



President's speech at the AGM on April 21, 2016

2015 once again confirmed that our long-term ambition to create leading positions in selected segments is yielding results: we had our best year ever in 2015, delivering the highest operating profit in our history. Thus we are continuing to develop our Group and gain leading positions in attractive segments, primarily by continuing to invest in new technologies, new segments and new geographies. And we are doing it all as a world leader global 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. One example is the sealing products that ensure that foodstuffs and beverages are not contaminated during processing.

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

Solutions that protect people, the environment and investments so that they resist the effects of external forces. Systems that protect pipelines from vortex induced vibration in the ocean, or agricultural tires that protect arable land are examples of our protective solutions.

Sometimes others can offer polymer technology similar to ours. But the value we create for our customers is what makes us stand out from the competition and makes us unique. And makes our customers choose us. Our expertise in polymer technology and our combination of local presence and global reach create a stable foundation that is critical as we move toward ever more advanced solutions. Solutions that build on our knowledge of our customers' applications, and a close partnership with our customers in the early development stages that enables their businesses to thrive and makes us a business accelerator for our customers.

Our strategic direction stands firm. We will continue to focus on leading positions in selected segments. Our strategy is supported operationally by four interlocking cornerstones, which we have been implementing for several years.

Strengthening our market presence in selected markets outside Western Europe and North America to further improve our geographic balance and exposure is a priority. This will bring us closer to our customers in profitable growing segments and enable us to participate in their globalization while developing local customer relationships that can rapidly develop into global ones when Chinese and Indian companies expand in Europe and North America, for example. We reduced Western Europe's share of our sales from 68 to 48 percent between 2006 and 2015, while increasing North America's share from 17 to 24 percent. But above all, we have increased our presence in markets such as Asia and Latin America, as well as European countries outside Western Europe. This has increased their share of our sales from 15 percent in 2006 to 28 percent in 2015. Our long-term objective is to have 40 percent of our sales in these countries, the same percentage in Western Europe and 20 percent in North America.

The globalization of our business involves being in the right location with the right operations, and continually improving our structure by locating our various functions in places where we are finding attractive segments and where the job can be done best, where our offering can develop and where we can recruit the right skills and grow, all based on the trends we are seeing. In certain cases this means moving a unit to another geographic market, and in other cases it means upgrading and developing the unit where it is. As I've explained in the past, this is why we've closed numerous facilities in the West and upgraded or built new and more suitable units in more promising markets. This is an ongoing process intended to continually improve both our structure and our geographic balance. The journey continues, and at our board meeting earlier today we approved the decision to build a new facility for automotive boots in Wuhan, China.

We are continuing to optimize our business portfolio, and we are continually improving our positions by actively evaluating how markets, customers and applications are expected to develop in the future, so that we can decide early which areas we want to operate in and what we need to do to be long-term successful. For example, we have noted that businesses that employ large fleets of forklift trucks are becoming increasingly global and that customers tend to want to lease their trucks rather than buy them in order to have a more flexible cost base. This means that they also want to rent or lease the tires, which, in turn, requires continuous inspection and maintenance of the tires. This is a trend that will transform large parts of the industrial tire market. This is why we developed the Interfit concept. Interfit enhances our offering and enables us to offer something unique to players with large fleets of fork-lift trucks, through inspection, maintenance and I-rent, which facilitates financing for industrial tires. Getting into this market early means that we are creating a competitive advantage that will make it hard for others to catch up.

We also have a better balanced market mix today. Our exposure is less dependent on the automotive industry, and there is a healthy balance between general and capital-intensive industries, which often balance each other out in terms of demand. We are continually working in our various markets to optimize our portfolio of customers, products and solutions. Sometimes this means phasing out some segments and product areas. But above all, we invest in attractive segments where we have or can gain competitive advantages and a leading position, and achieve growth and profitability.

We also continue to develop ourselves so that we can be better and more efficient, and increase value for our customers at the end of the day. This also increases value for us shareholders. We are working very actively with our Excellence programs internally, in order to continually develop, improve and disseminate best practices for our most important core processes: manufacturing, purchasing, capital management and sales. It's an investment in various tools and resources, but above all in the development of our employees, which largely takes place through Trelleborg Group University, where over 5,000 of our employees will participate in one form or another in 2016.

Our strategic work is also evident in the improved financial results for 2015. Sales for full-year 2015 increased by 10 percent, to nearly SEK 25 billion. Organic sales declined by 2 percent as a result of a challenging market. Underlying operating profit rose 7 percent to just over SEK 3.2 billion, the highest in our history. Operating profit including Vibracoustic but excluding items affecting comparability rose 13 percent to just over SEK 3.7 billion. Our improvements also continue to be reflected in our earnings per share, which rose sharply between 2009 and 2015, when they amounted to SEK 8.39 per share excluding Vibracoustic and items affecting comparability.

We were also able to begin 2016 with earnings that were mostly satisfactory considering the state of the market at the present time. The overall market environment has not changed significantly in the first few months of the year. The situation for offshore oil & gas remains more challenging. The business climate remains difficult in particular South America and general industry is still weak in most global markets, particularly in the more capital-intensive sector. The agricultural markets on both sides of the Atlantic are still depressed and automotive and aerospace are the segments that continue to perform the best. Sales in the first quarter 2016 declined by 4 percent, amounting to just over SEK 6 billion. Organic sales declined by 4 percent, while structural changes made a positive contribution of 2 percent. Exchange rate fluctuations had a negative impact of 2 percent. In view of these developments, it is a sign of strength that we can still deliver our best ever operating profit for a first quarter. Operating profit rose by 1 percent to SEK 841 M excluding items affecting comparability, which is equivalent to an operating margin of nearly 14 percent.

Our results strengthen our faith in our strategy of focusing on leading positions in selected segments. We have had, and will continue to have, a strong operational focus to improve and develop both existing and acquired operations, and to ensure continued efficiency and growth throughout Trelleborg. The best sign that this effort has paid off is a rising operating margin. In 2009 we had about SEK 27 billion in sales and generated a margin of just over 4 percent. At

that point, we initiated a strategic review of the Group, especially the business dedicated to the automotive sector. By 2011 sales had risen by about SEK 2 billion to over SEK 29 billion, and the operating margin had increased to 9 percent. By that time, we had sold businesses in 2010 including hoses for light vehicles, which reported about SEK 1.4 billion in annual sales. In 2011 we divested the gas springs and light vehicle brake hoses operations, as well as a roofing operation. That same year, we acquired businesses in the segments of industrial hoses for oil & gas, precision seals and industrial tires, with combined sales of SEK 660 M. Sales in 2013 amounted to approximately SEK 21.5 billion. Including half of the sales from Vibracoustic, which were not consolidated in our sales that year after completing the transaction with Freudenberg in 2012, 2013 sales would amount to about SEK 28.5 billion. We are continuing to improve our operating margin, which rose to 12.2 percent excluding Vibracoustic. Sales in 2015 amounted to nearly SEK 25 billion, and our margin continued to improve to 13 percent. If we include half of Vibracoustic, our sales would amount to about SEK 34 billion. In 2015, we continued to invest in acquisitions in our priority areas of tires, marine docking and mooring solutions and fender systems, with a net effect of plus SEK 450 M on a yearly basis.

We announced the acquisition of CGS at the end of 2015. If CGS, which will be consolidated, is substituted for half of Vibracoustic's sales, which are not included in our recognized sales, this reduces the Group's sales compared with what they would be if half of Vibracoustic's were included in the comparative figure. But the expected sales of SEK 30 billion are considerably higher than we were able to report in 2009, including the wholly-owned subsidiary Trelleborg Automotive, although now with considerably better earnings and market exposure. After the CGS acquisition we also have sole and complete control over our business, which of course was not the case with Vibracoustic, which was a joint venture. And most importantly, we will also have continual access to the cash flows generated by CGS, which we did not have from Vibracoustic.

CGS is a profitable company that fits in well with both our product portfolio and our structure. The company has strong positions in closely-related segments, and is a good match for our own portfolio of leading positions. The transaction requires approval from relevant competition authorities, which is in progress. However, I expect the transaction to be completed this quarter.

Only a week ago, we were able to conclude our strategic review of our light vehicles operation, a process that began already in 2009, when we announced that we had sold our share in Vibracoustic to our partner Freudenberg. As with CGS, this transaction requires approval from the relevant authorities, but we expect to complete it this quarter as well. We will receive about SEK 6.8 billion for our 50-percent share, plus the extra dividend of SEK 1.4 billion that we received in December. This is equivalent to a total value of about SEK 8.2 billion, and a capital gain of about SEK 4 billion, all of which will increase Trelleborg's equity. About 10 percent of the cash consideration is linked to Vibracoustic's sales in 2016 in 2017, and thus it could be somewhat higher or lower. With this step, we are able to conclude the successful journey of our former Trelleborg Automotive AVS operation, which reported an average of EUR 650 M in sales with a margin of approximately 3.5 percent in the years before Vibracoustic was formed.

Today, our 50-percent share in Vibracoustic shows clearly higher sales as a result of successful synergies, good management and effective cost controls. In 2015, these sales amounted to nearly EUR 2 billion and generated a significantly better margin of nearly 9.5 percent. After selling off the improved operation, we can now continue the process of creating leading positions in selected attractive segments.

The development and success of the Group to date has motivated greater emphasis on multi-dimensional growth. We are securing a competitive customer offering with a series of initiatives that are primarily intended to increase customer value, as well as by expanding our offering with new technology and solutions. We are also growing by offering our solutions to closely-related segments and expanding our geographical presence. We're accomplishing this through organic initiatives, or our complementary acquisitions that for us are nearly equivalent to organic growth.

Let me demonstrate with a few examples: We are expanding and deepening our partnership with our customers through close relationships, either individually or in groups. As in this example with field meetings with Trelleborg Wheel Systems customers in 2015. This was a day-

long event held in several European countries in 2015. It attracted over 7,500 agricultural professionals to a series of field demonstrations that showed how they could increase productivity by using our tire solutions correctly.

Our precision seals made from liquid silicone rubber for medical technology applications are now being used in areas such as foodstuffs as in the picture. In order to expand our customer offering, we acquired the engineering firm Loggers in the Netherlands, which develops solutions that minimize sound and vibrations, primarily in marine applications. The bolt-on acquisition of Marimatech in Denmark also broadened our offering of docking solutions, with new technology for marine positioning and monitoring systems as a complement to our marine fender systems. We are also developing entirely new solutions. Such as a new vortex induced vibration (VIV) system for offshore pipelines, which addresses a major problem for deep-sea oil and gas production. And a new advanced system for rubber seals used in the installation of long wastewater pipes in densely populated areas, which are durable and keep the joints sealed. In 2015, we also acquired Standard Tyres in Brazil, thereby strengthening our presence in industrial tires in South America as well as our global leadership position in this segment. As a final example, our acquisition of Armstrong Tyres in Australia, an agricultural tire distributor, gave us a stronger position in the attractive Australian market. But as I reported already last year, above all we invested over SEK 300 M in an agricultural tire facility in Spartanburg, South Carolina, U.S., strengthening our presence in agricultural tires in North America as well as our global leadership position in this segment.

As I mentioned before, the CGS acquisition was initiated in 2015. CGS is a market-leading off-road tire company with the strong Mitas brand for agricultural, industrial and specialty tires and engineered polymer solutions marketed under the Rubena and Savatech names. The company's over 6,300 employees are responsible for sales of nearly SEK 6 billion, much of which is in central Europe where we want to grow. The company is profitable, with an operating margin of over 15 percent in 2015. Just under two-thirds of CGS's sales come from agricultural and specialty tires. The rest comes from engineered polymer solutions such as printing blankets, coated fabrics and extruded profiles. After the transaction is completed, we will integrate the tire operation into Trelleborg Wheel Systems, additionally strengthening our already leading positions in both agricultural and industrial tires. Engineered polymer solutions that are of interest will be integrated into Trelleborg Coated Systems. The precision seals strengthen Trelleborg Sealing Solutions' positions, while Trelleborg Industrial Solutions is strengthening its positions in sealing profiles, extruded profiles and specialty molded components.

The acquisition also gives us access to efficient production that is an excellent complement to our own production structure, including production in important central European markets. We are also gaining a new facility in the U.S. that complements our newly-opened facility in Spartanburg. This means that we have the most modern manufacturing capacity for agricultural tires in the world's largest agricultural market, the U.S. In Mexico, CGS recently invested in a completely new unit for the manufacturing of polymer brake membranes, which complements our existing manufacturing. In addition, we are gaining access to several specialized units for engineered polymer solutions in central Europe. Serious investments have generally been made in these units, as can be seen in the following images: The facility in Charles City Iowa, USA; the facility in Ruma, an hour's drive from Belgrade Serbia; the facility in Otrokovice, a few hours' drive from Prague in the Czech Republic.

This means that Trelleborg Wheel Systems will be responsible for a larger share of Trelleborg's sales after the acquisition is completed. The trend towards larger-scale agriculture is beneficial, because it means larger investments in larger tractors which will require more advanced tires. We are also experiencing higher demand for tires driven by rapid mechanization of agriculture. Thus we will double our sales in agriculture and create a world leading position with the acquisition of CGS. We are strengthening our world leading position in industrial tires. We are establishing Trelleborg in closely-related attractive segments in specialty tires. We are strengthening multiple positions in engineered polymer solutions. And we are further improving our geographical balance.

We are also working on corporate responsibility in order to continue developing our shared platform for long-term value creation. As I reported last year, we have chosen to concentrate on four focus areas. In 2015 we raised our ambitions in all of these areas.

First and foremost, we will continue being a good corporate citizen that always complies with the prevailing rules, requirements, laws and regulations wherever we operate. We will promote ethical business practices wherever we operate. And we fully respect laws, rules and human rights. Therefore, we continued to develop our work with training and information in these areas in 2015. Last year, over 650 managers and employees with customer contact underwent training on competition law, contract management and regulatory compliance. We also began an initiative to visit “at-risk suppliers.” These audits will continue in 2016.

Safe and efficient resource management is another area that is important to us. In addition to our employees’ health and safety, efficient management of resources, such as raw materials and energy, is always central. I am pleased that we were able to reduce our direct and indirect CO₂ emissions by 20 percent relative to our sales from 2008 to 2015.

Our third focus area is diversity. We are a global company that values competence wherever it is found, and we recruit both managers and employees locally since we endeavor to have an organization that reflects our markets and customers, as well a balanced mix of age and gender. With expertise as our focus, we have now recruited employees of more than 40 different nationalities to senior positions in the Trelleborg Group. About 25 percent of our managers are women. And of course our systematic efforts to increase the Group’s diversity will continue.

The fourth area is our local community involvement. We work to promote an inclusive society, and therefore we have intensified our involvement in several locations through selected community education projects. Here in Sweden, we are in a group along with the Lund University School of Economics and Management, EFL and over ten other firms in the Skåne region that offers newly arrived academics with degrees in economics or similar subjects a 16 week-long traineeship at a company or organization in Skåne. Our ongoing school projects in Sri Lanka and Brazil are other good examples. In 2015, we also initiated new partnerships with voluntary organizations in India. We started a program with Hand in Hand to facilitate local development near our facilities in Bengaluru in southern India.

So, to summarize today’s message: Trelleborg is continuously evolving. We continued to improve our performance in 2015 as well as the first quarter of 2016. While efforts to improve our structure and efficiency will continue, our focus on multi-dimensional growth will now intensify. And we are continuing to develop long-term value creation, with social responsibility as an integrated part of this effort.

Thank you for your interest.

THIS IS A TRANSLATION OF THE SPEECH IN SWEDISH.