



SIX MONTHS REPORT, JAN-JUN 2019

TELEPHONE/AUDIO CONFERENCE 10 JULY 2019, AT 11:00 CET
ANDERS NYSTRÖM, PRESIDENT AND CEO | HELENA WENNERSTRÖM, EVP AND CFO

DIRECT LINK AUDIOCAST: [HTTPS://TV.STREAMFABRIKEN.COM/BULTEN-Q2-2019](https://tv.streamfabriken.com/bulten-q2-2019).

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AGENDA

1. Bulten in brief
2. Market development
3. Second quarter 2019
4. In focus 2019



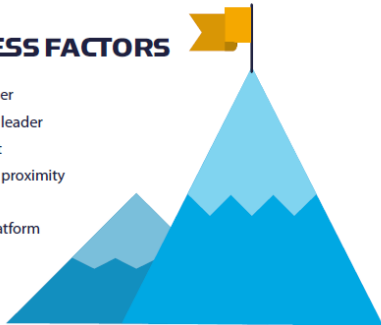
ABOUT BULTEN



Professional • Innovative
Dedicated • Empowered

SUCCESS FACTORS

- Quality leader
- Technology leader
- FSP concept
- Geographic proximity
- Employees
- Financial platform



USA
Hudson & Hagerstown

- Production
- Logistics
- Sales

GERMANY
Bergkamen

- Production
- Logistics
- Sales
- Development



approximately
1,400
employees (FTE)

GREAT BRITAIN
Scunthorpe & Bridgend

- Logistics
- Sales

POLAND
Bielsko-Biala & Wilkowice

- Production
- Logistics
- Sales
- Development

ROMANIA
Craiova

- Logistics

SWEDEN
Göteborg & Hallstahammar

- Head office – Göteborg
- Production
- Logistics
- Sales
- Development

RUSSIA
Nizhny Novgorod

- Production
- Logistics
- Sales
- Development

CHINA
Beijing

- Production
- Logistics
- Sales
- Development





STRONG CUSTOMER BASE AND RELATIONSHIPS WITH MAJOR VEHICLE OEMS AS WELL AS SUPPLIERS

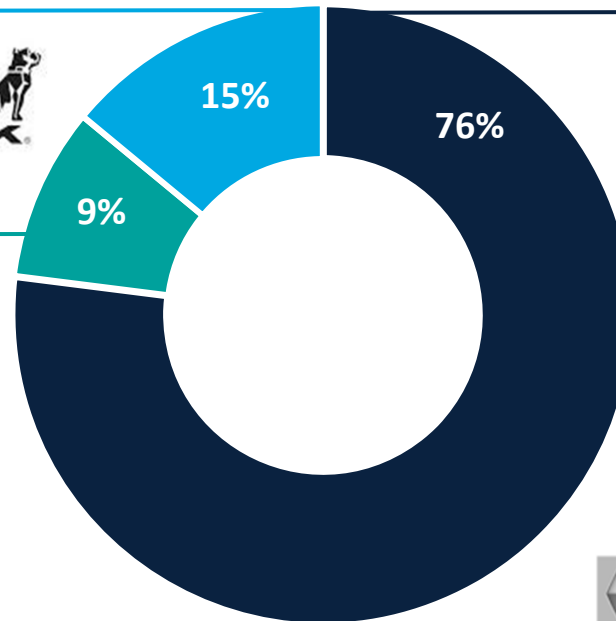
HEAVY VEHICLES



SUPPLIERS



LIGHT VEHICLES



- Selection of customers.
- Share of Bulten's sales YTD

BULTEN RECEIVES SUSTAINABILITY AWARD

- Being a peer leader in environmental impact reduction is in line with Bulten's strategy
- Increasingly important for all stakeholders of Bulten
 - Car makers increasing their focus on full value chain sustainability
 - Young talents choosing their employers more carefully
 - Rigorous requirements from authorities in production permit concessions
- Secures future viability as an industrial enterprise



In June, Bulten received an award from EcoVadis for its sustainability work. Bulten reached the gold medal level in EcoVadis's sustainability ranking and is also ranked in the top 1% layer among companies in the same industry.

2 MARKET DEVELOPMENT



CONTINUED MARKET VOLATILITY IN CAR SALES



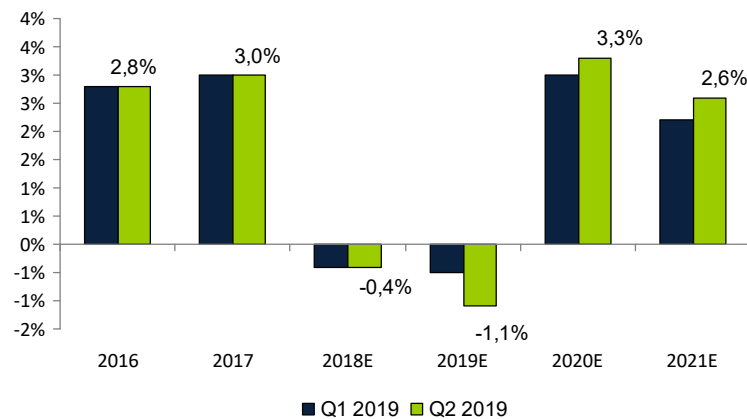
- Market uncertainty has continued in Q2
 - Brexit
 - Transition to WLTP emissions testing
- Reported car sales estimates
 - LMC Automotive: Western European passenger Car sales for the first six months, 2019 down 3.5% compared to 2018
 - LMC Automotive: key markets down YTD May 2019
- Stable raw material prices, on a high level

Source: LMC Automotive sales statistics May and June, 2019

LMC AUTOMOTIVE REPORTS FOR AUTOMOTIVE PRODUCTION IN EUROPE

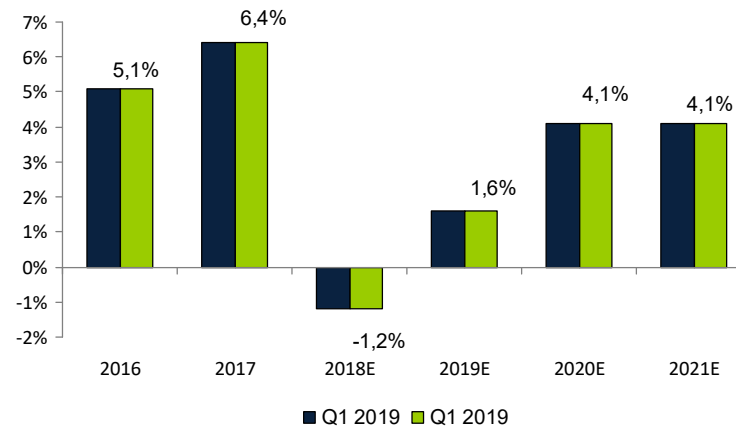


PRODUCTION GROWTH RATE (YEAR ON YEAR)
LIGHT VEHICLES EUROPE



- LMC Automotive (Q2 2019 report) has decreased its forecast of LV production 2019 compared to the Q1 2019 report. LMCA forecast a decrease of 1.1% compared to 2018.

PRODUCTION GROWTH RATE (YEAR ON YEAR)
HEAVY COMMERCIAL VEHICLES (>15t) EUROPE



- LMC Automotive (Q4 2018 report) will release data on HCV 12th of July.

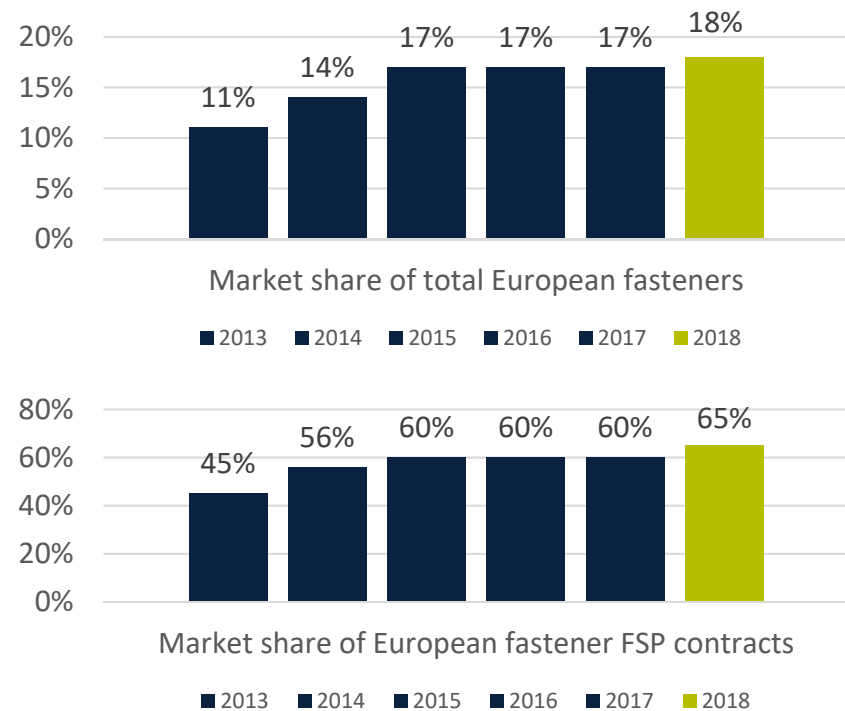
Source: LMC Automotive Q1 2019 & Q2 2019

BULTEN MARKET SHARE DEVELOPMENT



- Management estimates*:
 - Market share approx. 18% of the European market of fasteners for the automotive industry 2018, 1 pp above 2017
 - Market share of FSP contracts for the same market to be approx. 65% 2018, 5 pp above 2017
- Expected development
 - Demand somewhat weaker compared to previous year and ramp up slower than anticipated
 - The production rate will continue to be lower in the beginning of Q3
 - Contracts signed (approx. 67 MEUR/year at full volume 2021) will support

BULTEN MARKET SHARE DEVELOPMENT



* Based on data from EIFI (European Industrial Fasteners Institute)

3. SECOND QUARTER 2019



OPERATIONAL HIGHLIGHTS AND FINANCIAL SUMMARY FOR Q2



- Net sales SEK 781 m (810)
- Operating earnings amounted to SEK 21 m (57)
- EBIT margin 2.7%
 - Lower sales volume
 - Production under-absorption, SEK -25 m
 - High raw material prices
 - Relocation costs, SEK -6 m
- Order bookings SEK 752 m (855)
- Bulten has won new contracts in H1
 - FSP of approx. EUR 13 m at full pace in 2021
 - Several smaller contracts with a total annual value of approx. EUR 2 m
- EcoVadis award for sustainability work

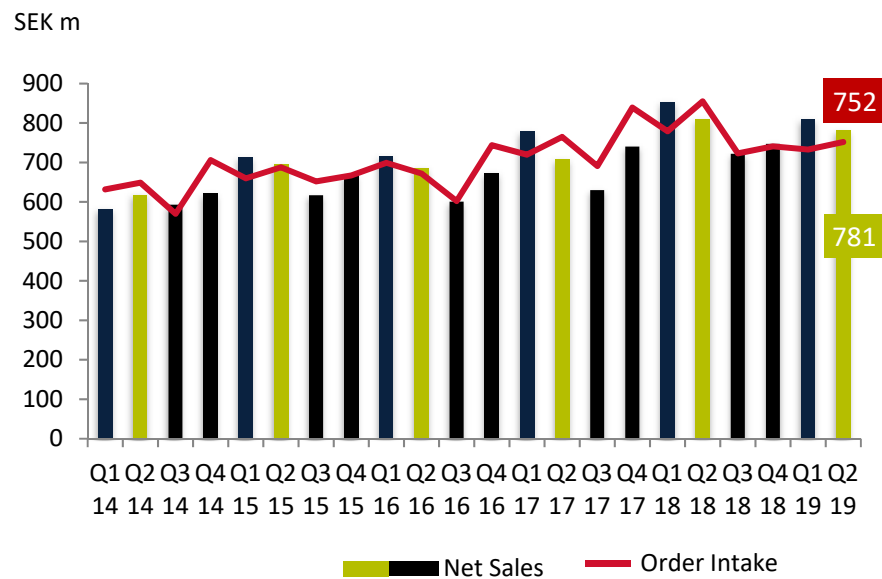
FINANCIAL SUMMARY (MSEK)	Q2		
	2019	2018	Δ
Net sales	781	810	-3.5%
Gross profit	129	160	-31
Earnings before depreciation (EBITDA)	54	80	-26
Operating earnings (EBIT)	21	57	-36
Operating margin, %	2.7	7.1	-4.4
Earnings after tax	14	40	-26
Earnings per share before dilution, SEK	0.71	1.99	-1.28
Order bookings	752	855	-12.0%
	RTM July 2018- June 2019	Full Year 2018	Δ
Return on capital employed, %	9.0	12.8	-3.8
Return on capital employed excluding IFRS 16 financial lease, %	9.5	12.8	-3.3

New accounting principles as of January 1, 2019

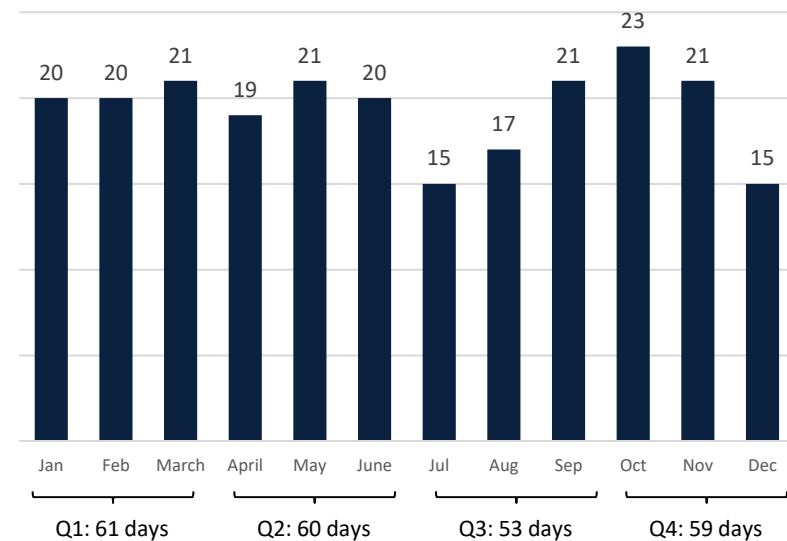


VOLATILE MARKET AFFECTED SALES AND ORDER INTAKE

QUARTERLY VOLUMES



AVG. NUMBER OF PRODUCTION DAYS PER MONTH 2019

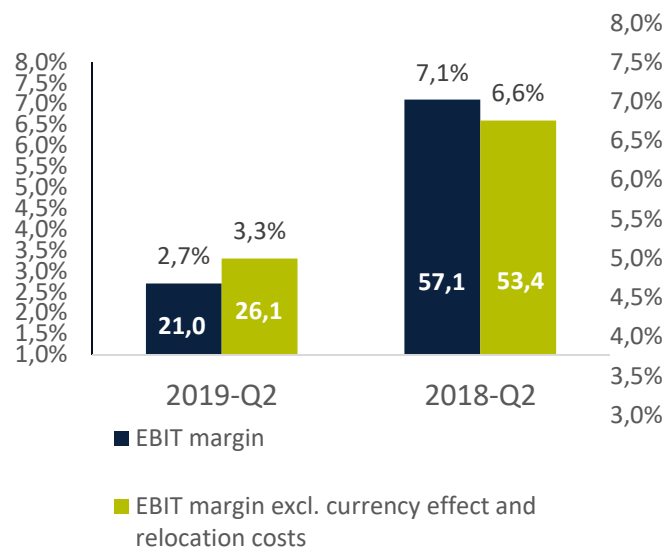


- Sales down 3.5% in Q2 vs last year (down 5.8% currency adjusted)
- Order intake down 12% in Q2 vs last year
 - The slowdown is due to market volatility and tough comparables

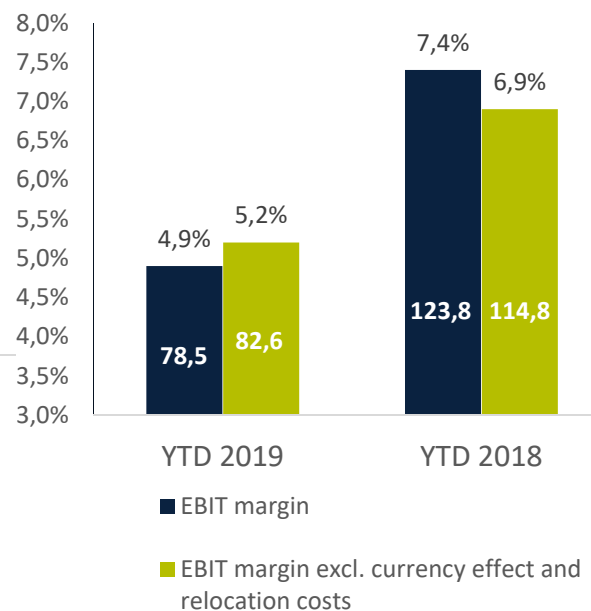


COMPARABLE EARNINGS AFFECTED BY INVENTORY ADJUSTMENT, CURRENCY AND RELOCATION

Quarter EBIT margin currency effect and relocation costs



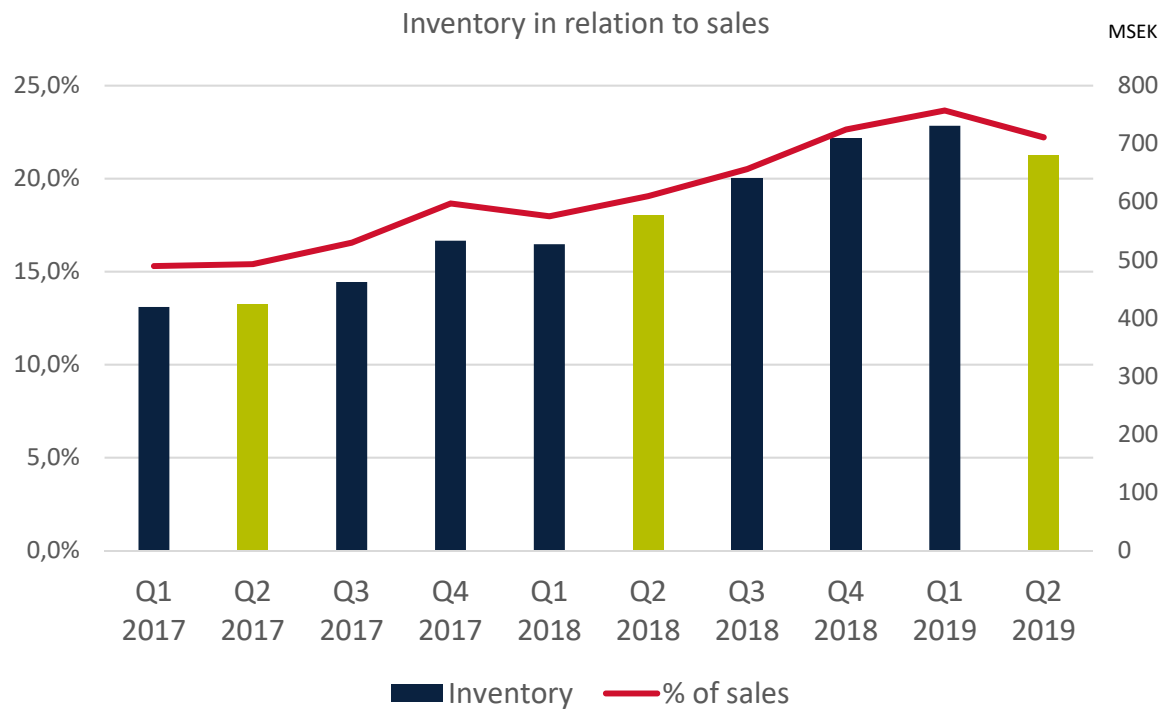
YTD EBIT margin currency effect and relocation costs



- Quarter EBIT margin 2.7% (7.1), adj. for currency effect and relocation 3.3% (6.6)
- Underlying profitability lower level in the quarter due to
 - Lower sales volume
 - Production rate and under-absorption, SEK -25 m
 - High raw material prices
 - Relocation costs, SEK -5.4 m
 - Currency SEK 0.3 m



INVENTORY IN FOCUS



- Inventory build-up driven by
 - Slowing market
 - New project ramp-ups
 - Preparation for re-location in China
 - Anticipated 2019 Q1 Brexit
- Decision made in 2019 Q1 to balance inventory to actual demand

CASH FLOW, BALANCE SHEET AND NET CASH



CASH FLOW STATEMENT, MSEK	Q2		JAN-JUNE		FULL YEAR
	2019	2018	2019	2018	2018
Cash flow from operating activities before changes in working capital	48	66	105	142	254
Cash flow from operating activities including changes in working capital	52	54	-5	80	125
Cash flow from investing activities	-49	-36	-84	-75	-160
Cash flow for the period	37	-17	47	-24	-32
Cash and cash equivalents at end of period	66	27	66	27	18
BALANCE SHEET, MSEK			2019-06-30	2018-06-30	2018-12-31
ASSETS					
Total assets			2,756	2,272	2,338
EQUITY AND LIABILITIES					
Equity			1,511	1,498	1,514
Total long-term liabilities			626	145	201
Total current liabilities			619	629	623
Total equity and liabilities			2,756	2,272	2,338
MSEK			2019-06-30	2018-06-30	2018-12-31
Net debt (-)			-595	-118	-181
Net debt (-) excluding IFRS 16 lease liabilities			-382	-118	-181
Net debt (-) excluding all lease liabilities			-347	-80	-145

KEY INDICATORS – CAPITAL STRUCTURE AND RETURN INDICATORS



THE GROUP, 12 MONTHS	12 M ROLLING		FULL YEAR
	July 2018- June 2019	July 2017- June 2018	2018
RETURN INDICATORS			
Return on capital employed, %	9.0	14.1	12.8
Return on capital employed, (excluding IFRS 16 financial lease) %	9.5	14.1	12.8
Adjusted Return on capital employed (excluding IFRS 16 financial lease and relocation costs) , %	9.9	14.1	12.9
Return on equity %	7.6	11.2	9.9
CAPITAL STRUCTURE			
Capital turnover, times *	1.6	2.0	1.9
Net cash (+) Net debt (-) / EBITDA	-2.1	-0.4	-0.6
THE GROUP	2019-06-30	2018-06-30	2018-12-31
CAPITAL STRUCTURE			
Net debt/equity ratio, times	-0.4	-0.1	-0.1
Equity/assets ratio, %	54.8	66.0	64.8

*) Adjusted for financial lease IFRS 16, 1.7 times as end of June 2019

FINANCIAL GUIDELINES



THE GROUP	12 M ROLLING 2019	FULL YEAR 2018	GUIDELINES
Average net working capital as % of sales	26.9	23.0	20
CAPEX as % of sales	5.7	5.3	2-3
Depreciation as % of sales	3.7	2.9	-
Depreciation (excluding lease liabilities, IFRS 16) as % of sales	3.1	2.9	2-3
Tax rate	28.3	29.1	24-28

- NWC higher than our guidelines
 - Increased since half year ago due to changed demand, projects and ramp up of new business
- Capex higher than our guidelines
 - as planned and earlier communicated
- Depreciations in line with our guidelines
 - IFRS16 affecting reported depreciation by + 0.6%
- Tax rate on a higher level 12 months rolling:



VOLUMES AND INVENTORY ADJUSTMENTS AFFECTED THE TARGETS

	Growth		Margin		ROCE		EPS		Dividend
	Profitable organic growth more strongly than the industry average.		Operating margin of at least 7%.		At least 15%.		EPS development		At least one third of net earnings after tax.
	Q2	R12	Q2	R12	Q2	R12	Q2	R12	DIVIDEND
REPORTED	-3.5%	0.9%	2.7%	5.4%	n.a.	9.0%	0.71	5.60	4.00 SEK/share
ADJUSTED*	n.a.	n.a.	3.3%	5.6%	n.a.	9.9%	0.94	6.00	55,1 % (adj 54,7%) for 2018 (3.75 SEK /share)
R12 TARGET STATUS*		✓		✗		✗		↘	↗

* Excluding IFRS 16 Financial lease and relocation costs

4 IN FOCUS 2019



IN FOCUS 2019

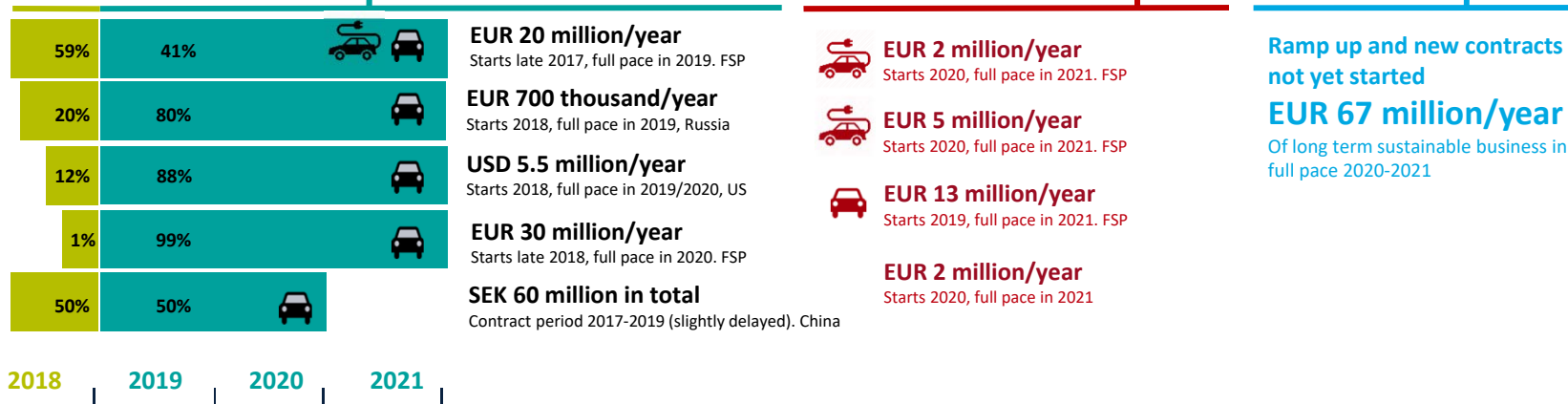
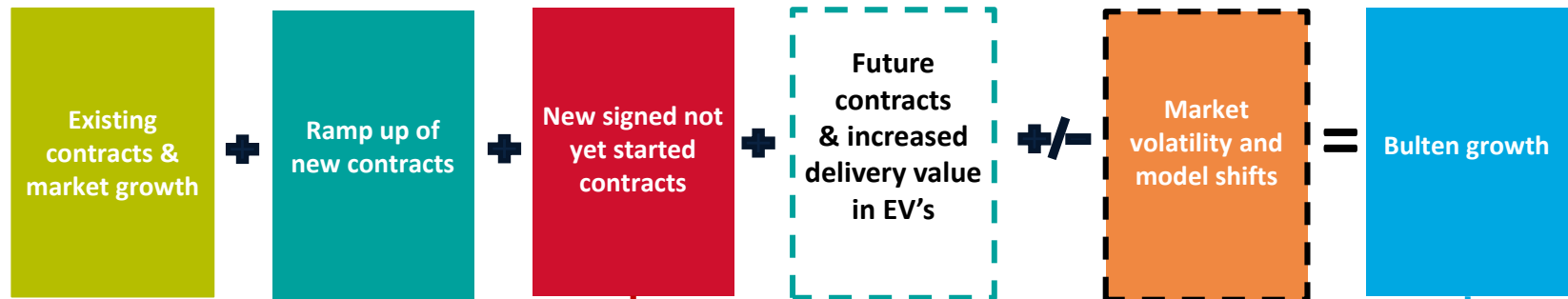


- Balance inventory against demand
- Continue ramping up won contracts
- Secure continued efficient, profitable production
- Begin capacity investments in Poland
- Relocate the production plant in China
- Cultivate the American market further
- Win new FSP contracts
- Continue to promote innovation and sustainability
- Define continued growth strategy
- Build on existing strengths





PREDICTED STRONGER BULTEN GROWTH VS THE MARKET





BULTEN - A STRONGER SOLUTION

