



President's speech at the AGM on April 27, 2017

2016 was yet good year for our Group. For example, we reported our highest operating EBIT to date, increasing 9 percent to SEK 3.5 billion. This is a performance we are pleased with when we consider the tough situation remaining in many of our key markets in 2016. I am also pleased that we could continue to make the Trelleborg Group even stronger during the year across several dimensions.

We strengthened our position as a world leader in engineered polymer solutions that seal, damp and protect critical applications in demanding environments. One example is the seals that ensure the air pressure in an aircraft cabin or that the hydraulics work in a modern excavator. Solutions for damping primarily entail that kinetic energy is absorbed, which reduces vibrations or removes noise in all types of machinery, cars, trains and other vehicles. Solutions that protect people, the environment and investments resist the effects of external forces regardless of whether they are mechanical or caused by extreme temperatures.

Our polymer engineering determines how we can best use the material to support our customers' applications and guarantee leading positions in the long term and value generation for both us and our customers. Our local presence combined with a global reach continues to create a stable foundation that is becoming more important as our products become more advanced and adapted to unique solutions, and our customers become increasingly global. We can then act as a local partner with all of the resources available from our global strength.

We also have in-depth understanding of the challenges our customers must overcome to seal, damp and protect their critical applications. We understand our customers' applications and adapt our solutions to optimize the functionality of our customers' products and solutions.

We want it to be easy to do business with us and we actively use all of the available new digital opportunities to integrate with and work close to our customers. In this manner, we can act as an active and long-term business partner that can deliver solutions for the customers' needs today and in the future and accelerate their business by helping them to sell more. By contributing to better business for our customers, we also contribute to better business for ourselves.

As a focused polymer Group, with leading positions in selected segments and niches, our proforma annual sales are now approximately SEK 31 billion. Our roughly 23,000 employees operate in 47 countries around the world in a decentralized organization where most decisions are taken locally, near the customer. We will continue to be an entrepreneurial company, where the primary responsibility for operations is always locally delegated.

Our strategic focus, which has been so successful in recent years, remains firm. To create leading position in selected segments that we carefully and deliberately choose and continually develop based on the preconditions of the various operations, both today and in the future. This is an ongoing process. Conditions change and we must always question and improve our positions. A good position today may not be tomorrow, and vice versa. So we never stop working with our structure and our positions.

This strategy has been, and remains, successful. In 2016, we reported our highest operating EBIT to date; SEK 3.5 billion. Measured in terms of margin, we almost repeated the 13 percent reported in 2015, meaning still well above our previous target of 12 percent. The target was raised to 15 percent at the end of 2016, and that we are now striving to achieve within the next few years. Our improvements are also reflected in our earnings per share. Excluding items affecting comparability, this increased markedly between 2010 and 2015. Since the financial crisis, we have actually increased our earnings per share by an average of almost 13 percent per year.

Moving forward, we will continue to support our overall strategy to create leading positions in selected segments with the same four interlocking cornerstones which we have focused on for

several years. These are broken down into each business area with structured targets and activity plans for each strategic cornerstone. In particular, we are continuously optimizing our business portfolio and 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 remain successful.

We have strengthened our positions within healthcare and medical technology. Partly by broadening our offering with more products and solutions based on Liquid Silicone Rubber which provides new opportunities for us to operate in the segment. We have increased our capacity for the technology in Bulgaria, the U.S. and Switzerland. In Switzerland and the U.S., we have also increased our capacity within cleanroom manufacturing offering us access to attractive niches where demands for extra cleanliness are key. Thanks to this, and a series of other geographical and technical initiatives, we now have a comprehensive and specialized capacity for medical and biotechnological applications providing us with a solid platform for continued success in healthcare and medical technology.

We also expanded our capacity in the aerospace industry, including in the area of advanced airframe seals in the U.S. and China. In the U.S. and Germany, we continued to develop our unique test opportunities for seals in landing gear to aircraft and continued to improve our already market-leading position in the segment. We have increased our global presence with new focused local centers of excellence. Today, we are a completely global player in the segment with resources to support the largest manufacturers in the aerospace industry with modern facilities and advanced solutions in any regions of the world where there is demand.

In non-automotive-related antivibration, we have successfully advanced our positions during the years. With the bolt-on acquisitions of Schwab and Loggers, we have strengthened our positions in rail and marine applications. It is through bolt-on acquisitions, which for us are very comparable with organic growth, we broaden our presence and our offering. Albeit more efficiently and faster than solely through organic growth. We have also expanded out offering with DragonCoat, an innovation based on fire-resistant rubber, which is particularly in demand in many metro applications where fire is more dangerous.

For the same reasons, to develop our portfolio and improve our positions, we have in recent years acquired Maritime and Marimatech in order to build our positions in marine systems and drive the development of future smart port solutions. Where our products not only protect but also create conditions to streamline port activities while contributing to increased safety through efficient communication between port personnel, ships and other parties involved. We have, thus, created a unique global platform for continued growth in the segment.

In materials handling tires, or forklift tires, we have introduced several interesting innovations in recent years. One example is Pit Stop Line, which provides a simply and easily accessible indication of the remaining service life for a forklift tire. The acquisition of CGS 2016 also complements our offering in materials handling. It has, as with our investments in Asia and South America, further improved our position as global market leader in the segment. And we are continuing to develop our service network by offering new solutions, such as Interfit and I-Rent, where we can now lease tires when customers so desire, instead of selling them.

The passenger vehicle segment previously accounted for a large share of our sales. Since 2008, we have repositioned our operations in this segment and gradually reduced our exposure to this attractive but also highly competitive industry. We are still active in the passenger vehicle industry but now have only about 10 percent of our sales here, and then only in carefully selected and attractive niches where we occupy global market-leading and profitable positions. The clearest step towards optimizing our business portfolio in the segment was, nevertheless, the divestment of Vibracoustic, which was completed in July 2016. TrelleborgVibracoustic, as the company was initially called, is the joint venture we had together with Germany-based Freudenberg between 2012 and 2016. Both Trelleborg and Freudenberg placed their antivibration operations for passenger cars and commercial vehicles in the company, and formed a global market-leader within the segment.

Vibracoustic's antivibration solutions are important for comfort and safety in passenger and commercial vehicles and are also central to the vehicle's durability.

The overall target we created when we formed Vibracoustic in 2012 was to achieve an operating margin of 10 percent with robust growth. To this end, we worked successfully until July 2016, when we could divest our half of Vibracoustic to Freudenberg. With this step, we were able to conclude the successful development of our former Trelleborg Automotive AVS business, which reported about SEK 6.5 billion in sales with a margin of approximately 3.5 percent in the years before Vibracoustic was formed. As a result of our efforts, Vibracoustic could report significantly higher sales in 2015, nearing SEK 20 billion, and was well on its way toward our long-term margin target of 10 percent.

We also continued to strengthen our leading position in agricultural tires with major investments in China and the U.S., among other countries. With the U.S. facilities in Charles City, Iowa, and in Spartanburg, South Carolina, which opened officially in 2016, we gained a good foothold in the North American market where we can now demonstrate modern facilities that create excellent conditions to increase sales in the world's largest agricultural market, i.e. the U.S.

And not least, the acquisition of CGS has strengthened our positions in the agricultural sector. The company, which we could acquire partly with funds received from the sale of Vibracoustic, will be consolidated into our financial statements as of June 2016.

We saw, and still see, significant potential with the acquisition and we have many integration projects that will further improve our positions. CGS both strengthens and complements our positions in several areas. For example, in agricultural tires, Mitas complements Trelleborg's position in the premium segment. And the Maximo and Cultor brands complement each other in the aftermarket. We therefore have a more complete tire offering to our customers and can better cover more channels on the market.

In materials handling tires and tires for construction equipment, CGS contributes with a complementary portfolio that strengthens us in many ways. CGS polymer engineering solutions are integrated primarily within Trelleborg Coated Systems and in Trelleborg Industrial Solutions and complement us in terms of both product range and geographically, in the central and eastern areas of Europe. In addition to an increased presence in attractive geographies, the acquisition offers us a number of substantial synergies in both costs and revenues.

Our strategy to establish leading positions in selected segments and niches has served us well.

Strategically, we will continue to do what we have done so far, though still slightly differently, as the world around us is always changing. Meaning; creating leading positions in selected segments. However, we adapt to the world around us in order, as far as possible, to avoid every dead end and to take advantage of opportunities on offer. We adapt, for example, to better and faster technical opportunities that drive new ways to communicate and conduct business.

We can see how the younger generation spends twice as much time on the internet and social media as the older generation. A reality that we must adapt to. We can also see how the number of connected machines is rapidly rising within the framework of the "Internet of Things". We are convinced that trends such as these will have a significant impact on our future business. To handle all of the new possibilities offered by the market, we created a common framework that in a structured manner, is developing our ability to utilize these opportunities. We have gathered our work under the Ease of Doing Business concept. As this is what it is ultimately about – to utilize new technology to make it easier and more secure to do business with us.

We create new business models, new offerings and new revenue to create value for our customers. Among other measures, we launched a new business model for tires for forklifts. We develop smart products to add new value to our solutions. We use, for example, sensor technology to collect data that improves the functionality of our products. We build tools and services so our customers can save time, easily communicate with us and utilize our services.

We have developed apps for basic identification, development and ordering our products and solutions. Within marketing and communication, we work with new digital models to identify, attract and communicate with both new and existing customers and to create new conditions to increase value generation and hopefully sell even more. Within all these areas, we have identified a large number of projects at both Group level and within all of our business units.

One example of our smart products is in offshore, where we install sensors in our buoyancy modules, which can precisely indicate when production must stop to avoid the risk of costly damage and avoid unnecessary and costly stoppages. With the data we obtain about how the buoyancy modules behave under the water, we also gain an insight into how we can further optimize the customer's applications. We have already started a pilot project together with one of our customers. The customer understands that with our help, they can safely save 5-10 days production per year, valued million SEK.

Another example is how we launched a completely new business model within our tire business. We noticed that a growing number of customers choose to lease their forklifts, rather than buy them. We are continuing to develop our Interfit and I-Rent concepts, which allows us to use data collection, control and plan maintenance and can also offer customers an opportunity to lease tires instead of buying. The concept is particularly popular in the North American market and we are now expanding the solution to other geographies.

We are also continuing to develop mobile apps for effective communication with our customers. They range from marketing, via calculators for customers, to selectors of Trelleborg solutions. One app that has been downloaded almost 1.5 million times is our converter.

A number of our tools make it easier for our customers to find their product or solution, and to order. Our customers can scan an existing product and with the QR code see specifications about the product and quickly make a new purchase. We hope the next stage of the same service will be even easier. In the future, we hope we can identify the product from only a photo of a product or solution, thereby making the process even easier for our customers.

Trelleborg VIP is a system for tractors fitted with sensors in the tire that automatically adapts tire pressure optimally for the ground and application. Compared with traditional solutions, this means we can better protect the delicate agricultural land and thereby increase our harvests while saving both time and energy. We also develop solutions that optimize the environment surrounding the farmer, by using a complete ecosystem of connected units and sensors.

Our strongest contribution to a better world is our core business. Within the scope of Blue Dimension, which is an umbrella term for our products and solutions that save energy, reduce emissions and protect infrastructure, people and the environment, we also work broadly with our social responsibility in the immediate vicinity of our operations.

We have chosen to concentrate on four focus areas aimed at leaving a positive contribution, and to make a good impression on the locations in which we operate.

The first area is that we naturally 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. This goes without saying and must never be forgotten.

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, water and energy, is central. We have worked systematically for some time and established at an early stage an ambitious target that we called "15 by 15", relative to sales, meaning that compared with 2008, CO2 emissions would be reduced by 15 percent in 2015. A target that we exceeded and we have now established new targets moving forward. The target is now that by 2020 reduce CO2 emissions by 20 percent, compared with 2016, and reduce our energy consumption by 3 percent annually. The emissions target is relative, and takes into account both our increasing volumes and energy supply in the countries where we operate. All sites within Trelleborg have focused plans for energy saving and emissions, which they

systematically work with towards achieving our goal. Work is driven and supported by a global organization with Energy Coordinators at each site. A Group-wide team of experts also provide assistance with central resources. Joint toolkits help the sites to analyze their situation, identify improvements and share best practices. Already, 4,000 employee have undergone online training to raise awareness about the importance of energy optimization.

Our third focus area is diversity. We are a global company that values competence wherever it is found, and want to recruit both managers and employees locally where we operate. We are convinced that our organization is best when it reflects our markets and customers. We believe in our decentralized organization where our local units located close to customers make the business decisions. Diversity is therefore a natural part of our operations so we can communicate and lead our business, regardless of where we operate. Today, we have some 40 different nationalities in leading positions and we work actively to develop each and every one of them. We are also active in increasing diversity from a gender perspective and have made improvements as a result of our systematic work. About 25 percent of leading positions today are held by women. But we want more, and there will be more. We develop our leaders irrespective of nationality and gender, such as through the Trelleborg University. In 2016, we invested more than ever in training our employees, and will invest even more in 2017. The range of courses involves both technology and leadership, is broad and addresses all Trelleborg employees, not least within the framework of our excellence programs.

The fourth focus area is our local community involvement. We work to promote an inclusive society, and therefore we have intensified our involvement in a number of locations through selected projects for the development of all people. We support the integration of children and young people through education and development, often with an element of physical activity and sport. One new example is a school with a sport profile located in a challenging area in Landskrona in Sweden. It is called LA School of Sports in Skåne. Internationally, we continue to work in Sri Lanka. In 2010, we established Antonio Bianchi's House, completely financed by us, for underprivileged children. Together with Start for Life we are also involved in the schools of Kelani College and Bellana College in Sri Lanka. The collaboration with Bellana began in 2016. The aim is to motivate children to learn, to increase self-respect and to encourage continuous progress towards a better quality of life.

According to tradition, I end with a few words about the first quarter 2017, which we presented only a few hours ago. Generally, we noted an improvement in demand in several of our segments, positive organic growth and how our recent acquisitions are largely performing in a satisfactory manner. Our sales increased 36 percent compared with the first quarter 2016, driven above all by the acquisition of CGS. Our organic sales also increased, by 3 percent. Excluding project transactions, comprising mainly oil and gas-related operations which remain depressed, organic sales rose by all of 8 percent. Operating profit increased by 37 percent, which means a margin of 13.9 percent, a slight improvement compared with last year. Our cost and capital efficiency programs are continuing to deliver favorable results. The rapid and relatively steep hike in prices for raw materials had a temporary negative impact on margins in parts of our business. But we are working intensively to compensate for the higher raw material prices, and this will have an impact particularly in the second half of the year.

We have continued to strengthen Trelleborg through our overall strategy to secure and develop leading positions in selected segments. It has been successful and we will continue in the same vein, though in a slightly new version, adapted to developments we can see in the world. We will also keep our strong focus on sustainability issues, which are an important part in our long-term value creation. Not least for diversity, with an emphasis on our need to have access to many nationalities to reflect our global organization.

Thank you for your attention!