### Accounting principles

The interim report for the group has been prepared in accordance with IAS 34 Interim Reporting. The interim report for the parent company has been prepared in accordance with the Swedish Annual Accounts Act and

the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities.

The group applies the International Financial Reporting Standards (IFRS) adopted by the EU and the Swedish Annual Accounts Act.

The term "IFRS" in this document includes the application of IAS and IFRS, as well as the interpretations of these standards as published by IASB's Standards Interpretation Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The group and the parent company apply the same accounting policies and calculation models as in the annual report for 2017 with exception of new and revised standards, interpretations and improvements that should be applied from the January 1, 2018. No new or revised IFRSs entering into force during 2018 have had any material effect on the group.

From the January 1, 2019 IFRS 16 – Leases replaces IAS 17 Leases and the related interpretation IFRIC 4, SIC – 15 and SIC -27. IFRS 16 requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to pay for that right.

The main types of assets leased by the company are real estates, cars and forklifts.

When IFRS 16 is implemented the majority of these leasing contracts will be recognized in the balance sheet as right to use-assets and leasing liabilities. The fixed assets and liabilities in the balance sheet will therefore increase. Other external cost will decrease and depreciation and interest cost will increase. EBITDA will be affected positively. All of this will have effect on several key ratios.

LEAX has chosen the simplified approach, which does not require restatement of comparative periods. The company will use the same incremental borrowing rate for all leasing contracts. Estimated impact on opening balance January 1, 2019 is an increase of fixed assets and liabilities in the range of SEK 220-250 million.

The group has not applied any standards in advance, that have been published but not yet come into force.

For a more detailed description of the group's applied accounting principles as well as new and coming accounting standards we refer to note 1 in the annual report for 2017.

The functional currency of the parent company is the Swedish krona which also is the reporting currency for the group and the parent company. All amounts, if nothing else is stated, are presented in SEK million (MSEK) with one decimal.

This report has not been audited.

*Henrik Fagrenius, CEO LEAX Group*

## Financial reports for the Group

### Consolidated statement of comprehensive income for the group

<i>MSEK</i>	2018 Q4	2017 Q4	2018 Full year	2017 Full year
<b>Continuing business</b>				
Net Sales	488,7	439,2	1 818,1	1 628,3
Other operating income	26,1	14,5	68,0	37,8
Change in work in progress and finished goods	0,9	-1,2	7,9	6,6
Capitalized work for own account	6,7	4,6	16,6	9,3
Raw material and consumables	-257,8	-228,3	-951,9	-811,5
Other external costs	-100,3	-88,2	-358,0	-333,9
Personnel expenses	-120,1	-112,6	-456,0	-415,5
Write-downs and depreciations of non current assets	-24,4	-21,9	-93,2	-88,8
Other operating expenses	-9,2	-9,4	-43,2	-31,2
Income from associated companies	-0,3	18,4	3,3	18,4
<b>Operating profit</b>	<b>10,3</b>	<b>15,0</b>	<b>11,7</b>	<b>19,5</b>
<b>Financial income and expenses, net</b>	<b>-10,3</b>	<b>-4,5</b>	<b>-29,3</b>	<b>-15,4</b>
<b>Profit/loss before tax, EBT</b>	<b>0,0</b>	<b>10,5</b>	<b>-17,6</b>	<b>4,1</b>
Taxes	9,1	4,8	11,0	11,2
<b>Net result from continuing business</b>	<b>9,1</b>	<b>15,4</b>	<b>-6,6</b>	<b>15,4</b>
<b>Discontinued business</b>				
Result from discontinued business, net after tax	-	15,3	-	84,9
<b>Net income</b>	<b>9,1</b>	<b>30,7</b>	<b>-6,6</b>	<b>100,3</b>
Of which attributable to				
Owners of the parent	8,8	29,5	-7,8	97,7
Non-controlling interests	0,2	1,1	1,2	2,5
<b>Net income</b>	<b>9,1</b>	<b>30,7</b>	<b>-6,6</b>	<b>100,3</b>

### Consolidated statement of other comprehensive income for the group

<i>MSEK</i>	2018 Q4	2017 Q4	2018 Full year	2017 Full year
<b>Net income</b>	<b>9,1</b>	<b>30,7</b>	<b>-6,6</b>	<b>100,3</b>
<b>Other comprehensive income</b>				
<b>Items that may be subsequently reclassified to profit or loss</b>				
Translation differences	2,6	2,8	-0,2	2,8
<b>Other comprehensive income for the period</b>	<b>2,6</b>	<b>2,8</b>	<b>-0,2</b>	<b>2,8</b>
<b>Total comprehensive income for the period</b>	<b>11,6</b>	<b>33,5</b>	<b>-6,8</b>	<b>103,1</b>
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the parent	11,4	32,4	-8,2	100,6
Non-controlling interests	0,2	1,0	1,5	2,4
<b>Total comprehensive income for the period</b>	<b>11,6</b>	<b>33,5</b>	<b>-6,8</b>	<b>103,1</b>

## Consolidated statement of financial position

<i>MSEK</i>	<b>2018</b>	<b>2017</b>
	<b>Dec 31</b>	<b>Dec 31</b>
<b>Assets</b>		
Intangible fixed assets	17,6	17,4
Tangible fixed assets	595,3	494,5
Shares in associated companies	31,1	30,4
Deferred tax asset	56,0	43,0
Long-term receivables	5,2	5,4
Other financial assets	10,2	10,2
<b>Total fixed assets</b>	<b>715,4</b>	<b>601,0</b>
Inventories	239,4	229,0
Accounts receivable	229,0	266,8
Current tax assets	18,2	21,7
Other current receivables	28,4	38,1
Prepaid expenses and accrued income	20,5	24,2
Cash and cash equivalents	86,3	24,5
Assets held for sale	–	–
<b>Total current assets</b>	<b>621,8</b>	<b>604,3</b>
<b>Total assets</b>	<b>1 337,2</b>	<b>1 205,3</b>
<b>Equity</b>		
Share capital	1,0	1,0
Reserves	22,7	23,2
Retained earnings incl net income	226,3	244,2
<b>Total equity attributable to owners of the parent</b>	<b>250,0</b>	<b>268,4</b>
<b>Non-controlling interests</b>	<b>6,4</b>	<b>6,4</b>
<b>Total equity</b>	<b>256,4</b>	<b>274,8</b>
<b>Liabilities</b>		
Non-current interest-bearing liabilities	647,5	466,6
Other non-current liabilities	–	–
Deferred tax liabilities	17,2	19,8
<b>Total non-current liabilities</b>	<b>664,7</b>	<b>486,4</b>
Current interest-bearing liabilities	47,5	111,2
Advances from customers	11,6	10,7
Accounts payable	223,7	210,4
Liabilities to associated companies	8,7	11,2
Current tax liabilities	2,4	0,7
Other current liabilities	46,2	27,9
Accrued expenses and deferred income	75,9	71,8
Liabilities that are directly related to assets held for sale	–	–
<b>Total current liabilities</b>	<b>416,1</b>	<b>444,0</b>
<b>Total liabilities</b>	<b>1 080,8</b>	<b>930,5</b>
<b>Total equity and liabilities</b>	<b>1 337,2</b>	<b>1 205,3</b>

## Consolidated statement of changes in equity

Total equity attributable to owners of the parent

### 2017

<i>MSEK</i>	Share capital	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance 1st of Jan 2017	1,0	20,3	174,0	195,3	0,6	195,9
Adjustments previous years*			-16,9	-16,9		-16,9
Adjusted opening balance 1st of Jan 2017	1,0	20,3	157,1	178,4	0,6	179,0
<b>Comprehensive income</b>						
Net income for the period			97,7	97,7	2,5	100,3
Other comprehensive income		2,9		2,9	-0,1	2,8
<i>Total comprehensive income</i>	-	2,9	97,7	100,6	2,4	103,1
<b>Transactions with shareholders</b>						
<b>Transfer of value to and from shareholders</b>						
Dividends				-	-0,8	-0,8
<i>Total transfers of value with shareholders</i>	-	-	-	-	-0,8	-0,8
<b>Change in ownership of group companies</b>						
Divestment of group companies controlling influence ceases			-10,7	-10,7	4,2	-6,5
<i>Total change in ownership of group companies</i>	-	-	-10,7	-10,7	4,2	-6,5
<i>Total transactions with shareholders</i>	-	-	-10,7	-10,7	3,4	-7,3
Closing balance 31st of December 2017	1,0	23,2	244,1	268,3	6,5	274,8

\* Adjustments of previous years' result concerns the subsidiary in China.

Total equity attributable to owners of the parent

### 2018

<i>MSEK</i>	Share capital	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Opening balance 1st of Jan 2018	1,008	23,2	244,2	268,4	6,4	274,8
<b>Comprehensive income</b>						
Net income for the period			-7,8	-7,8	1,2	-6,6
Other comprehensive income		-0,4		-0,4	0,3	-0,2
<i>Total comprehensive income</i>	-	-0,4	-7,8	-8,2	1,5	-6,8
<b>Transactions with shareholders</b>						
<b>Transfer of value to and from shareholders</b>						
Dividends			-10,1	-10,1	-1,5	-11,6
<i>Total transfers of value with shareholders</i>	-	-	-10,1	-10,1	-1,5	-11,6
Closing balance 31st of December 2018	1,0	22,7	226,3	250,0	6,4	256,4



## Consolidated cash flow statement (indirect method)

<i>MSEK</i>	<b>2018 Q4</b>	<b>2017 Q4</b>	<b>2018 Full year</b>	<b>2017 Full year</b>
<b><i>Operating activities</i></b>				
Profit/loss before tax	0,0	10,5	-17,6	4,1
Adjustment for non-cash items	24,2	7,2	87,6	71,8
Income tax paid	5,2	-1,5	0,1	-5,2
	29,4	16,3	70,1	70,8
Increase (-) /Decrease (+) of inventories	12,9	8,7	-10,4	-11,9
Increase (-) /Decrease (+) of operating assets	59,8	-24,5	51,2	-109,9
Increase (+) /Decrease (-) of operating liabilities	20,0	37,4	34,1	58,7
<b>Cash flow from operating activities</b>	<b>122,0</b>	<b>37,9</b>	<b>145,0</b>	<b>7,7</b>
<b><i>Investing activities</i></b>				
Investments in tangible and intangible fixed assets	-46,0	-36,8	-198,9	-95,8
Disposals of tangible and intangible fixed assets	7,6	1,6	10,1	4,6
Proceeds from sale of subsidiaries, net	-	24,1	-	103,1
Investments in other financial fixed assets	-	-3,9	-	-13,5
<b>Cash flow from investing activities</b>	<b>-38,4</b>	<b>-15,0</b>	<b>-188,8</b>	<b>-1,6</b>
<b><i>Financing activities</i></b>				
Change in overdraft facility	-38,8	-16,0	2,1	13,1
New borrowings	4,7	34,2	395,5	116,6
Repayment of borrowings	-5,5	-31,0	-280,5	-116,1
Dividends paid	-	-	-11,6	-0,8
<b>Cash flow from financing activities</b>	<b>-39,5</b>	<b>-12,8</b>	<b>105,6</b>	<b>12,8</b>
<b>Cash flow from discontinued operations, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash flow for the period	44,1	10,1	61,8	18,9
Cash and cash equivalents at the beginning of the period	42,2	14,5	24,5	5,7
<b>Cash and cash equivalents at the end of the period</b>	<b>86,3</b>	<b>24,5</b>	<b>86,3</b>	<b>24,5</b>

## Segments

Segment information is presented based on the company management's perspective, and operating segments are identified based on the internal reporting to LEAX chief operating decision maker. LEAX has identified the CEO as its chief operating decision maker, and the internal reporting used by this person to review operations and make decisions about resource allocation is the basis for segmentation. LEAX has combined its segments (business units) into one reportable operating segment in accordance with the rules for aggregation.

The table below shows Net Sales by country and Fixed assets by country in accordance with FRS 8. Net Sales by country is based on the customers' geographical location. Fixed assets below is the sum of intangible and tangible fixed assets.

<b>Segments</b>				
<i>MSEK</i>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>Q4</b>	<b>Q4</b>	<b>Full year</b>	<b>Full year</b>
<b>Net Sales by Country</b>				
Sweden	297,2	270,5	1 077,1	1 004,0
Rest of Europe	147,9	130,1	546,1	489,3
Rest of World	43,6	38,6	194,9	135,0
	488,7	439,2	1 818,1	1 628,3
<i>MSEK</i>	<b>2018</b>	<b>2017</b>		
	<b>Dec 31</b>	<b>Dec 31</b>		
<b>Fixed Assets by Country</b>				
Sweden	267,4	232,0		
Rest of Europe	280,1	216,3		
Rest of World	65,4	63,6		
	612,9	512,0		

## Financial reports parent company

### Income statement parent company

<i>MSEK</i>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>Q4</b>	<b>Q4</b>	<b>Full year</b>	<b>Full year</b>
Other operating income	-5,5	–	–	–
Other external costs	2,5	8,0	-0,1	-0,1
Other operating expenses	12,4	-0,5	-0,2	-6,2
<b>Operating profit, EBIT</b>	<b>9,3</b>	<b>7,5</b>	<b>-0,3</b>	<b>-6,2</b>
<b>Financial income and expenses, net</b>	<b>-3,2</b>	<b>77,0</b>	<b>15,5</b>	<b>91,9</b>
<b>Profit/loss before tax, EBT</b>	<b>6,1</b>	<b>84,5</b>	<b>15,2</b>	<b>85,6</b>
Appropriations	9,3	-8,1	9,3	-8,1
Taxes	-0,1	3,1	-0,1	2,9
<b>Net income</b>	<b>15,3</b>	<b>79,6</b>	<b>24,4</b>	<b>80,4</b>

## Balance sheet parent company

<i>MSEK</i>	<b>2018</b>	<b>2017</b>
	<b>Dec 31</b>	<b>Dec 31</b>
<b>Assets</b>		
Shares in group companies	277,9	251,9
Shares in associated companies	8,7	8,7
Deferred tax assets	2,8	2,9
Receivables from group companies	432,0	134,0
Other financial assets	9,6	9,6
<b>Total fixed assets</b>	<b>731,0</b>	<b>407,2</b>
Receivables from group companies	13,7	85,6
Current tax assets	–	1,5
Other current receivables	–	0,0
Prepaid expenses and accrued income	0,0	–
Cash and cash equivalents	14,0	7,4
<b>Total current assets</b>	<b>27,7</b>	<b>94,6</b>
<b>Total assets</b>	<b>758,7</b>	<b>501,9</b>
<b>Equity</b>		
Share capital	1,0	1,0
Retained earnings	181,8	111,4
Net income	24,4	80,4
<b>Total equity</b>	<b>207,2</b>	<b>192,9</b>
<b>Untaxed reserves</b>		5,3
<b>Liabilities</b>		
Non-current interest-bearing liabilities	480,3	184,2
Liabilities to group companies	50,7	14,2
<b>Total non-current liabilities</b>	<b>531,0</b>	<b>198,4</b>
Current interest-bearing liabilities	–	25,4
Liabilities to group companies	10,0	68,2
Liabilities to associated companies	8,7	11,2
Other current liabilities	–	–
Accrued expenses and deferred income	1,8	0,5
<b>Total current liabilities</b>	<b>20,5</b>	<b>105,3</b>
<b>Total liabilities</b>	<b>551,5</b>	<b>303,7</b>
<b>Total equity and liabilities</b>	<b>758,7</b>	<b>501,9</b>

## Definitions and calculation of key figures

### Net Sales

Total sales less returns, allowances, and discounts.

### Net Sales Core operations

Consists of net sales from all operations, excluding Brazil, Germany and China.

### Net Sales International operations

Consists of net sales from the operations in Brazil, Germany and China.

### EBT

Earnings before tax.

### EBT%

Earnings before tax divided by net sales.

### EBITDA

Earnings before interest, taxes, depreciation and amortization.

### EBITDA%

Earnings before interest, taxes, depreciation and amortization divided by net sales.

### EBITDA LTM

Earnings before interest, taxes, depreciation and amortization for the last twelve months.

### Adjusted EBITDA

Earnings before interest, taxes, depreciation and amortization adjusted for non-recurring items.

### Adjusted EBITDA%

Earnings before interest, taxes, depreciation and amortization adjusted for non-recurring items divided by net sales.

### Adjusted EBITDA LTM

Earnings before interest, taxes, depreciation and amortization adjusted for non-recurring items for the last twelve months.

### Net income

Total revenue minus all expenses.

### Cash flow from operations

Cashflow from operating activities plus cashflow from investing activities.

### Net Debt

Interest bearing liabilities less cash and cash equivalents.

### Net Debt / EBITDA LTM

Interest bearing liabilities less cash and cash equivalents divided by earnings before interest, taxes, depreciation and amortization for the last twelve months.

### Net Debt / Adjusted EBITDA LTM

Interest bearing liabilities less cash and cash equivalents divided by earnings before interest, taxes, depreciation and amortization adjusted for non-recurring items for the last twelve months.

### Net Debt/Equity

Interest bearing liabilities less cash and cash equivalents divided by total equity.

### Realized currency gains/losses

Currency profits/losses from completed transactions.

### Unrealized currency gains/losses

Currency profits or losses that have occurred, but the transactions have not been completed.

The undersigned assures that the interim report gives a true and fair view of the operations of the group and its parent companies.

Köping, February 27, 2019

Lars Davidsson  
Chairman of the Board

Roger Berggren  
Board Member

Jonas Lundgren  
Board Member

Bent Wessel-Aas  
Board Member

Dana Dobrin  
Board Member

Lars Wrebo  
Board Member

Henrik Fagrenius  
President & CEO

## Next report

Annual report for 2018 – January 1 to December 31 will be released on April 9, 2019.

Interim report for Q1 – January 1 to March 31 will be released on May 24, 2019.

## Contacts

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