



Trelleborg interim report

January – March 2017

Peter Nilsson, President & CEO

Ulf Berghult, CFO



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Summary & Q2 2017 outlook

Q&A

Positive market trend

Q1 2017 highlights

- Organic Y/Y sales increase by 3 percent, despite expected lower project deliveries to the oil/gas segment
- Signs of better demand in several of our segments and markets
- Better markets, good market positions, cost control and contributing acquisitions improved the quarterly EBIT to highest level to date
- Trelleborg's EBIT-margin at 13.9% - despite exposure to depressed oil/gas markets and higher raw material prices
- R12M cash conversion at 96 percent
- Divestiture of Czech compounding operations

Organic growth initiatives and acquisitions

Recap of Q1 2017 events

- Acquisition of Carolina Seal, a U.S. polymer seal operation
- New U.K. manufacturing facility for polyurethane products, replacing four smaller facilities
- New Lithuanian manufacturing facility for pipe seals, replacing a smaller facility in the same area

Vibracoustic divestment update

- Part payment of SEK 480 M received, which was linked to Vibracoustic's 2016 sales performance
- No impact on net debt - amount previously recognized as a receivable
- Remaining part payment is linked to Vibracoustic's 2017 sales performance, and will be received in H1 2018

Positive market trend

Group financial highlights, Q1 2017

Net sales

- Sales: +36%; Organic: +3%;
Structure: +30%; Currency +3%

Earnings

- Highest quarterly EBIT to date
- Integration of acquisitions

Cash flow

- Solid operating cash flow
- R12M cash conversion at 96%

SEK M	Q1 2017	Q1 2016	Change, %
Net sales	8 298	6 095	36
Organic, %	3	-4	
Structural, %	30	2	
Exchange rate, %	3	-2	
EBITA, excl. items affecting comparability	1 227	869	41
EBITA-margin, %	14.8%	14.3%	0.5 p.p.
EBIT, excl. items affecting comparability	1 154	841	37
EBIT-margin, %	13.9	13.8	0.1 p.p.
Items affecting comparability ¹	366	-115	
Reported EBIT	1 520	726	109
Operating cash flow ²	417	228	83

¹Consists of a capital gain of SEK 472 M from the divestment of a Czech compounding operation, as well as restructuring charges of SEK -106 M (-115)

²Continuing business



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Organic growth – margins hampered

Trelleborg Coated Systems¹

- Organic sales: +2%
- Coated fabrics; growth in N.A, partly offset by lower sales in Europe and Asia
- Printing blankets; growth in Asia, partly offset by lower sales in Europe and N.A.
- EBIT and EBIT-margin affected by production disturbances in one unit

SEK M	Q1 2017	Q1 2016	Change, %
Net sales	674	631	7
Organic, %	2	-7	
Structural, %	-	-	
Exchange rate, %	5	-1	
EBIT	72	76	-5
EBIT, %	10.7	12.1	-1.4 p.p.

Market conditions improve

Trelleborg Industrial Solutions¹

- Organic sales: +3%
- Improved markets in general
- Low activity in oil/gas
- Europe and North America improved, while Asia declined
- EBIT improved on acquisitions and volumes
- Jean-Paul Mindermann appointed new Business Area President

SEK M	Q1 2017	Q1 2016	Change, %
Net sales	1 428	1 209	18
Organic, %	3	-2	
Structural, %	14	0	
Exchange rate, %	1	-2	
EBIT	160	118	36
EBIT, %	11.2	9.8	1.4 p.p.

Oil & gas segment remains challenging

Trelleborg Offshore & Construction¹

- Organic sales: -17%
- Market situation remains challenging in offshore oil/gas
- Mixed development in infrastructure projects
- Proactive alignment to current market situation supports EBIT
- Earlier guidance of FY17 organic sales drop of ~10-20% still valid

SEK M	Q1 2017	Q1 2016	Change, %
Net sales	754	902	-16
Organic, %	-17	-13	
Structural, %	-	7	
Exchange rate, %	1	-3	
EBIT	3	23	-87
EBIT, %	0.4	2.6	-2.2 p.p.

Broad market improvements

Trelleborg Sealing Solutions¹

- Organic sales: +9%
- Most regions and market segments developed favorably
- Asian sales especially strong
- Solid development due to volumes and market positioning
- Margin impact from acquisitions with initially lower margins
- Acquisition of Carolina Seal

SEK M	Q1 2017	Q1 2016	Change, %
Net sales	2 623	2 184	20
Organic, %	9	-3	
Structural, %	8	-	
Exchange rate, %	3	-1	
EBIT	618	501	23
EBIT, %	23.6	22.9	0.7 p.p.

Solid organic growth in all tire segments

Trelleborg Wheel Systems¹

- Organic sales: +8%
- CGS boosting sales and profits
- Agri OE and aftermarket sales increased in all regions
- Industrial & construction tires sales increased in all regions, but South America
- EBIT-margin impacted by higher raw material prices, price adjustments will have full impact from H2 2017
- Paolo Pompei appointed new Business Area President

SEK M	Q1 2017	Q1 2016	Change, %
Net sales	2 328	1 144	103
Organic, %	8	3	
Structural, %	91	1	
Exchange rate, %	4	-2	
EBIT	283	156	81
EBIT, %	12.1	13.6	-1.5 p.p.

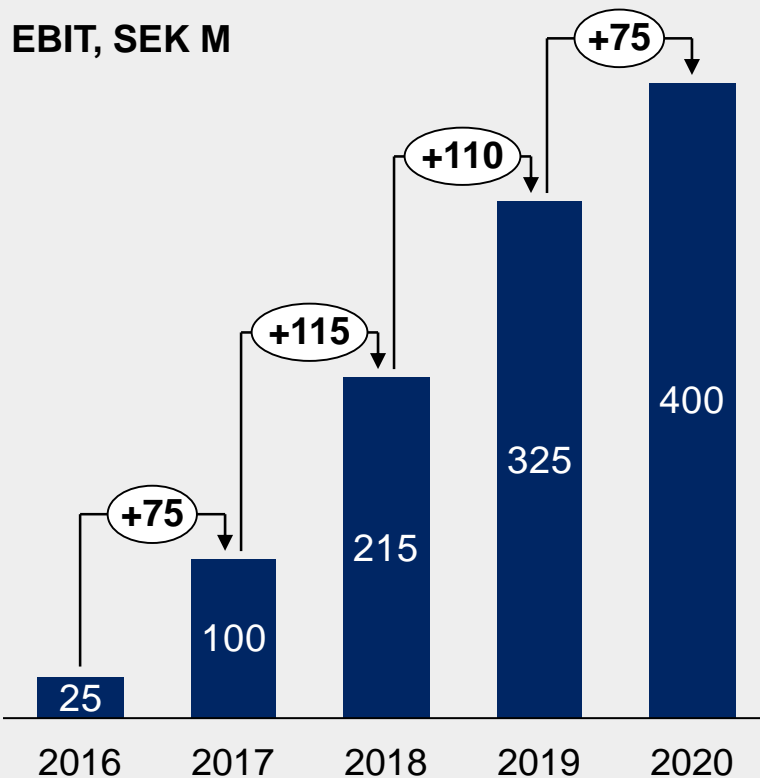
Solid performance, expansion underway

Rubena Savatech¹

- Leading supplier of specialty polymer solutions for industrial and automotive applications
- Reported separately during a transition period - operations will gradually be integrated into existing business areas
- Sales and EBIT improved as expected from seasonally weaker Q4
- High capacity utilization in a number of production lines
- Ongoing investments to add capabilities and increase capacity

SEK M	Q1 2017
Net sales	497
EBIT	61
EBIT, %	12.3

CGS – synergy realization



- Generally according to plan
- SEK ~300 M relating to Mitas integration
 - Cost synergies SEK ~200 M
 - Sales synergies of SEK ~100 M (impact on EBIT)
- SEK ~100 M relating to Rubena Savatech identified as cost synergies



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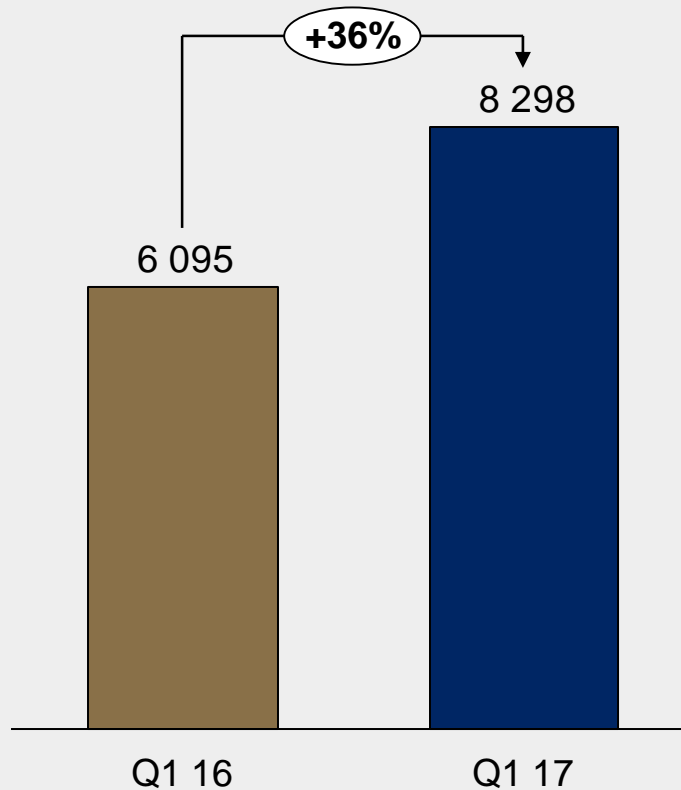
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Organic as well as structural growth

Sales development

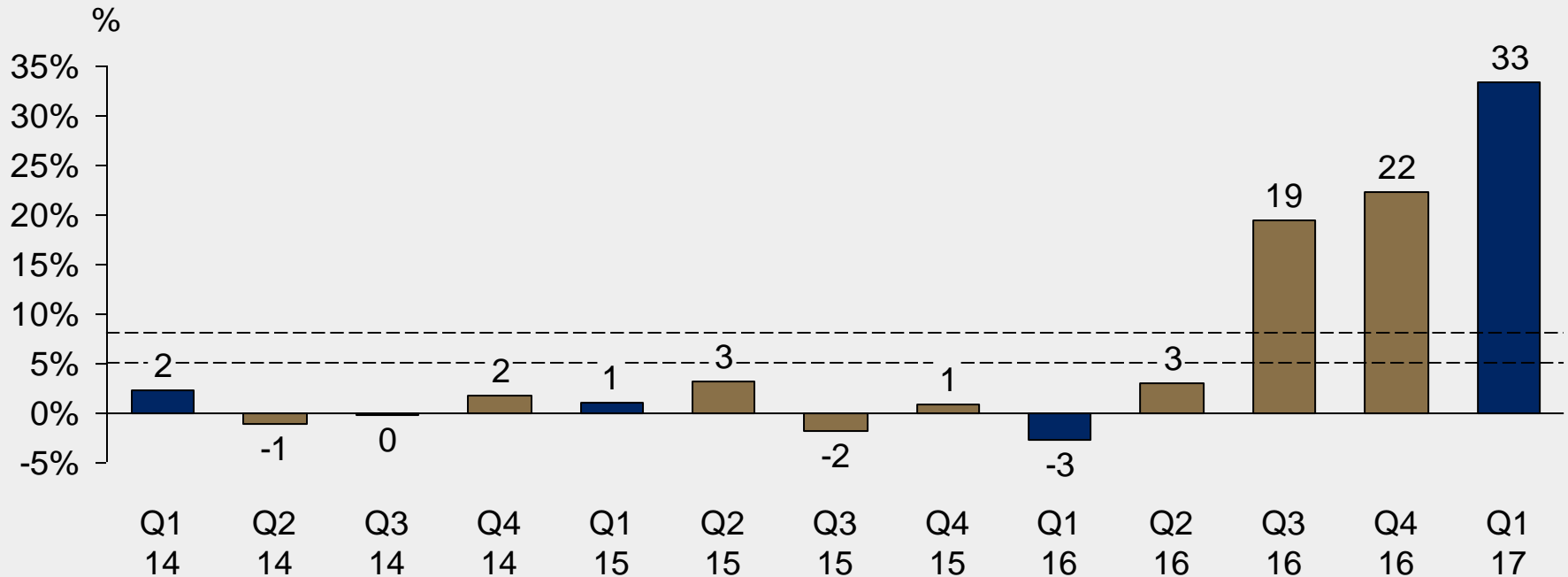


January - March [%]

Organic	3
Structural	30
Currency	3
Total	36

Organic as well as structural growth

Target: 5-8% over a business cycle



Of which organic growth, %:

2 -1 -3 -2 -4 -1 -3 -1 -4 -6 -5 -4 3

CGS consolidation boosts sales development

Sales per business area

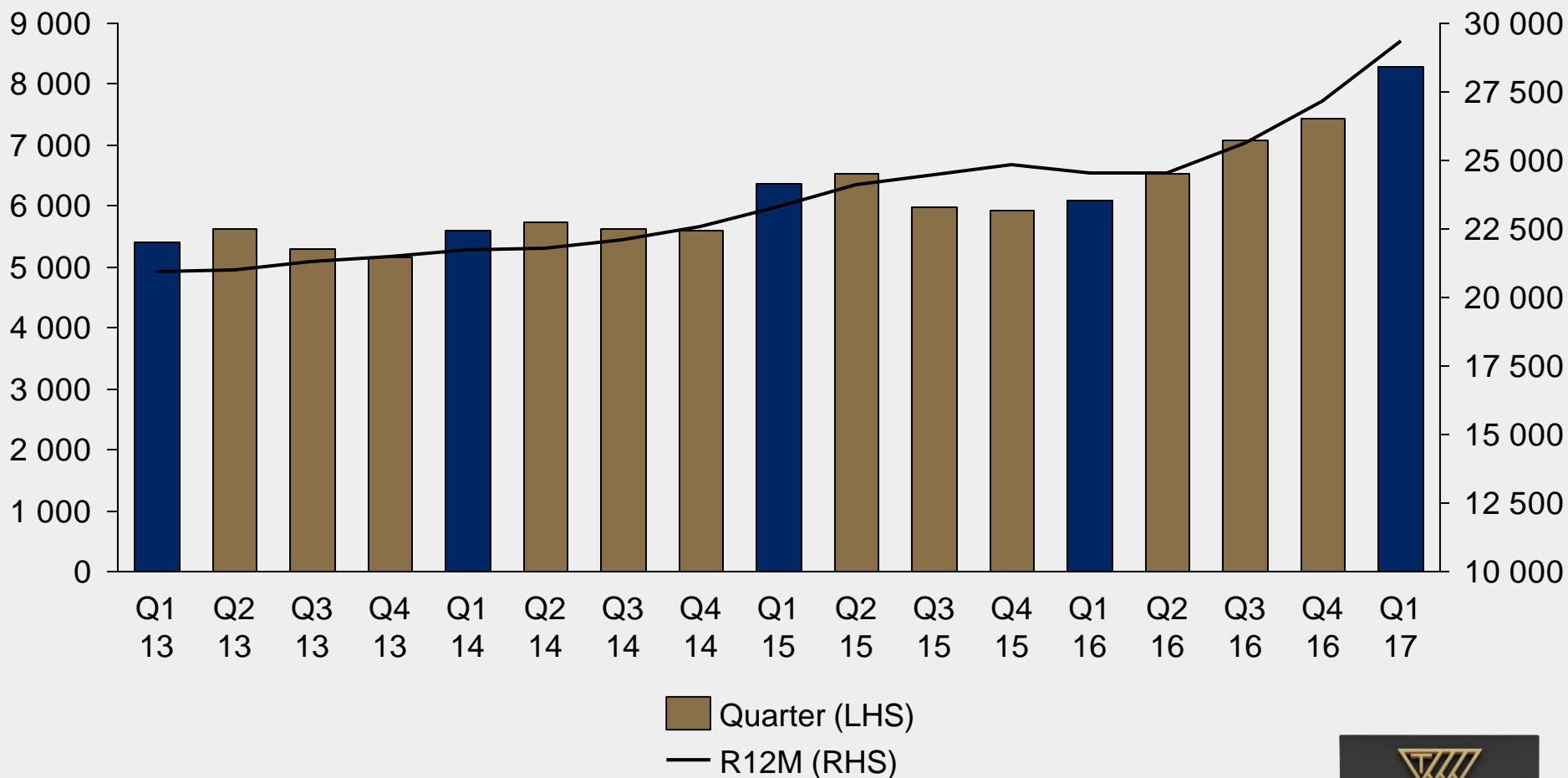
SEK M	January - March			
	2017	2016	Change %	Organic %
Coated Systems	674	631	7	2
Industrial Solutions	1 428	1 209	18	3
Offshore & Construction	754	902	-16	-17
Sealing Solutions	2 623	2 184	20	9
Wheel Systems	2 328	1 144	103	8
Rubena Savatech	497	-		
Other items	91	107		
Eliminations	-97	-82		
Continuing operations	8 298	6 095	36	3

Record sales once again

Sales development, R12M

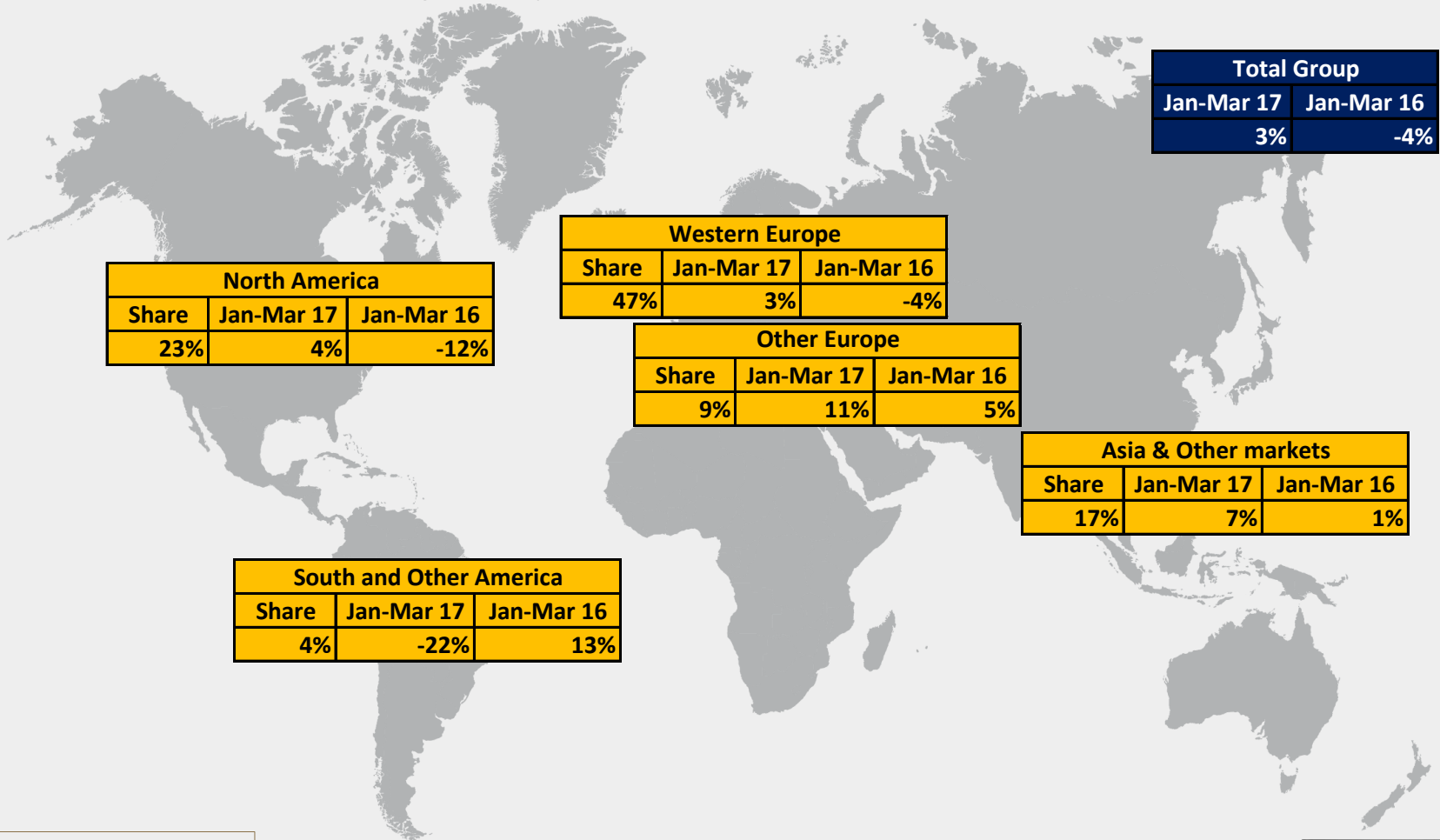
SEK M

SEK M



Organic sales development by geography

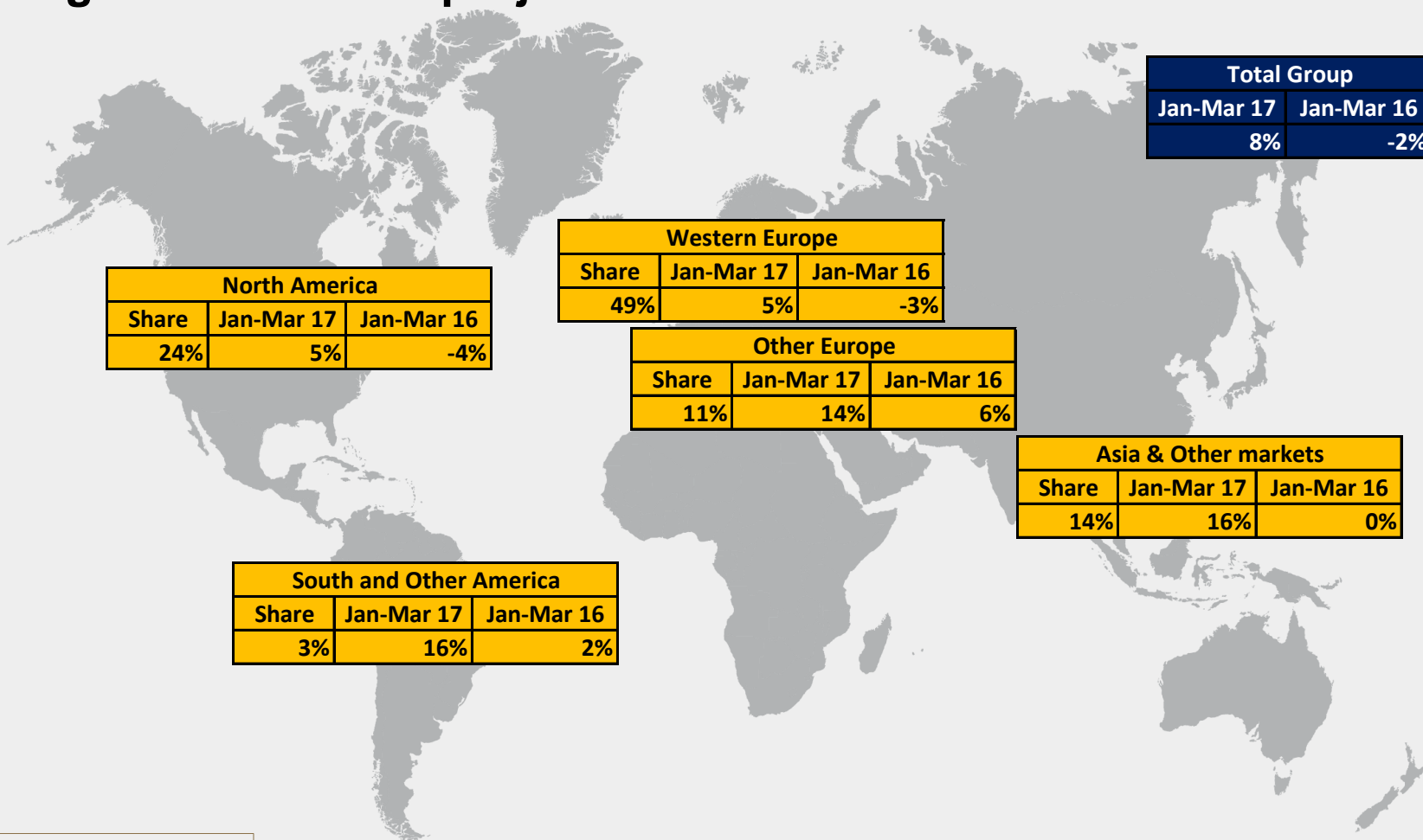
Picture distorted by project-related business



Share = Actual 2016

Organic sales development by geography

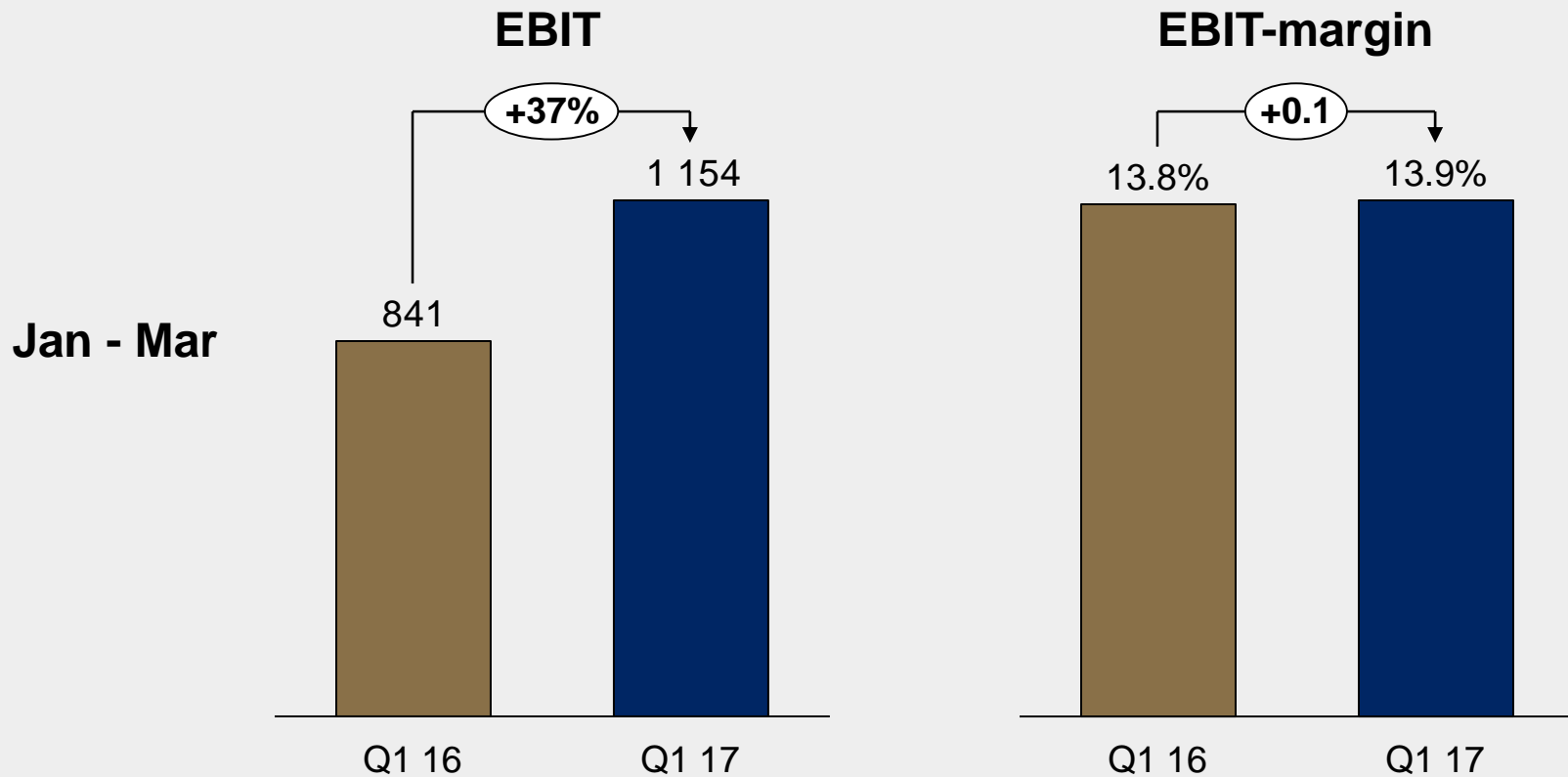
Organic sales excl. project-related business¹



Share = Actual 2016

EBIT on highest level to date

EBIT development¹



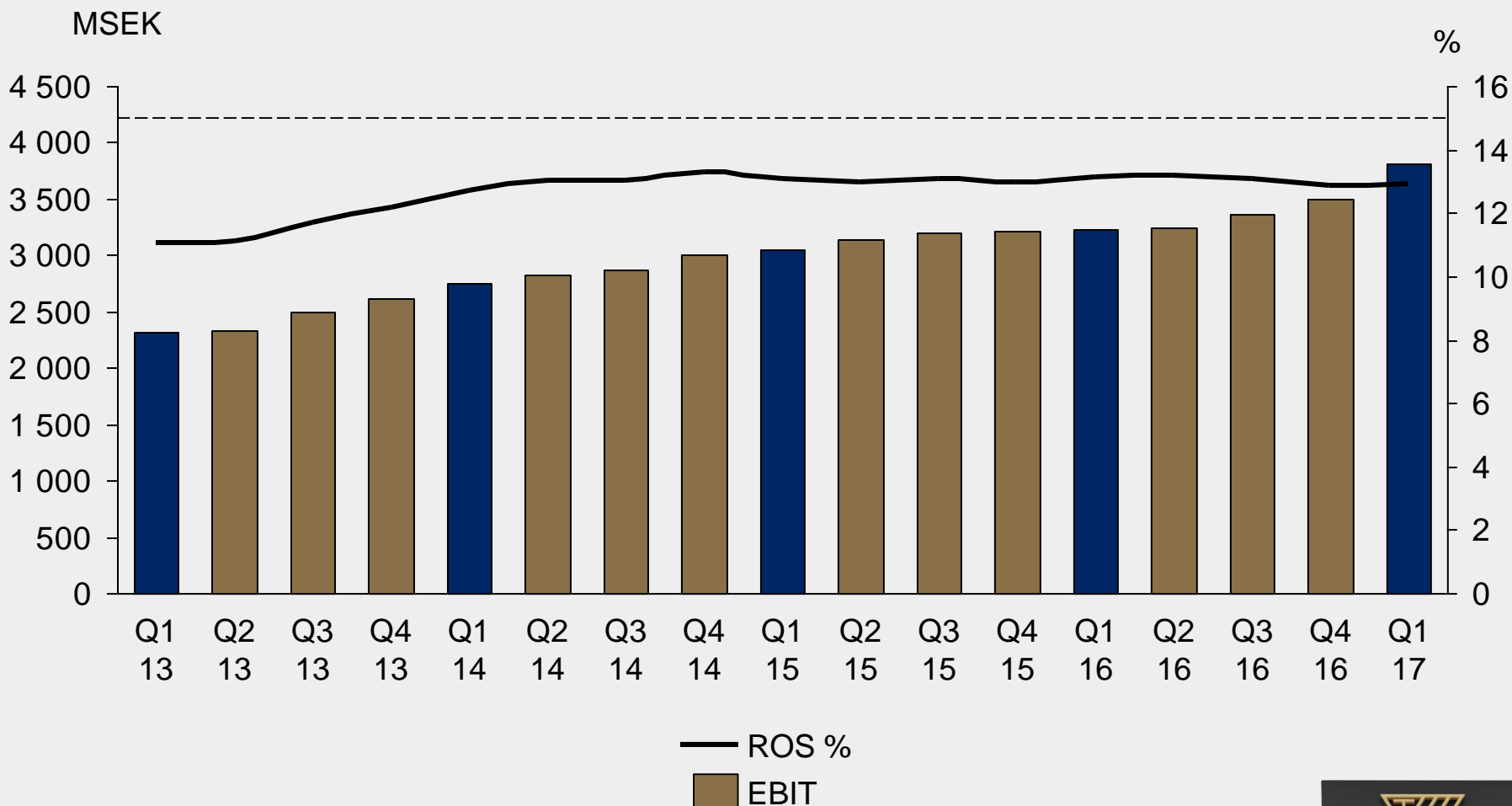
EBIT on highest level to date

Group EBIT per business area¹

SEK M	January - March		
	2017	2016	Change %
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Offshore & Construction	3	23	-87
Sealing Solutions	618	501	23
Wheel Systems	283	156	81
Rubena Savatech	61	-	
Other items	-43	-33	
Continuing operations	1 154	841	37

Sixteen quarters of improved profits

EBIT and margin, R12M¹



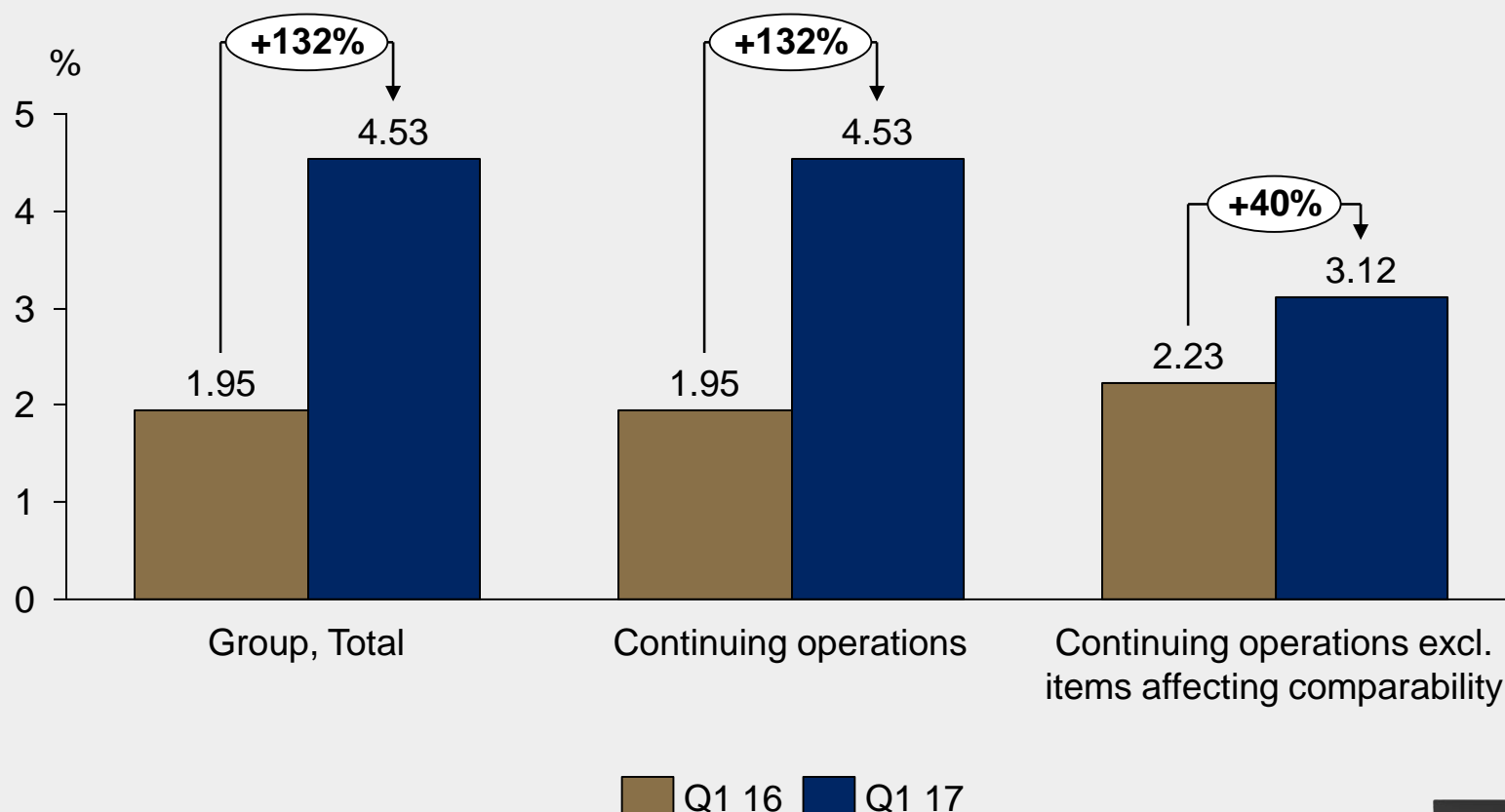
Total Group

Profit & Loss statement

SEK M	January - March		
	2017	2016	Change %
EBIT, excl. items affecting comparability	1 154	841	37
EBIT-margin	13.9%	13.8%	0.1 p.p.
Items affecting comparability ¹	366	-115	
EBIT	1 520	726	109
Financial income and expense	-51	-47	
Profit before tax	1 469	679	116
Tax, Group total	-240	-150	
Net Profit, continuing operations	1 229	529	132
Net Profit, discontinuing operations	-	-	
Net Profit, Total Group	1 229	529	132

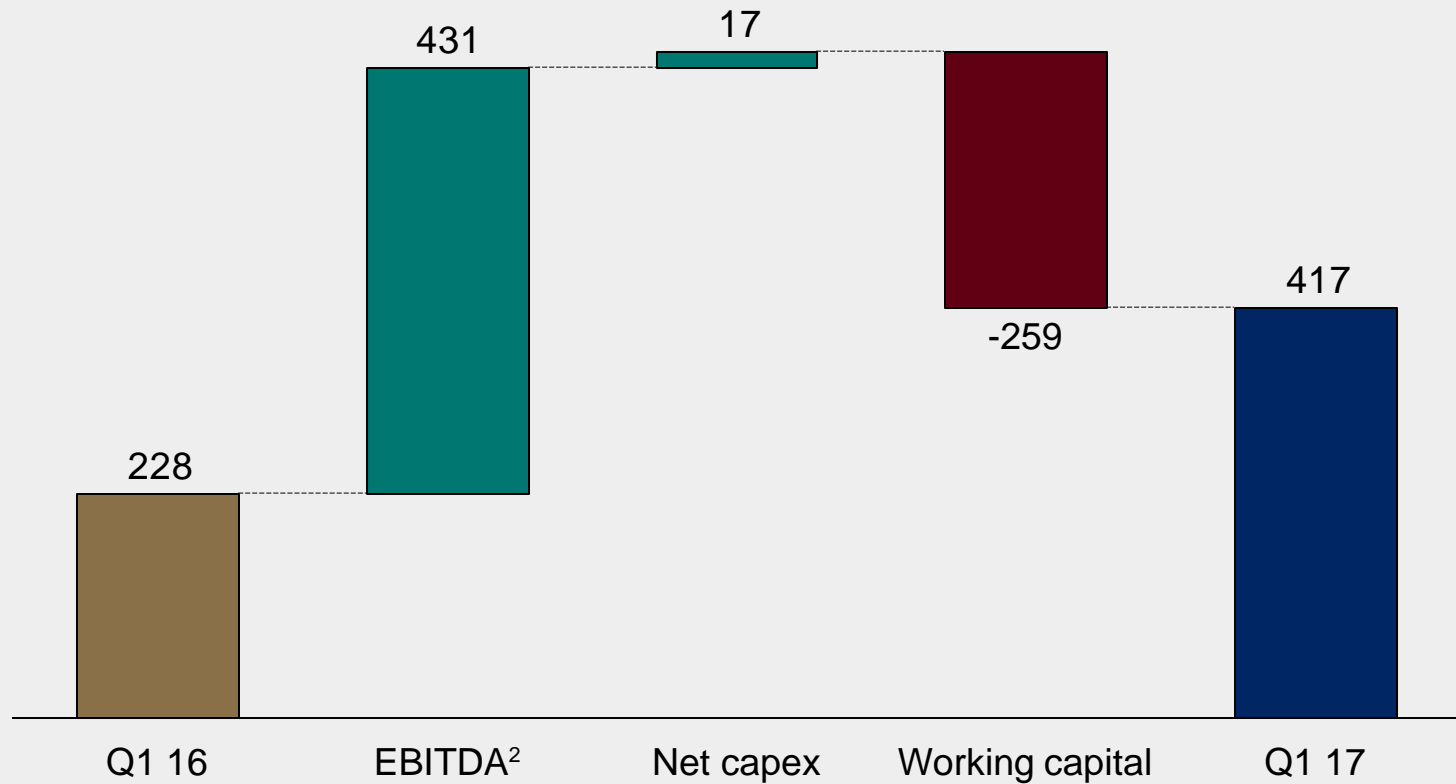
EPS increased by 132%, boosted by capital gain

Earnings per share – first quarter



Cash flow driven by higher earnings

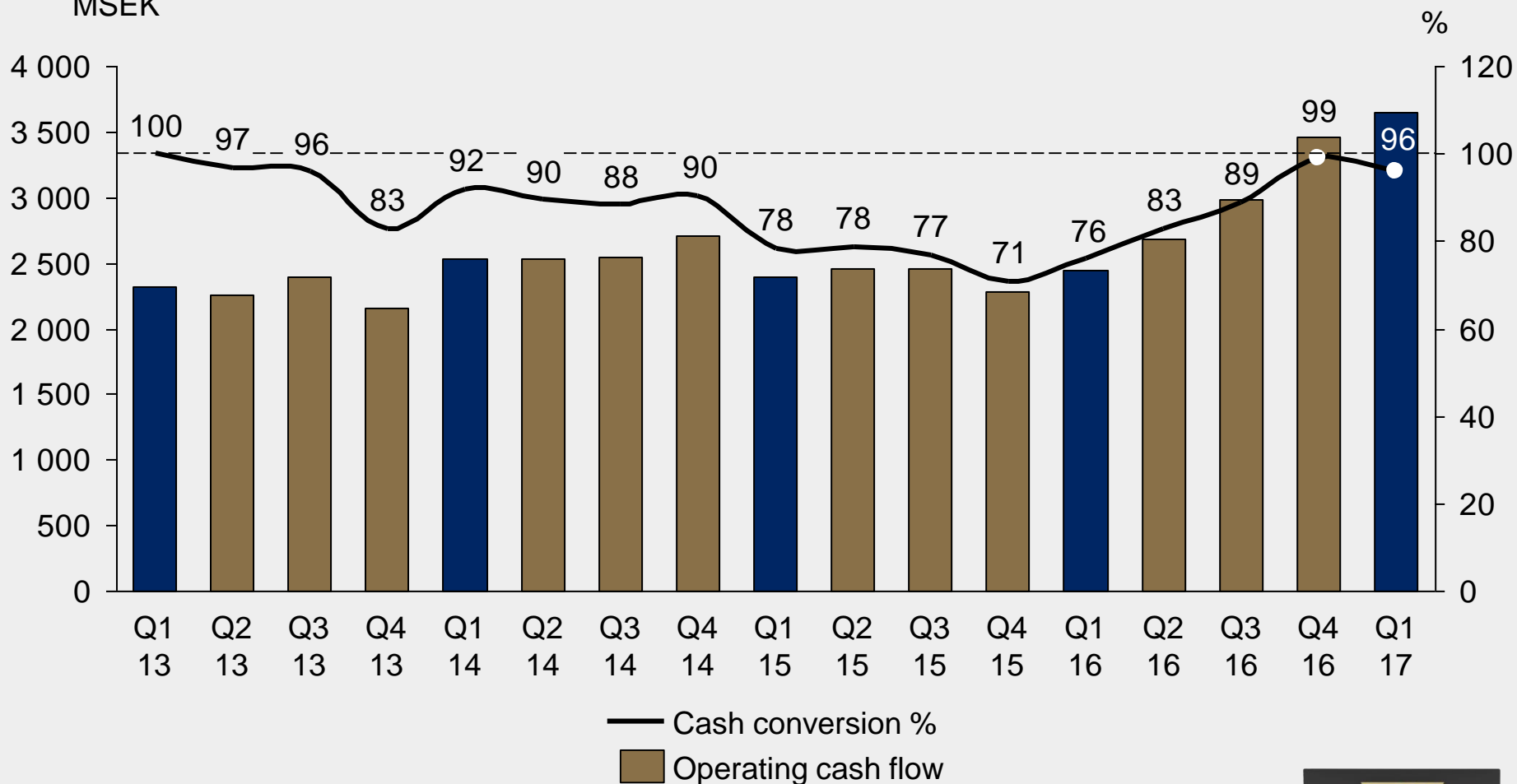
Operating cash flow¹



Cash conversion on satisfactory levels

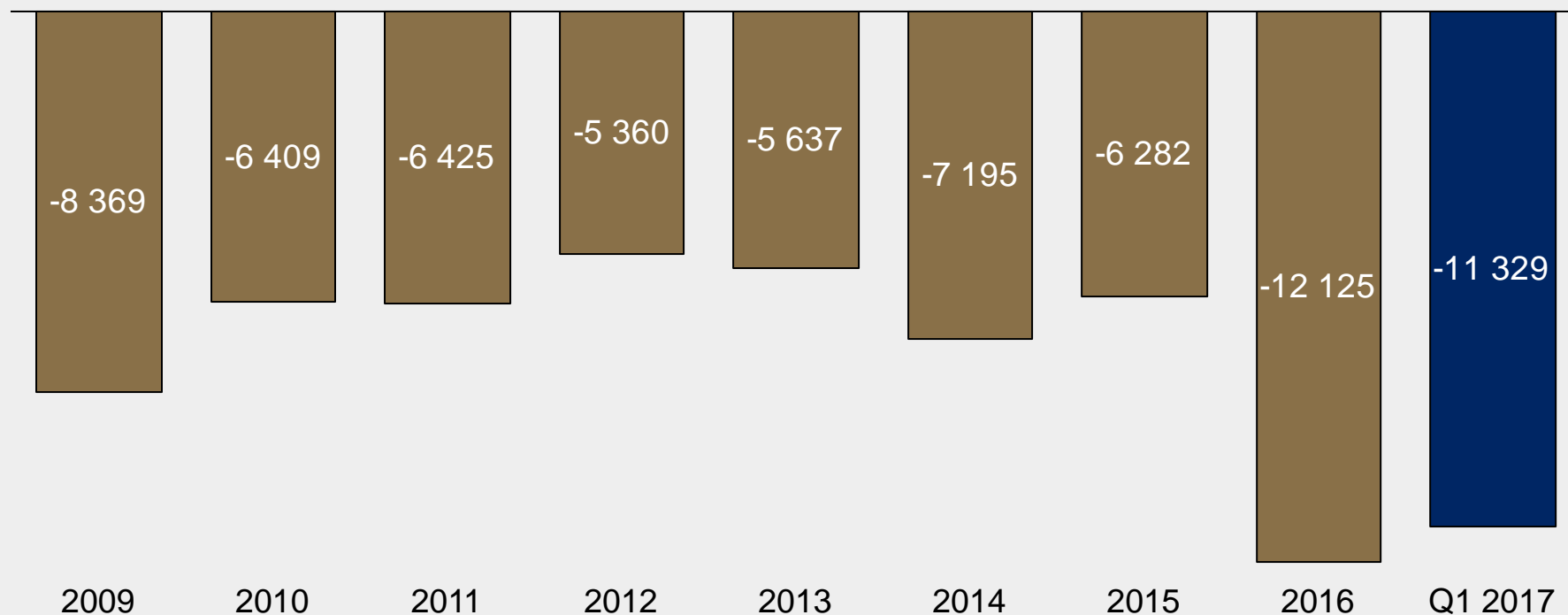
Operating cash flow, R12M¹

MSEK



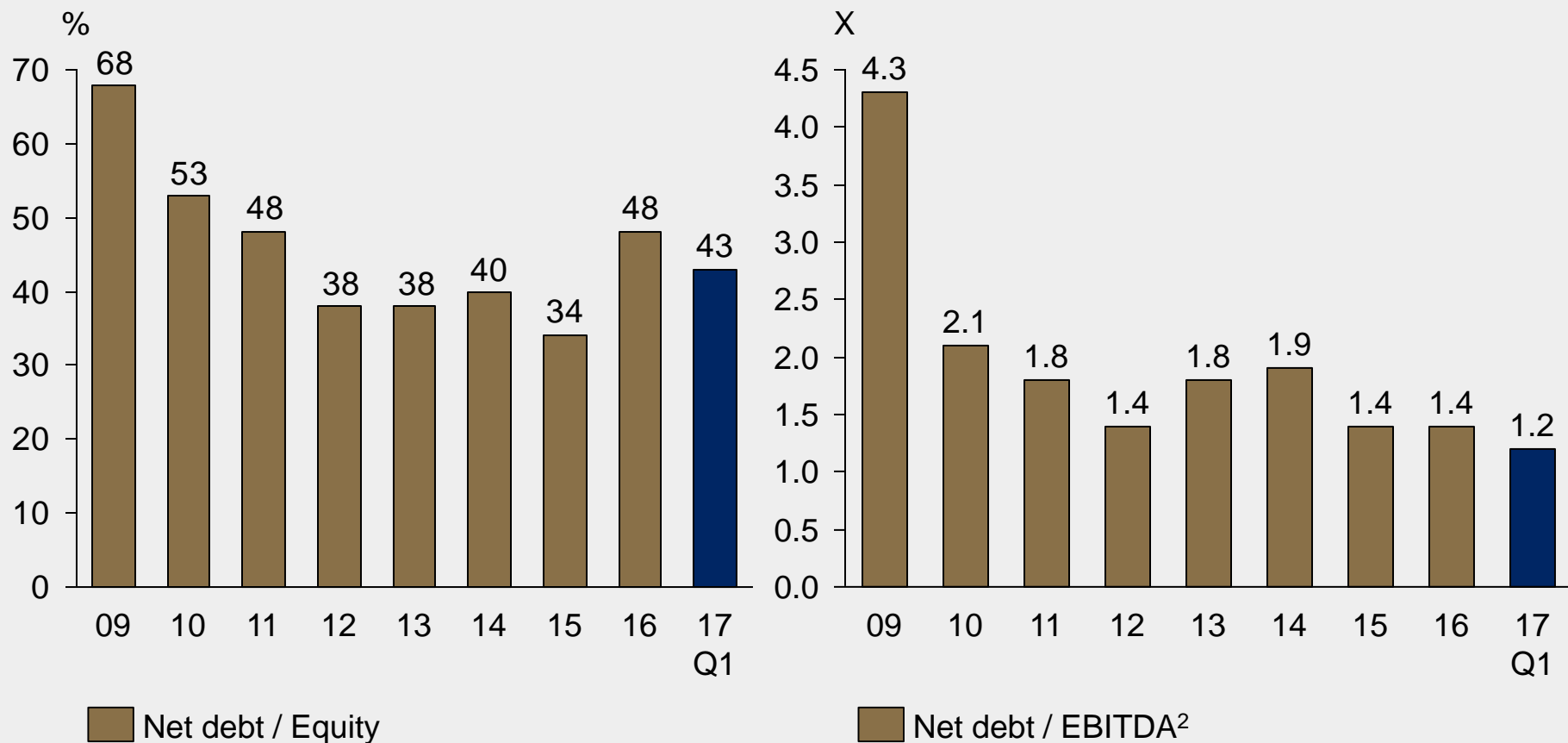
Net debt reduced by SEK ~800 M, since YE 2016

Net debt development¹



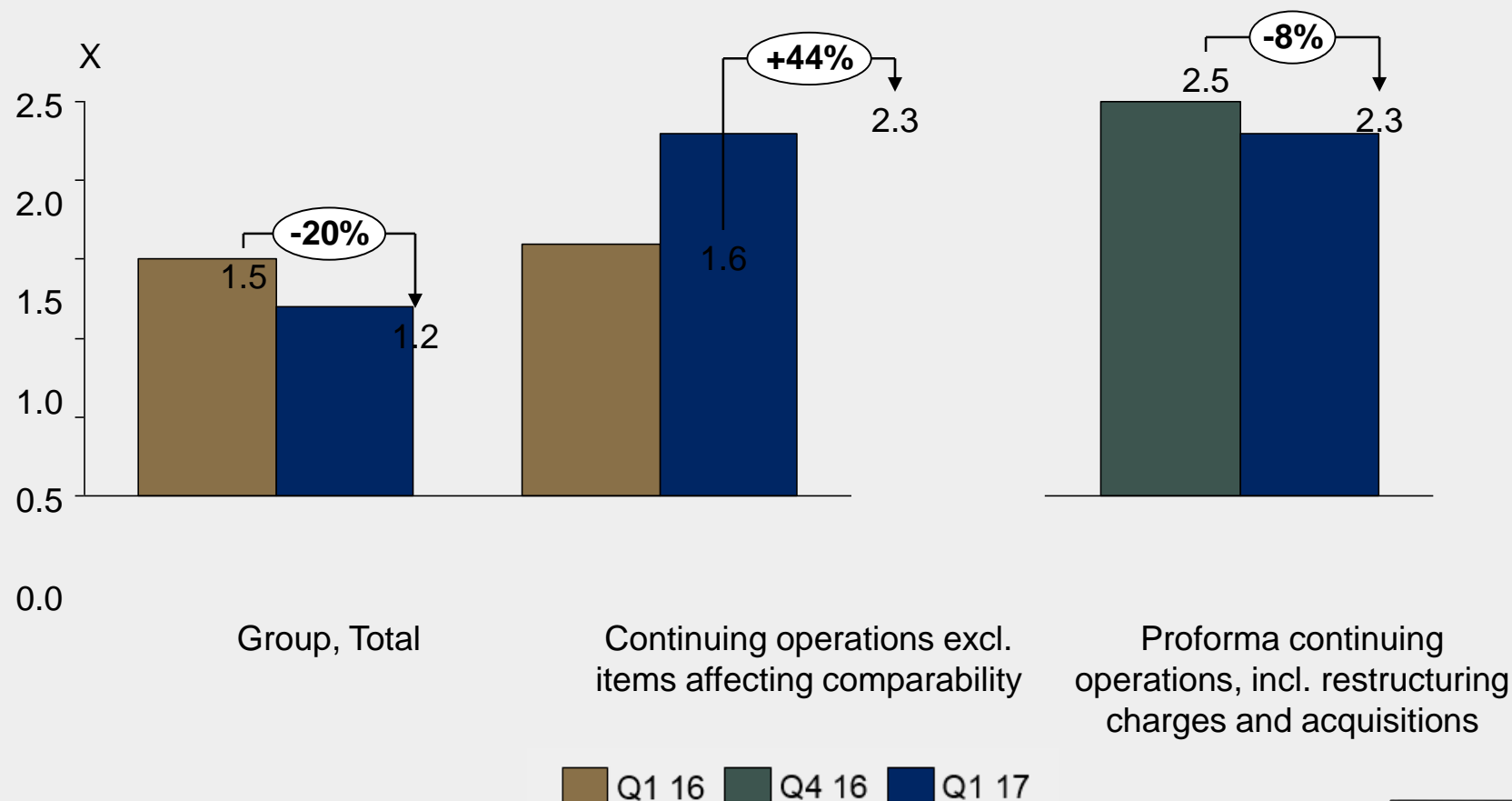
Gearing level coming down due to lower net debt

Gearing and Leverage development, R12M¹



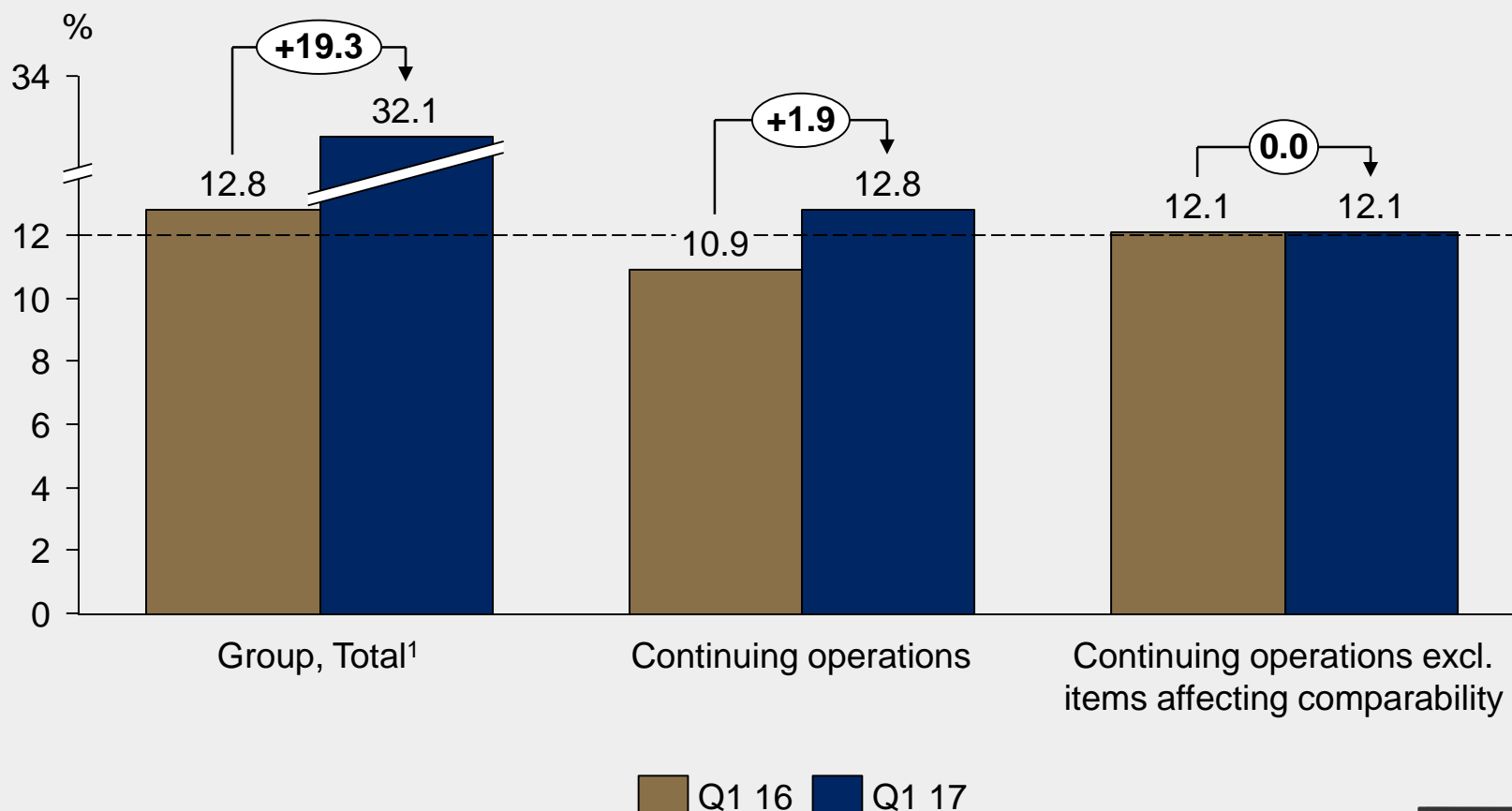
Total leverage reduced by capital gains

Net debt / EBITDA, R12M



ROE will improve with full year CGS consolidation

Return On Equity, R12M





Financial guidelines for full-year 2017

- Capex: SEK ~1,500 – 1,700 M
- Restructuring costs: SEK ~350 – 450 M
- Underlying tax rate: ~26%
- Amortization of intangible assets¹: SEK ~300 M



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Continued focus on growth and excellence

2017 priorities

- Manage market conditions
- Continued focus on innovation, profitable growth, selected segments and selected geographies
- Manage margin development through operational excellence and improved customer integration
- Continued portfolio management to improve leading positions
- Integration of CGS and other recent acquisitions

Outlook Q2 2017

- Demand is expected to be in line with, or slightly higher, than the first quarter of 2017, adjusted for seasonal variations



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Questions & Answers