



President's speech at the AGM on April 23, 2015

2014 once again confirmed that our long-term ambition to create leading positions in selected segments is yielding results. 2014 was once again our best year, especially in terms of profitability, which we have consistently improved in recent years. We also continue to invest in order to grow in new geographic areas and segments, both organically and through acquisitions.

I will now briefly comment on how we have successfully developed our Group strategically, in a manner that we also intend to continue with. I will also comment briefly on the improved results for 2014, a trend that continued throughout the first quarter of 2015. And I will address the foundation of our business operations – improved and increased value creation for our customers. I will also comment on the long-term significance of our social responsibility for our value creation.

However, let me begin by commenting on how we have now evolved into a world leader supplier of engineered polymer solutions that seal, damp and protect critical applications in demanding environments.

Solutions for sealing involve filling a gap when joining two surfaces, static or dynamic, while simultaneously keeping two fluids, gases or other media separate from each other. Such as the hydraulic seals that ensure a soft and controlled landing when an aircraft touches down, or the facade seals that help to save energy in buildings.

Solutions for damping primarily entail that energy is absorbed, which reduces vibrations and shocks or removes noise. Damping bearings, for example, can reduce vibrations and noise in all types of machinery, cars, trains and other vehicles.

Solutions that protect manage the impact from external forces, such as natural phenomena. Fire safety systems on an oil rig, or agricultural tires that protect arable land, are examples of our protective solutions.

We build our solutions on five core competencies, two of which are considered supportive. The first is our Polymer Engineering excellence. We have pioneered applied polymer-engineering and materials technology in the sectors we have chosen to operate.

The other is our local presence, combined with our global reach. Our local teams can benefit from our global strength and expertise whenever necessary. This gives us an advantage over many of our competitors that operate more locally or regionally. We can serve our customers better as they grow in new geographic areas than most of our competitors.

Our three other core competencies involve how we interact with our customers, and how we increase our earnings. The first of these, and our third core competence, is Applications Expertise, which is our in-depth understanding of the challenges facing our customers, both today and in the future.

Our fourth core competence is customer integration. We work closely with our customers in a number of ways, where the overall ambition is to make it easier for our customers to do business with us. An increasingly digitized world creates new opportunities for communicating and collaborating with our customers. And we are investing considerable resources in that area to be at the forefront of this trend.

The fifth core competence is Business Acceleration. We deliver solutions based on market insights that contribute to better business for our customers. We want to help them grow their revenue, but also lower their costs, and in a manner that accelerates their business.

As I have already mentioned, our strategic focus, which has been so successful in recent years, remains firm. We will continue to focus on leading positions in selected segments.

Our strategic focus is supported by four interlocking cornerstones, which we will continuously and consistently maintain. Geographic balance: Our customer offering is based on local knowledge and global presence. This applies particularly to markets outside Western Europe and North America, where we have strengthened and are continuing to strengthen our presence.

Portfolio optimization: We are working to optimize our business portfolio with focused organic growth, complemented with bolt-on acquisitions to improve the Group's geographic balance and exposure. However, divestments and product phase-outs are also part of the continuous optimization of the business portfolio.

Structural improvements: We work with our global presence to ensure the right business in the right place, to serve our customers in the best way, but also to be in the place where we can recruit the right expertise and grow.

Excellence: We work continuously to improve our core processes in relation to production, purchasing, working capital and sales, in order to make them simpler and more cost-efficient and, ultimately, to increase value for our customers.

Our strategic work is also evident in the improved financial results for 2014. Despite a challenging market environment in some markets and segments, we continued to strengthen our positions during the year. Sales rose 5 percent to just over SEK 25.5 billion. Operating profit also improved 15 percent to SEK 3 billion, excluding participations from TrelleborgVibracoustic. Operating profit – as well as the operating margin, which rose to 13.3 percent – were both the best to date for the Group. Including associated profit from TrelleborgVibracoustic, operating profit rose 16 percent to nearly SEK 3.3 billion.

TrelleborgVibracoustic is the company that we formed jointly with Freudenberg in 2012 by merging our respective operations in antivibration solutions for light and heavy vehicles. This company, which is jointly owned by Trelleborg and Freudenberg and has nearly 10,000 employees across 18 countries, is now a global leader that offers the most complete range of products in the market, and has all major car manufacturers as its customers in every part of the world (film).

Due to realized synergies, earnings growth, efficient management and effective cost control, TrelleborgVibracoustic can now show a distinctly higher margin than we could before the merger. The margin rose from an annual average of 3.5 percent for the former Trelleborg Automotive AVS prior to the merger, to 8.5 percent for TrelleborgVibracoustic in 2014. And as I will very soon demonstrate, the margin increased to 9.5 percent during the first quarter of 2015.

We also see how our improvements are reflected in earnings per share. Excluding items affecting comparability, which provide a basis for our valuation over the long term, earnings per share increased substantially between 2009 and 2014, amounting to SEK 8.88 in 2014.

These improvements suggest that we should continue with our strategy to focus on leading positions in selected segments.

2015 also opened with a strong performance, especially in light of the current market situation for agriculture and oil & gas. The significantly lower oil price is affecting parts of the Group. It has a negative impact on demand and increases uncertainty for our oil & gas deliveries. At the same time, the lower price of oil is expected to stimulate the economy in general. Our agricultural tires business remains affected by the challenging market situation in the segment. At the end of the quarter, there were some signs of improvement in the European market in individual segments, while a slowdown was noted in a few segments in the North American market.

Our sales rose 14 percent in the quarter, partly driven by exchange-rate effects. Operating profit rose 7 percent, representing our best performance to date for an individual quarter. Acquired operations also contributed positively to the result. The margin amounted to 13.1 percent. Our share of the profit in TrelleborgVibracoustic, which rose 12 percent, also made a positive contribution.

TrelleborgVibracoustic performed well and according to plan, with continued growth that exceeded the underlying market. During the quarter, sales for TrelleborgVibracoustic rose 9 percent. Operating profit rose a full 20 percent, which increased the margin to 9.5 percent – the highest to date for the company in an individual quarter.

As already mentioned, we will continue along our path of creating leading positions in selected segments. Within the framework of this strategy, we will increase our focus on how we generate customer value to make it easier for our customers to do business with us, thus creating conditions for further increasing our sales.

We have had, and will continue to have, a strong operational focus to improve and develop both existing and acquired operations. But also to ensure continued efficiency throughout all parts of Trelleborg. This now presents conditions and opportunities, with continued focus on both of these areas, to shift the emphasis slightly, and increase our focus on sales and growth.

To increase the value we generate for our customers and grow our earnings, we are expanding and deepening collaboration with them. This involves close contact with our customers individually or in groups, as in this Innovation Days example where more than 100 customers of Trelleborg Sealing Solutions gather annually in our development center in Stuttgart, Germany, to discuss innovations and challenges related to seals.

We also integrate with customers by using digitization, and through increased opportunities for mobile communications and monitoring. We offer, for example, user-friendly websites and various apps that can save time and solve problems for our customers. The Group now offers many different types of apps in a wide range of areas, such as the optimum tire pressure for a tractor or the most appropriate vibration damper for a pump. New apps are launched every month.

Our customer integration also includes testing and certification. We have the world's most powerful test bench for hydraulic seals in our research and development center in Stuttgart, Germany, for example. We have used the bench to qualify the seals in landing gear for both Airbus and Boeing. And our other customers can also have their seals for critical applications rigorously tested and verified.

Another dimension that is increasing value for our customers is innovations. One such example is Turcon Roto L, a mechanical seal for heavy vehicles that only seals when needed. The eternal challenge for seals is to achieve maximum sealing force with minimum friction. With the new Turcon material, we have succeeded in reducing friction while maintaining sealing performance, which – among other advantages – significantly reduces fuel consumption.

Another example is Pit Stop Line, which indicates clearly – and visually – when a solid tire should be replaced. An orange line appears on the tire tread to indicate that the grooves will soon be worn down. The tire will still have about 80 to 100 hours of service life, so personnel can plan the tire replacement when it is most convenient.

We continue to develop values in the segments in which we operate. We have been offering our customers a new method for handling LNG in harsh environments for some time now. Our newly developed hose system has expanded our offering to the oil & gas industry for unloading LNG offshore. This system is a cost-efficient and flexible solution that simplifies the handling of this growing energy source.

Another example is precision seals and components in liquid silicone, which strengthen our position in the pharmaceutical and medical technology industry – part of our General Industry segment.

We are creating new values by investing SEK 325 M in an agricultural tire facility in Spartanburg, South Carolina, in the U.S. (film).

This investment will bring us closer to our customers and provide a platform for continued growth in North America. The U.S. is the largest agricultural market in the world, especially for extra-large agricultural tires, where we are already a market leader in Europe. While we are

strengthening our global market position, this investment will allow us to better serve our customers in their global ambitions.

Our main focus will always be organic growth. However, bolt-on acquisitions may sometimes offer a better and faster alternative for establishing ourselves, or strengthening our positions in selected geographic areas or prioritized segments. We therefore work continuously to identify new acquisitions with a potential to grow our business. In 2014, our acquisitions included: Turkish company Superlas, a leading player in long mandrel-built hoses, which further strengthened our already leading position in industrial hoses; industrial tire distributor DGMS, which strengthens our presence in southern France; Uretek and Archer in the U.S., which develop and manufacture polyurethane and rubber-coated fabrics – products and solutions that strengthen us in a variety of areas such as defense, aerospace and medical technology, and allow us to better serve our customers globally in this segment. We acquired a majority stake in Max Seal in Mexico, which manufactures sealing systems for various types of pipes deployed in water and wastewater systems and complement Trelleborg's existing product portfolio and presence both globally and in North America. This acquisition also provides access to the fast-growing markets in Latin America.

Efforts to develop a common platform for our long-term value creation will also continue, based on our commitment to social responsibility both today and in the future.

We have chosen to concentrate on four focus areas. First and foremost, we will continue being a good Corporate Citizen – by complying with the prevailing rules, requirements, laws and regulations wherever we operate, as well as recognized international treaties. We consider the prevention of corruption and violations of the law to be fundamental. This work thus continues to be our highest priority, and includes regular workshops and training courses in these areas. In 2014, we gathered more than 1,000 suppliers and growers of natural rubber in Sri Lanka to inform and educate them about our Code of Conduct, but also to discuss various cultivation methods for natural rubber.

Safe and efficient resource management is important to us. In addition to our employees' health and safety, efficient management of resources, such as raw materials and energy, is central. We are continuously working to minimize all types of waste and extravagance, and consistently raising the bar for our ambitions. These efforts are conducted within the framework of our excellence program, and gathered under the Trelleborg Excellence concept.

The third focus area is diversity. We are a global company that must value expertise where it exists, without using criteria other than that people are basically equal and have the same rights in all aspects. We recruit and develop our employees locally. Our employees should reflect our local markets, allowing us to manage and develop our units in various countries in the best way. In addition to this ethnicity factor, we also define diversity as a company with a balanced mix of age and gender and, with expertise as our focus, we have now recruited employees of more than 40 different nationalities to senior positions. Some 24 percent of these employees are women. And our systematic efforts to increase the Group's diversity will also continue.

The fourth area is our local community involvement. We have various projects around the world that support local development and good relations in the places in which we operate, such as Sri Lanka. In partnership with Star for Life, we have been sponsoring a school program at Kelani College in Colombo since 2012, to support and inspire young people to believe in their future and achieve their dreams. We also sponsor Antonio Bianchi's House in Sri Lanka, a preschool for children with some form of disability. In the São Paulo region in Brazil, via Save the Children and their local partner organizations, we sponsor more than 6,000 preschool children in a project whereby the learning environment is improved through teacher training and better equipped facilities and playgrounds. Locally in Skåne, we have also been sponsoring the Ramlösa Södra sports association for several years, thus providing children with some form of disability better opportunities to play sport.

So, to summarize today's message: Trelleborg is continuously evolving. Our performance improved in 2014, as well as the first quarter of 2015. While efforts to improve our structure and

efficiency will continue, our focus on increasing customer value as a means for growing our sales will now intensify. And social responsibility is an integral part of that process.

Thank you for your attention!