



# Trelleborg interim report

**October – December 2013**

Peter Nilsson, President & CEO

Ulf Berghult, CFO



# Agenda

Highlights

Business areas

TrelleborgVibracoustic (50% ownership)

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Q&A

# Solid end to record year

## Q4 2013 highlights

- Organic sales increased by 2%; structural growth of 3%
- Most geographic markets showed positive organic sales growth
- Project deliveries were significantly lower Y/Y, but good order intake
- EBIT, excl. one-offs, increased by 26% - highest Q4 margin to date
- Good cost control and improved efficiency
- TrelleborgVibracoustic's EBIT, excl. one-offs, increased by 46%
- Proposed dividend of 3.25 SEK (3.00) per share

# Acquisition and credit facilities extended

## Recap of Q4 2013 events

- Agreement to acquire Italian industrial tire distributor for further expansion of Trelleborg's European industrial tire distribution network
- Extension of existing syndicated credit facilities to December 2018, with an option to extend two additional years
- Synergy extraction in TrelleborgVibracoustic continues – further restructuring measures initiated



# Solid end to record year

## Group financial highlights Q4 2013<sup>1</sup>

### Net sales

- Organic sales up 2%
- Positive markets and segments development
- Lower project deliveries

### Earnings

- All-time-high Q4 EBIT margin
- TBVC contribution improved significantly

### Cash flow

- Satisfactory cash flow
- Higher capex

SEK M	Q4 2013	Q4 2012	Change, %
Net sales	5 145	4 966	4
Organic	2	0	
Structural	3	0	
Exchange rate	-1	-3	
Operating profit excl. items affecting comparability excl. part in TrelleborgVibracoustic	563	446	26
Operating margin, %	11.0	9.0	2.0pp
Items affecting comparability <sup>2</sup>	-68	-129	n.a.
Profit share in TrelleborgVibracoustic <sup>3</sup>	123	37	234
Operating profit	618	354	75
Operating margin, %	12.0	7.1	4.9pp
Operating cashflow	867	1 101	-21

<sup>2</sup> Consists of one-off items of 0 SEK M (0) and restructuring charges of -68 SEK M (-129).

<sup>3</sup> Associated income related to TrelleborgVibracoustic includes one-off items of -4 SEK M (-49).

# Record year despite lackluster markets

## Group financial highlights 2013<sup>1</sup>

### Net sales

- Organic sales up 1%
- Positive markets and segments development

### Earnings

- All-time-high FY EBIT margin
- TBVC developing according to plan

### Cash flow

- R12M cash conversion at 83%
- Capex on par with last year

SEK M	FY 2013	FY 2012	Change, %
Net sales	21 473	21 262	1
Organic	1	1	
Structural	4	1	
Exchange rate	-4	-1	
Operating profit excl. items affecting comparability excl. part in TrelleborgVibracoustic	2 613	2 342	12
Operating margin, %	12.2	11.0	1.2pp
Items affecting comparability <sup>2</sup>	-410	11	n.a.
Profit share in TrelleborgVibracoustic <sup>3</sup>	355	109	226
Operating profit	2 558	2 462	4
Operating margin, %	11.9	11.6	0.3pp
Operating cashflow	2 162	2 248	-4

<sup>2</sup>) Consists of one-off items of -155 SEK M (203) and restructuring charges of -255 SEK M (-192).

<sup>3</sup>) Associated income related to TrelleborgVibracoustic includes one-off items of -134 SEK M (-57).



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# Good organic growth

## Trelleborg Coated Systems

- Organic sales: +7%
- Coated fabrics show positive growth in Europe and N.A.
- Mixed market development for printing blankets
- Sales and profit adversely impacted by currency effects
- Positive impact from accrued revenues in the quarter
- Continuing restructuring measures

SEK M <sup>1,2</sup>	Q4 2013	Q4 2012	Change, %
Net sales	464	406	14
Organic, %	7	-9	
Structural, %	9	5	
Exchange rate, %	-2	-3	
Operating profit	55	37	49
Operating margin, %	11.8	9.1	2.7pp



# Sales impacted by lower project deliveries

## Trelleborg Industrial Solutions

- Organic sales: -3%
- Sales impacted by lower project deliveries within general industry
- Excluding project deliveries, organic growth at +3%
- Good cost control
- Improved market positions

SEK M <sup>1,2</sup>	Q4 2013	Q4 2012	Change, %
Net sales	1 083	1 107	-2
Organic, %	-3	0	
Structural, %	-	-	
Exchange rate, %	1	-3	
Operating profit	94	93	1
Operating margin, %	8.8	8.4	0.4pp

# Improved cost efficiency

## Trelleborg Offshore & Construction

- Organic sales: -8%
- Lower project deliveries in the quarter
- Order book strengthening
- Activity remains high in most segments
- Improved cost efficiency
- Benefits from acquisitions

SEK M <sup>1,2</sup>	Q4 2013	Q4 2012	Change, %
Net sales	840	924	-9
Organic, %	-8	20	
Structural, %	3	-	
Exchange rate, %	-4	-1	
Operating profit	70	57	23
Operating margin, %	8.4	6.1	2.3pp

# Solid quarter in terms of volume and profits

## Trelleborg Sealing Solutions

- Organic sales: +9%
- Most geographic markets reported positive organic growth
- Good sales to general industry and light vehicle segments
- Profit improved on the back of higher volumes and good cost control
- Highest Q4 margins to date
- Investment in a new U.S. plant replacing an older facility

SEK M <sup>1,2</sup>	Q4 2013	Q4 2012	Change, %
Net sales	1 723	1 592	8
Organic, %	9	-4	
Structural, %	-	-	
Exchange rate, %	-1	-3	
Operating profit	332	277	20
Operating margin, %	19.3	17.4	1.9pp

# Solid performance in mixed market conditions

## Trelleborg Wheel Systems

- Organic sales: +1%; structural growth of +15%
- Agriculture tires sales improved on last year - good OEM sales
- North American demand for Trelleborg agri tires picking up
- Still soft demand for industrial tires, especially in Europe
- Effective cost management
- Agreement to acquire an Italian industrial tire distribution business

SEK M <sup>1,2</sup>	Q4 2013	Q4 2012	Change, %
Net sales	959	833	15
Organic, %	1	-9	
Structural, %	15	-	
Exchange rate, %	-1	-4	
Operating profit	92	72	28
Operating margin, %	9.6	8.6	1.0pp



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# Good growth and stronger results

## TrelleborgVibracoustic

- Organic sales: +8%
- Favourable sales development in North America, China and Europe
- Higher volumes and improved efficiency
- Continued focus on improved structure
- Highest EBIT-margin to date
- Cash conversion 106%
- Acquisition of remaining 50% stake in Indian joint venture SVIL

EUR M <sup>1,2</sup>	Q4 2013	Q4 2012	Change, %
Net sales	419	401	5
Organic, %	8		
Structural, %	1		
Exchange rate, %	-4		
Operating profit	35	24	46
Operating margin, %	8.2	5.9	2.3pp
Operating cash flow	37	52	

<sup>2</sup> Excluding non-recurring items

\*Please visit TrelleborgVibracoustic's homepage: [www.tbvc.com](http://www.tbvc.com)

# Associated income bridge

## TrelleborgVibracoustic

- Associated income of 123 MSEK (*incl.* items affecting comparability)
- Associated income of 127 MSEK (*excl.* items affecting comparability)
- Total items affecting comparability of -7 MSEK (-98), of which 50% impact associate income
- Positive restructuring items due to revaluation of previously announced restructuring projects

MSEK	Q4 2013	Q4 2012	Change, %
Operating profit excl. items affecting comparability	305	205	49
Acquisition-related costs	-21	-27	
Amortization of intangible assets <sup>1</sup>	-10	-44	
Restructuring items	24	-27	
Operating profit	298	106	181
Financial net	-52	-30	
Profit before tax	247	76	225
<b><i>Of which Trelleborg's share (50%)</i></b>	<b>123</b>	<b>37</b>	<b>234</b>
<i>Trelleborg's share (50%) excl. items affecting comparability</i>	127	86	47

1) Related to split of acquisition balance

\*Please visit TrelleborgVibracoustic's homepage: [www.tbvc.com](http://www.tbvc.com)



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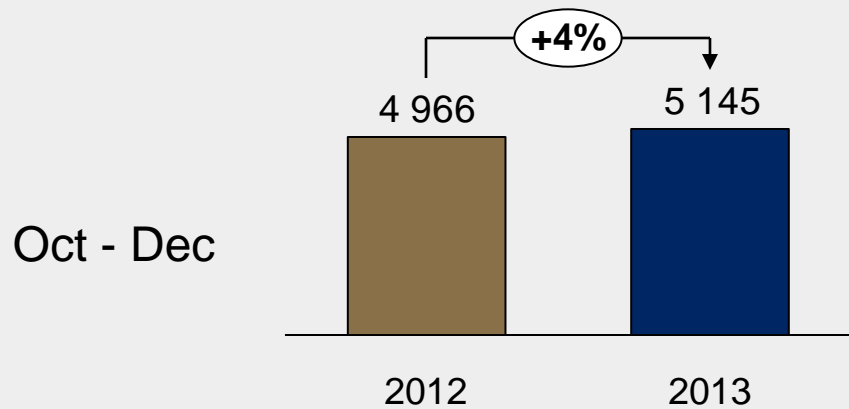
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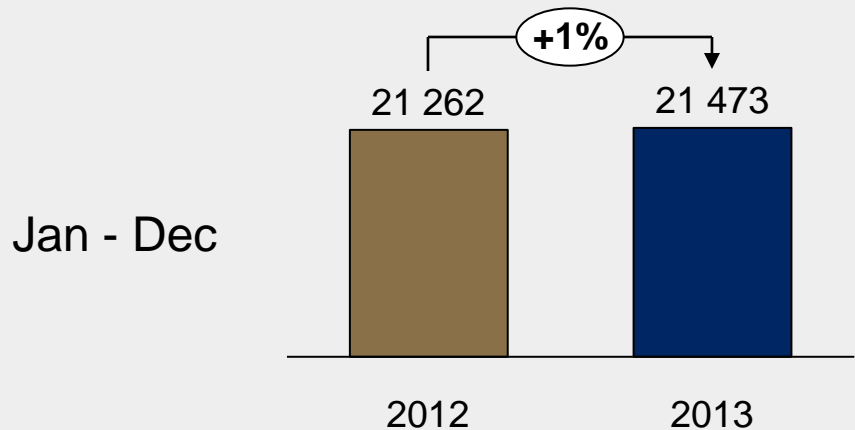
# Sales impacted by acquisitions

## Sales development



### Oct-Dec

Organic	2%
Structural change	3%
Currency	-1%
<b>Total</b>	<b>4%</b>

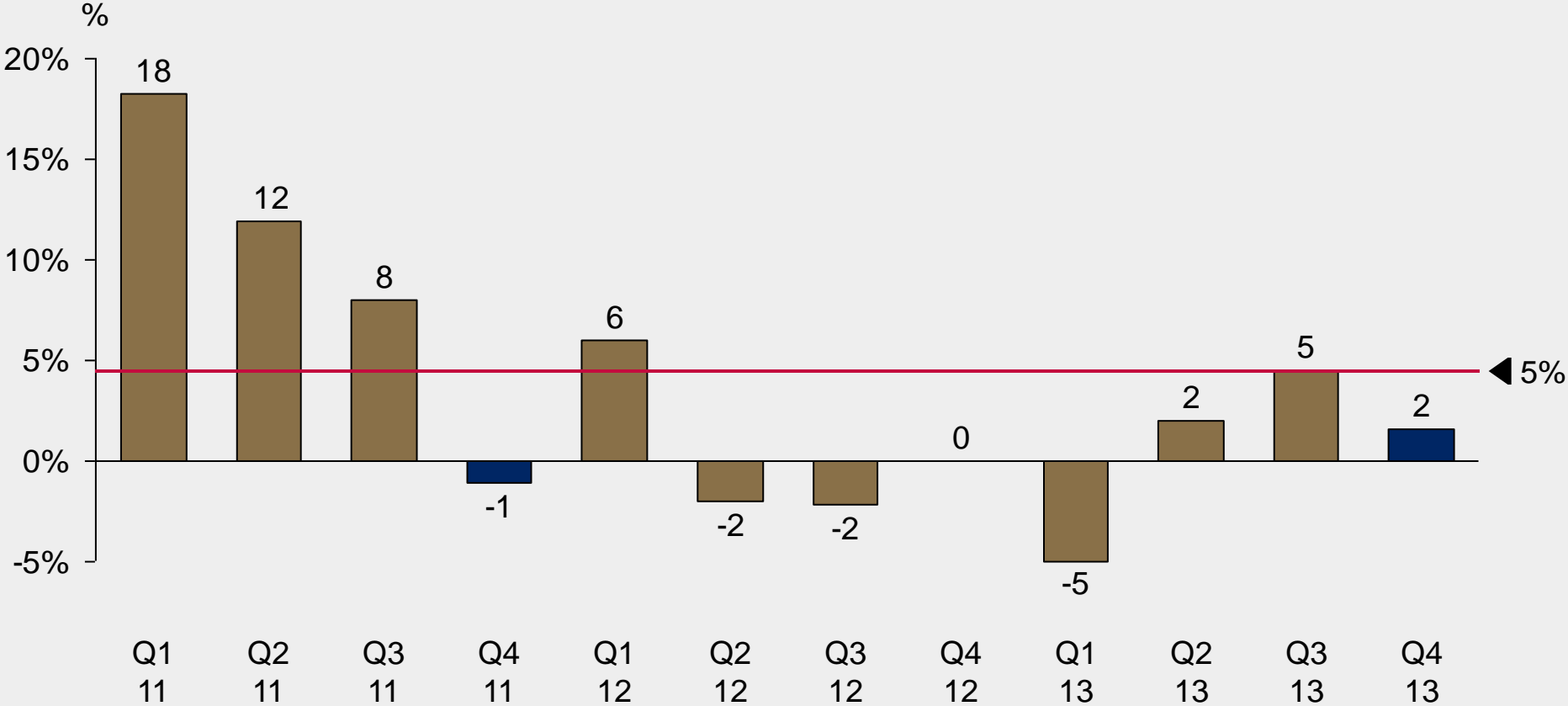


### Jan-Dec

Organic	1%
Structural change	4%
Currency	-4%
<b>Total</b>	<b>1%</b>

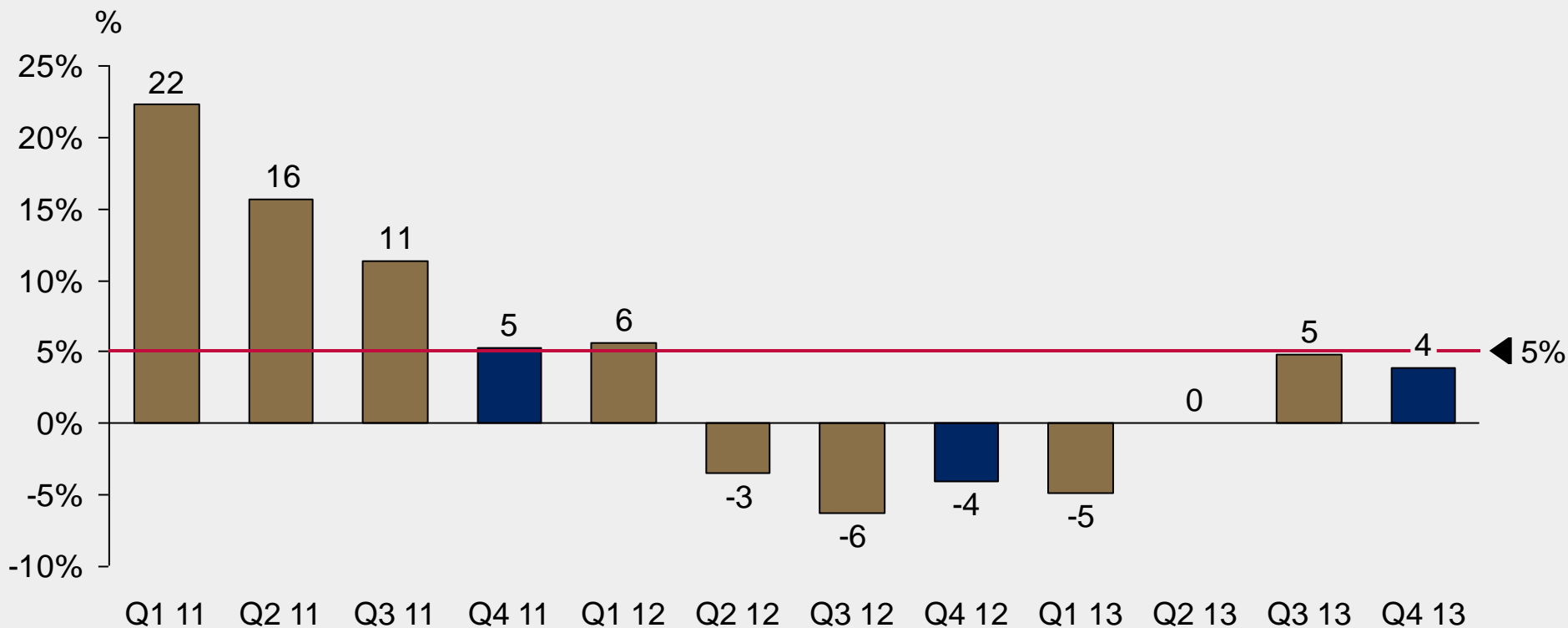
# Organic growth target: $\geq 5\%$ average

## Organic sales development





# Organic sales growth excluding project-based businesses (BA Trelleborg Offshore & Construction)



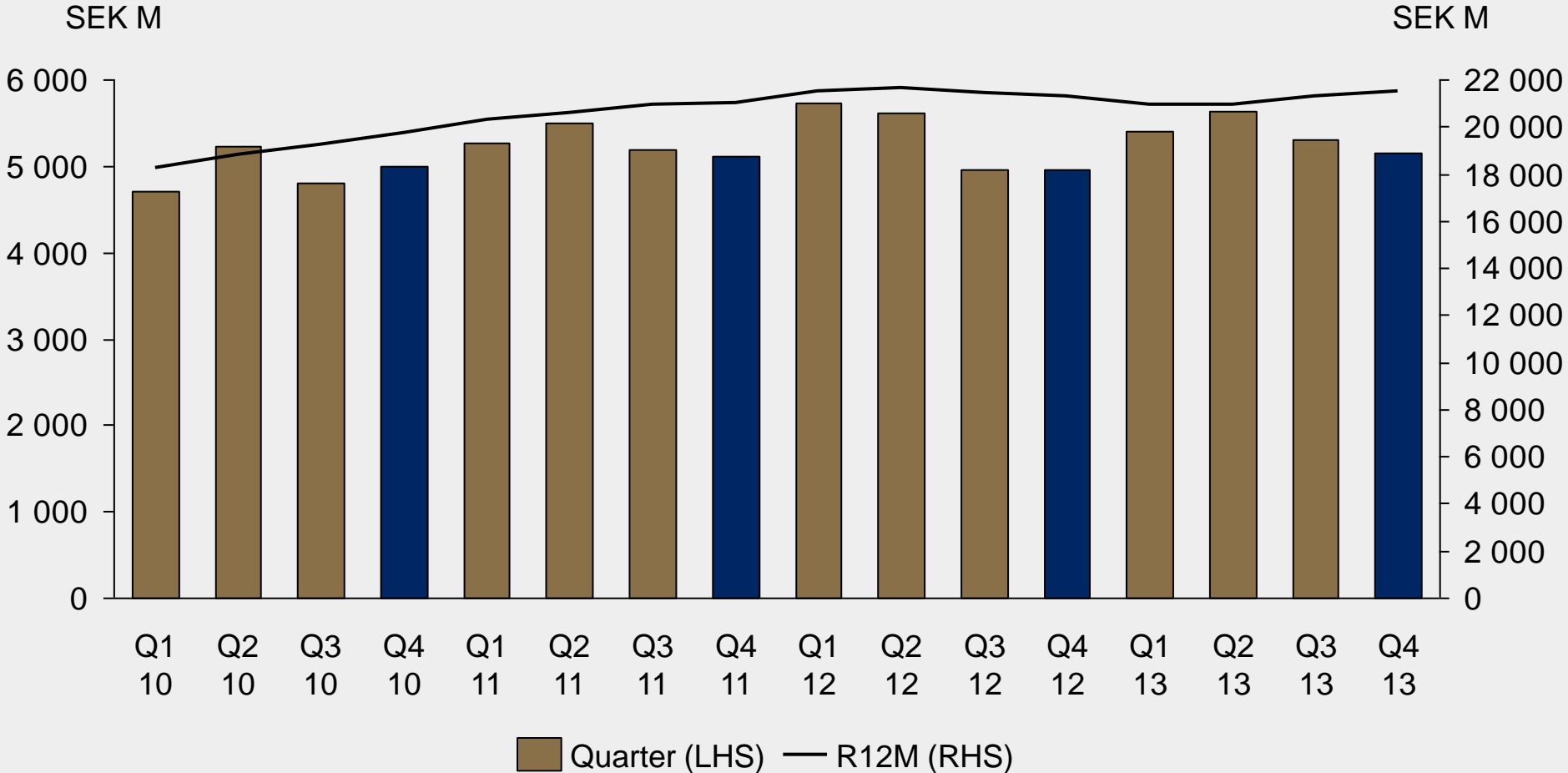
# Sales impacted by fewer project deliveries

## Sales per business area

Oct - Dec				SEK M	Jan - Dec			
2013	2012	Change %	Organic %		2013	2012	Change %	Organic %
464	406	14	7	Coated Systems	1 839	1 738	6	-2
1 083	1 107	-2	-3	Industrial Solutions	4 407	4 502	-2	0
840	924	-9	-8	Offshore & Construction	3 587	3 644	-2	0
1 723	1 592	8	9	Sealing Solutions	7 093	7 215	-2	1
959	833	15	1	Wheel Systems	4 189	3 865	8	-1
205	246			Other items	921	1 076		
-129	-142			Eliminations	-563	-778		
<b>5 145</b>	<b>4 966</b>	<b>4</b>	<b>2</b>	<b>Continuing operations</b>	<b>21 473</b>	<b>21 262</b>	<b>1</b>	<b>0</b>

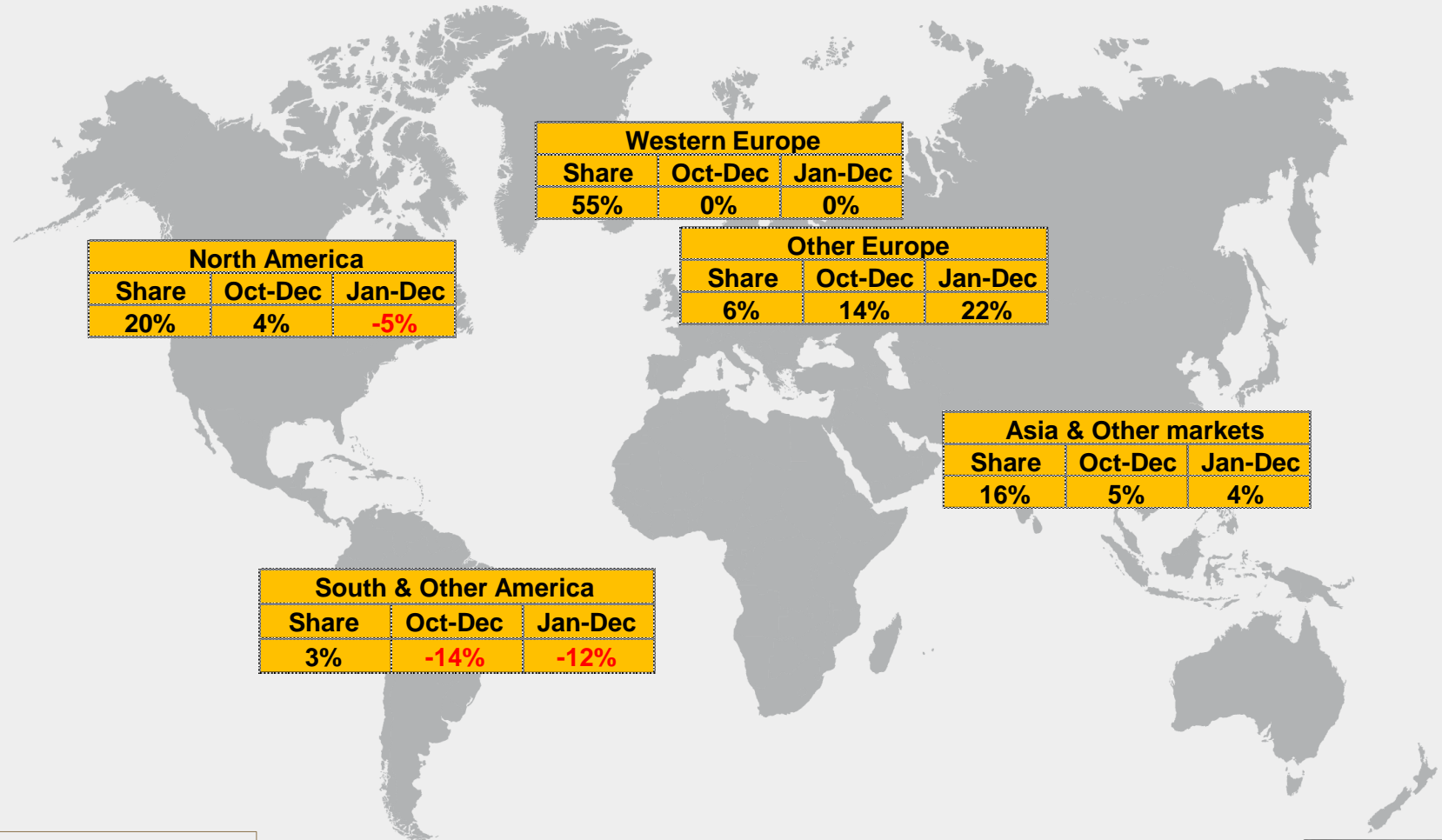
# Sales continue to grow on previous year

## Sales development, R12M



# Asia is driven by good growth in China

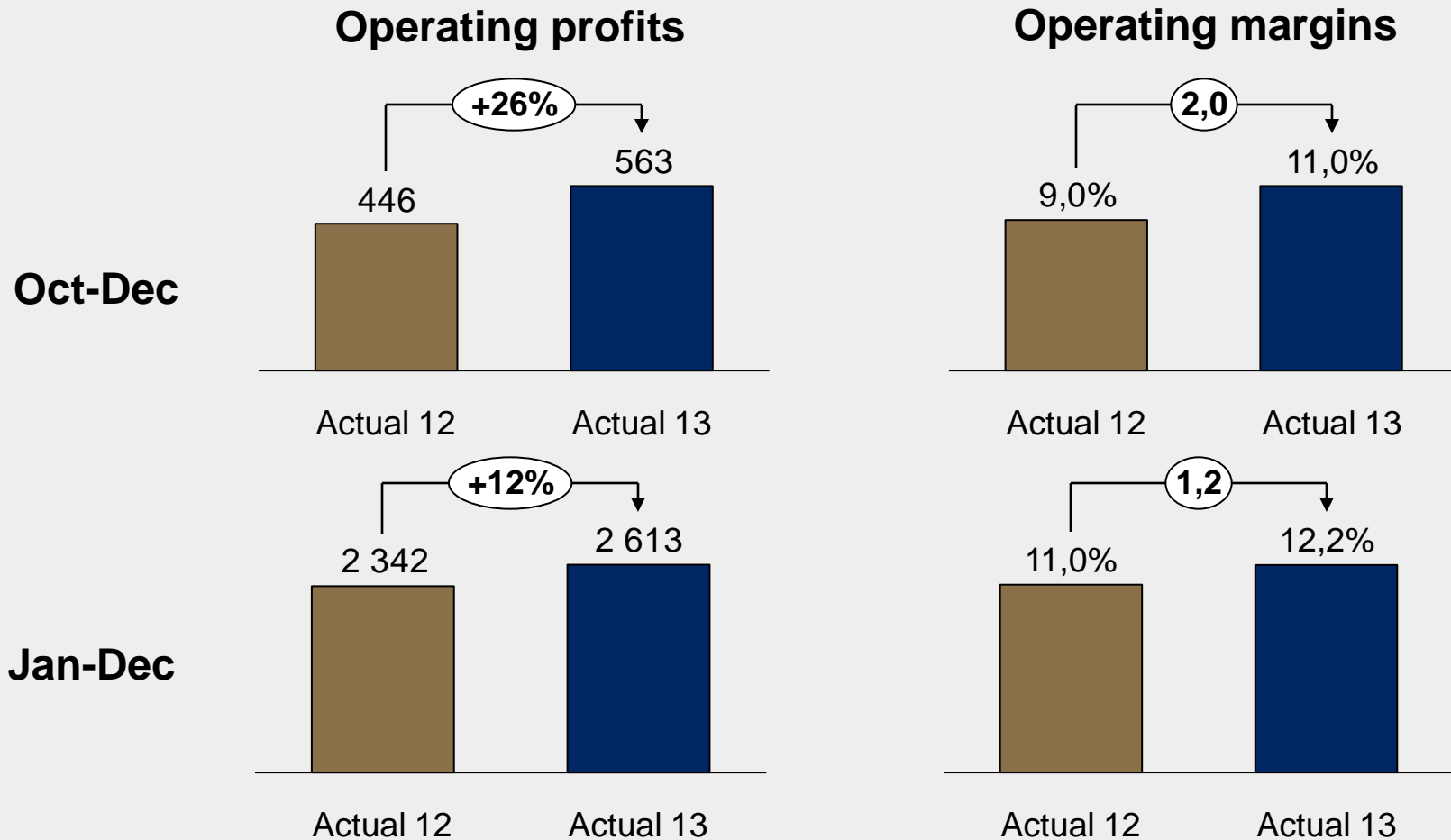
## Organic sales growth by geographic markets



Share = Actual 2013

# Best ever fourth quarter

## Operating profit development<sup>1</sup>





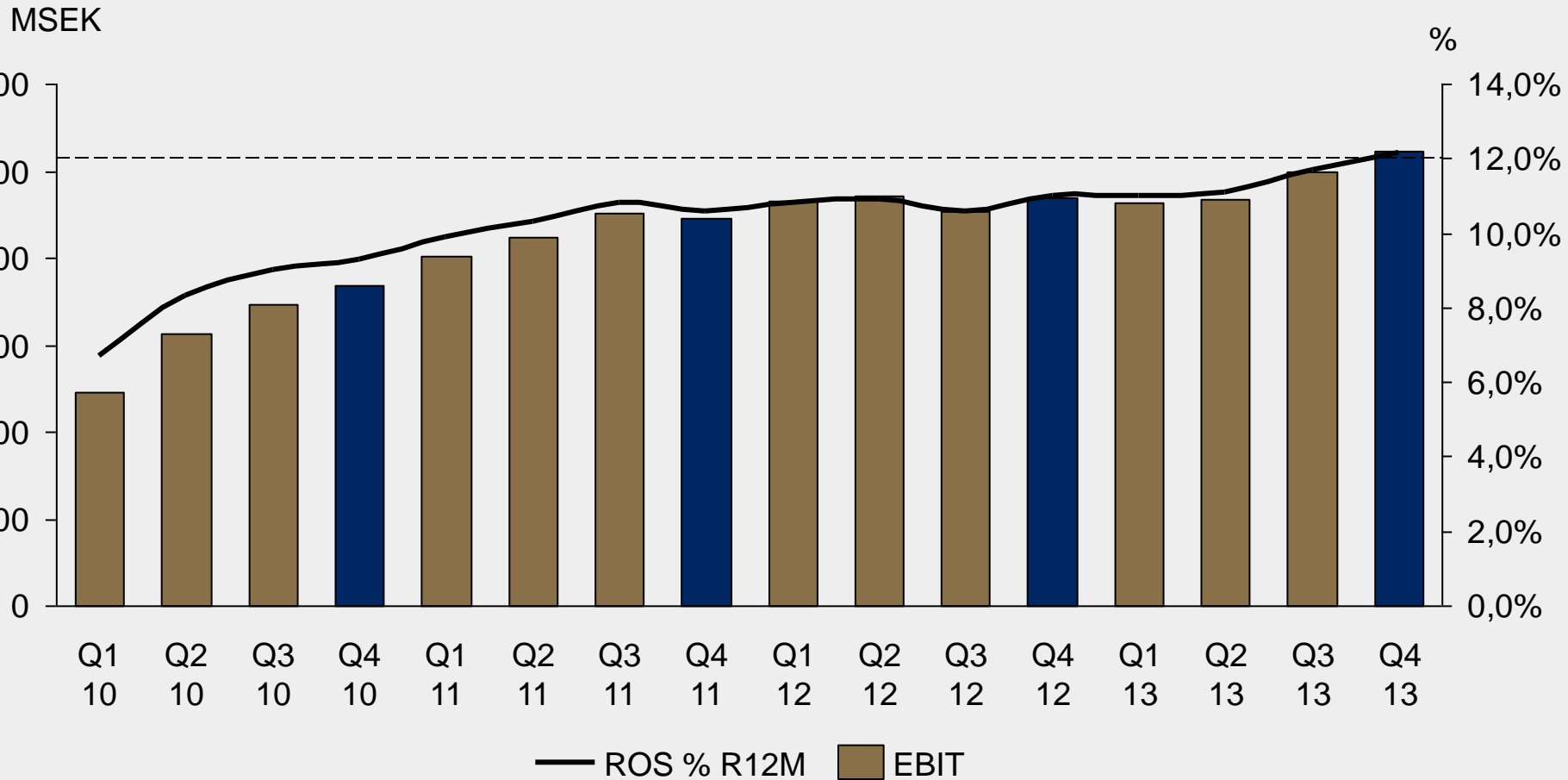
# Overall a good performance

## Group operating profit per business area<sup>1</sup>

Oct - Dec			SEK M	Jan - Dec		
2013	2012	Change %		2013	2012	Change %
55	37	49	Coated Systems	197	177	11
94	93	1	Industrial Solutions	420	328	28
70	57	23	Offshore & Construction	274	216	27
332	277	20	Sealing Solutions	1 486	1 513	-2
92	72	28	Wheel Systems	490	449	9
-80	-90	-11	Other items	-254	-341	26
<b>563</b>	<b>446</b>	<b>26</b>	<b>Continuing operations</b>	<b>2 613</b>	<b>2 342</b>	<b>12</b>

# R12M EBIT-margin in line with target

## EBIT and margin, R12M<sup>1</sup>



# Total Group - including discontinued business

## Profit & Loss statement

Oct - Dec			SEK M	Jan - Dec		
2013	2012	Change %		2013	2012	Change %
563	446	26%	<b>Operating Profit</b>	2 613	2 342	12%
11,0%	9,0%	2.0 pp	<b>Operating Margin</b>	12,2%	11,0%	1.2 pp
-68	-129		Restructuring costs	-255	-192	
0	0		One-off items	-155	203	
-68	-129		Items affecting comparability	-410	11	
123	37		Associated income from Trelleborg Vibracoustic	355	109	
618	354	75%	<b>Operating profit, Continuing Operations</b>	2 558	2 462	4%
12,0%	7,1%	4.9 pp	<b>Operating Margin</b>	11,9%	11,6%	0.3 pp
-39	11		Operating profit, Discontinued operations	-39	353	
579	365		<b>Operating Profit, Group Total</b>	2 519	2 815	
-42	-36		Financial income and expense	-197	-189	
537	329		<b>Profit before tax</b>	2 322	2 626	
-178	-72		Tax, Group total	-705	-569	
359	257		<b>Net Profit, Group Total</b>	1 617	2 057	

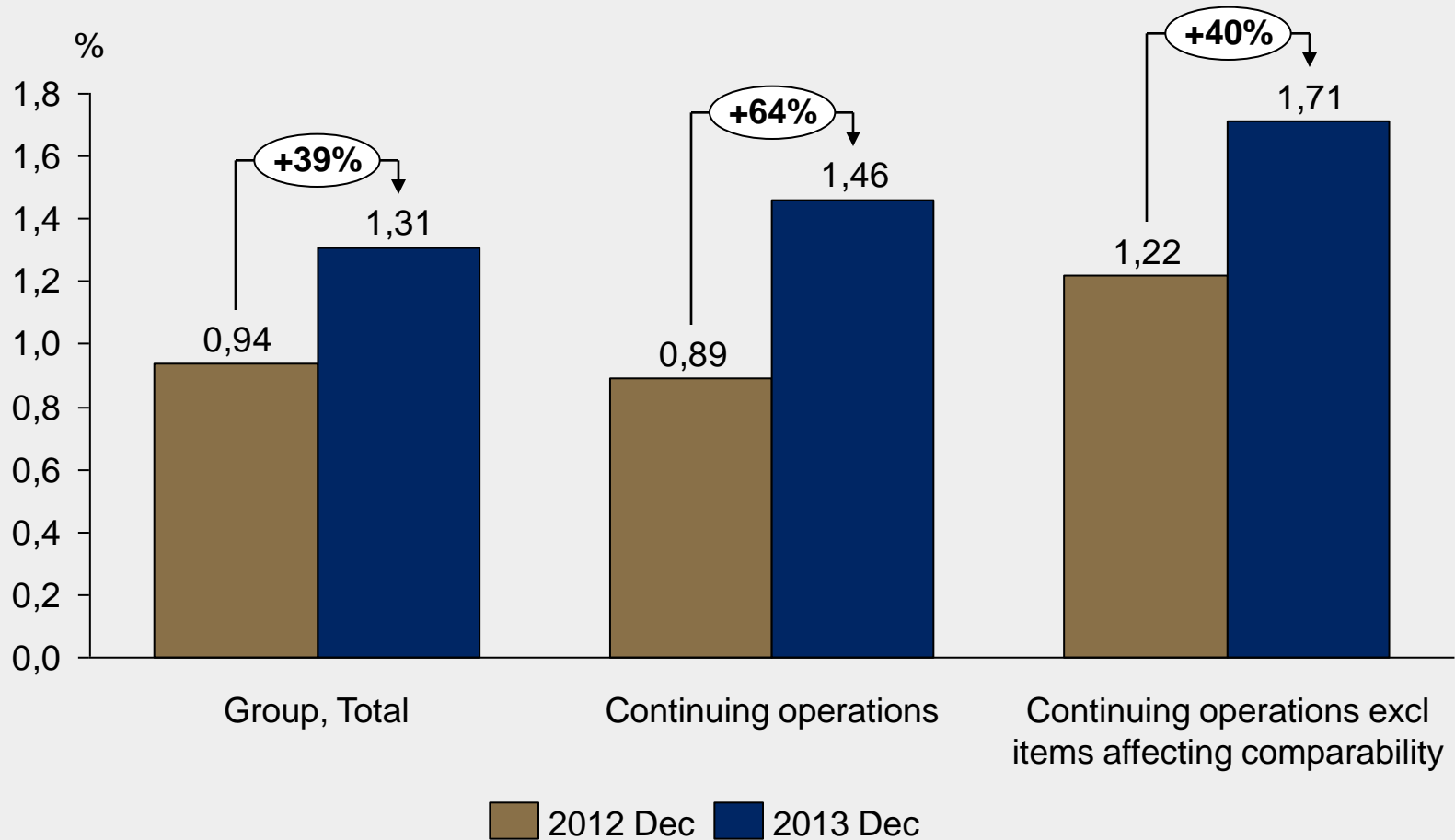
# TrelleborgVibracoustic

## Impact on Trelleborg's accounts

SEK M	Oct - Dec 2013	Oct - Dec 2012	Jan - Dec 2013	Jan - Dec 2012
Operating profit excl. Items affecting comparability, MEUR	35	24	125	44
Operating profit excl. Items affecting comparability	305	205	1078	377
Acquisition related costs	-21	-27	-54	-37
Amortization on intangible assets	-10	-44	-38	-44
Restructuring costs	24	-27	-176	-32
Operating Profit	298	106	810	264
Financial net	-52	-30	-101	-47
Profit before tax	247	76	710	217
<b>Trelleborg share</b>	<b>123</b>	<b>37</b>	<b>355</b>	<b>109</b>
Tax	-85	-28	-236	-64
<b>Trelleborg share</b>	<b>-42</b>	<b>-14</b>	<b>-118</b>	<b>-32</b>
Net profit	162	48	474	153
<b>Trelleborg share (net impact)</b>	<b>81</b>	<b>24</b>	<b>237</b>	<b>77</b>

# Underlying EPS increased by 40 percent

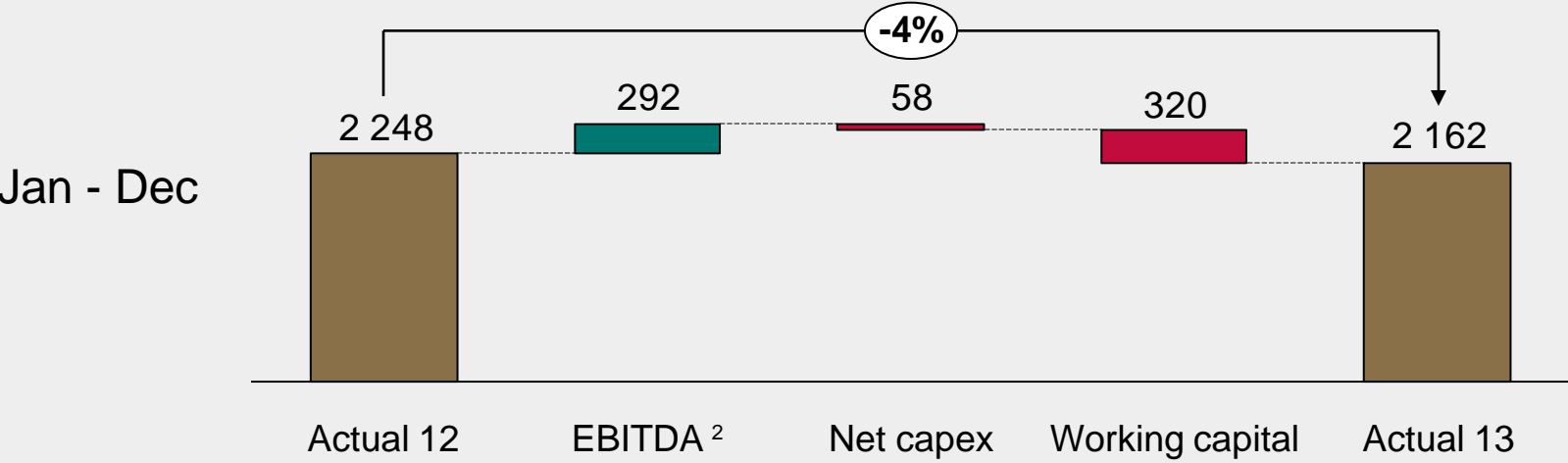
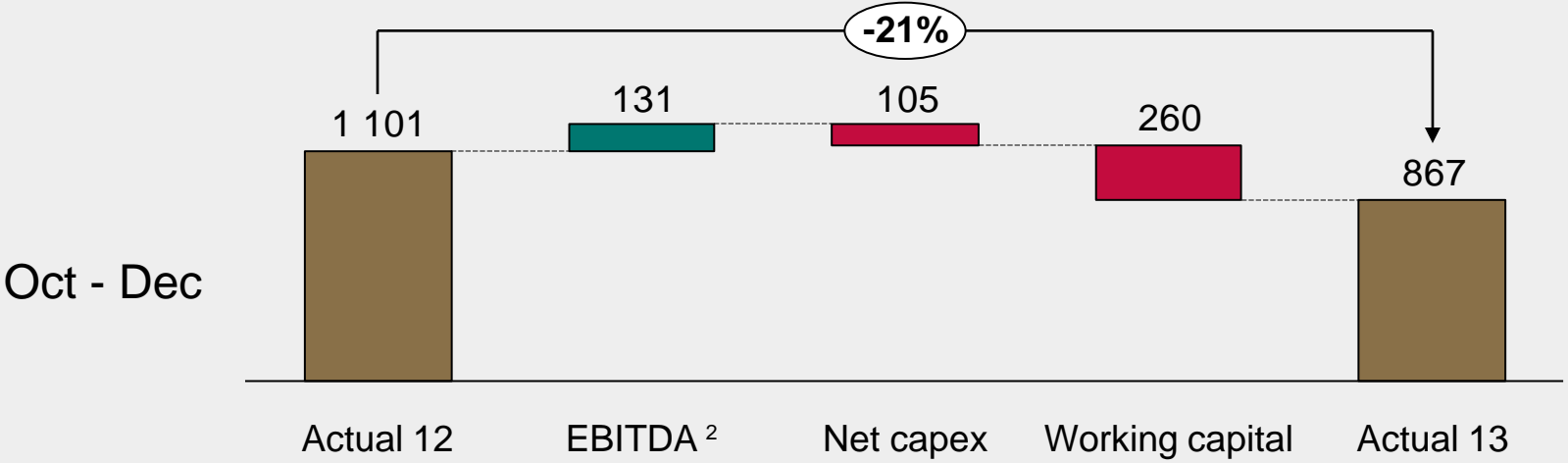
## Earnings per share – fourth quarter





# Working capital increase due to higher activity

## Operating cash flow<sup>1</sup>



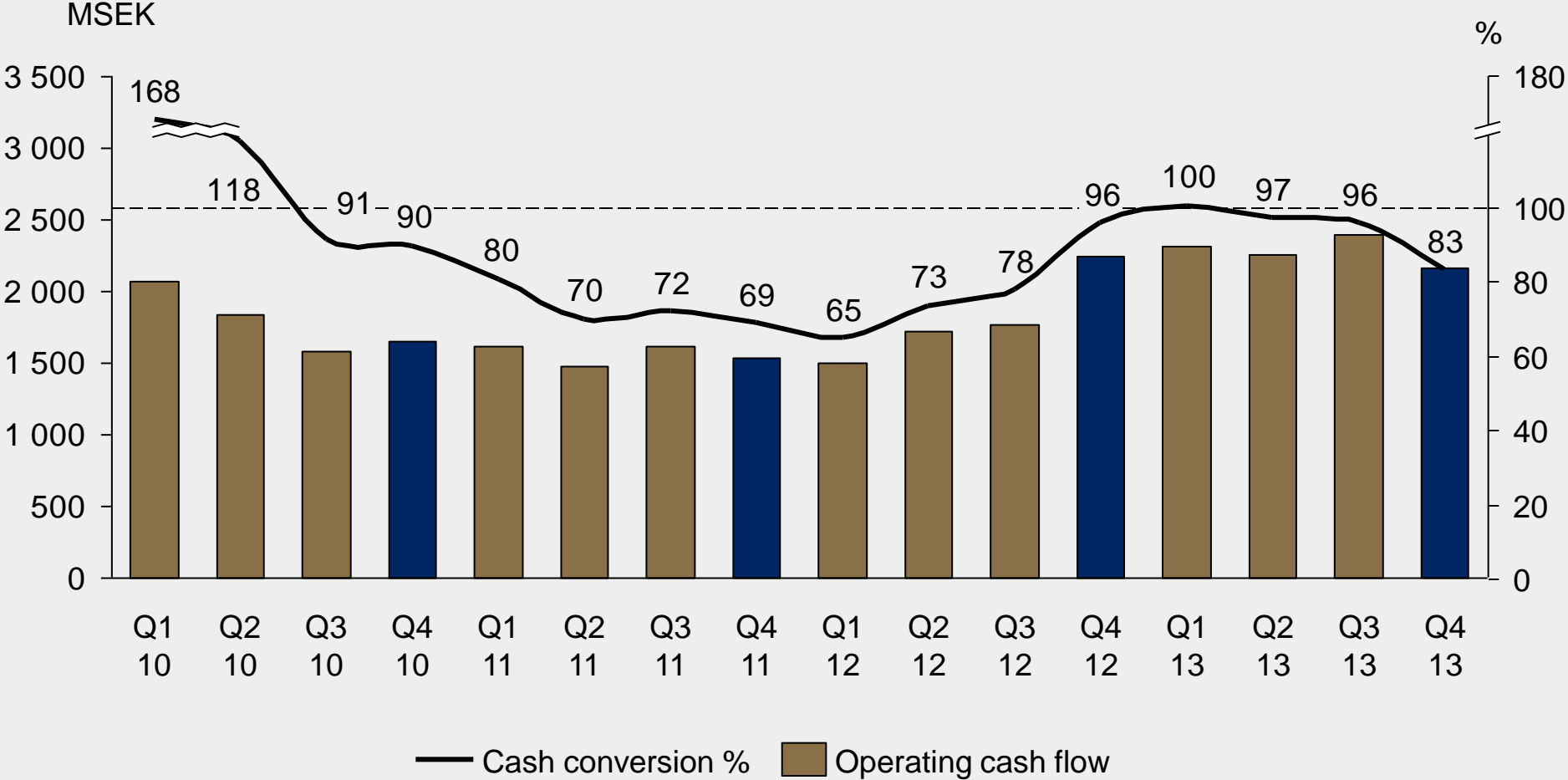
<sup>1</sup> Excluding items affecting comparability and TrelleborgVibracoustic.

<sup>2</sup> Excluding other non cash flow affecting items.



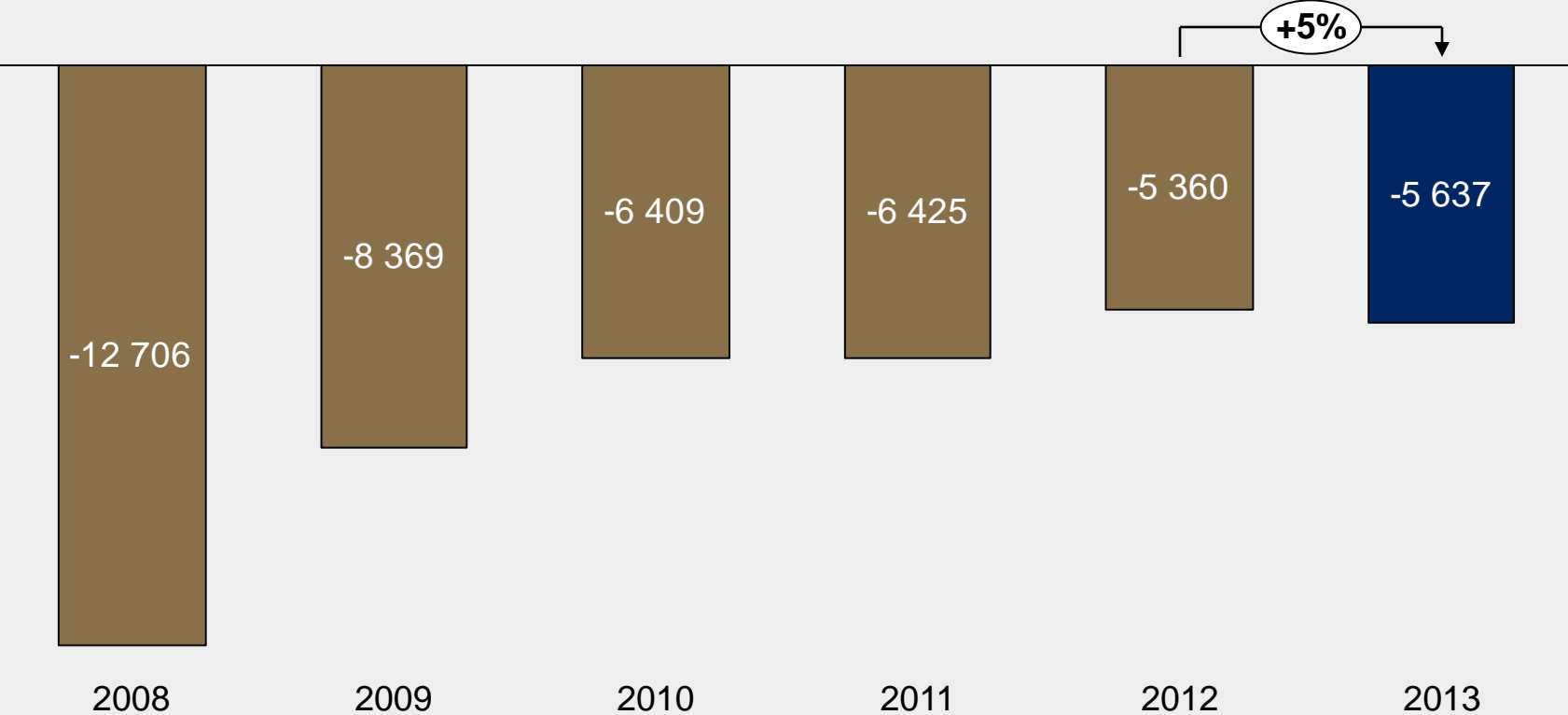
# Solid cash conversion

## Operating cash flow, R12M<sup>1</sup>



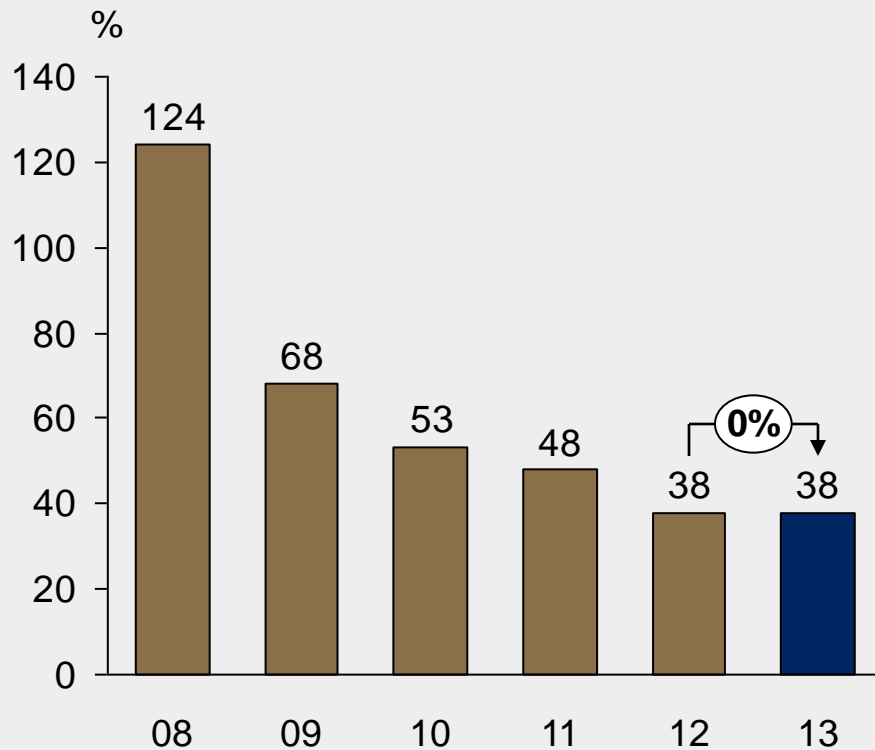
# Solid capital structure

## Net debt development<sup>1</sup>

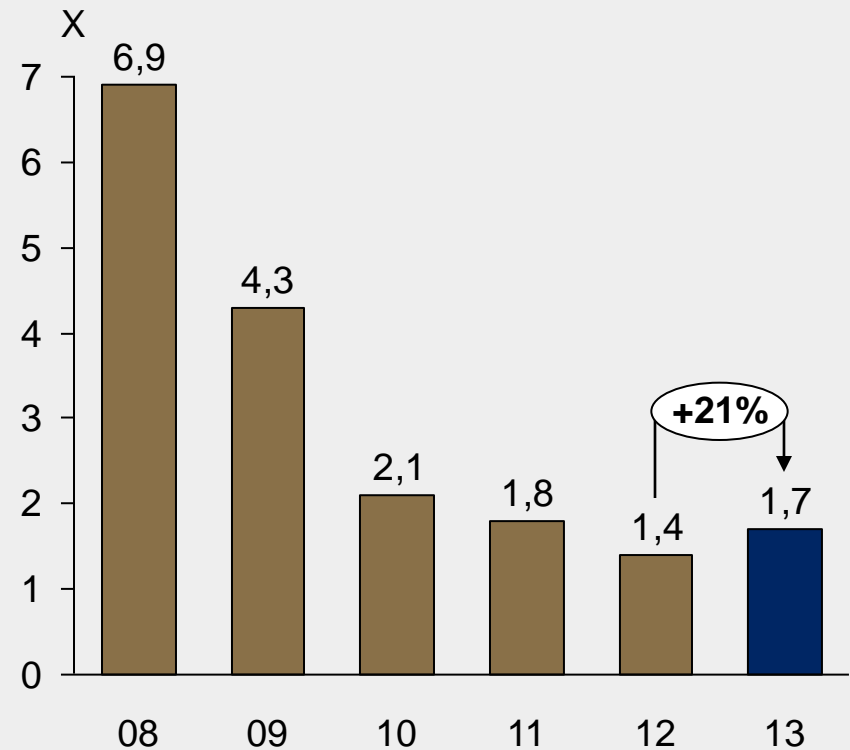


# Solid capital structure

## Net debt / EBITDA and net gearing development<sup>1</sup>



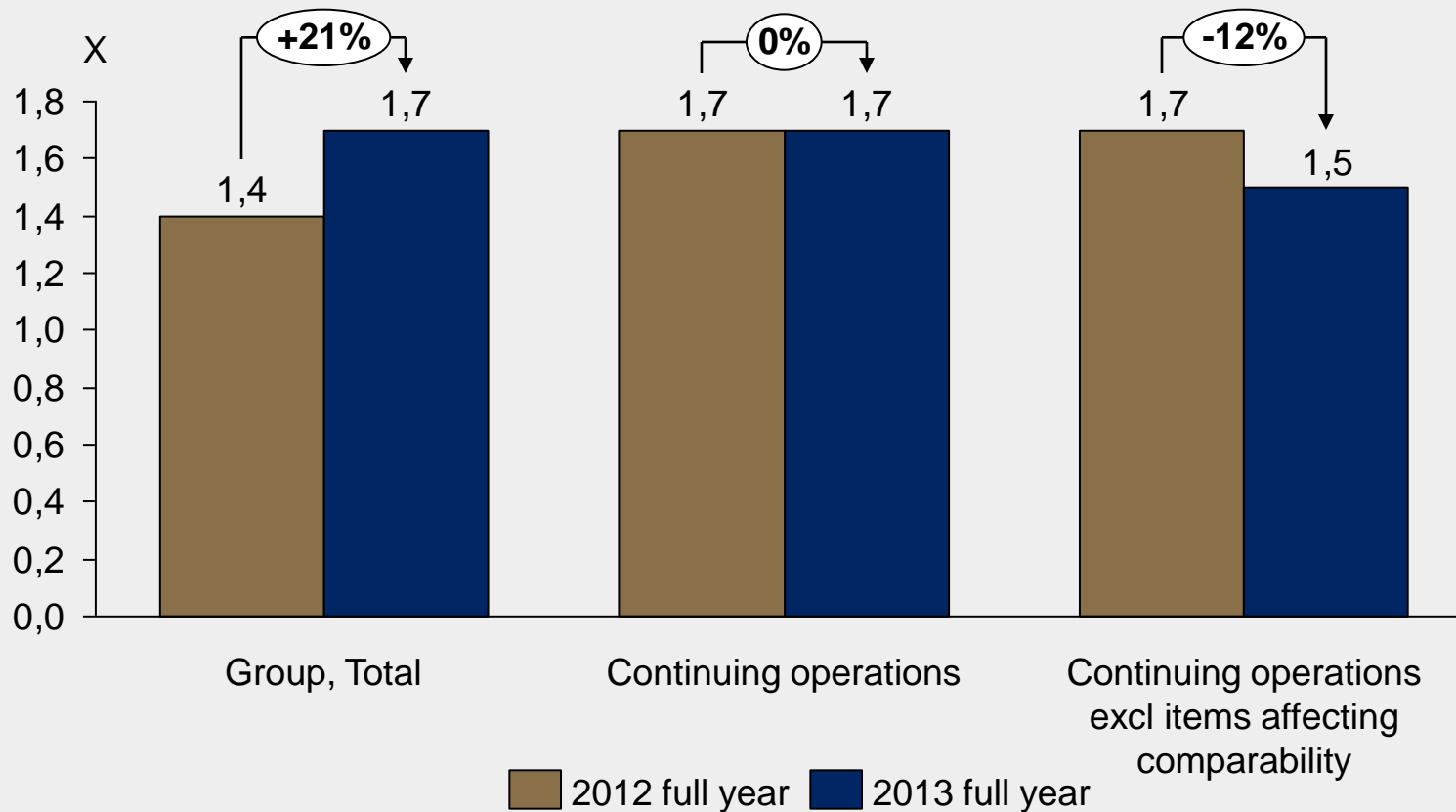
Net gearing



Net debt / EBITDA

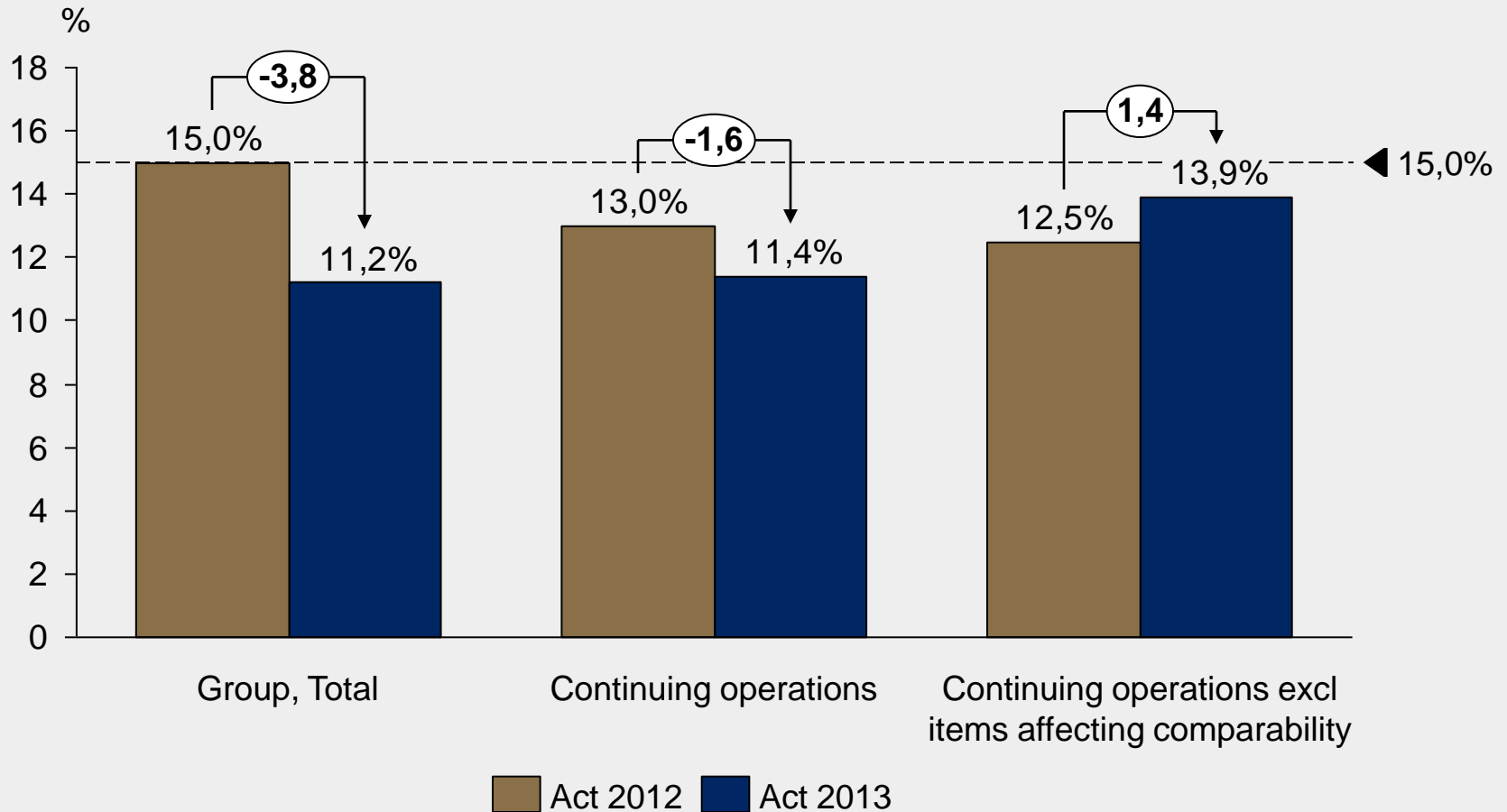
# Ratio for continuing operations stable

Net debt / EBITDA, R12M



# Long-term ROE target of 15 percent

## Return On Equity, R12M





# Financial guidelines<sup>1</sup> for full-year 2014

## Trelleborg Group:

- Restructuring costs<sup>1</sup>: ~250 MSEK
- Capex<sup>1</sup>: ~1,100-1,200 MSEK (peak year)
- Tax rate: ~28%

## TrelleborgVibracoustic (50% ownership):

- Restructuring costs: ~20-30 MEUR
- Annual impact from purchase price allocation (PPA) will remain at ~5 MEUR



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# Continued focus on growth and excellence

## 2014 priorities

- Manage uncertain market conditions
- Continued focus on profitable growth, selected segments and geographies
- Manage margin development through operational excellence
- Continued portfolio management to improve leading positions
- TrelleborgVibracoustic

# Outlook Q1 2014

- Demand in the first quarter is expected to be in line with the fourth quarter of 2013, adjusted for seasonal variations



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# Questions & Answers

# Forward-looking statements

This presentation contains forward-looking statements that are based on the current expectations of the management of Trelleborg. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct.

Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors