



Trelleborg interim report

Q3 July-September 2019

Peter Nilsson, President & CEO

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Summary & Q4 2019 outlook

Q&A

More demanding environment

Q3 2019 financial summary

- Sales at SEK 8 828 M, an increase of 6 percent
- Organic sales decreased with 1 percent. Excluding project deliveries, the organic sales decreased with 3 percent
- EBIT¹ at SEK 1 036 M, corresponding to a margin of 11.7 percent
- Announced efficiency measures will mainly have impact from 2020
- Items affecting comparability at SEK -127 M
- Operating cash flow at SEK 1 413 M
- Cash conversion at 82 percent

Organic sales development by geography

Organic sales excl. project-related business¹

Total Group	
Jul-Sep 19	Jul-Sep 18
-3%	6%

North America		
Share	Jul-Sep 19	Jul-Sep 18
22%	-3%	8%

Western Europe		
Share	Jul-Sep 19	Jul-Sep 18
48%	-2%	5%

Other Europe		
Share	Jul-Sep 19	Jul-Sep 18
10%	-1%	-3%

South and Other America		
Share	Jul-Sep 19	Jul-Sep 18
4%	4%	39%

Asia & Other markets		
Share	Jul-Sep 19	Jul-Sep 18
16%	-4%	7%

Share = Actual 2018²

¹Project deliveries refer to the whole of Trelleborg Offshore & Construction and minor parts of Trelleborg Industrial Solutions' operations

²Share represents sales including project-related business



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Stable profitability

Trelleborg Coated Systems¹

- Organic sales: +2%
- Coated fabrics; growth in most market segments
- Printing blankets; negative Y/Y, positive in Asia, but down in other regions
- EBIT and margin improved slightly due to higher sales
- Customer insolvency had a negative EBIT impact of approx. SEK 10 M

SEK M	Q3 2019	Q3 2018	Change, %
Net sales	969	913	6
Organic, %	2	0	
Structural, %	-	11	
Exchange rate, %	4	8	
EBIT	99	92	8
EBIT, %	10.2	10.1	0.1 p.p.

Some pressure from weaker general industry

Trelleborg Industrial Solutions¹

- Organic sales: -1%; structural growth: +6%
- Lower sales to general industry and automotive stable
- Organic sales negative in Western Europe and North America, positive in other markets
- EBIT and margin slightly lower on weaker sales and mix
- Acquisition of Signum finalized

SEK M	Q3 2019	Q3 2018	Change, %
Net sales	2 019	1 870	8
Organic, %	-1	9	
Structural, %	6	-	
Exchange rate, %	3	7	
EBIT	170	174	-2
EBIT, %	8.4	9.3	-0.9 p.p.

Strong growth and first profit in a long while

Trelleborg Offshore & Construction¹

- Organic sales: 27%
- Good organic sales growth in both oil/gas and infrastructure segments
- Order intake continues to improve
- Increased sales improved EBIT and margin
- Recovery will continue in Q4
- Small but interesting technology acquisition

SEK M	Q3 2019	Q3 2018	Change, %
Net sales	739	558	32
Organic, %	27	-19	
Structural, %	1	-	
Exchange rate, %	4	5	
EBIT	18	-45	140
EBIT, %	2.5	-8.0	10.5 p.p.

Execution in tougher markets

Trelleborg Sealing Solutions¹

- Organic sales: -2%; structural growth: +5%
- Slightly softer organic sales trend in all geographic regions
- General industry and Automotive weaker, Aerospace strong
- EBIT increased due to acquisitions and currency
- Margin declined mainly due to lower organic sales and an unfavorable sales mix

SEK M	Q3 2019	Q3 2018	Change, %
Net sales	2 982	2 787	7
Organic, %	-2	8	
Structural, %	5	1	
Exchange rate, %	4	8	
EBIT	668	647	3
EBIT, %	22.3	23.2	-0.9 p.p.

Market headwinds and inventory adjustment

Trelleborg Wheel Systems¹

- Organic sales: -6%; structural growth: +1%
- Declining organic sales in both agri and material handling & construction
- EBIT and margin declined due to market headwinds, inventory adjustment and volume transfers between plants
- Lower rate of production and transfers will impact Q4 earnings

SEK M	Q3 2019	Q3 2018	Change, %
Net sales	2 223	2 280	-3
Organic, %	-6	3	
Structural, %	1	3	
Exchange rate, %	3	8	
EBIT	145	268	-46
EBIT, %	6.5	11.8	-5.3 p.p.



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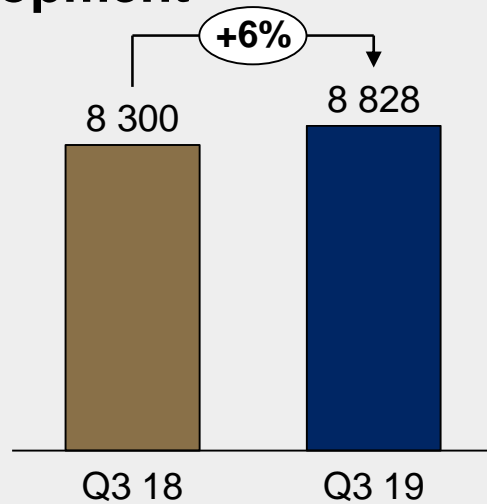
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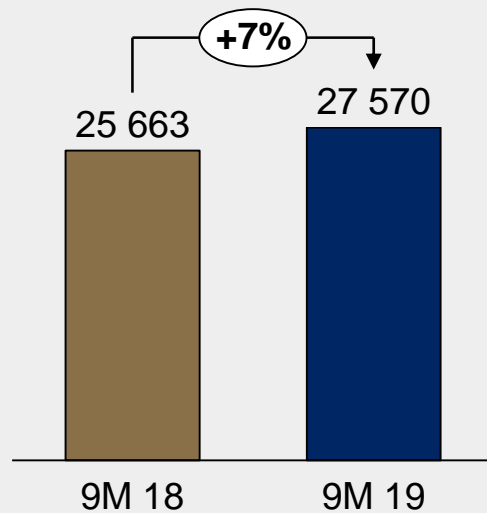
Sales growth despite slight organic sales drop

Sales development



July - September [%]

Organic	-1
Structural	3
Currency	4
Total	6

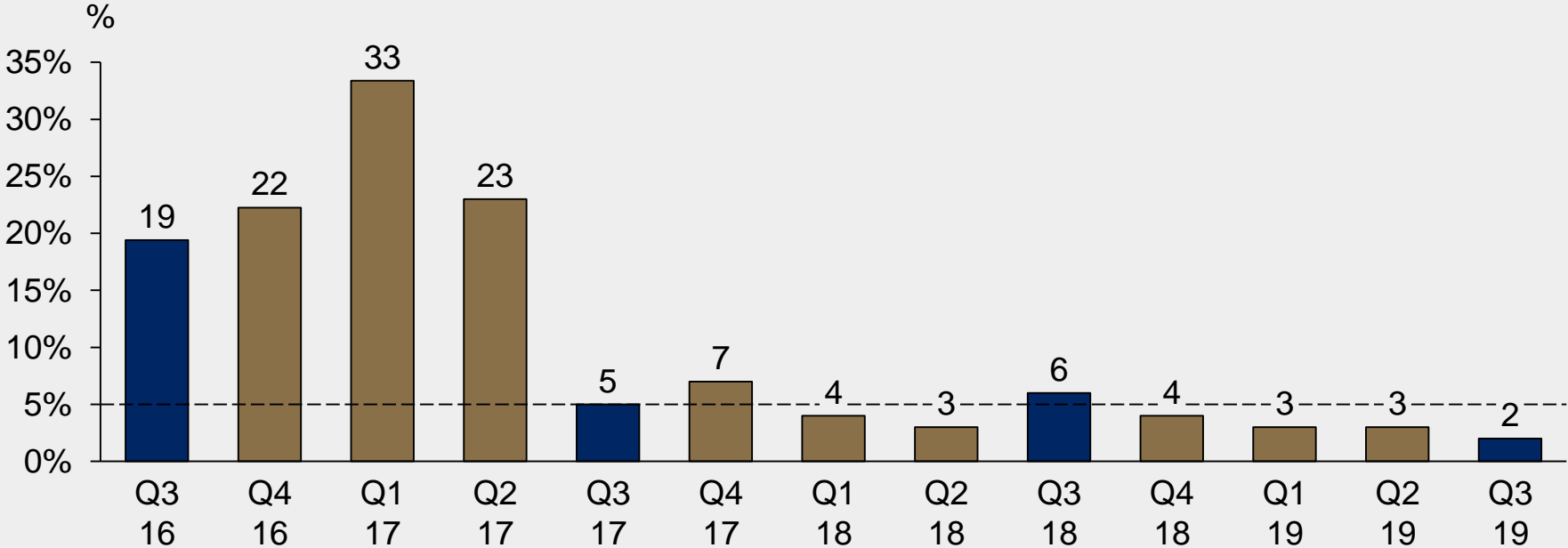


January - September [%]

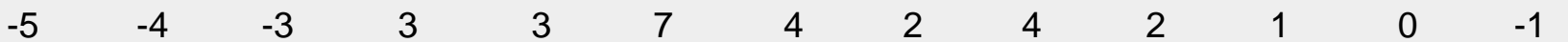
Organic	0
Structural	3
Currency	4
Total	7

14 quarters of positive sales development¹

Target: 5-8% annual sales growth over a business cycle



Of which organic growth, %:



¹Structural growth + organic growth **excluding** currency effects

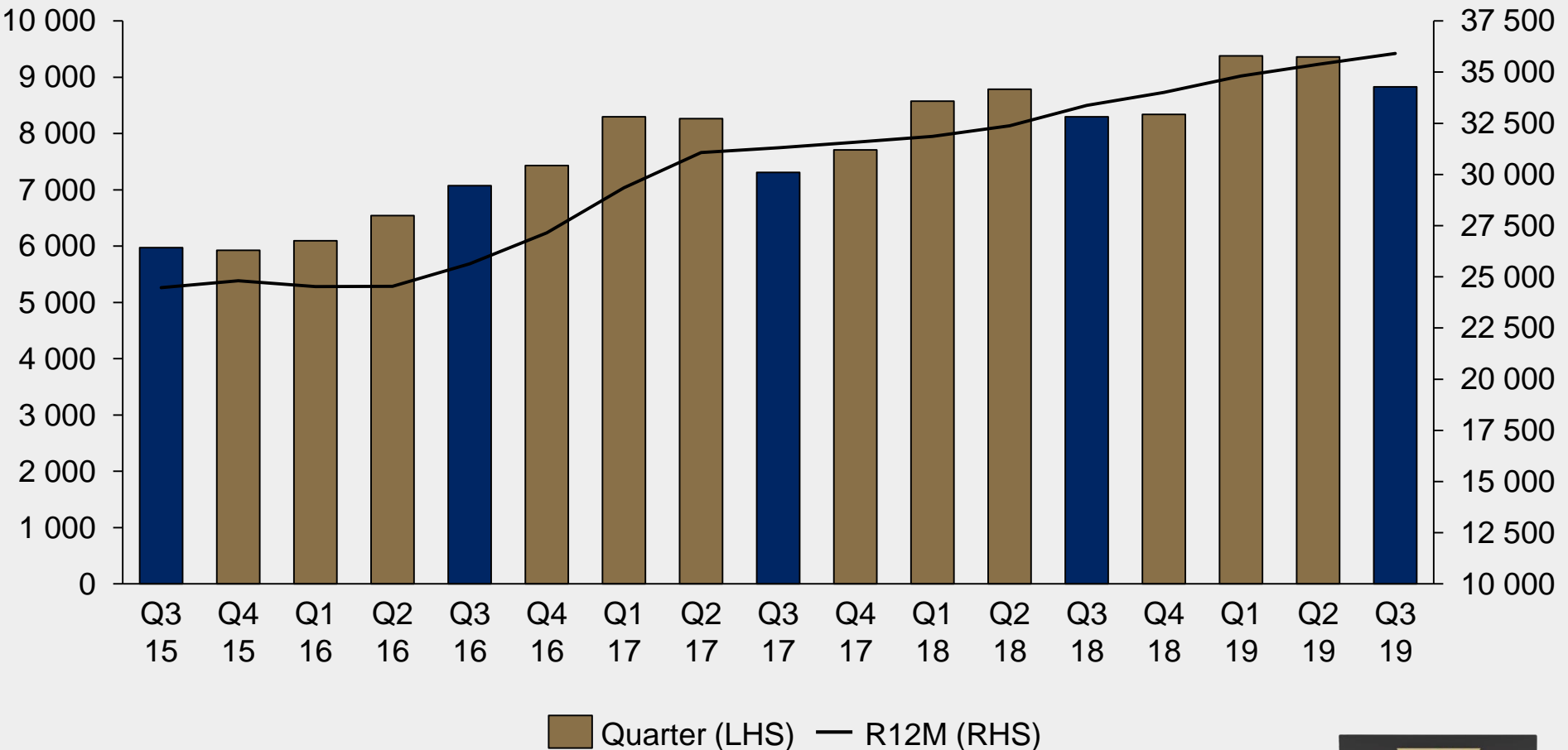


Highest third quarter sales to date

Sales development, R12M

SEK M

SEK M

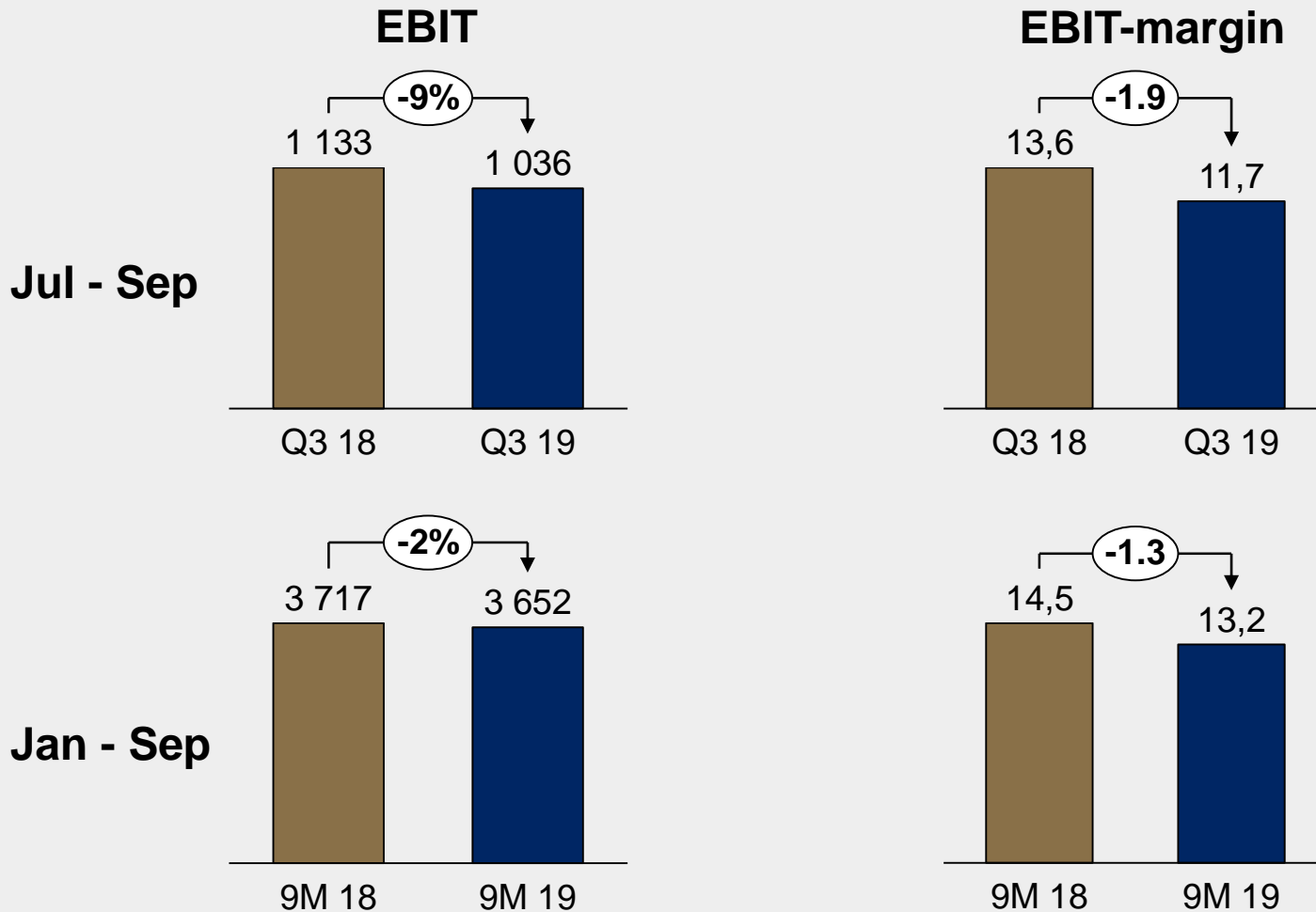


■ Quarter (LHS) — R12M (RHS)



EBIT drop largely due to weak Wheel Systems

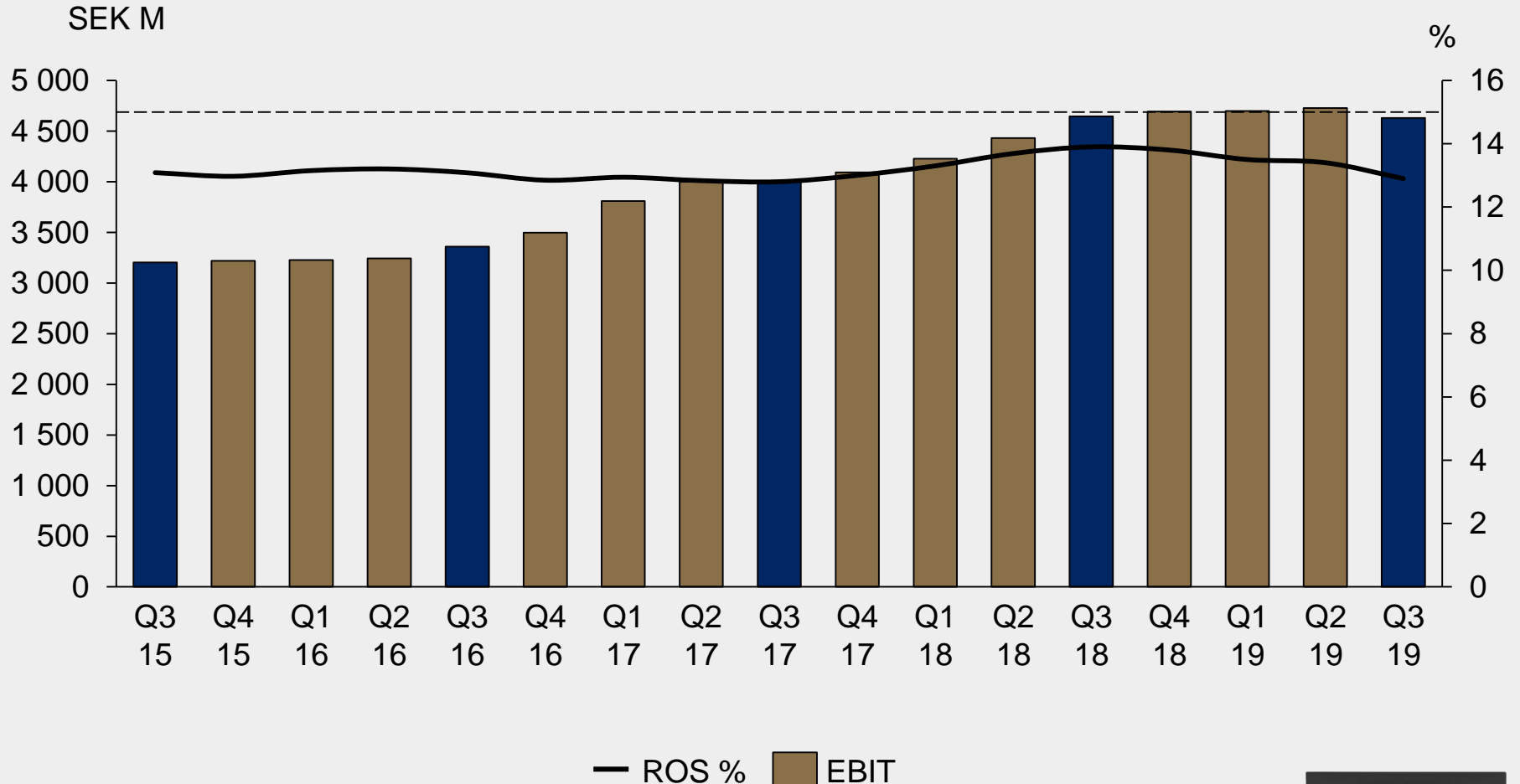
EBIT development¹



¹Excluding items affecting comparability

First EBIT drop after 25 quarters of improvements

EBIT and margin, R12M¹



¹Excluding items affecting comparability

Total Group

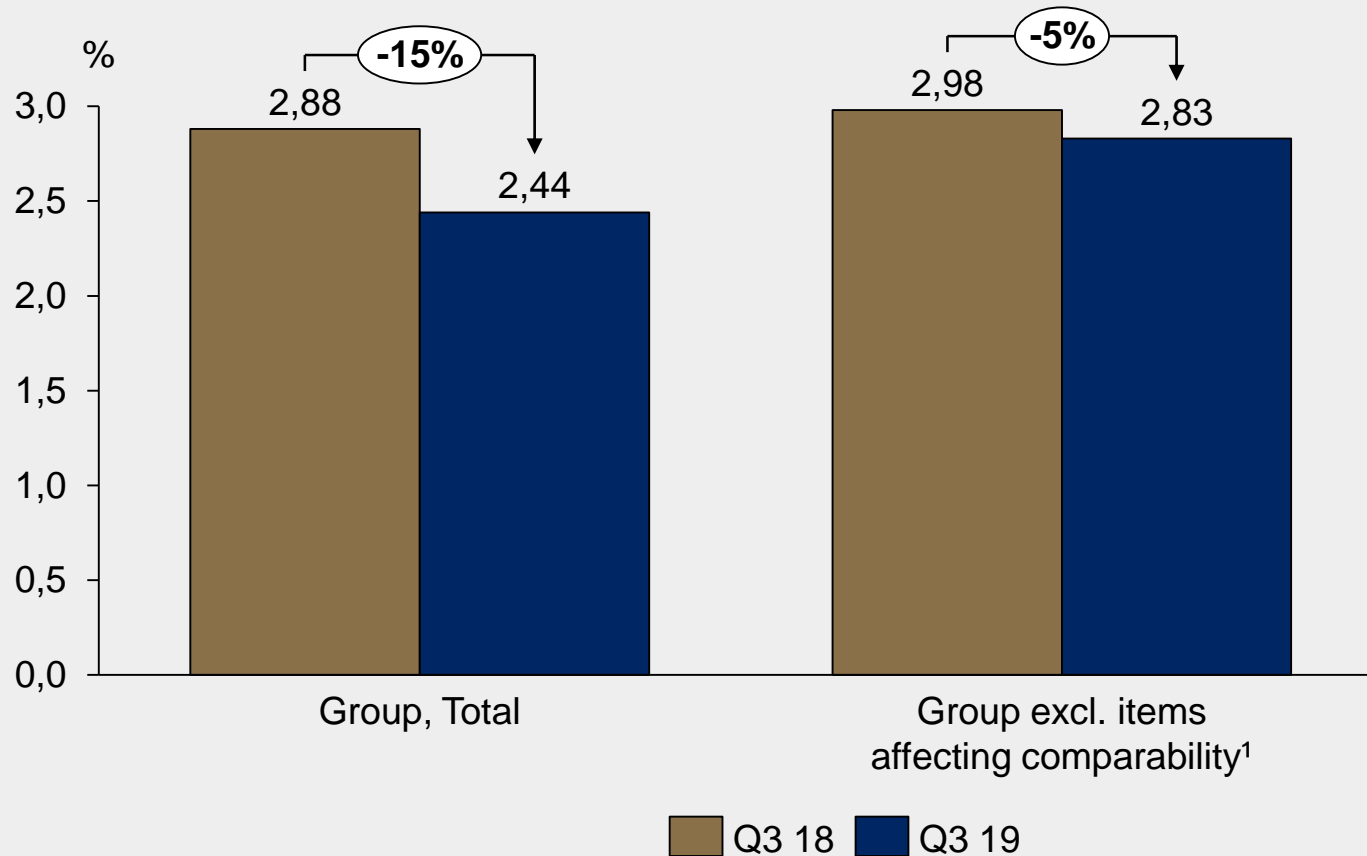
Profit & loss statement

SEK M	Q3 2019	Q3 2018	Change, %	9M 2019	9M 2018	Change, %
EBIT, excl. items affecting comparability	1 036	1 133	-9	3 652	3 717	-2
EBIT margin, %	11.7	13.6	-1.9 p.p.	13,2	14,5	-1.3 p.p.
Items affecting comparability	-127	-28		-265	-78	
EBIT	909	1 105	-18	3 387	3 639	-7
Financial income and expenses	-59	-72	18	-290	-204	-42
Profit before tax	850	1 033	-18	3 097	3 435	-10
Taxes	-188	-251	25	-777	-846	8
Net profit, Group	662	782	-15	2 320	2 589	-10

Group financial highlight

Decline in underlying earnings per share

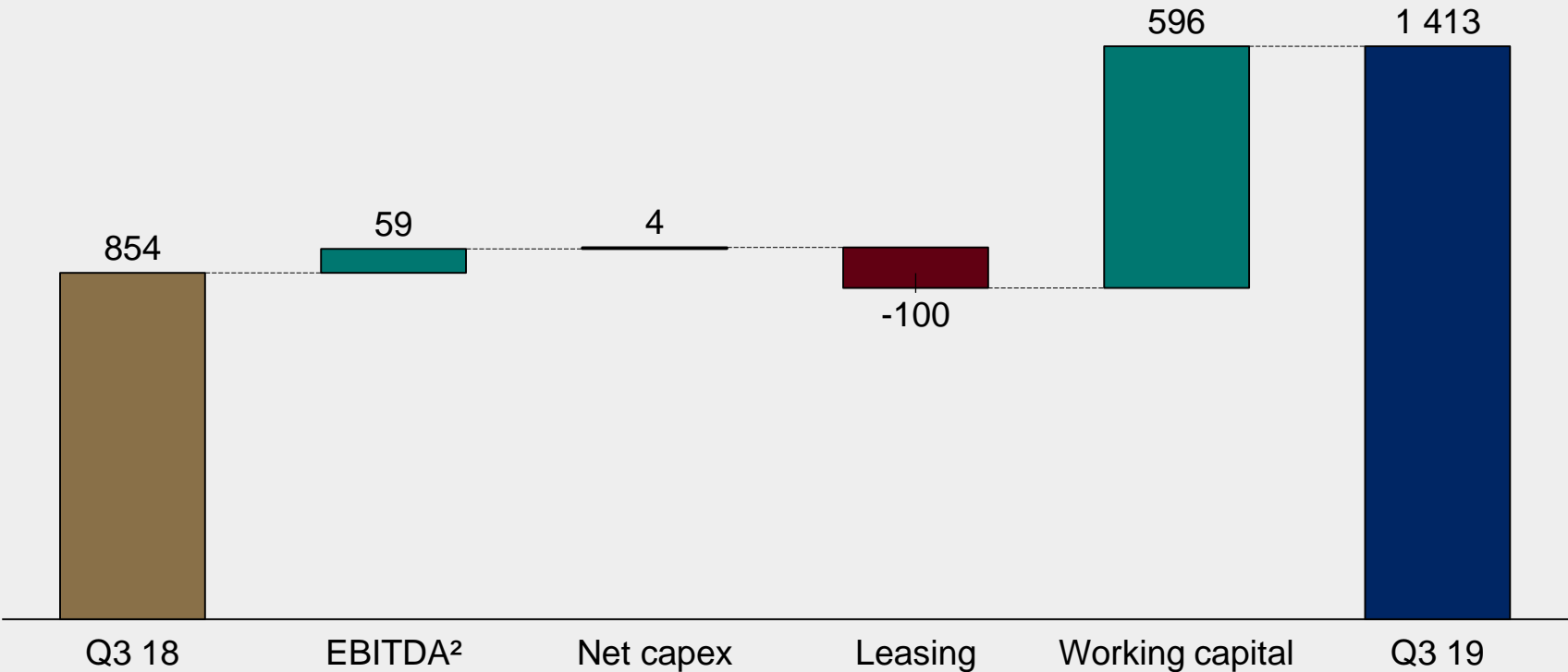
Earnings per share



¹No dilution effects arose.

Cash flow much improved due to WC

Operating cash flow¹

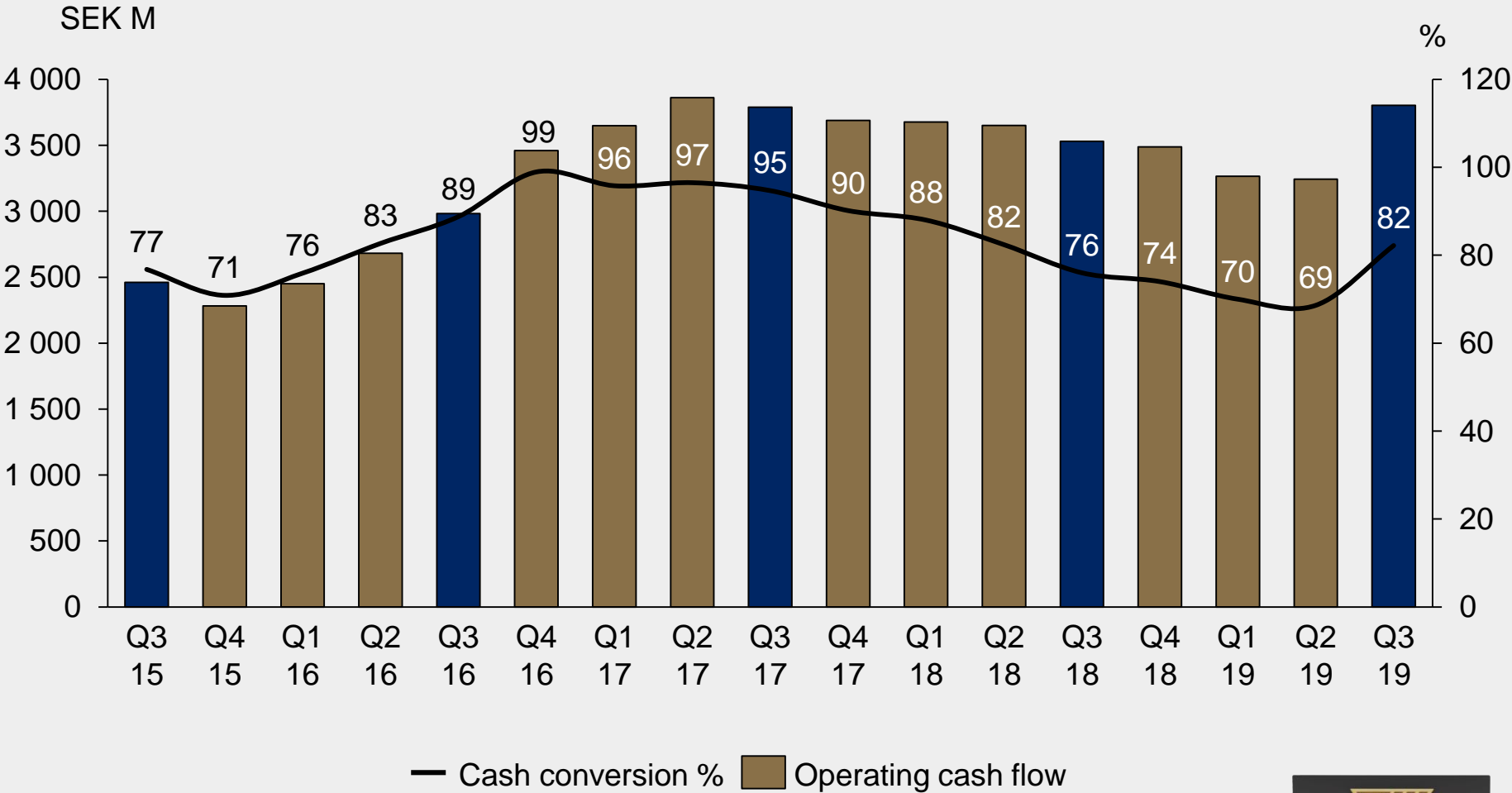


¹Excluding items affecting comparability
²Including other non cash flow affecting items



Cash conversion improvement

Operating cash flow, R12M¹

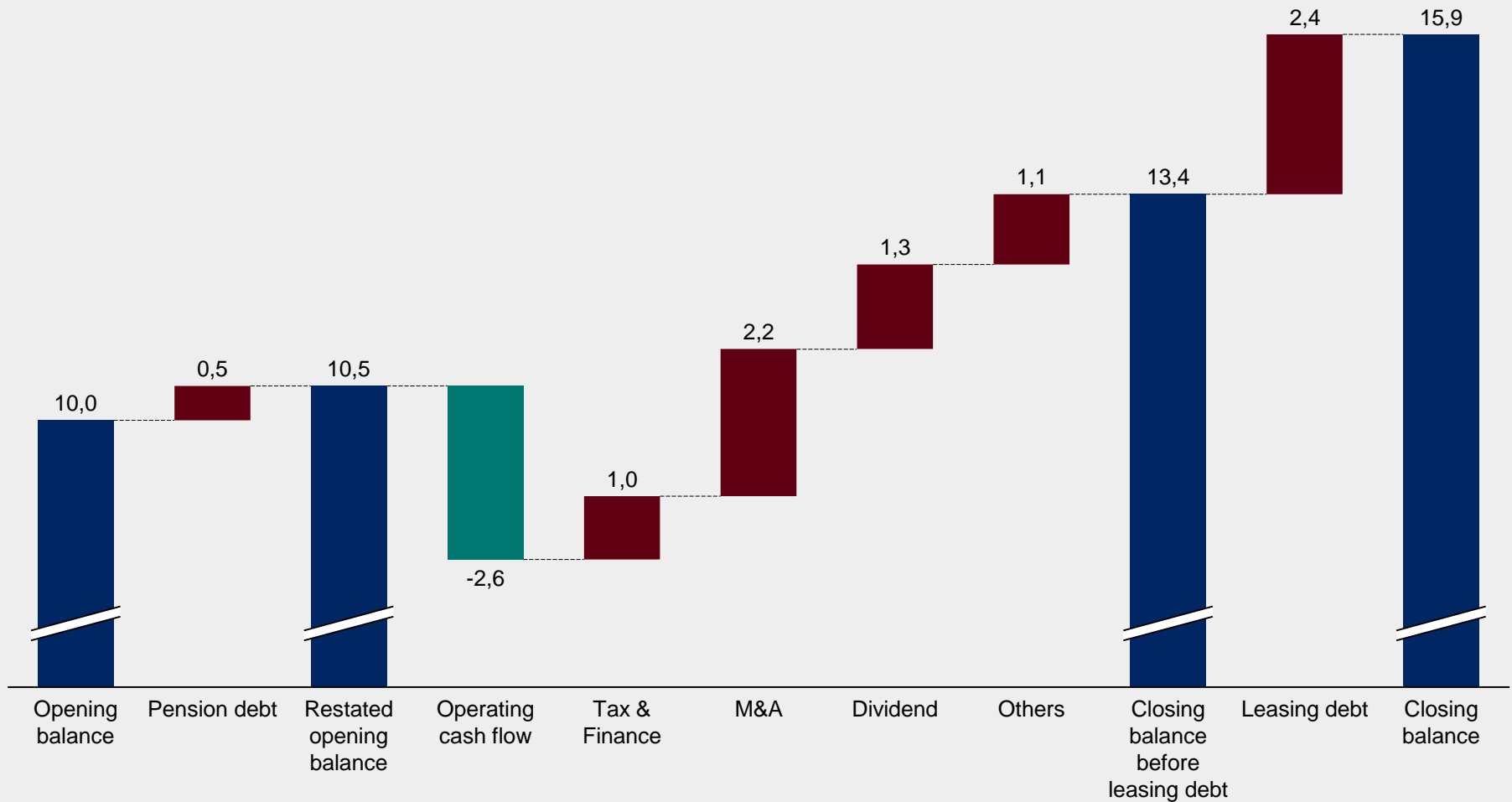


¹Excluding items affecting comparability



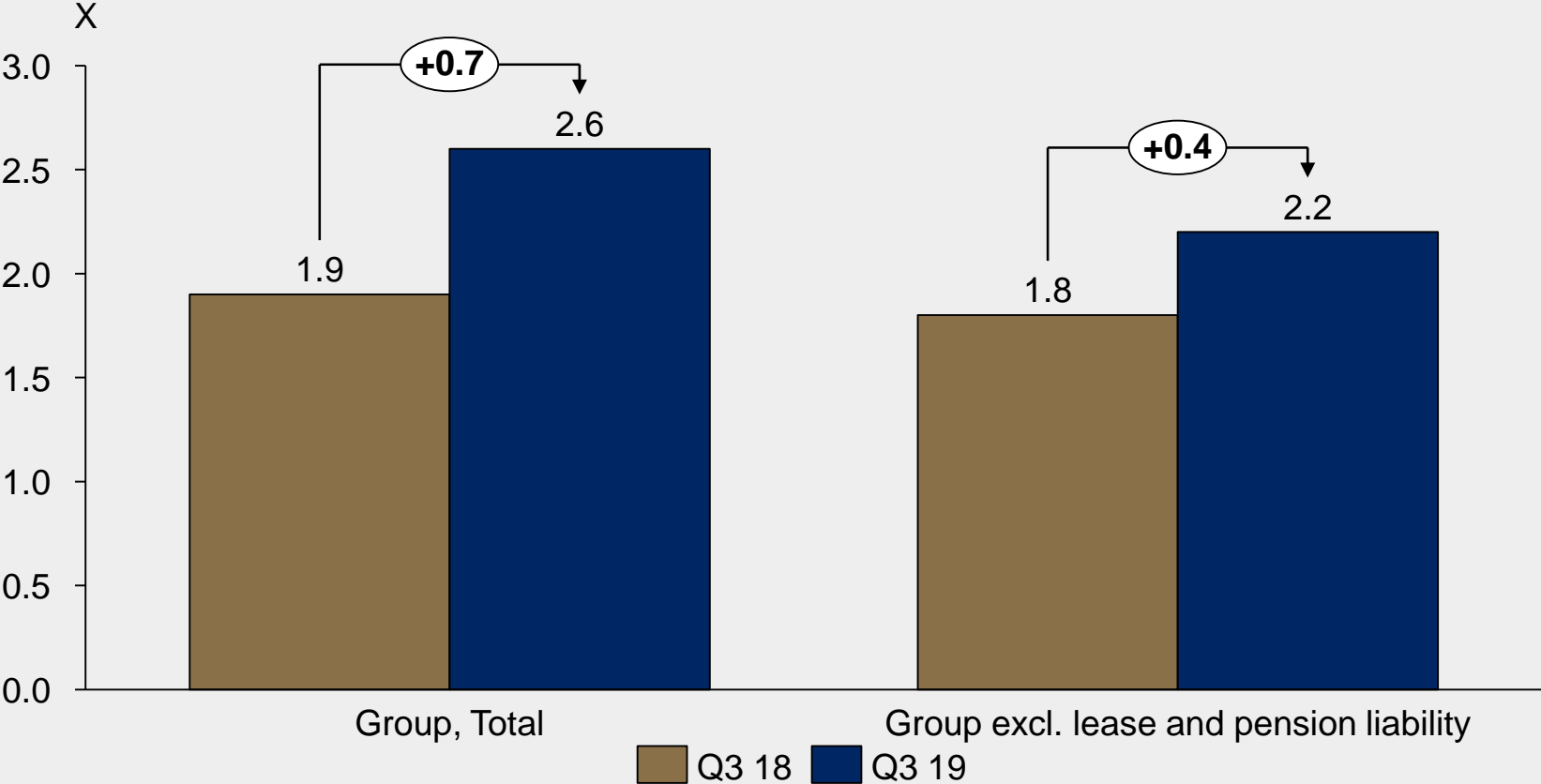
IFRS 16 impact on net debt

Net debt bridge 9M 2019 (SEK B)



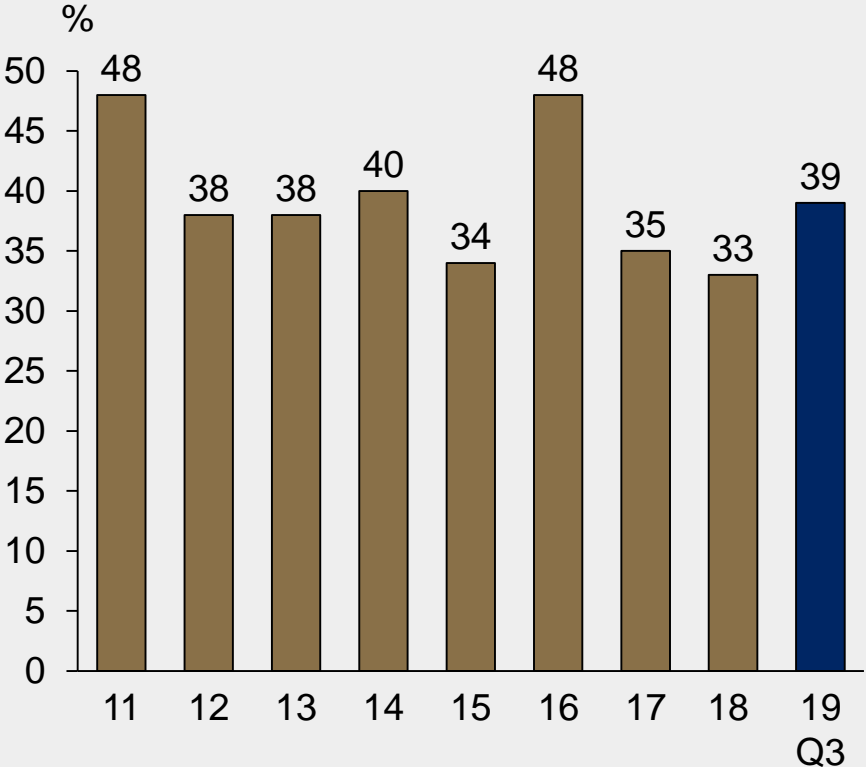
Leverage impacted by net debt (IFRS 16)

Net debt / EBITDA, R12M

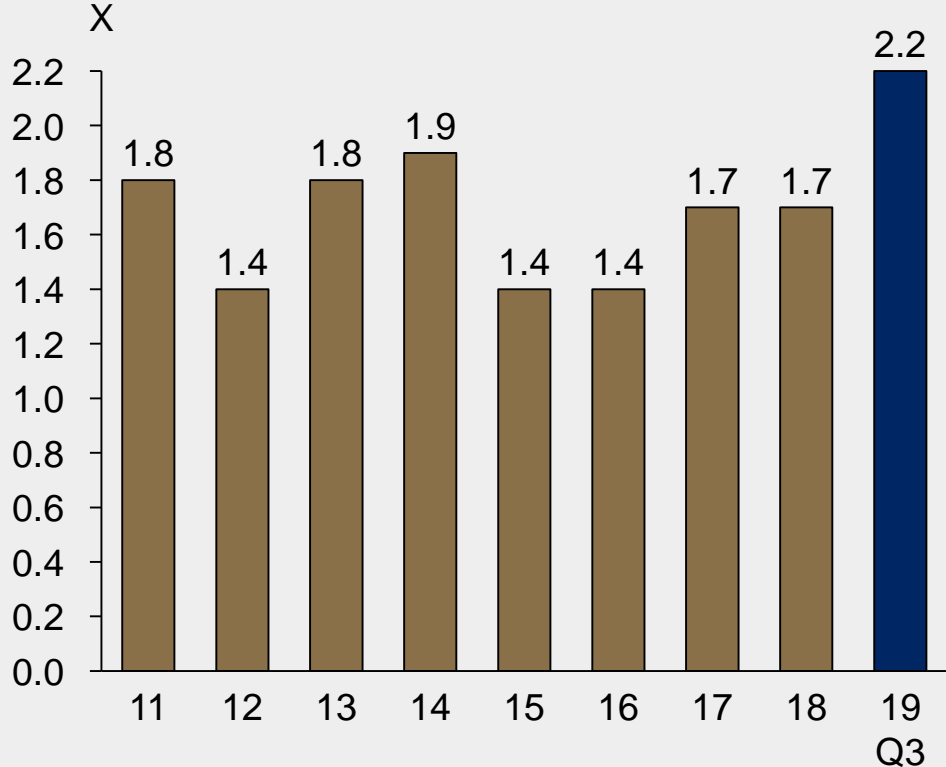


Gearing and leverage development

R12M, total Group, excluding lease and pension liability



Net debt / Equity

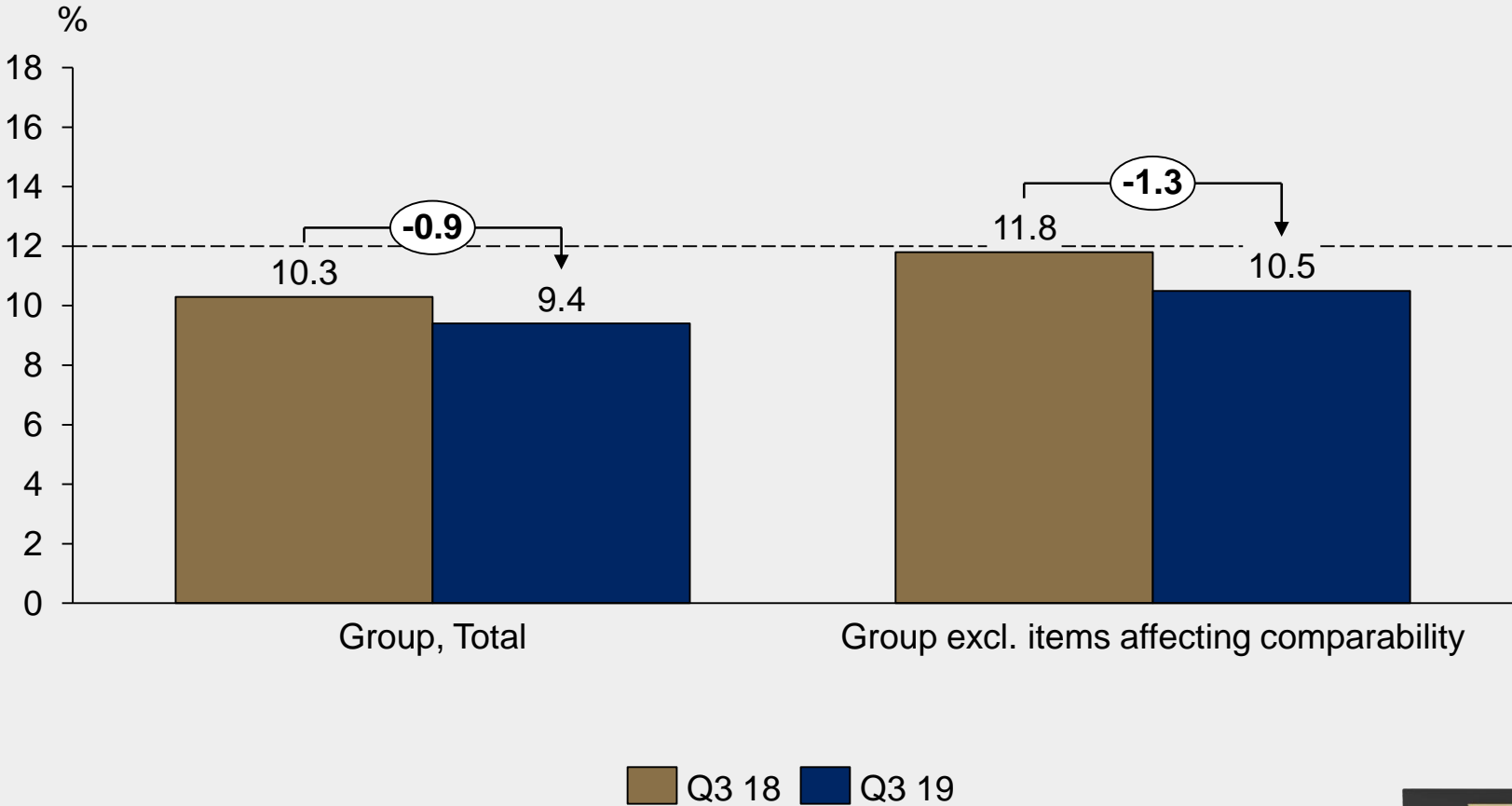


Net debt / EBITDA



Slight underlying ROE decline

Return on equity, R12M





Financial guidelines for full-year 2019

- Capex: SEK ~1.8 - 2 Bn
- Restructuring costs: SEK ~500 M
- Underlying tax rate: ~26%



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Continued focus on growth and excellence

2019 priorities

- Manage market conditions
- Continued portfolio management to improve leading positions
- Continued focus on operational excellence, efficiency measures and footprint optimization
- Continued focus on innovation, improved customer integration and smart use of new technology
- Integration of acquisitions

Outlook Q4 2019

- Demand is expected to be on a par with the third quarter of 2019, adjusted for seasonal variations



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Questions & Answers

