



Trelleborg interim report

July – September 2016

Peter Nilsson, President & CEO

Ulf Berghult, CFO



Agenda

Highlights

Business areas

Financials

Summary & Q4 2016 outlook

Q&A

Advancing our positions

Q3 2016 highlights

- First quarter with CGS fully consolidated and Vibracoustic divested
- Organic Y/Y sales decline by 5 percent, mainly driven by expected lower project deliveries to the oil/gas segment
- Reported sales increase of 24 percent, mainly driven by the CGS acquisition
- Good market positions, cost control and contributing acquisitions improved the quarterly EBIT to highest level to date
- Trelleborg's EBIT-margin at 12.9% - solid level despite exposure to depressed agriculture and oil/gas markets
- Solid operating cash flow, R12M cash conversion at 89 percent
- Four bolt-on acquisitions adding annual sales of some SEK 900 M

Organic growth initiatives and acquisitions

Recap of Q3 2016 events

- Acquisition of **Schwab Vibration Control**, a German and Swiss technology leading supplier of industrial anti-vibration components and systems mainly for the rail market. The transaction was completed in the beginning of Q4 2016
- Acquisition of **Anderson Seal**, U.S.-based distributor and service provider of seals, gaskets and custom-molded products for Original Equipment Manufacturers (OEMs) in several industries
- Acquisition of **International Tyre and Wheel Solutions (ITWS)**, a UK-based distributor of large solid off-the-road (OTR) tires for the waste, recycling and demolition industries
- Agreement to acquire a **subsidiary of CoorsTek**. The U.S.-based subsidiary manufactures precision seals mainly for the aerospace industry. Completion of the transaction is subject to the approval of the relevant authorities, and is expected to take place in Q4 2016

Vibracoustic divestment update

- A payment of SEK ~6.2 billion was received in Q3 2016
- The total purchase price of SEK ~6.9 billion was reported as a receivable in the Q2 report
- The remaining SEK ~0.7 billion of the purchase price is subject to Vibracoustic's realized sales development during 2016 and 2017

Advancing our positions

Group financial highlights, Q3 2016

Net sales

- Sales: +18%; Organic: -5%;
Structure: +24%; Currency -1%

Earnings

- Highest EBIT to date
- Negative FX impact
- Ongoing integration of acquisitions

Cash flow

- Solid operating cash flow
- R12M cash conversion at 89%

SEK M	Q3 2016	Q3 2015	Change, %
Net sales	7 072	5 975	18
Organic, %	-5	-3	
Structural, %	24	1	
Exchange rate, %	-1	8	
EBITA, excl. items affecting comparability	980	824	19
EBITA margin, %	13.8%	13.8%	0.0 p.p.
EBIT, excl. items affecting comparability	915	798	15
EBIT margin, %	12.9	13.4	-0.5 p.p.
Items affecting comparability ¹	-51	-109	
Reported EBIT	864	689	25
Operating cash flow	1 066	766	39

¹ Consists of restructuring charges of SEK -51 M (-109)



Agenda

Highlights

Business areas

Financials

Summary & Q4 2016 outlook

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Sales basically unchanged, but higher earnings

Trelleborg Coated Systems¹

- Organic sales: -2%
- Coated fabrics weaker linked to specific market segments
- Printing blankets flat; growth in Asia, flat in Europe, weaker in Americas
- EBIT higher as a result of restructuring measures and operational control

SEK M	Q3 2016	Q3 2015	Change, %
Net sales	596	602	-1
Organic, %	-2	4	
Structural, %	-	19	
Exchange rate, %	1	13	
EBIT	74	66	12
EBIT, %	12.4	11.0	1.4 p.p.

Still tough market conditions

Trelleborg Industrial Solutions¹

- Organic sales: -3%
- Mixed market segment sales development
- Low activity in oil/gas
- Both Europe and North America declined, while Asia improved
- Unfavorable sales mix hampers EBIT
- Acquisition of leading supplier of industrial antivibration solutions

SEK M	Q3 2016	Q3 2015	Change, %
Net sales	1 199	1 215	-1
Organic, %	-3	-7	
Structural, %	2	-3	
Exchange rate, %	0	6	
EBIT	114	124	-8
EBIT, %	9.5	10.2	-0.7 p.p.

Continued oil/gas uncertainty ahead

Trelleborg Offshore & Construction¹

- Organic sales: -22%
- Challenging market situation in offshore oil/gas
- Mixed development in infrastructure projects
- Proactive alignment to current market situation supports EBIT
- Expected FY16 organic sales drop of ~20% - within earlier guidance
- Continued uncertainty ahead but results expected to remain in positive territory

SEK M	Q3 2016	Q3 2015	Change, %
Net sales	837	1 019	-18
Organic, %	-22	1	
Structural, %	8	-	
Exchange rate, %	-4	10	
EBIT	42	46	-9
EBIT, %	5.1	4.6	0.5 p.p.

Integration of newly acquired companies

Trelleborg Sealing Solutions¹

- Organic sales: 0%
- Mixed geographical and market segment development
- Aerospace and automotive stable, heavy capex industry still muted
- Solid development due to market positioning and operational control
- Integration measures hamper margins
- Acquisition of Anderson Seal
- Signed agreement to acquire CoorsTek subsidiary

SEK M	Q3 2016	Q3 2015	Change, %
Net sales	2 148	2 060	4
Organic, %	0	-2	
Structural, %	4	0	
Exchange rate, %	0	9	
EBIT	467	463	1
EBIT, %	21.7	22.4	-0.7 p.p.

Organic growth and strong integration focus

Trelleborg Wheel Systems¹

- Organic sales: 1%
- Full consolidation of CGS boosting sales
- Agri OE sales decreased in Europe, but improved in North America
- Agri aftermarket sales increased slightly in all regions
- Industrial and construction tires flat to slightly negative development
- EBIT impacted by seasonality, integration costs and growth initiatives
- Acquisition of ITWS

SEK M	Q3 2016	Q3 2015	Change, %
Net sales	1 855	1 037	79
Organic, %	1	-6	
Structural, %	78	3	
Exchange rate, %	0	6	
EBIT	204	132	55
EBIT, %	11.0	12.7	-1.7 p.p.

Preparing for future integration

Rubena Savatech¹

- Leading supplier of specialty polymer solutions for industrial and automotive applications
- Reported separately during a transition period - operations will gradually be integrated into existing business areas
- Sales and EBIT solid in a seasonally weaker quarter
- High capacity utilization
- Ongoing investment projects to increase production capacity

SEK M	Q3 2016
Net sales	450
EBIT	55
EBIT, %	12.1



Agenda

Highlights

Business areas

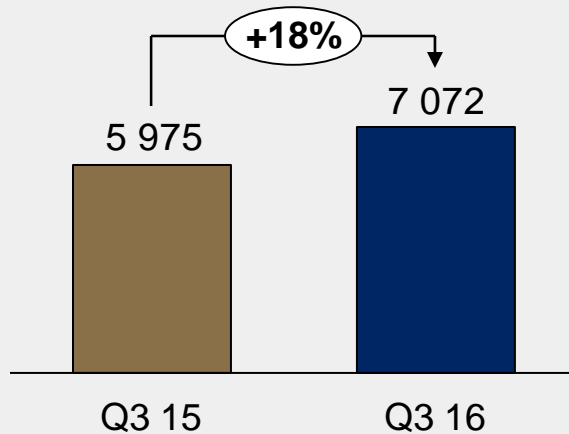
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Summary & Q4 2016 outlook

Q&A

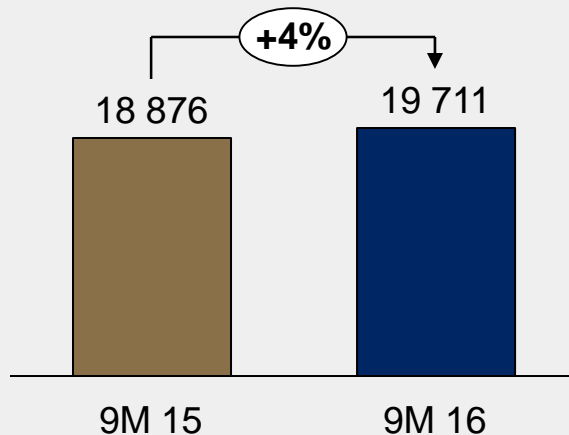
Organic decline explained by oil/gas segment

Sales development



July - September [%]

Organic	-5
Structural	24
Currency	-1
Total	18

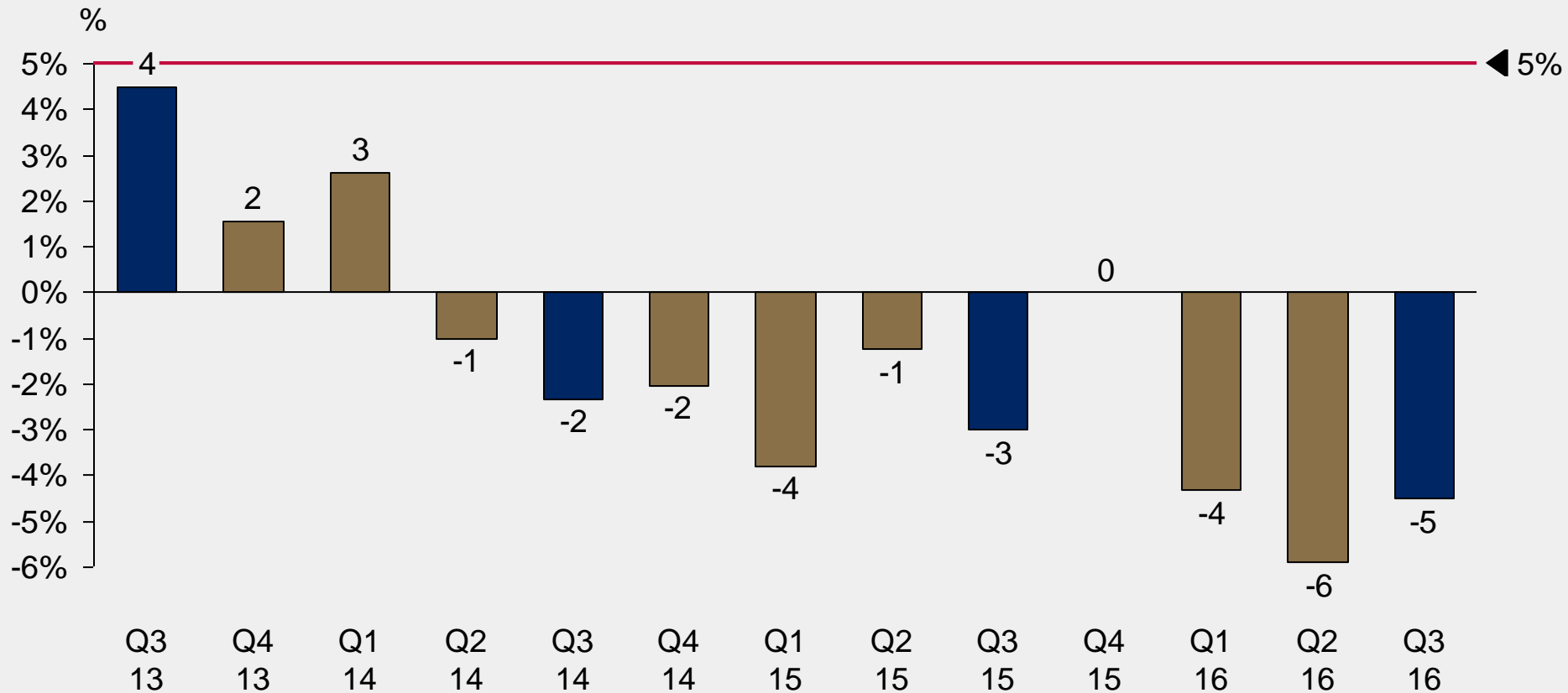


January - September [%]

Organic	-5
Structural	11
Currency	-2
Total	4

Market conditions remain challenging

Organic sales development



CGS consolidation boosts sales development

Sales per business area

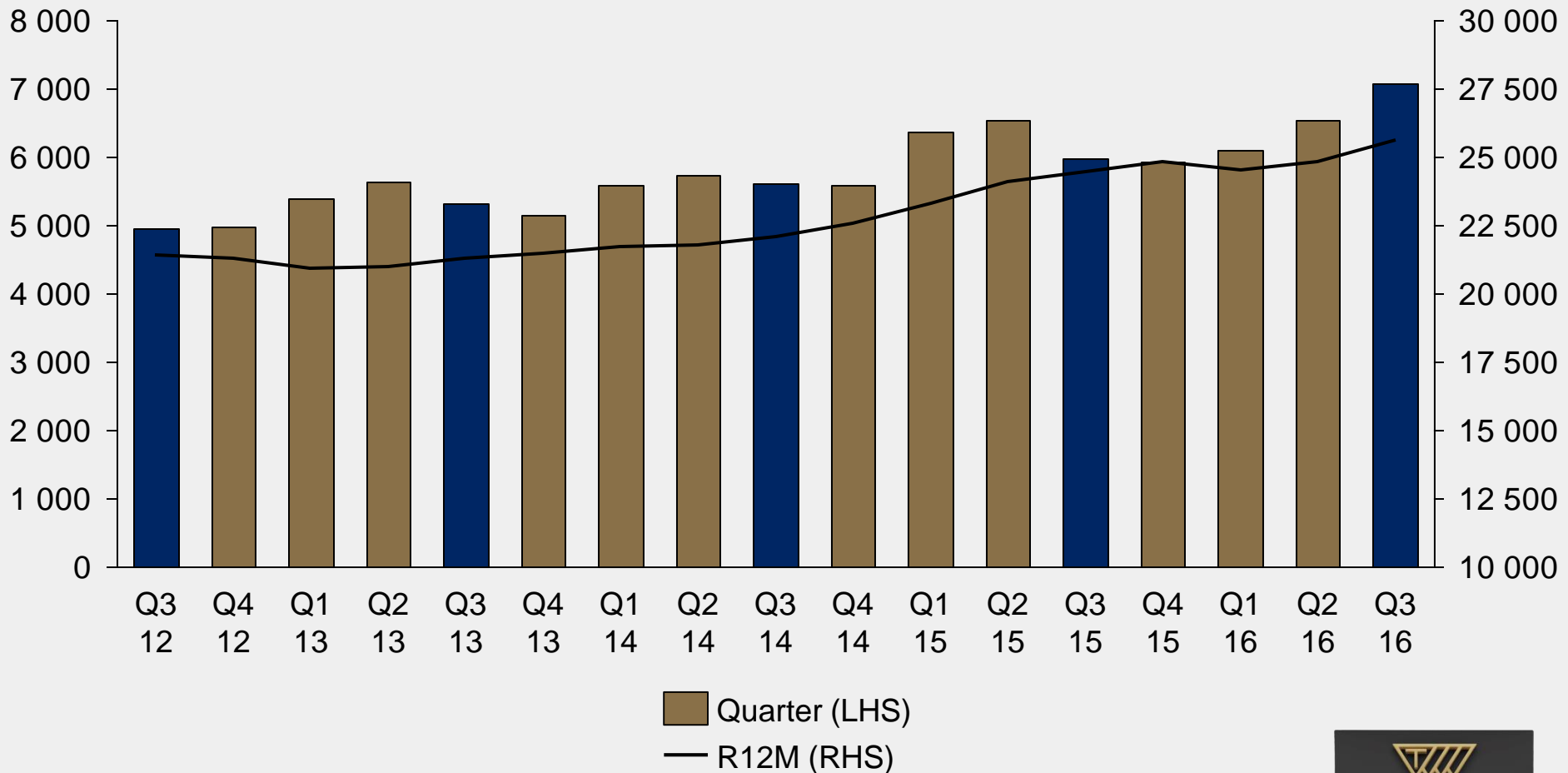
July - September				SEK M	January - September			
2016	2015	Change %	Organic %		2016	2015	Change %	Organic %
596	602	-1	-2	Coated Systems	1 855	1 957	-5	-5
1 199	1 215	-1	-3	Industrial Solutions	3 803	3 913	-3	-2
837	1 019	-18	-22	Offshore & Construction	2 574	3 182	-19	-22
2 148	2 060	4	0	Sealing Solutions	6 395	6 393	0	0
1 855	1 037	79	1	Wheel Systems	4 471	3 295	36	1
450	-			Rubena Savatech	616	-		
73	118			Other items	278	394		
-86	-76			Eliminations	-281	-258		
7 072	5 975	18	-5	Continuing operations	19 711	18 876	4	-5

Record sales through structural development

Sales development, R12M

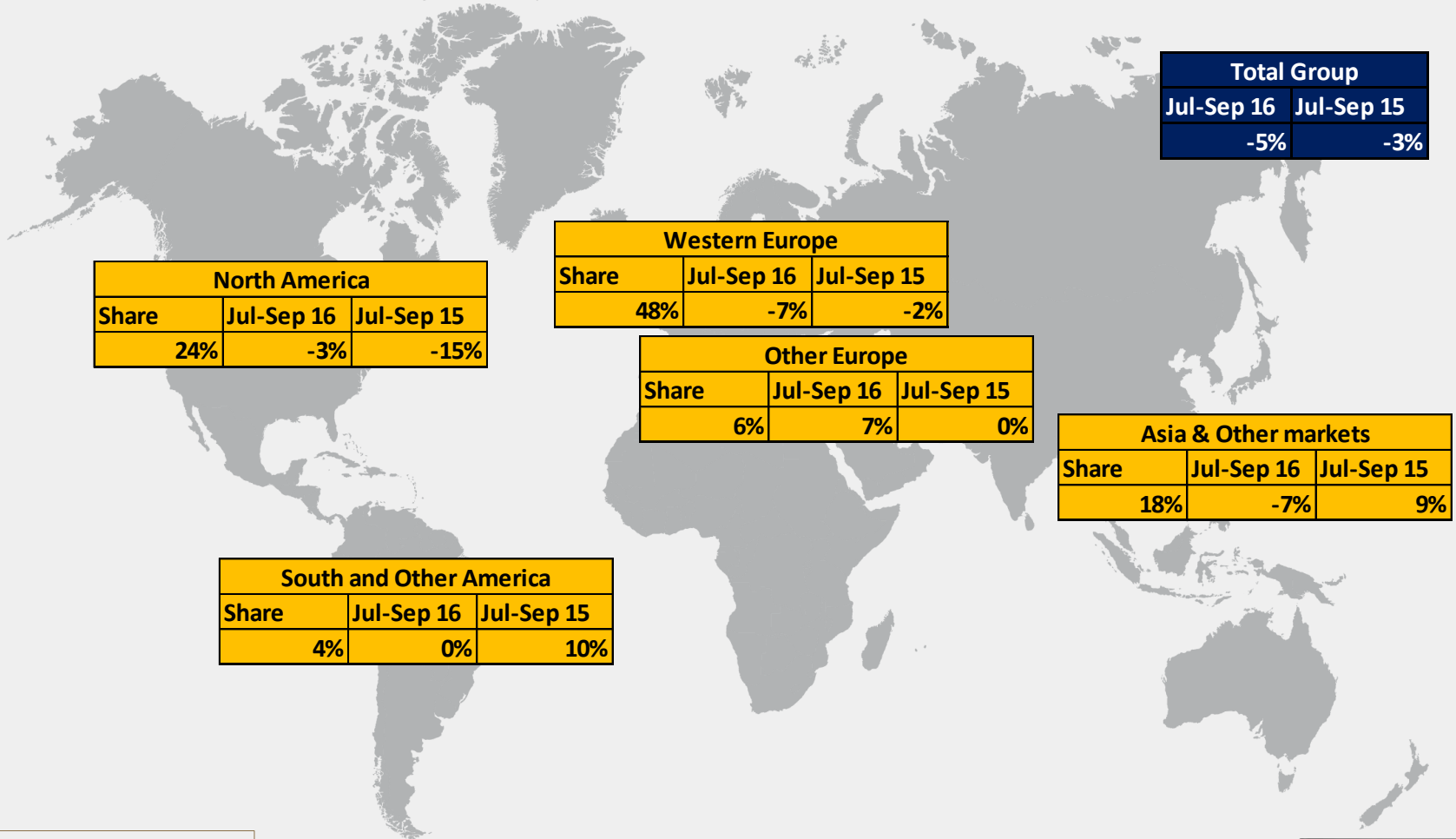
SEK M

SEK M



Organic sales development by geography

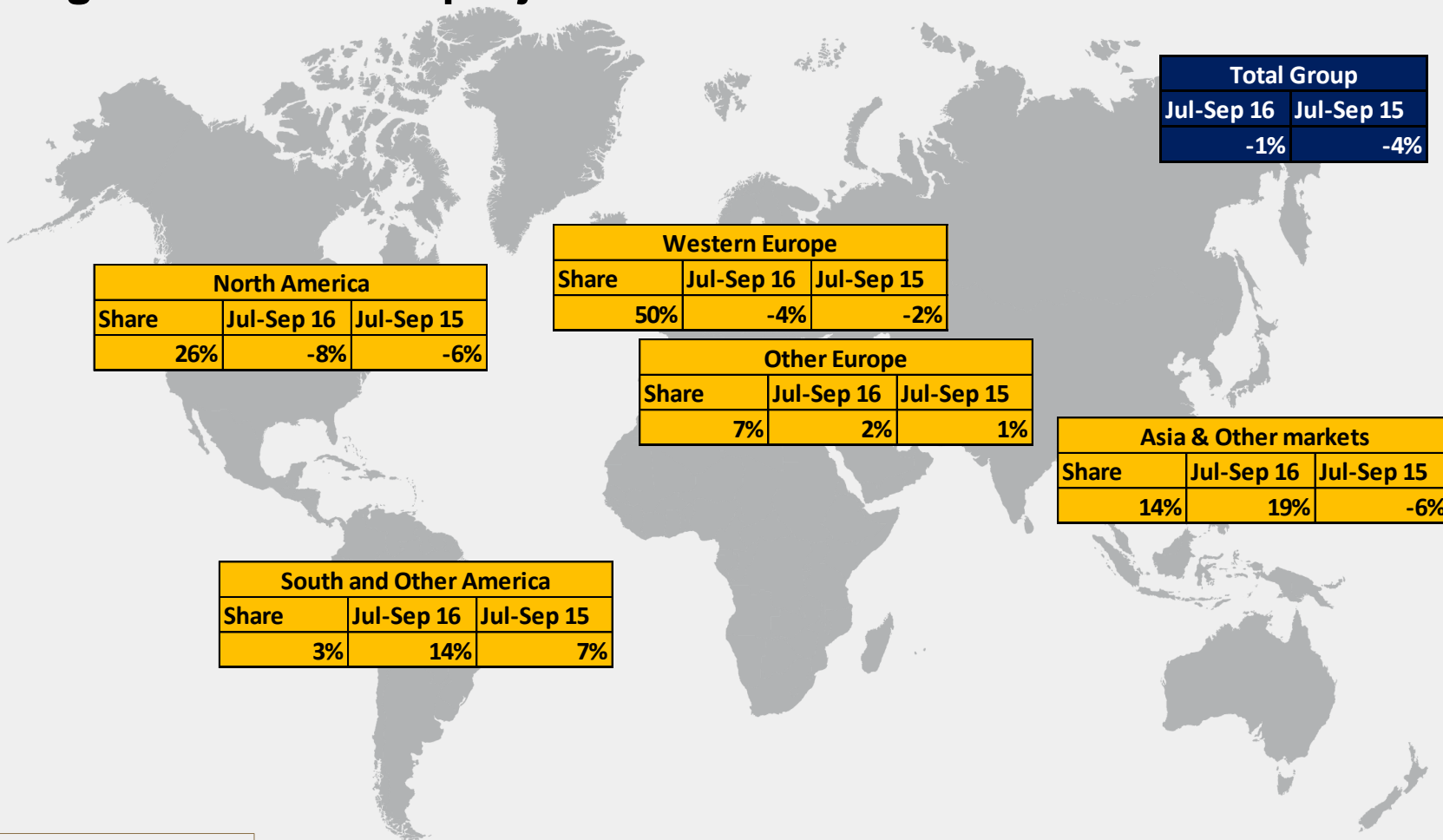
Picture distorted by project-related business



Share = Actual 2015

Organic sales development by geography

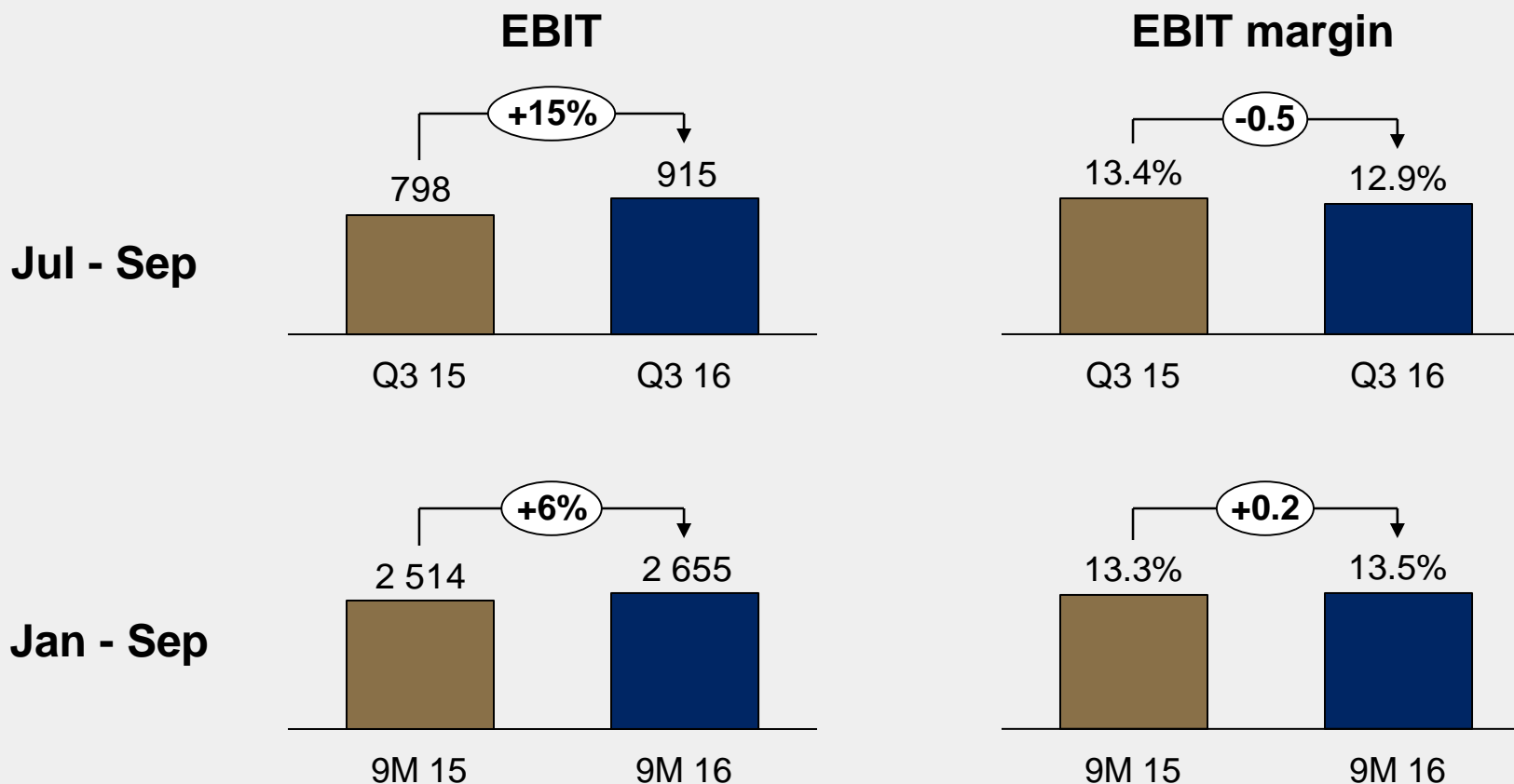
Organic sales excl. project-related business¹



Share = Actual 2015

Highest EBIT, despite soft market conditions

EBIT development¹



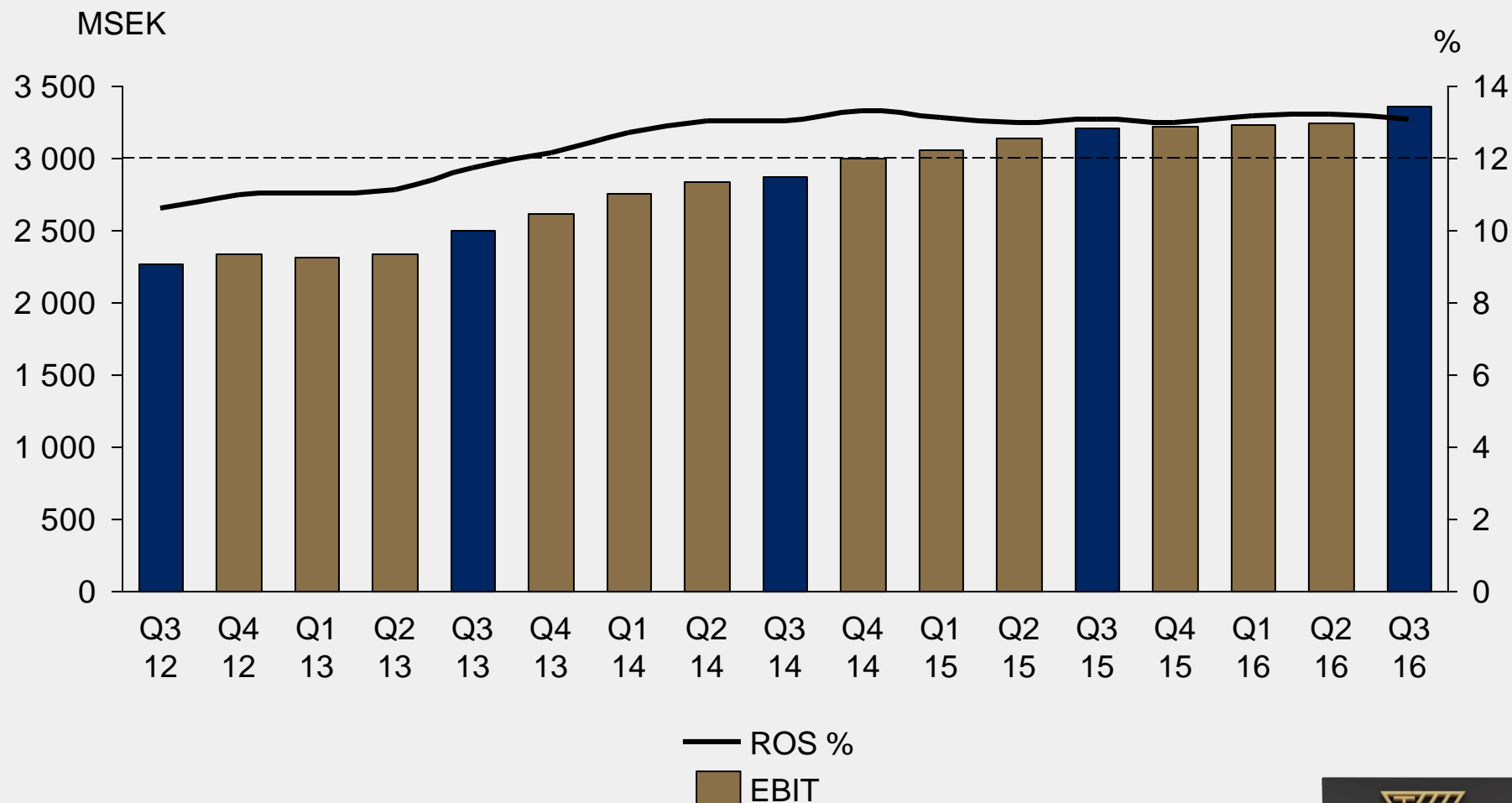
Highest EBIT, despite soft market conditions

Group EBIT per business area¹

July - September			SEK M	January - September		
2016	2015	Change %		2016	2015	Change %
74	66	12	Coated Systems	236	243	-3
114	124	-8	Industrial Solutions	386	419	-8
42	46	-9	Offshore & Construction	91	122	-25
467	463	1	Sealing Solutions	1 469	1 484	-1
204	132	55	Wheel Systems	546	373	46
55	-		Rubena Savatech	81	-	
-41	-33		Other items	-154	-127	
915	798	15	Continuing operations	2 655	2 514	6

Fourteen quarters of improved profits

EBIT and margin, R12M¹



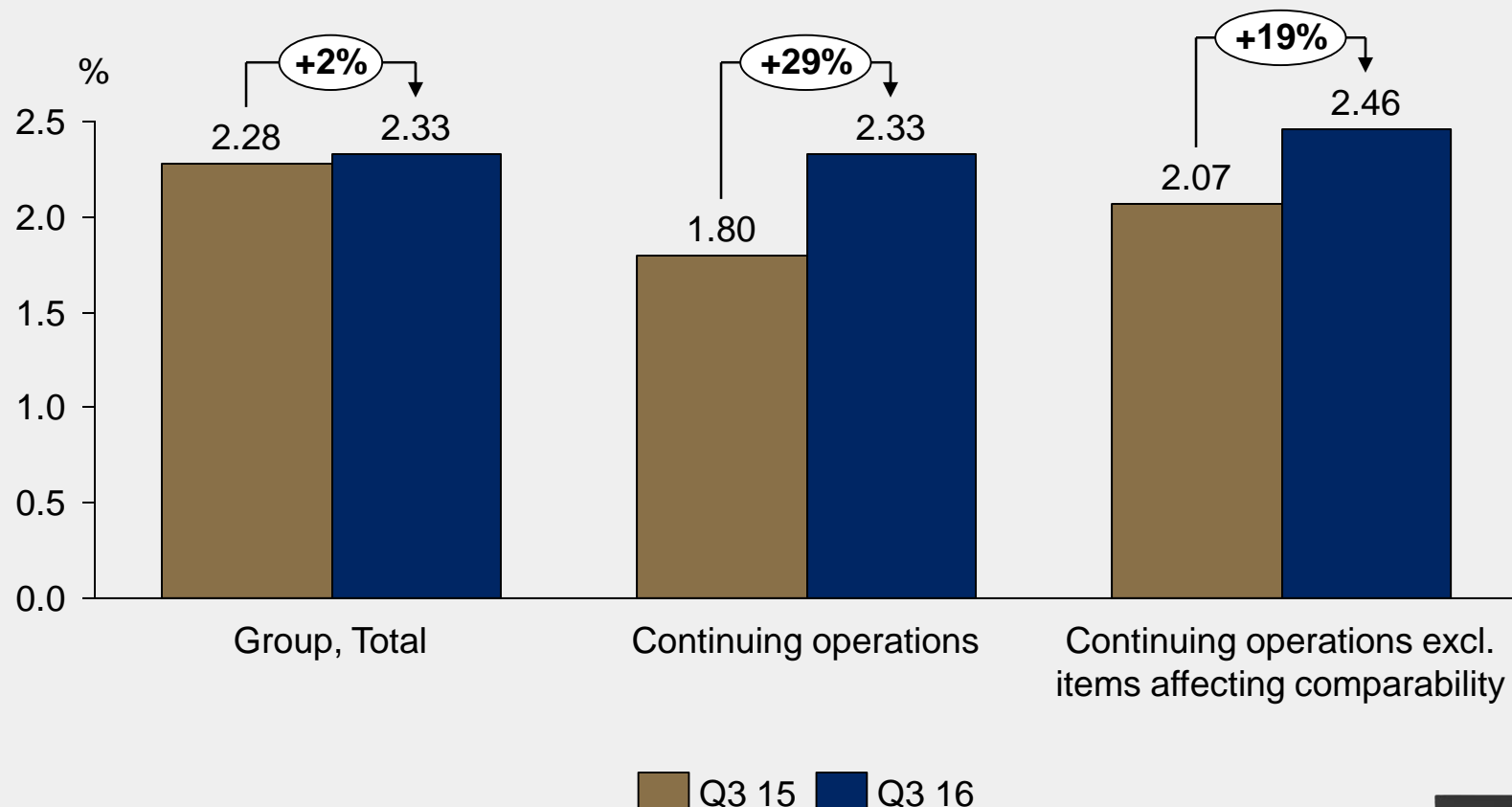
Total Group

Profit & Loss statement

July - September			SEK M	January - September		
2016	2015	Change %		2016	2015	Change %
915	798	15	EBIT, excl. items affecting comparability	2 655	2 514	6
12.9%	13.4%	-0.5 p.p.	EBIT Margin	13.5%	13.3%	0.2 p.p.
-51	-109		Items affecting comparability	-273	-167	
864	689	25	EBIT	2 382	2 347	1
-46	-34		Financial income and expense	-156	-110	
818	655	25	Profit before tax	2 226	2 237	0
-187	-170		Tax, Group total	-529	-581	
631	485	30	Net Profit, continuing operations	1 697	1 656	2
0	131		Net Profit, discontinuing operations ¹	4 369	405	
631	616	2	Net Profit, Total Group	6 066	2 061	194

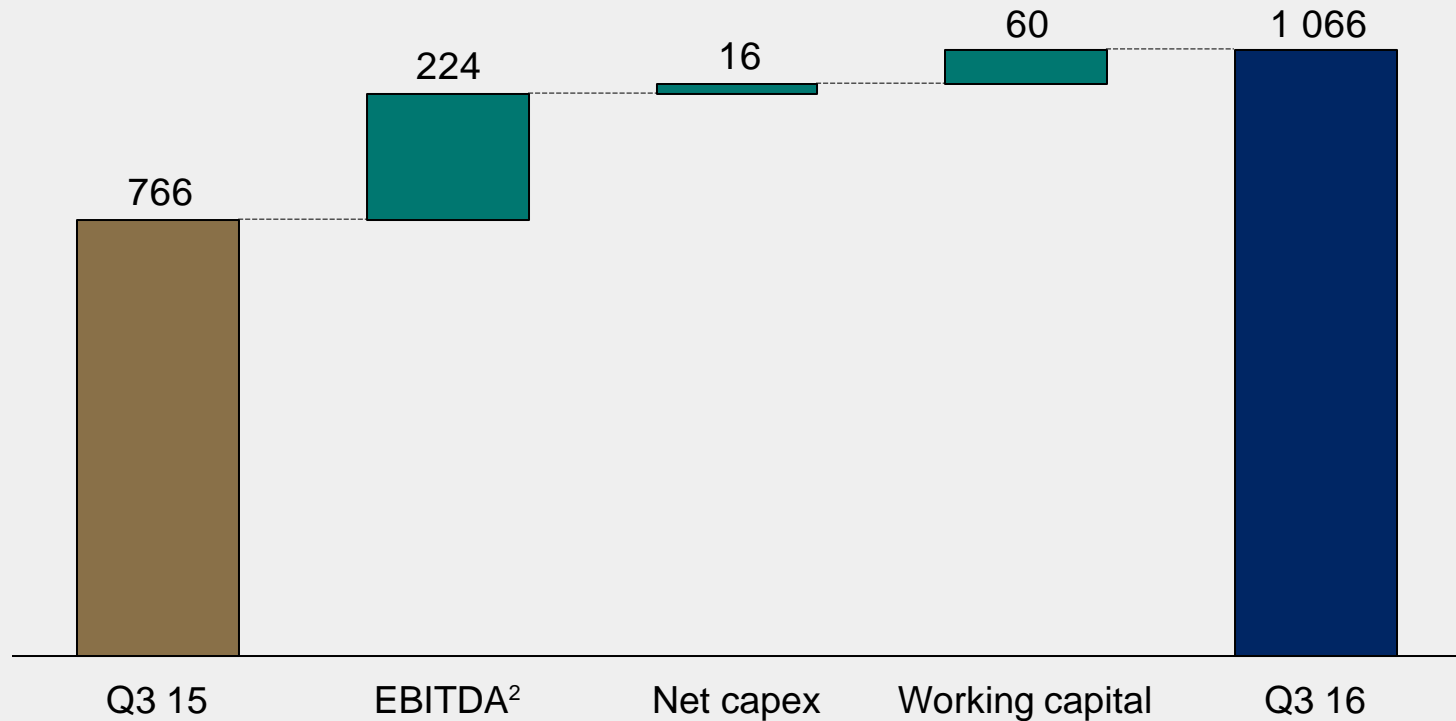
EPS increased by 29 percent, due to CGS contribution and lower restructuring costs

Earnings per share – third quarter



Cash flow driven by higher earnings and WC improvements

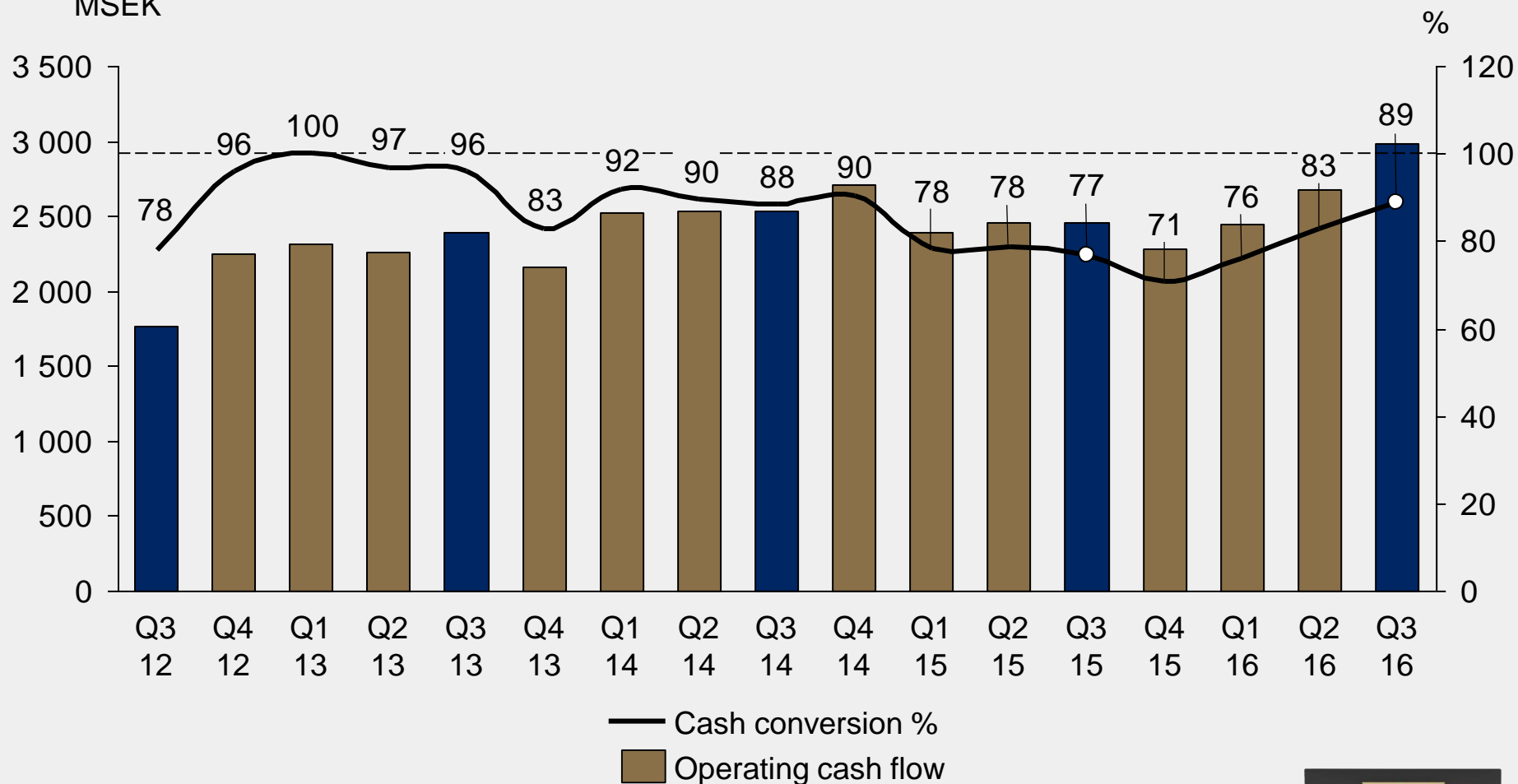
Operating cash flow¹
July - September



Improved cash conversion

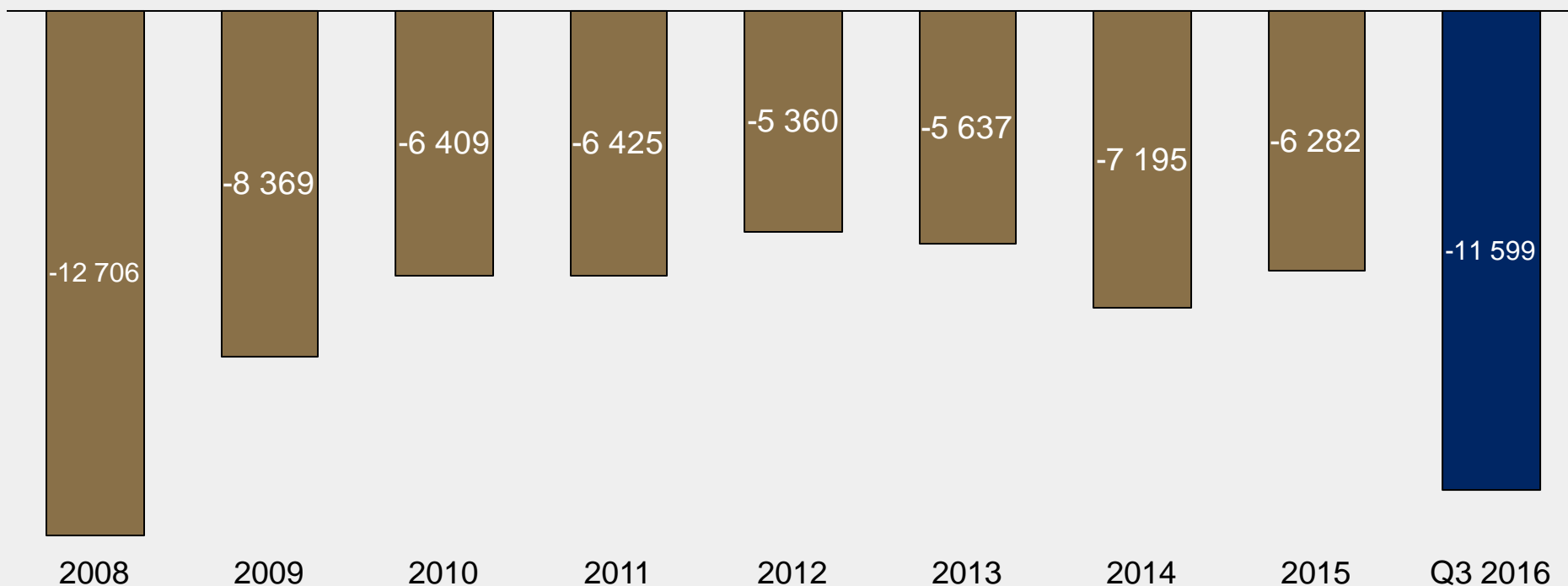
Operating cash flow, R12M¹

MSEK



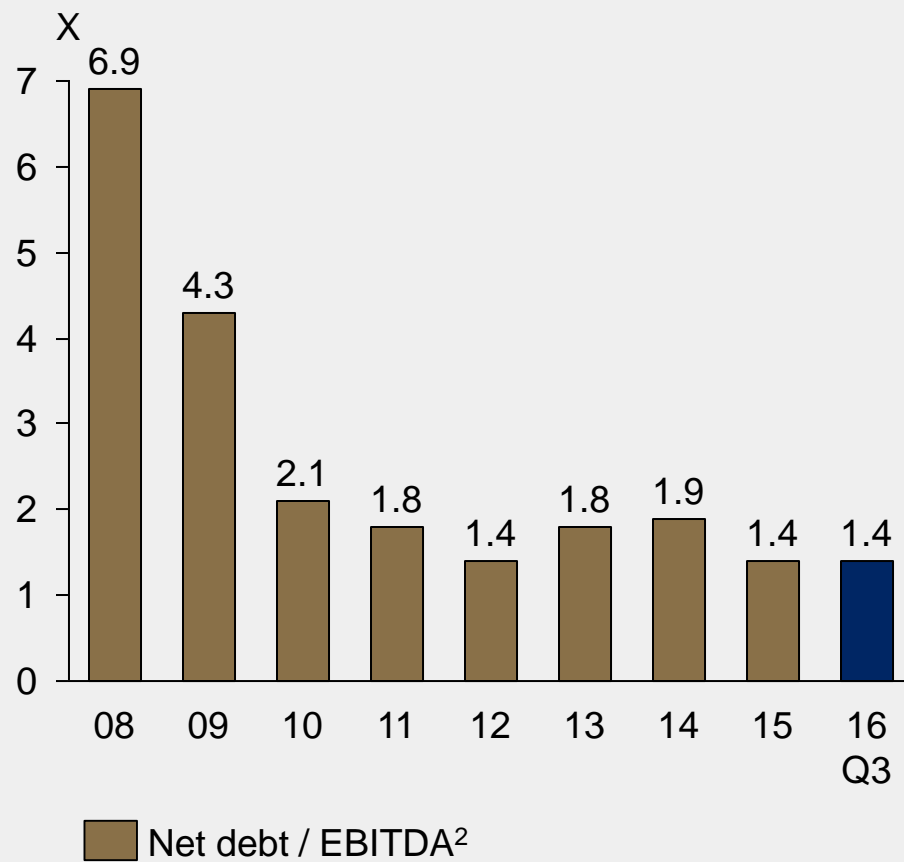
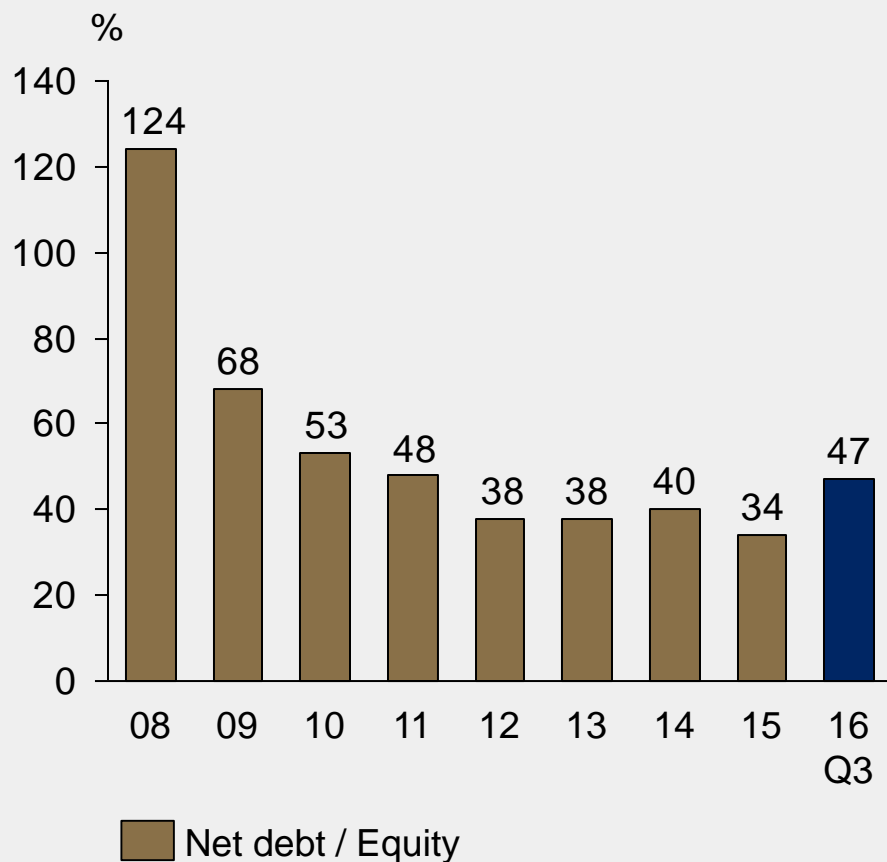
Net debt increase due to CGS acquisition

Net debt development¹



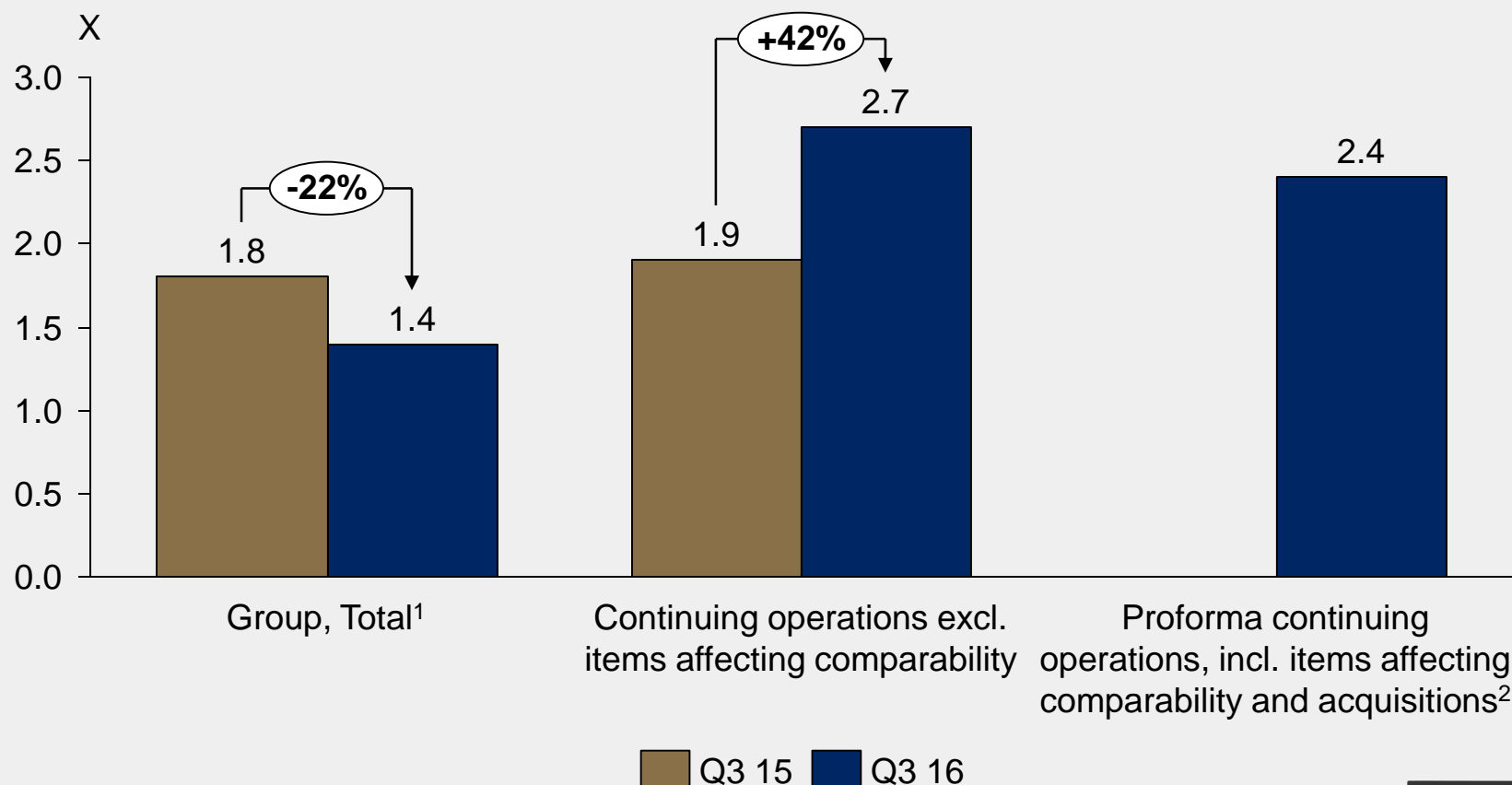
Somewhat increased gearing level

Net debt / EBITDA R12M and gearing development¹



Total leverage reduced by Vibracoustic capital gain

Net debt / EBITDA, R12M

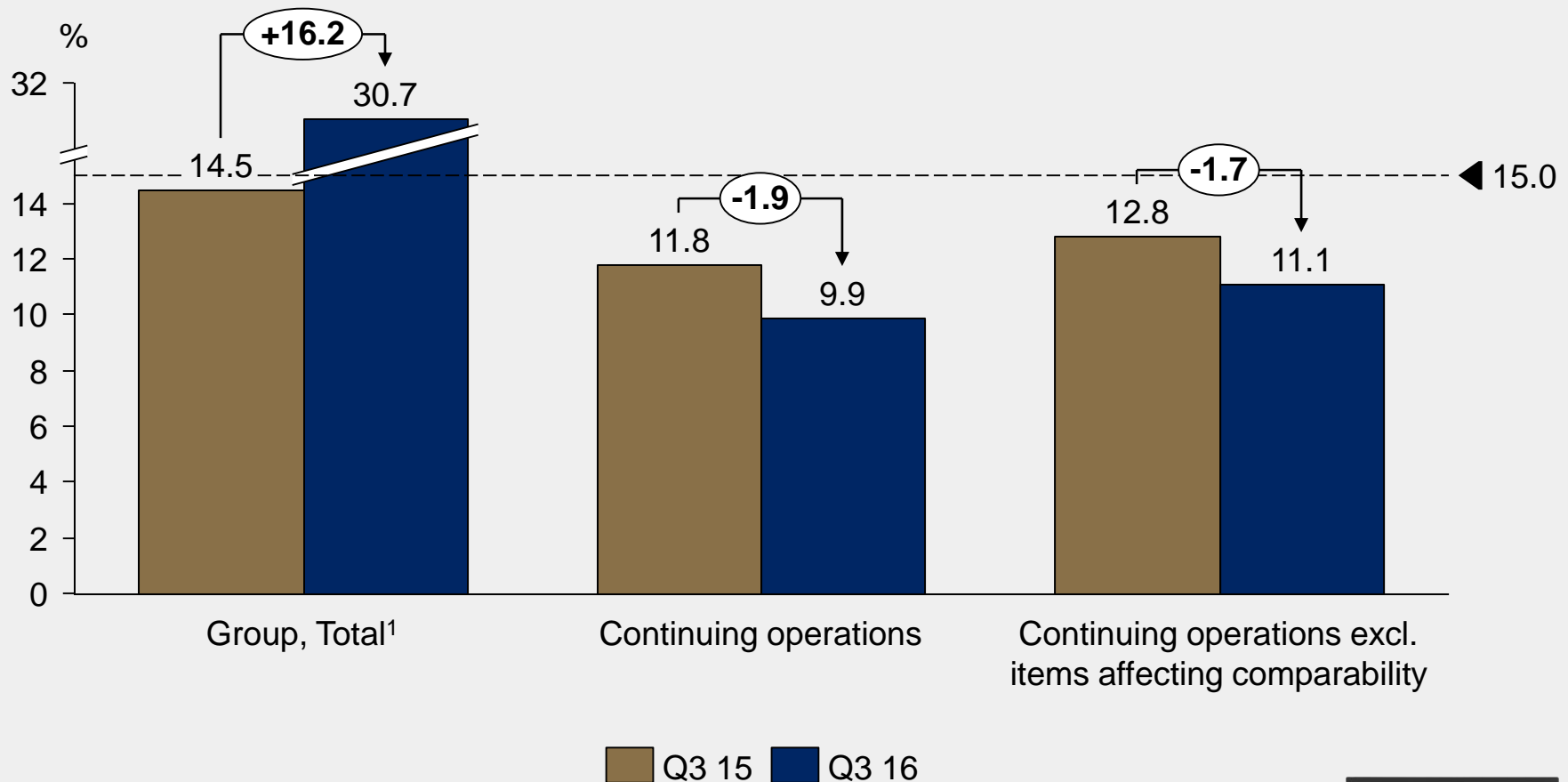


¹2016 includes capital gain from Vibracoustic divestment

²The proforma calculation is based on available information with a certain degree of uncertainty as regards to differences in accounting principles and methodology

ROE to improve when CGS is included for a full year

Return On Equity, R12M





Financial guidelines for full-year 2016

- Restructuring costs: ~SEK 400 M (previously SEK 250 M)
- Capex: ~SEK 1,300-1,400 M
- Tax rate¹: <27%



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Continued focus on growth and excellence

2016 priorities

- Manage uncertain market conditions
- Continued focus on innovation, profitable growth, selected segments and geographies
- Manage margin development through operational excellence and improved customer integration
- Continued portfolio management to improve leading positions
- Integration of CGS and other recent acquisitions

Outlook Q4 2016

- Demand is expected to be on a par with the third quarter of 2016, adjusted for seasonal variations



Agenda

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Questions & Answers