



Trelleborg interim report

Q2 April- June 2020

Peter Nilsson, President & CEO
Ulf Berghult, CFO



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Satisfactory quarter under the circumstances

Q2 2020 financial summary

- Sales at SEK 7 689 M, a decrease of 18 percent
- Organic sales decreased by 19 percent
- EBIT¹ at SEK 942 M, corresponding to a margin of 12.3 percent
- Items affecting comparability at SEK -105 M related to restructuring
- Operating cash flow at SEK 1 440 M
- Cash conversion at 120 percent
- Further initiatives address production and sales structures to enhance the efficiency in a post Covid-19 environment
- Post Q2: Announcement of new CFO Fredrik Nilsson

Expanded initiatives to address Covid-19

Targets the long-term efficiency of the organization

- Expanded restructuring to address Covid-19 effects
- FY 2020 restructuring costs at SEK 700 M - previously SEK 300 M
- Savings amount to approx. SEK 700 M on a FY basis, with full impact as of 2022
- The restructuring costs are distributed by 1/3 each between Trelleborg Industrial Solutions and Trelleborg Sealing Solutions
- The remaining amount is distributed equally between Trelleborg Wheel Systems and Businesses Under Development
- Restructuring costs from 2021 will normalize at SEK 200–300 M, based on the historical acquisition rate

Organic sales development by geography

Organic sales core business¹

Core business Total	
Apr-Jun 20	Apr-Jun 19
-20%	0%

North America		
Share	Apr-Jun 20	Apr-Jun 19
24%	-24%	4%

Western Europe		
Share	Apr-Jun 20	Apr-Jun 19
47%	-22%	-2%

Other Europe		
Share	Apr-Jun 20	Apr-Jun 19
9%	-13%	-3%

South and Other America		
Share	Apr-Jun 20	Apr-Jun 19
4%	-27%	9%

Asia & Other markets		
Share	Apr-Jun 20	Apr-Jun 19
16%	-8%	2%

Share = Actual 2019²

¹ Excluding business under development
² Share represents sales including business under development





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Temporary production shutdowns

Trelleborg Industrial Solutions¹

- Organic sales: -20%; structural growth: 4%
- Negative impact from Covid-19 in most regions
- Organic sales negative in all regions, albeit more limited drop in Asia
- Temporary production shutdowns
- EBIT and margin impacted by lower demand and unfavorable sales mix
- A large number of measures implemented to limit Covid-19 impact

SEK M	Q2 2020	Q2 2019	Change, %
Net sales	2 309	2 740	-16
Organic, %	-20	7	
Structural, %	4	3	
Exchange rate, %	0	3	
EBIT	202	327	-38
EBIT, %	8.7	11.9	-3.2 p.p.

Very challenging market conditions

Trelleborg Sealing Solutions¹

- Organic sales: -22%; structural growth: +2%
- Downward organic trend in all regions - more limited drop in Asia
- General industry, Automotive and Aerospace weaker in most regions
- Temporary customer shutdowns
- EBIT and margin declined due to lower deliveries
- A large number of measures implemented to limit Covid-19 impact

SEK M	Q2 2020	Q2 2019	Change, %
Net sales	2 498	3 090	-19
Organic, %	-22	0	
Structural, %	2	4	
Exchange rate, %	1	5	
EBIT	465	711	-35
EBIT, %	18.6	23.0	-4.4 p.p.

Tough markets and temporary shutdowns

Trelleborg Wheel Systems¹

- Organic sales: -18%; structural growth: 0%
- Declining organic sales in both agri and material handling & construction
- Agri aftermarket records slight growth
- Shutdowns at major OE customers during several weeks
- EBIT declined on lower volumes, margin stable due to positive sales mix
- A large number of measures implemented to limit Covid-19 impact

SEK M	Q2 2020	Q2 2019	Change, %
Net sales	2 046	2 536	-19
Organic, %	-18	-5	
Structural, %	0	2	
Exchange rate, %	-1	3	
EBIT	256	319	-20
EBIT, %	12.5	12.6	-0.1 p.p.

¹Excl. items affecting comparability

Improved profitability due to offshore oil & gas

Businesses Under Development¹

- Organic sales: -10%; structural growth: -6%
- Strong sales and EBIT performance in offshore oil & gas
- Lower deliveries of printing blankets and technical rubber
- Divestiture of Baltic moulded component business
- A large number of measures implemented to limit Covid-19 impact

SEK M	Q2 2020	Q2 2019	Change, %
Net sales	888	1 086	-18
Organic, %	-10	-2	
Structural, %	-6	0	
Exchange rate, %	-2	3	
EBIT	53	11	382
EBIT, %	6.0	1.1	4.9 p.p.



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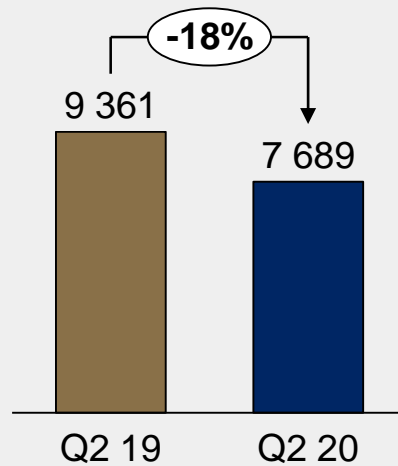
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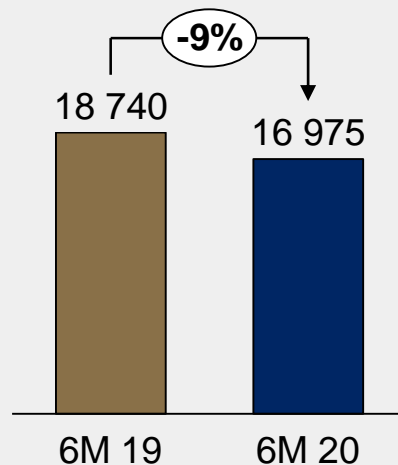
Sharp sales decline due to Covid-19

Sales development



April - June [%]

Organic	-19
Structural	1
Currency	0
Total	-18

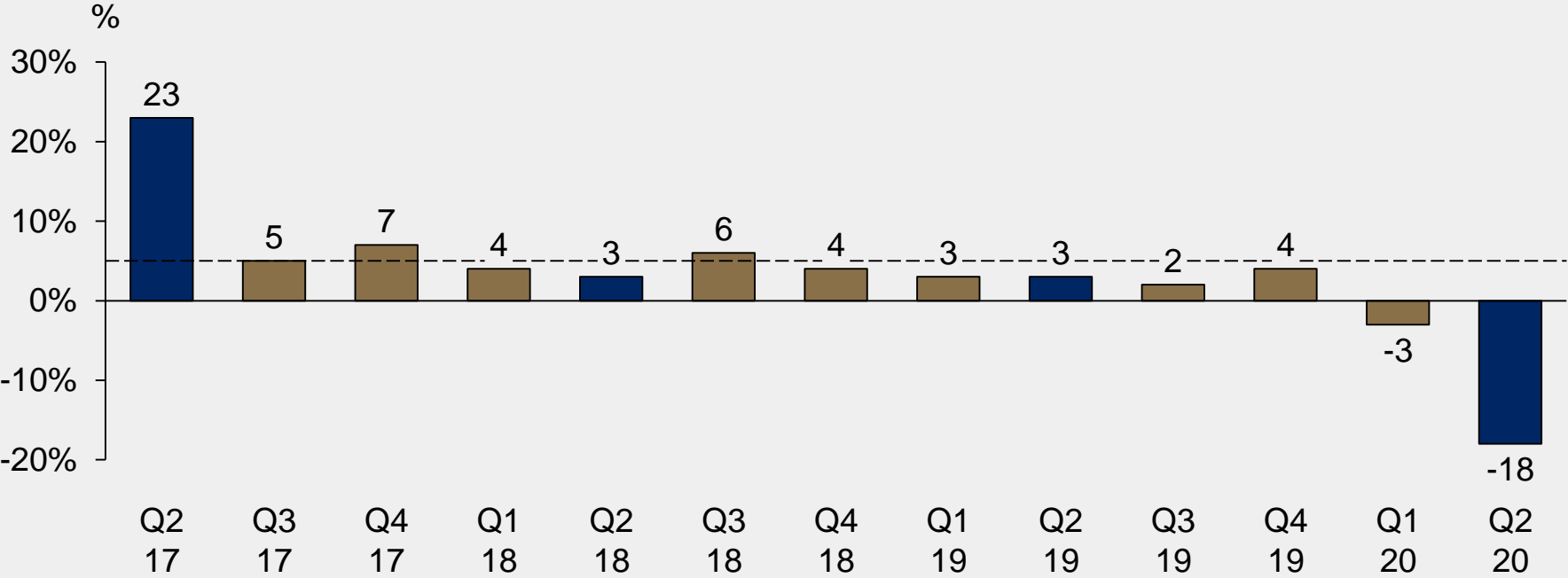


January - June [%]

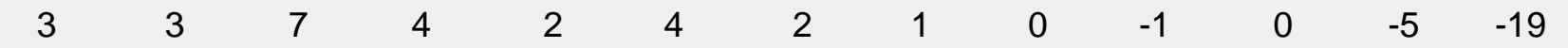
Organic	-12
Structural	1
Currency	2
Total	-9

Covid-19 broke a long positive sales trend¹

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



Of which organic growth, %:

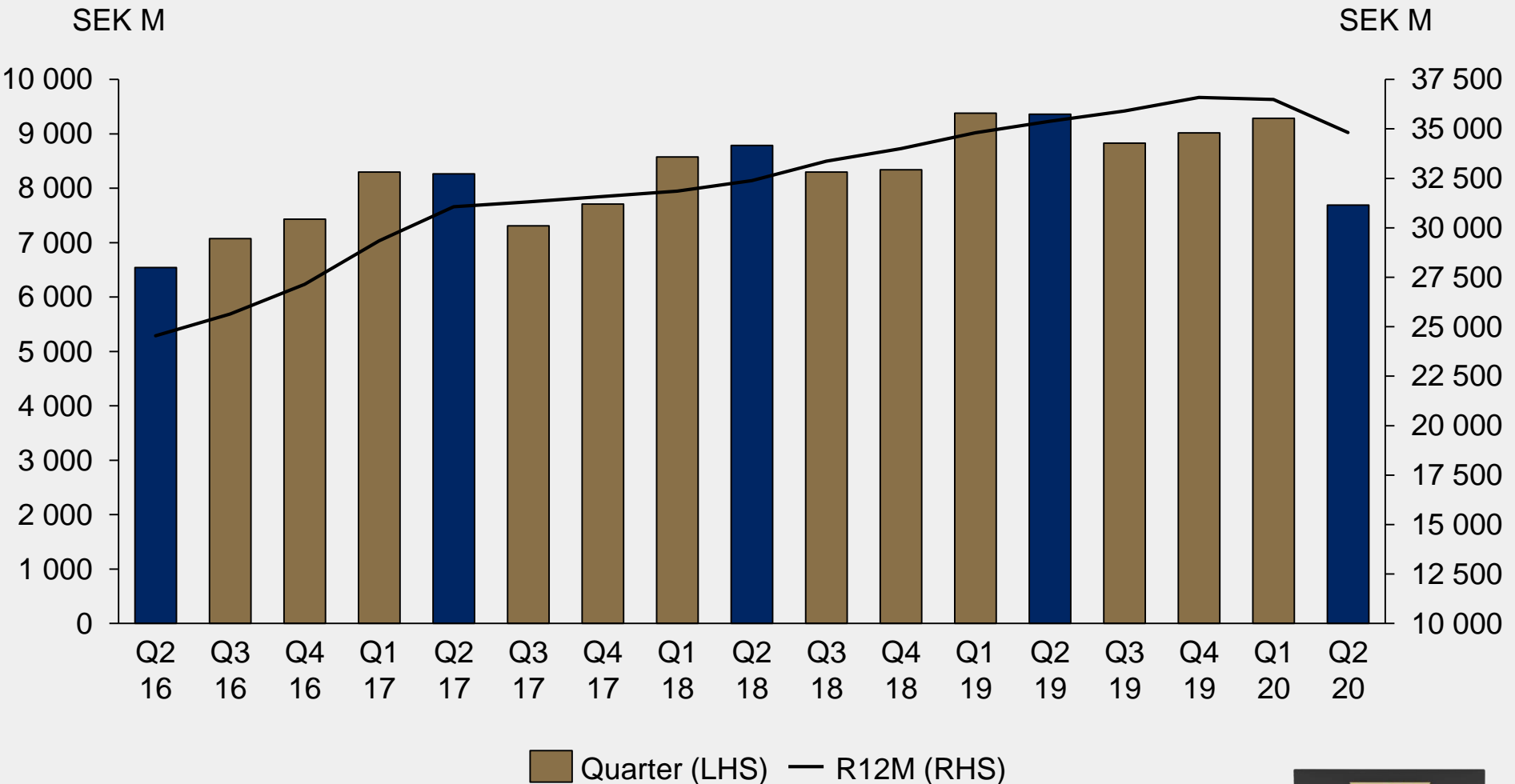


¹Structural growth + organic growth **excluding** currency effects



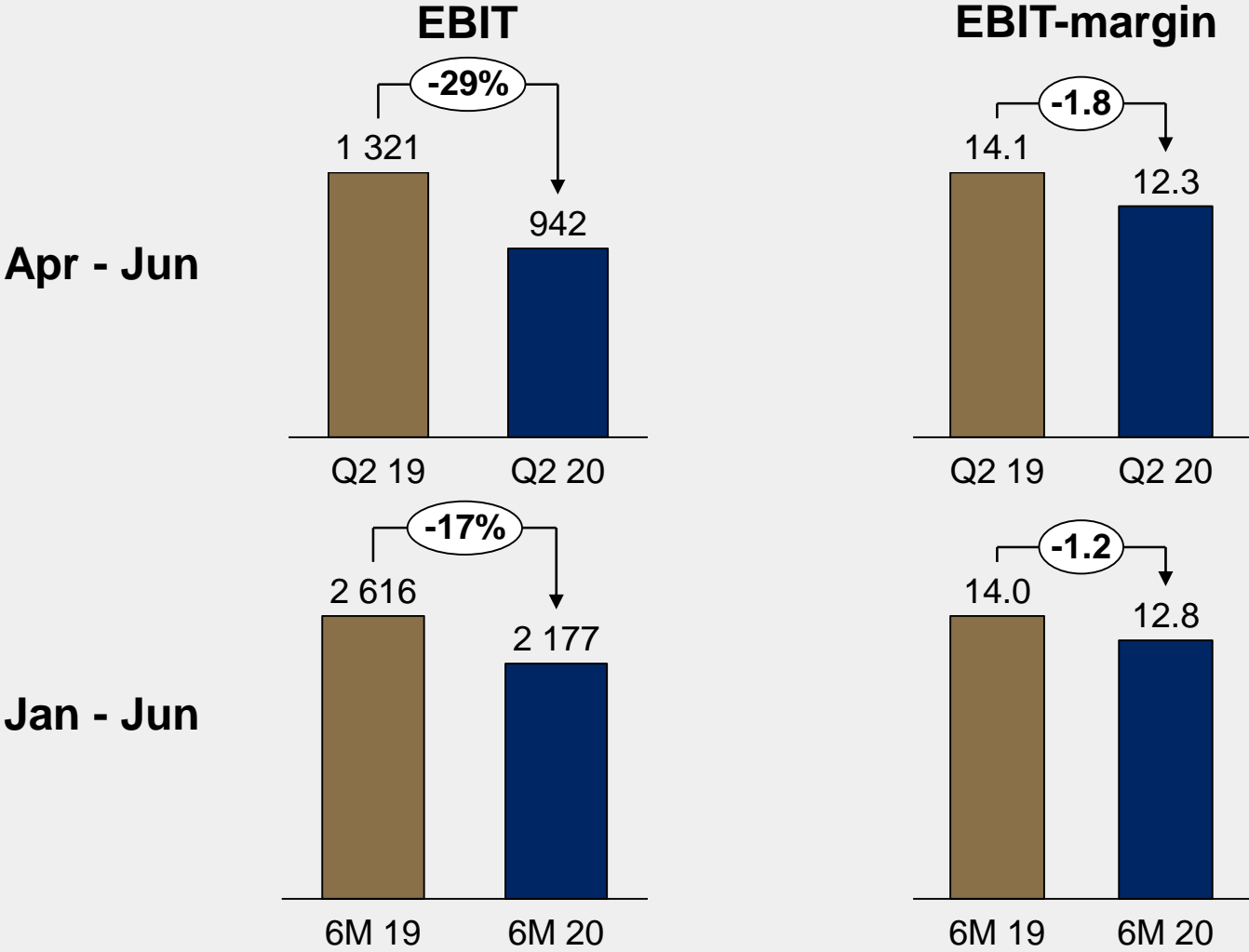
R12M sales development

Sales development, R12M



Sharp EBIT decline but margin held up well

EBIT and margin development¹

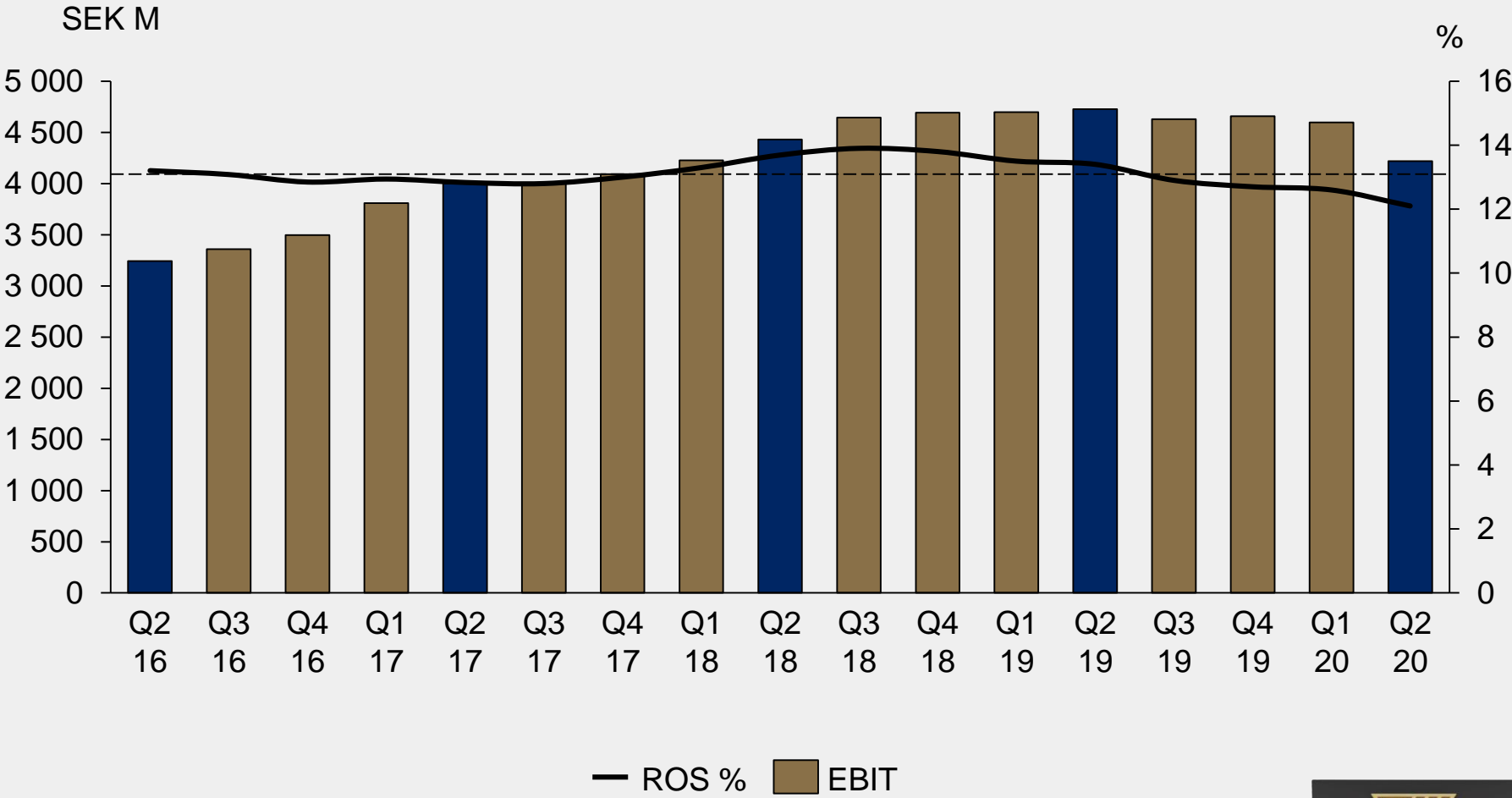


¹Excluding items affecting comparability



Covid-19 impacting demand and EBIT

EBIT and margin, R12M¹



— ROS % ■ EBIT

¹Excluding items affecting comparability



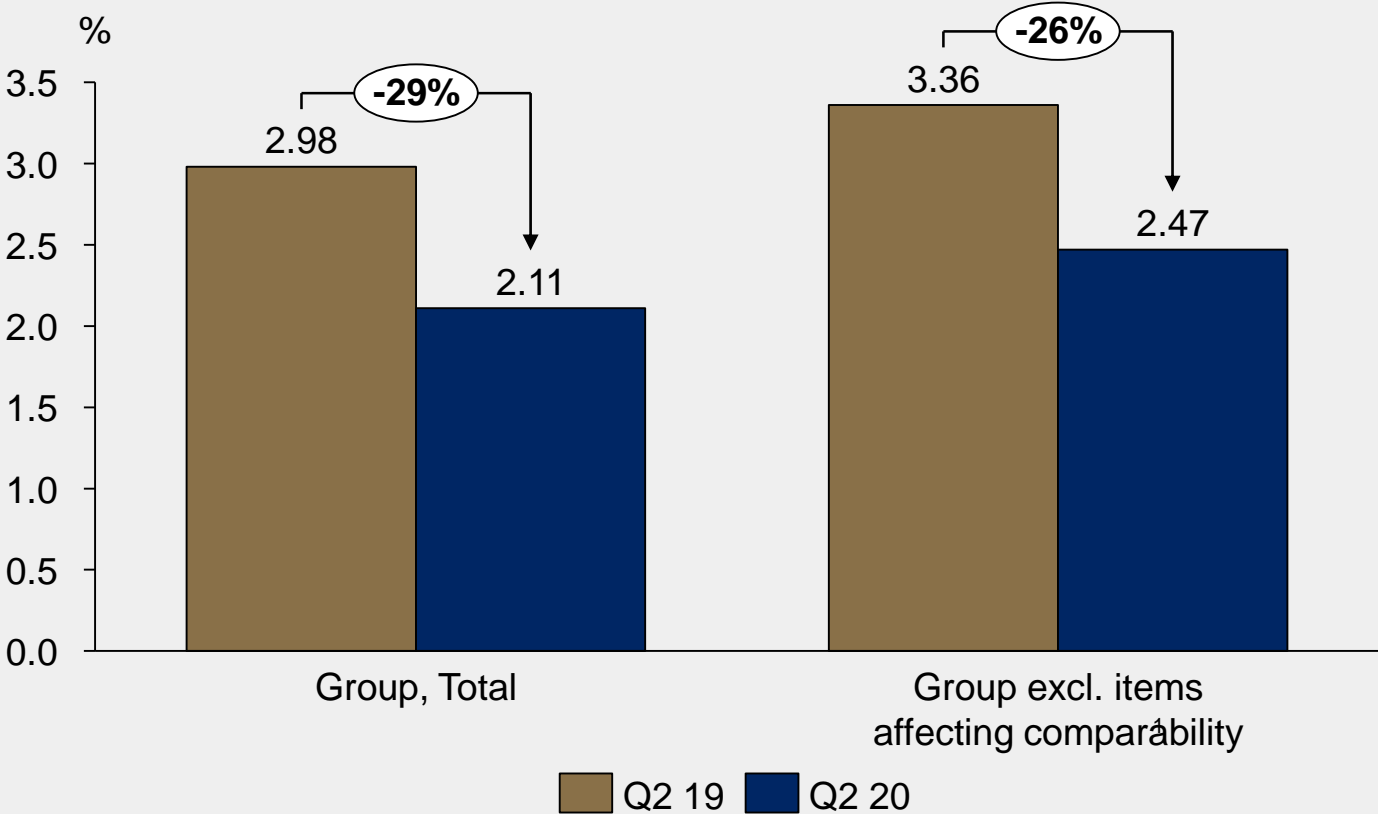
Total Group

Profit & loss statement

SEK M	Q2 2020	Q2 2019	Change, %	6M 2020	6M 2019	Change, %
EBIT, excl. items affecting comparability	942	1 321	-29	2 177	2 616	-17
EBIT margin, %	12.3	14.1	-1.8 p.p.	12.8	14.0	-1.2 p.p.
Items affecting comparability	-105	-118		-151	-138	
EBIT	837	1 203	-30	2 026	2 478	-18
Financial income and expenses	-84	-111	24	-145	-231	37
Profit before tax	753	1 092	-31	1 881	2 247	-16
Taxes	-181	-286	37	-482	-589	18
Net profit, Group	572	806	-29	1 399	1 658	-16

Sharp EPS decline due to Covid-19

Earnings per share



¹No dilution effects arose.



Solid working capital management

Operating cash flow¹

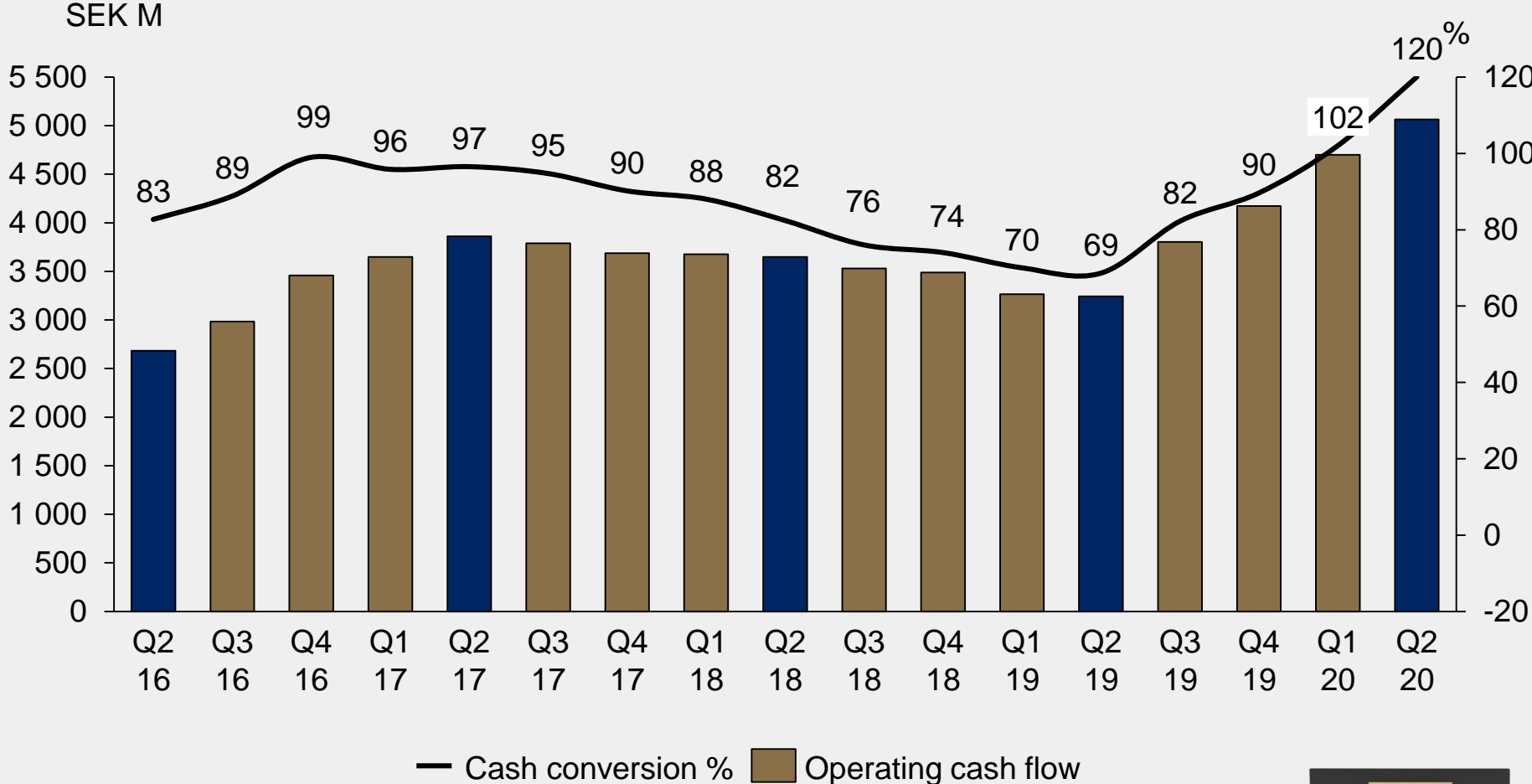


¹Excluding items affecting comparability



Strong cash generation and conversion

Operating cash flow, R12M¹

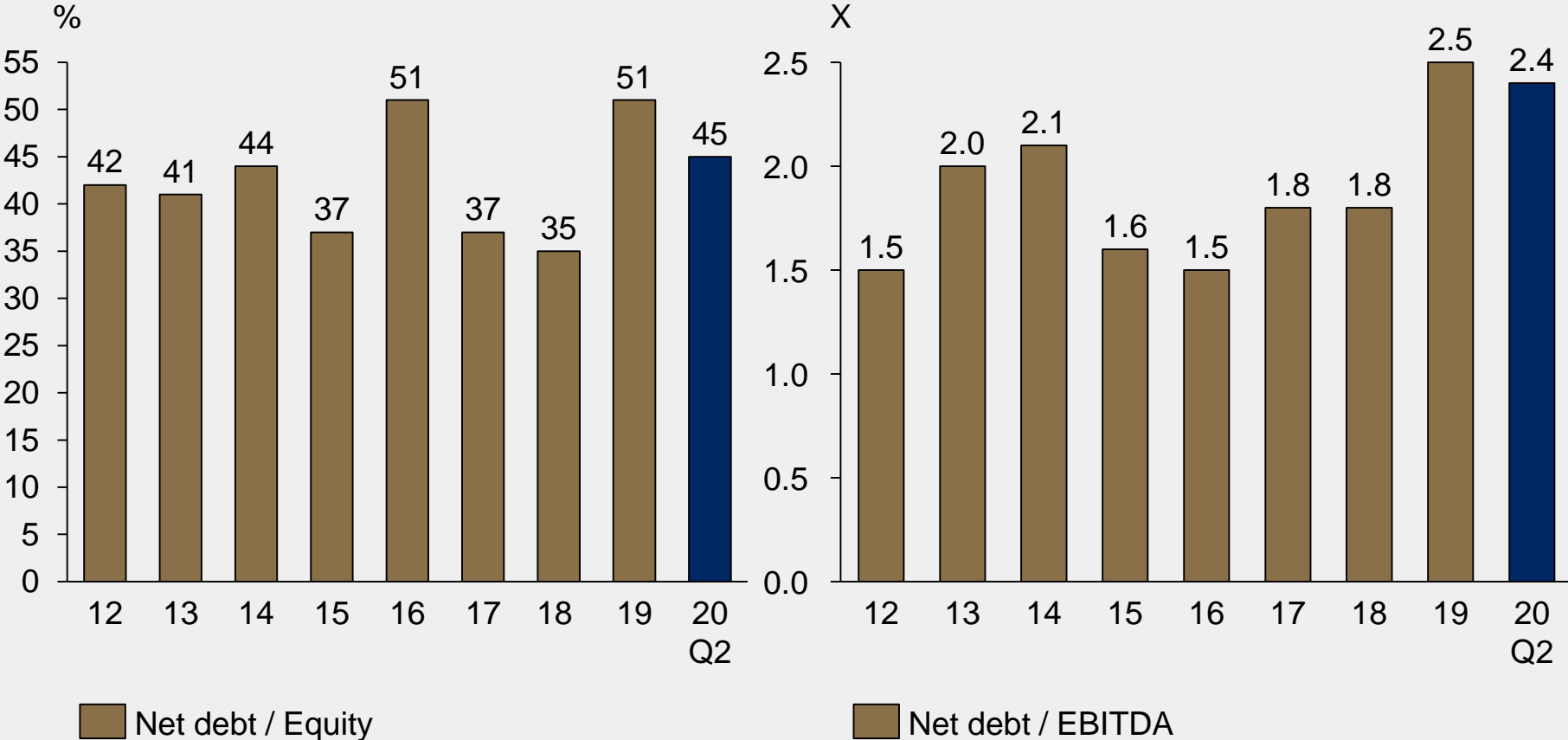


¹Excluding items affecting comparability



Gearing and leverage development¹

R12M, total Group

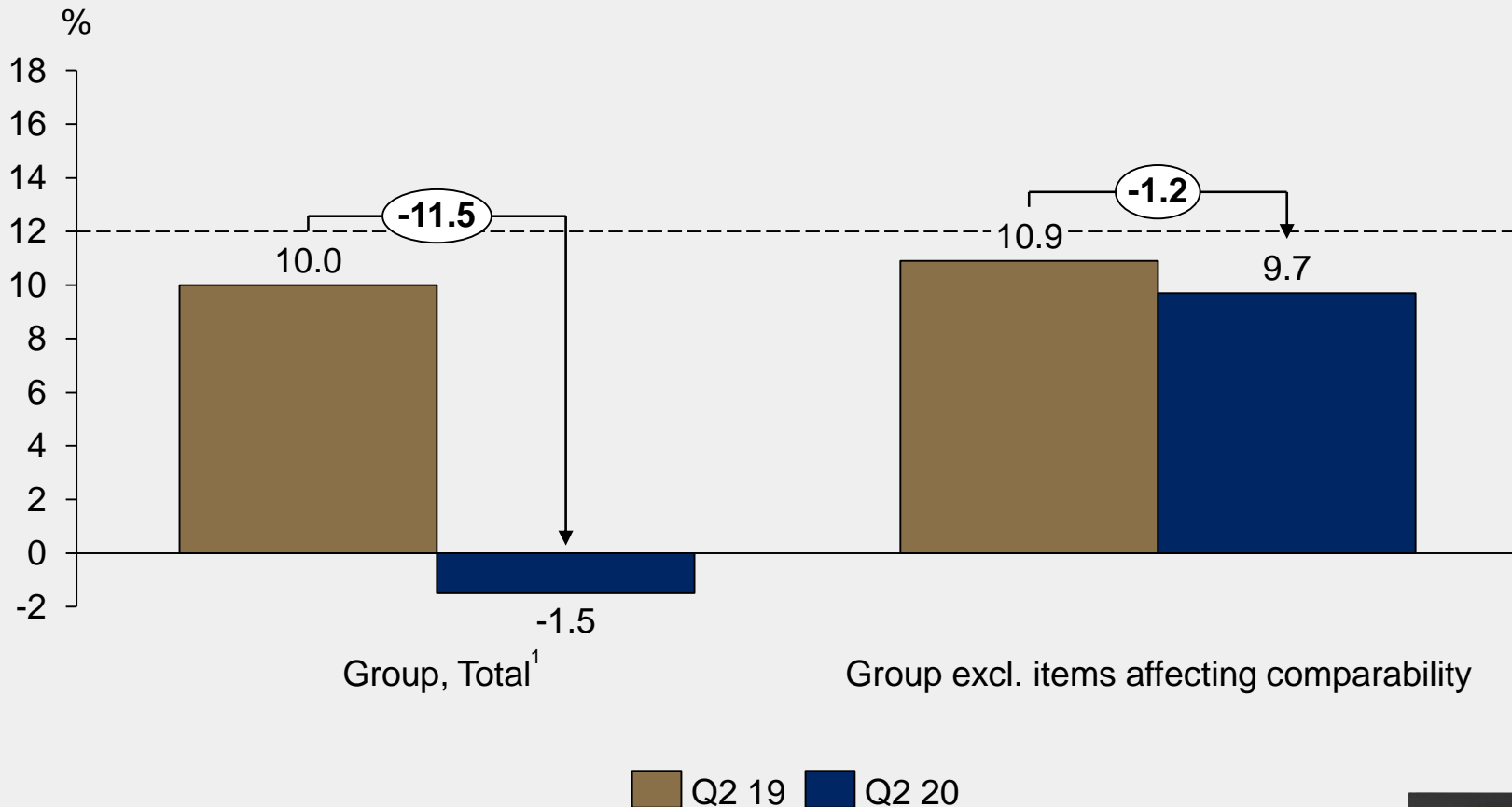


¹From 2019 and forward gearing and leverage is impacted by lease liability for IFRS 16



Limited underlying ROE decline

Return on equity, R12M





Financial guidelines for full-year 2020

- Capex: SEK ~1.2 Bn
- Restructuring costs: SEK ~700 M
- Underlying tax rate: ~25%
- Amortization of intangible assets ~400 M



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Strong focus on managing Covid-19 impact

2020 priorities

- Manage market conditions in the wake of Covid-19
- Strategic review of Businesses under development, including continuous evaluations of various structural alternatives
- 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 Q3 2020

- Demand is expected to be slightly better than in the second quarter of 2020, adjusted for seasonal variations. Uncertainty regarding demand for the coming quarters remains considerable.



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Questions & Answers

