



# Trelleborg interim report

**January – March 2015**

Peter Nilsson, President & CEO

Ulf Berghult, CFO



# Agenda

Highlights

Business areas

TrelleborgVibracoustic (50% ownership)

Financials

Summary & Q2 2015 outlook

Q&A

# Robust earnings in a challenging market

## Q1 2015 highlights

- Mixed picture in terms of market development – some pockets of growth in Europe, while slightly negative sentiment in a few US segments
- Significantly lower world market price of oil has heightened uncertainty
- Agri segment still under pressure in all major markets
- Good market positions, cost control, acquisitions and currency improved the results to highest level thus far
- Trelleborg's EBIT-margin at 13.1% - robust considering exposure to much tougher agri and oil/gas markets
- TrelleborgVibracoustic's EBIT-margin at 9.5% - best so far

# Organic growth initiatives and acquisitions

## Recap of Q1 2015 events

- Acquisition of DGMS, a French service and distribution company of industrial tires
- Acquisition of 50 percent outstanding shares in Bulgarian polymer sealing manufacturer
- Appointment of a new CEO of the joint venture TrelleborgVibracoustic. Frank Müller will assume his position on June 1, 2015
- **Post Q1:** Acquisition of Armstrong Tyres, an Australian service and distribution company of agricultural tires, finalized



# Robust earnings in a challenging market

## Group financial highlights, Q1 2015

### Net sales

- Sales: +14%; Organic: -4%;  
Structure: +4%; Currency +14%

### Earnings

- Highest quarterly EBIT so far
- Positive FX impact

### Cash flow

- Cash flow impacted by seasonality
- R12M cash conversion at 78%

SEK M	Q1 2015	Q1 2014	Change, %
Net sales	6 370	5 597	14
Organic	-4	3	
Structural	4	0	
Exchange rate	14	1	
Operating profit excl. items affecting comparability excl. part in TrelleborgVibracoustic	833	779	7
Operating margin, %	13.1	13.9	0.8pp
Items affecting comparability <sup>1</sup>	-35	-18	
Profit share in TrelleborgVibracoustic <sup>2</sup>	137	87	
Reported operating profit	935	848	
Operating cash flow	59	367	-84

<sup>1</sup> Consists of restructuring charges of SEK -35 M (-18) and one-off items of SEK 0 M (0)

<sup>2</sup> Profit share in TrelleborgVibracoustic after tax, includes total items affecting comparability of EUR -5,9 M (-6.0), of which restructuring costs of EUR -4.3 M (-4.2)



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# Efficiency measures start to impact margins

## Trelleborg Coated Systems<sup>1</sup>

- Organic sales: -1%
- Structural growth: +24%
- Engineered fabrics weaker in Europe, growth in North America
- Printing blankets weaker in Europe and Asia but growth in North America
- Efficiency measures in Europe and North America had a positive impact on EBIT

SEK M	Q1 2015	Q1 2014	Change, %
Net sales	683	473	44
Organic, %	-1	-3	
Structural, %	24	4	
Exchange rate, %	21	1	
Operating profit	90	61	48
Operating margin, %	13.2	13.0	0.2pp

# Profit improvement despite lower volumes

## Trelleborg Industrial Solutions<sup>1</sup>

- Organic sales: -6%
- Structural growth: +9%
- Mixed geographical and market segment sales development
- Fewer oil/gas deliveries
- Benefiting from strong market positions and positive mix
- Investment in a new production facility in Mexico

SEK M	Q1 2015	Q1 2014	Change, %
Net sales	1 340	1 183	13
Organic, %	-6	1	
Structural, %	9	1	
Exchange rate, %	10	2	
Operating profit	141	117	21
Operating margin, %	10.5	9.9	0.6pp



# Tough quarter but expect improvement in Q2

## Trelleborg Offshore & Construction<sup>1</sup>

- Organic sales: -2%
- Positive organic sales in oil/gas
- Fewer infrastructure projects
- Deliveries of low margin projects
- EBIT impacted by introduction of new production technology
- Merger of two Dutch operations
- Upgraded facility in USA
- Lower oil price creates challenges and uncertainties

SEK M	Q1 2015	Q1 2014	Change, %
Net sales	989	859	15
Organic, %	-2	3	
Structural, %	-	-2	
Exchange rate, %	17	-1	
Operating profit	8	64	-88
Operating margin, %	0.8	7.4	-6.6pp

# Another strong quarter

## Trelleborg Sealing Solutions<sup>1</sup>

- Organic sales: +1%
- Mixed geographical and market segment development
- Aerospace and automotive strong
- Solid development due to market positioning and operational control
- Favourable translation F/X
- Bought remaining shares in Bulgarian polymer sealing JV

SEK M	Q1 2015	Q1 2014	Change, %
Net sales	2 204	1 917	15
Organic, %	1	8	
Structural, %	-	-	
Exchange rate, %	14	2	
Operating profit	525	436	20
Operating margin, %	23.8	22.7	1.1pp

# Solid results despite market conditions

## Trelleborg Wheel Systems<sup>1</sup>

- Organic sales: -11%
- Agri OE-market sharply down
- Agri aftermarket less affected
- Industrial tires more stable, but US sales impacted by weather and port strikes
- Market positions yield double-digit margin despite falling volumes
- Agri market outlook still bleak
- Two acquisitions – one closed post Q1

SEK M	Q1 2015	Q1 2014	Change, %
Net sales	1 122	1 126	0
Organic, %	-11	-1	
Structural, %	1	1	
Exchange rate, %	10	2	
Operating profit	116	148	-22
Operating margin, %	10.3	13.1	-2.8pp



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# A solid development

## Global leader in automotive antivibration solutions

TrelleborgVibracoustic

- ▶ **Stand-alone** company
- ▶ **Global** organization established
- ▶ **Successful** integration
- ▶ Stand-alone **financing**
- ▶ **Solid** performance





# Highest operating margins to date

## TrelleborgVibracoustic<sup>1</sup>

- Organic sales: +2%
- Positive sales development in all geo markets but South America
- Higher volumes and effective cost control
- Continued poor Brazilian market
- Making the JV ready for a potential stock market exchange listing

EUR M	Q1 2015	Q1 2014	Change, %
Net sales	485.8	447.3	9
Organic, %	2	9	
Structural, %	-	1	
Exchange rate, %	7	-5	
Operating profit excl. items affecting comparability	46.2	38.6	20
Operating margin, %	9.5	8.6	0.9pp

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



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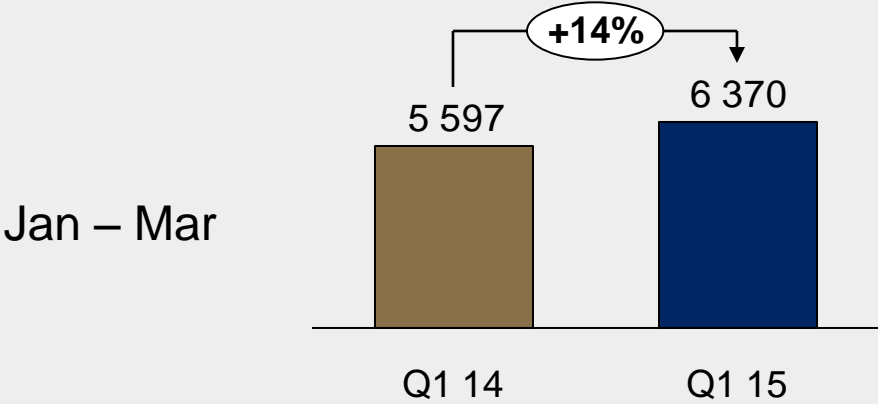
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# Sales increase through FX and acquisitions

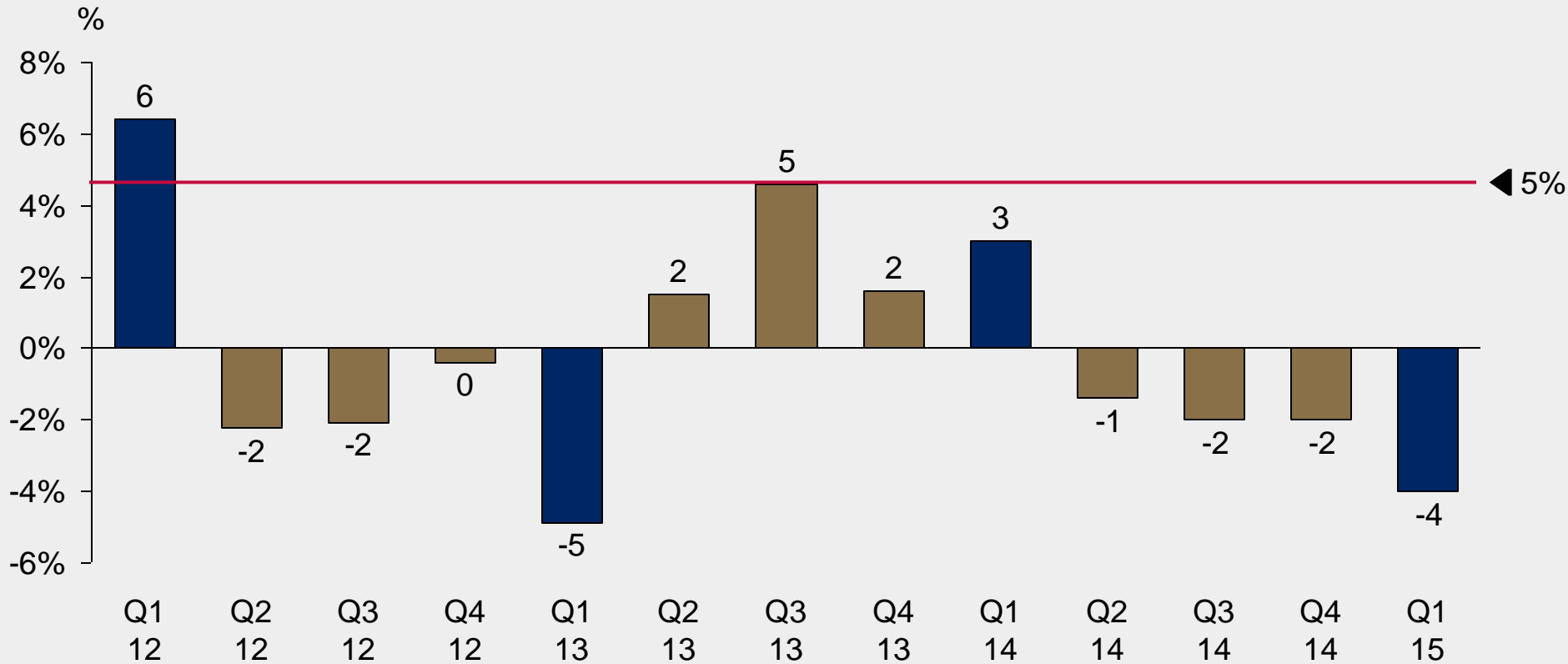
## Sales development



Jan - Mar %	
Organic	-4
Structural	4
Currency	14
<b>Total</b>	<b>14</b>

# Tough market conditions in agri segment

## Organic sales development



# Tough quarter from a volume perspective

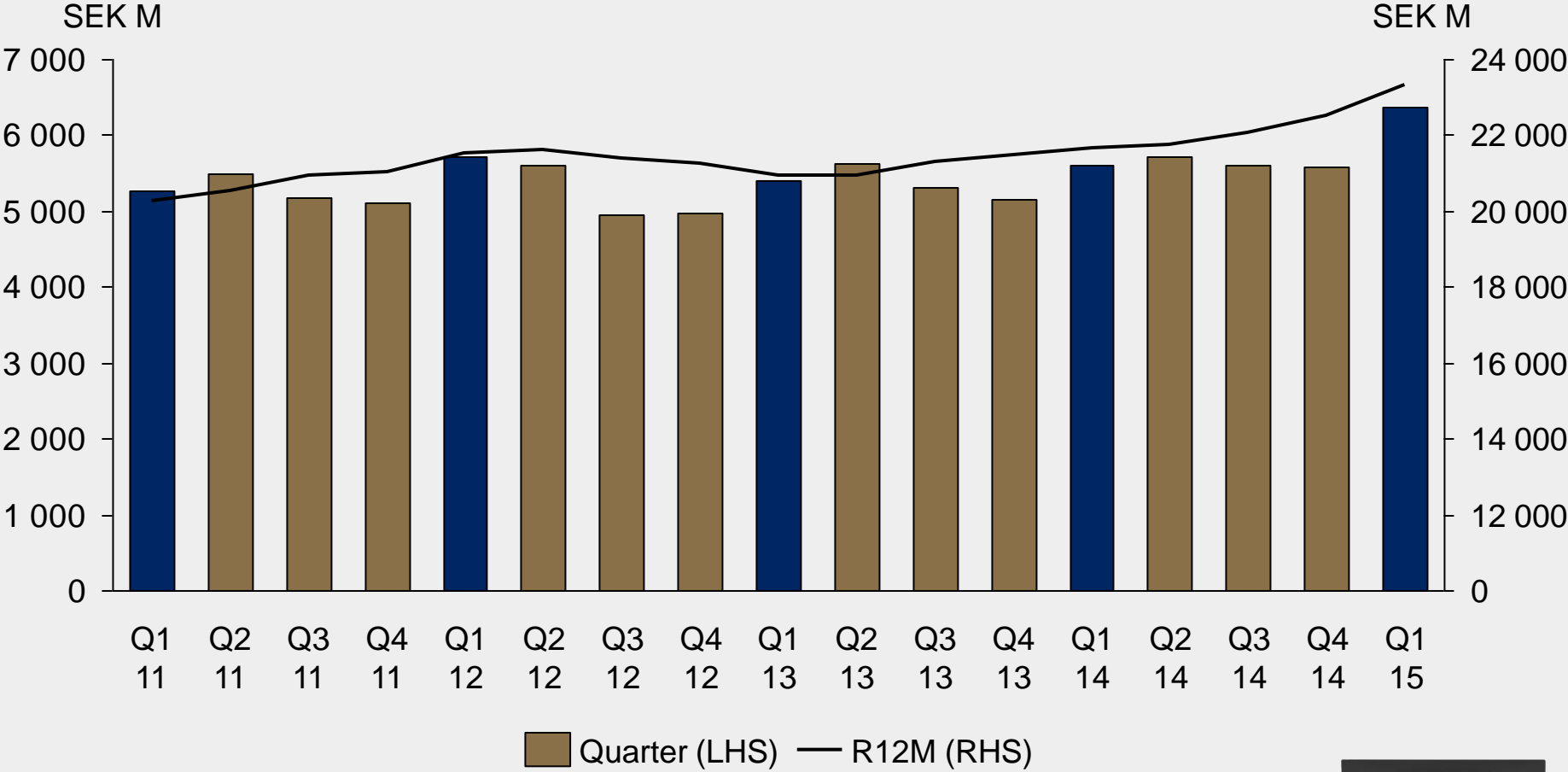
## Sales per business area

SEK M	Jan - Mar			
	2015	2014	Change %	Organic %
Coated Systems	683	473	44	-1
Industrial Solutions	1 340	1 183	13	-6
Offshore & Construction	989	859	15	-2
Sealing Solutions	2 204	1 917	15	1
Wheel Systems	1 122	1 126	0	-11
Other items	127	141		
Eliminations	-95	-102		
<b>Continuing operations</b>	<b>6 370</b>	<b>5 597</b>	<b>14</b>	<b>-4</b>



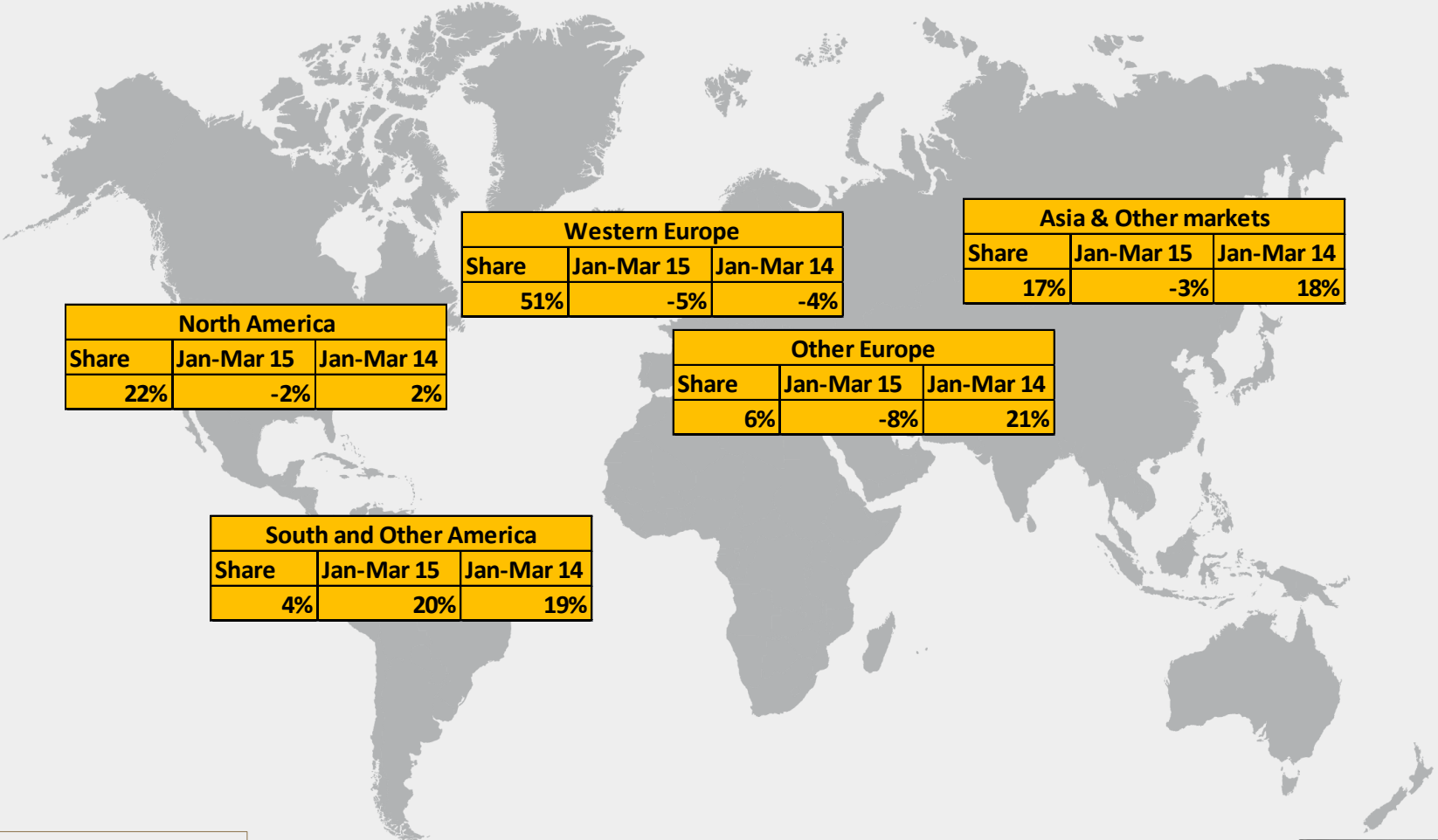
# Growing sales trend continues

## Sales development, R12M



# Organic sales growth by geography

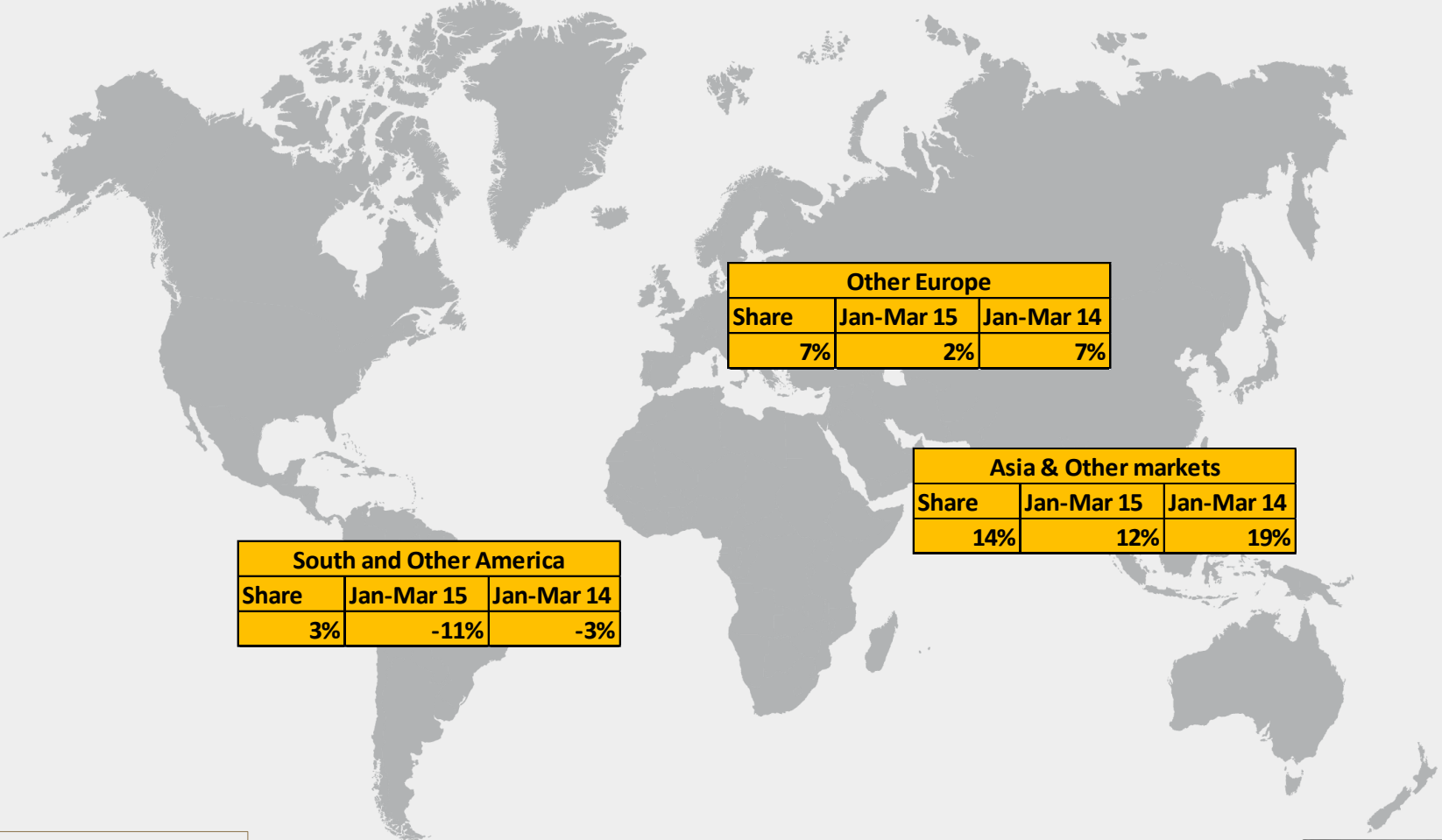
Picture distorted by project-related business



Share = Actual 2014

# Organic sales excl. project-related business

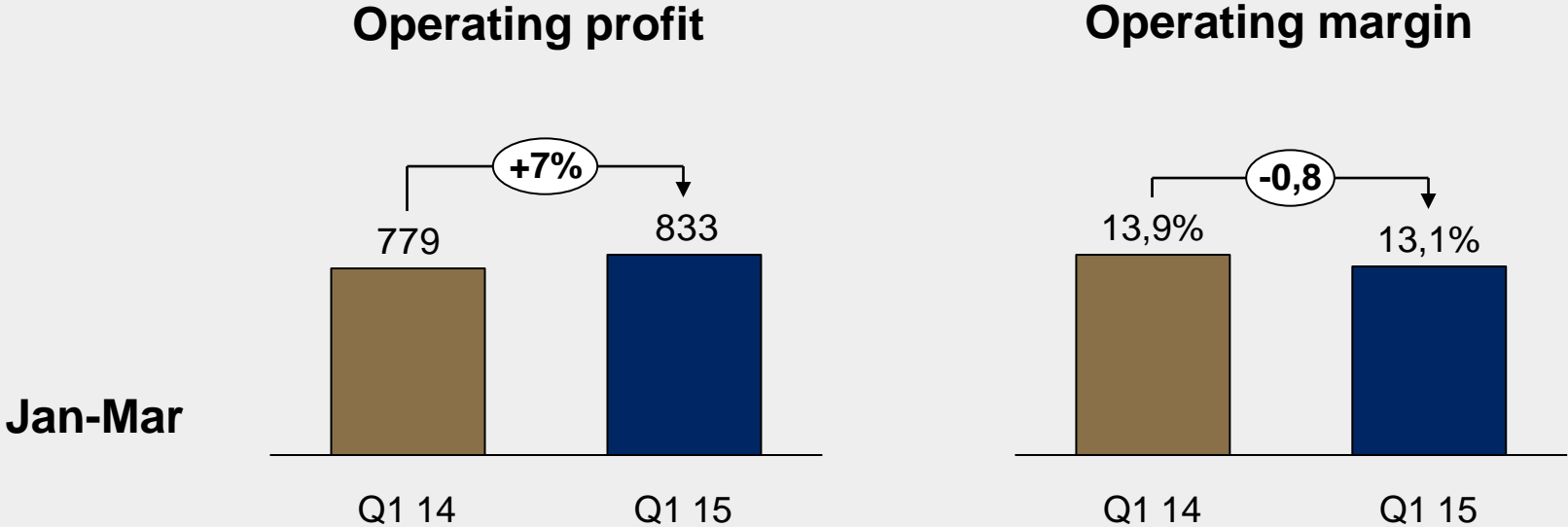
Different picture emerges – sound development in Asia



Share = Actual 2014

# Highest operating profit recorded

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



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



# Best EBIT so far despite poor agri and offshore

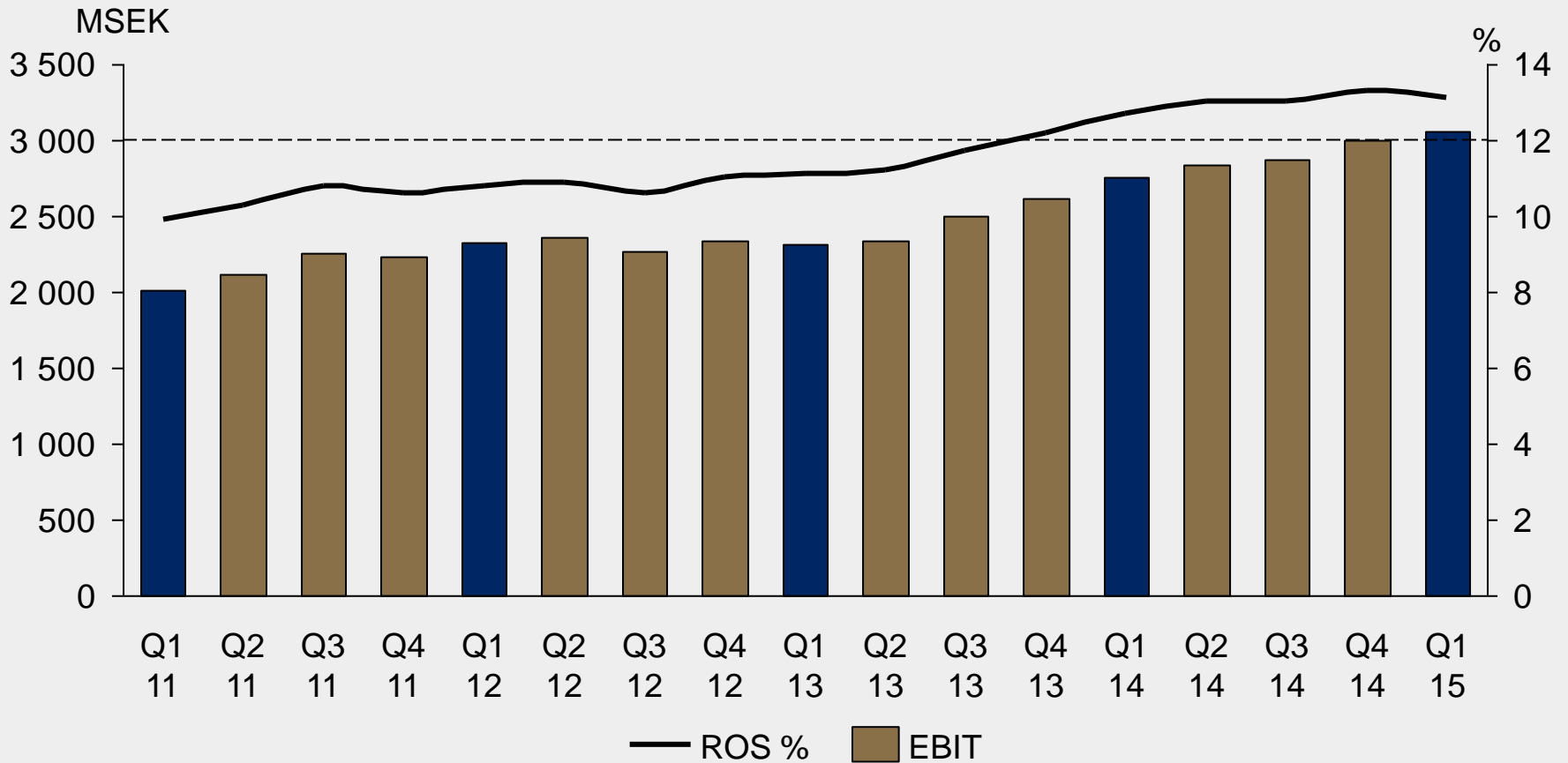
## Group operating profit per business area<sup>1</sup>

SEK M	Jan - Mar		
	2015	2014	Change %
Coated Systems	90	61	48
Industrial Solutions	141	117	21
Offshore & Construction	8	64	-88
Sealing Solutions	525	436	20
Wheel Systems	116	148	-22
Other items	-47	-47	
<b>Continuing operations</b>	<b>833</b>	<b>779</b>	<b>7</b>



# Eight quarters of improved profits

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



# Total Group

## Profit & Loss statement

SEK M	Jan - Mar		
	2015	2014	Change %
<b>Operating Profit</b>	<b>833</b>	<b>779</b>	<b>7</b>
<b>Operating Margin</b>	<b>13,1%</b>	<b>13,9%</b>	<b>-0,8 pp</b>
Restructuring costs	-35	-18	
Associated income from Trelleborg Vibracoustic	137	87	57
<b>Operating profit</b>	<b>935</b>	<b>848</b>	<b>10</b>
<b>Operating Margin</b>	<b>14,7%</b>	<b>15,2%</b>	<b>-0,5 pp</b>
Financial income and expense	-35	-34	-3
<b>Profit before tax</b>	<b>900</b>	<b>814</b>	<b>11</b>
Tax, Group total	-211	-191	
<b>Net Profit, Group Total</b>	<b>689</b>	<b>623</b>	<b>11</b>

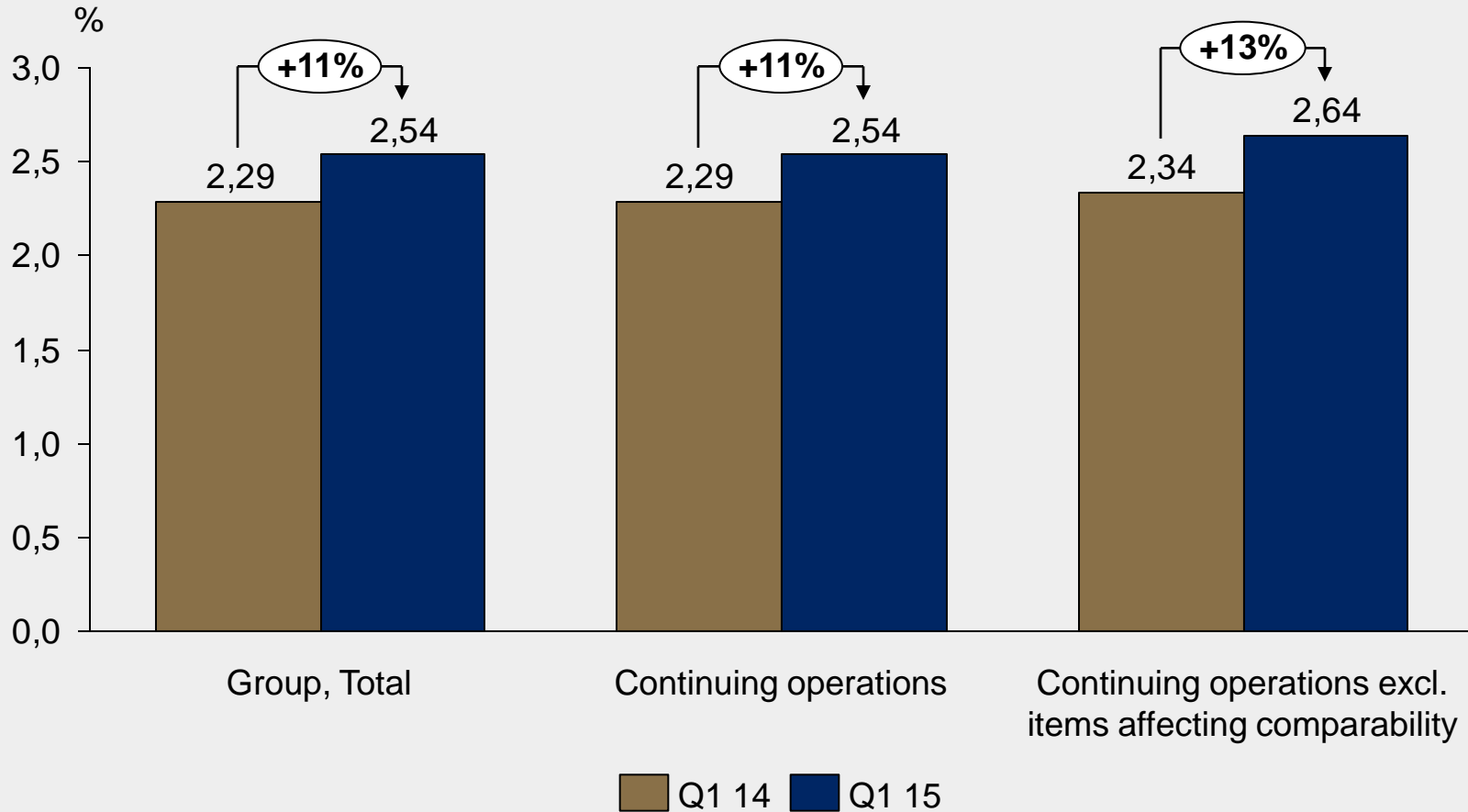
# TrelleborgVibracoustic

## Impact on Trelleborg's accounts

EUR M	Jan - Mar 2015	Jan - Mar 2014
Operating profit excl. items affecting comparability	46,2	38,6
Acquisition related costs	-0,2	-0,3
Amortization on intangible assets	-1,4	-1,5
Restructuring costs	-4,3	-4,2
Operating Profit	40,3	32,6
Financial net	1,7	-2,5
Profit before tax	42,0	30,1
Tax	-12,7	-10,4
Net profit	29,3	19,7
Net profit SEK	275	175
<b>Trelleborg share (net impact)</b>	<b>14,7</b>	<b>9,9</b>
<b>Trelleborg share (net impact) SEK</b>	<b>137</b>	<b>87</b>

# Underlying EPS increased by 13 percent

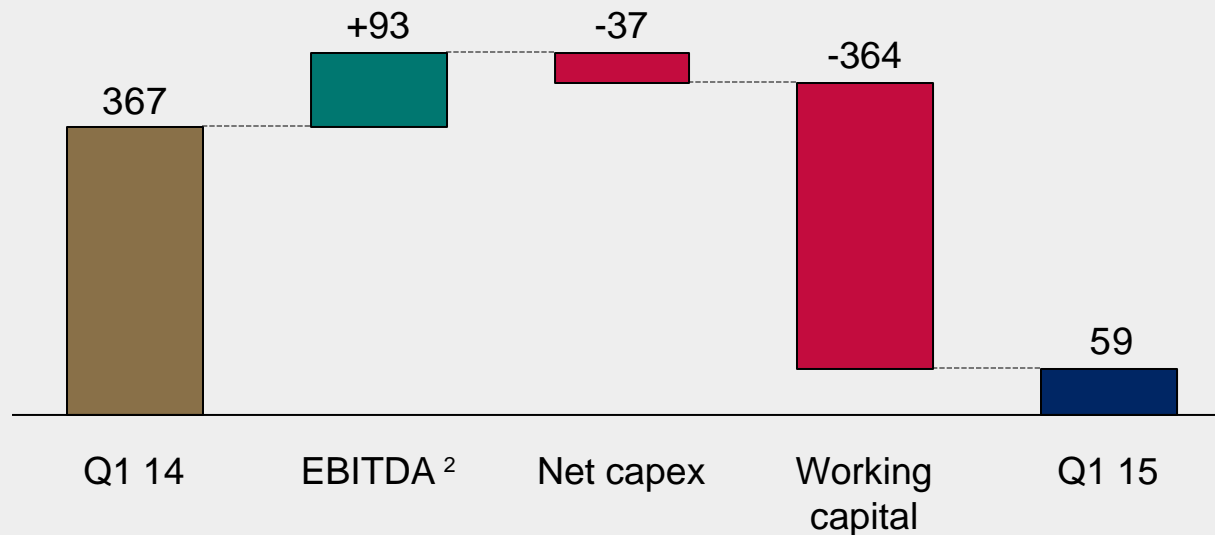
## Earnings per share – first quarter



# Working capital increase mostly due to FX

Operating cash flow<sup>1</sup>

Jan - Mar



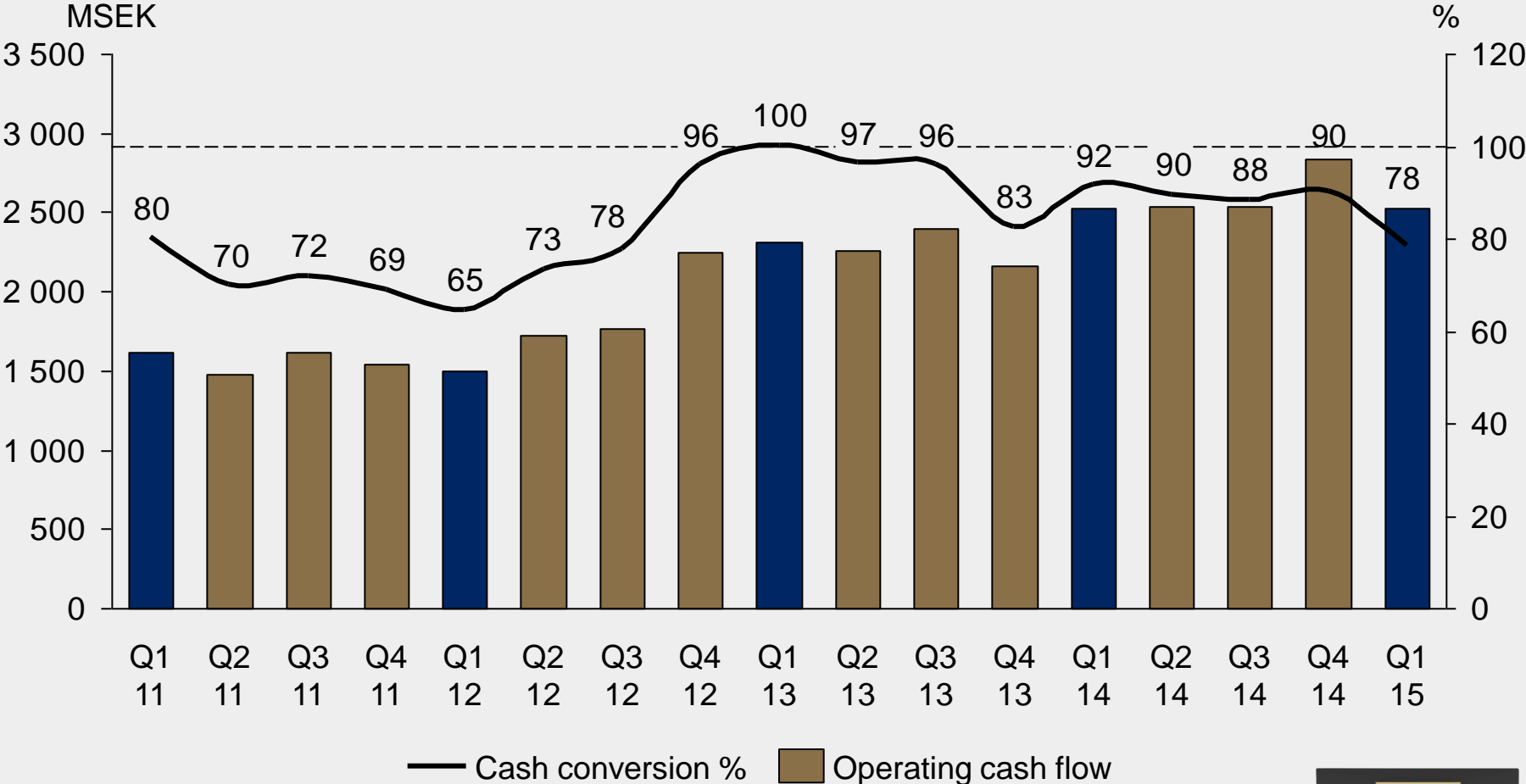
<sup>1</sup> Excluding items affecting comparability and TrelleborgVibracoustic.

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



# Slight dip highlighted by tough comparison

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

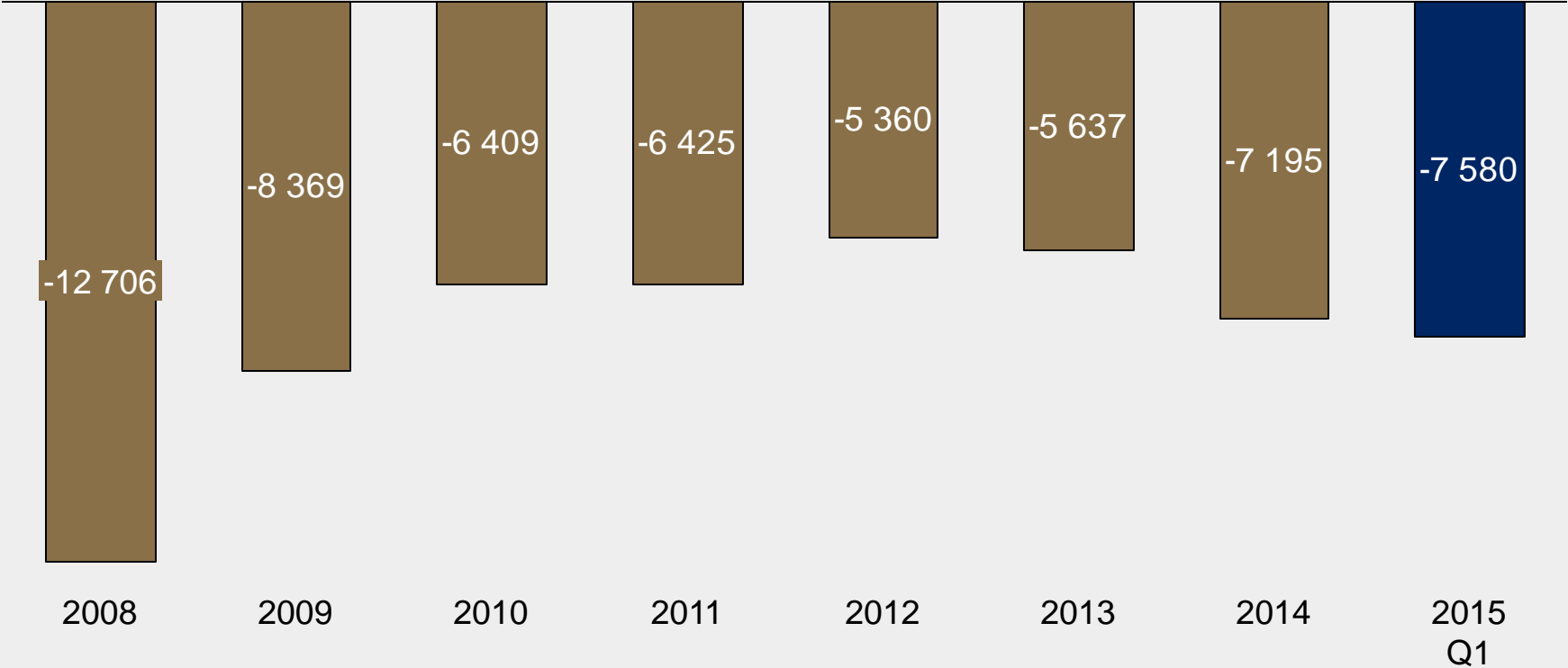


<sup>1</sup> Excluding items affecting comparability and TrelleborgVibracoustic



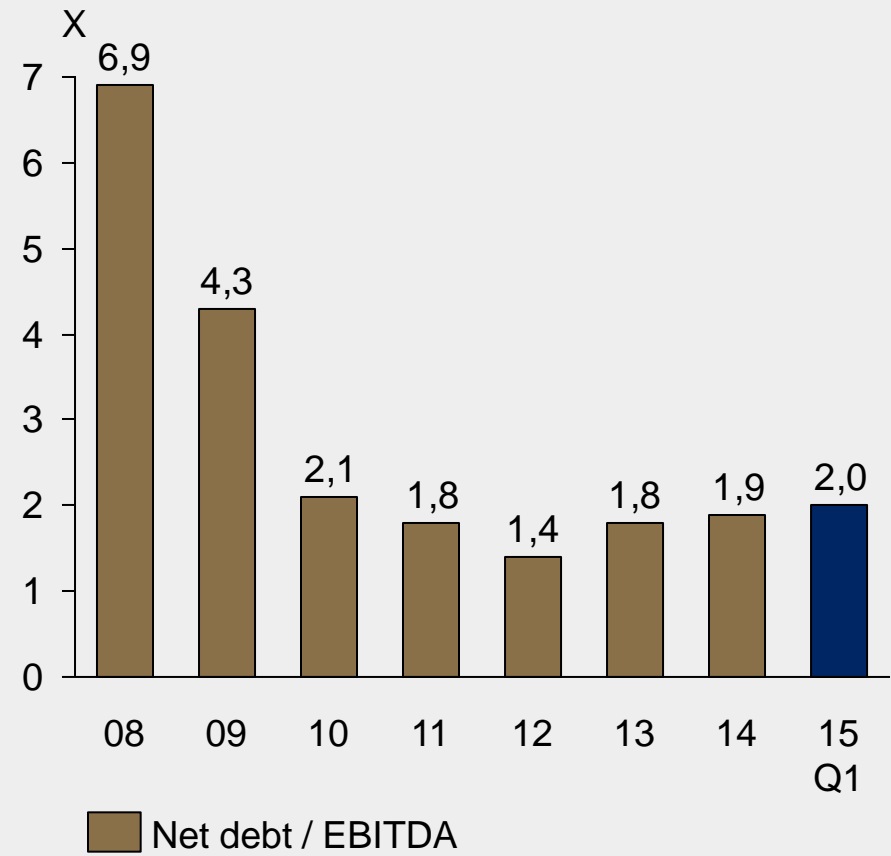
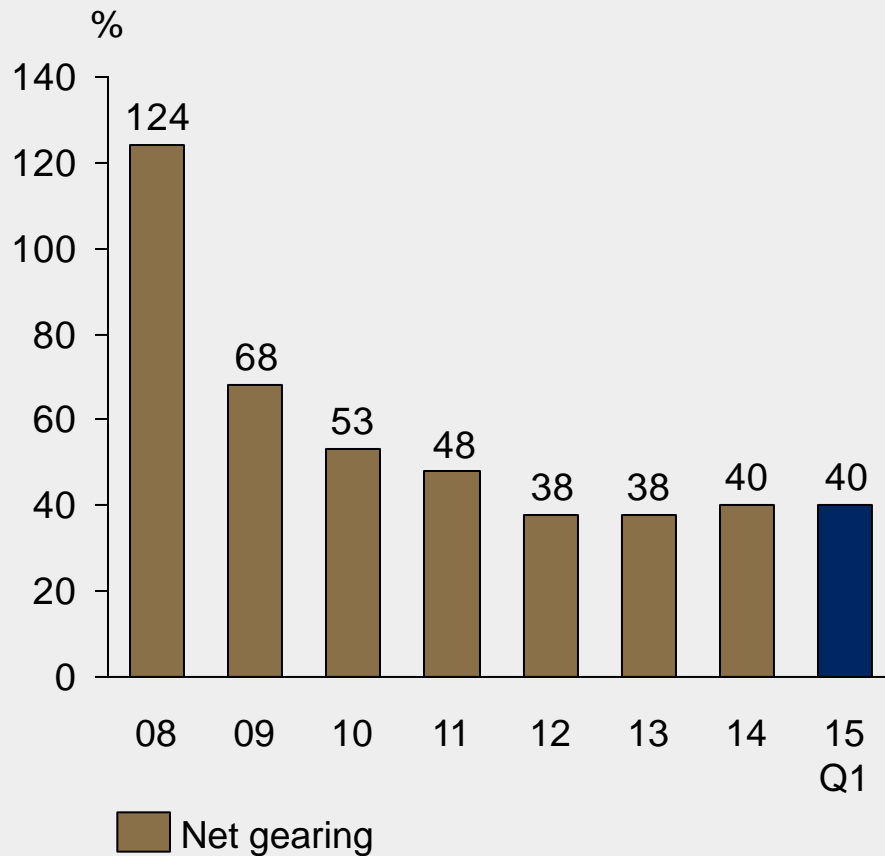
# Net debt impacted by currency effects

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



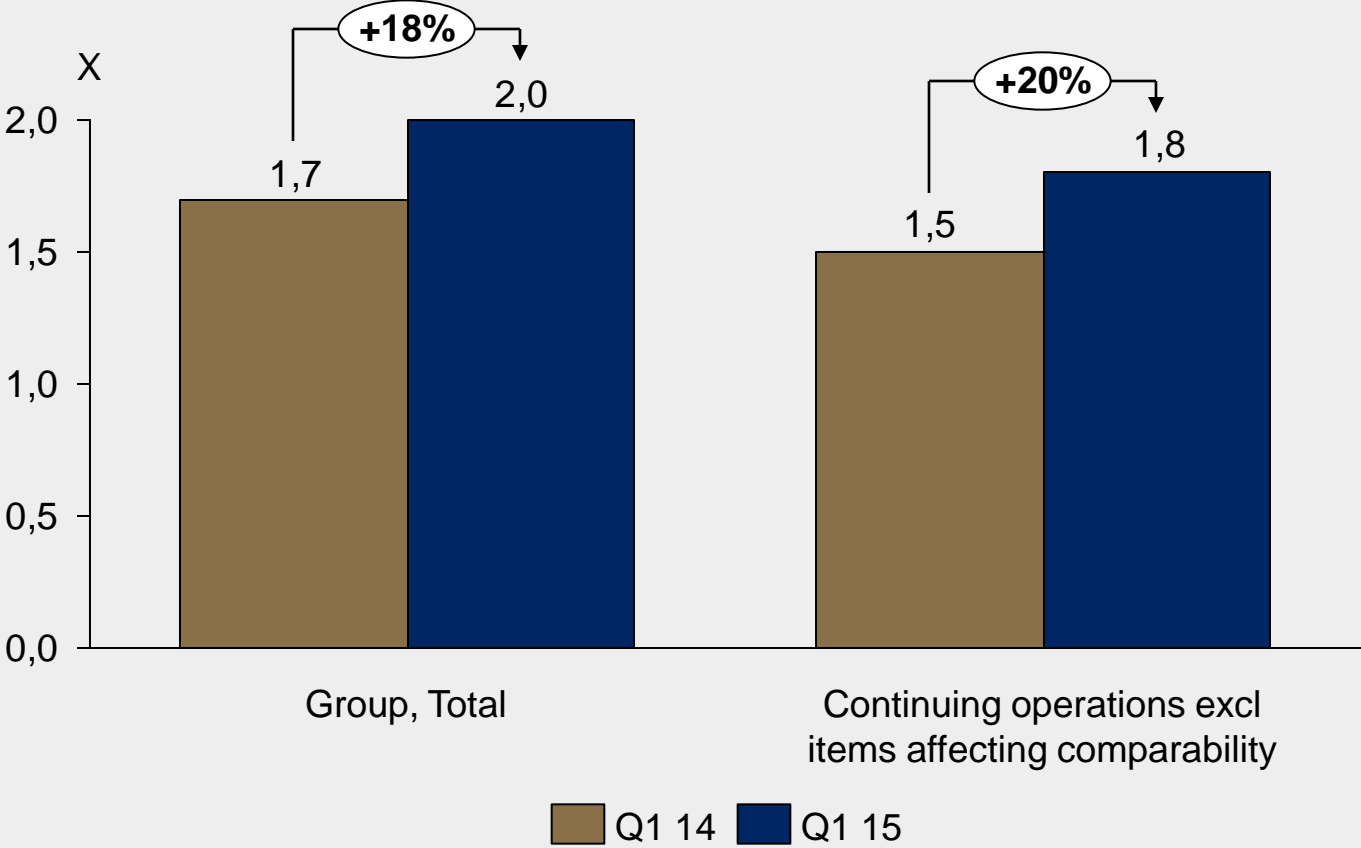
# Net gearing unchanged from last year

## Net debt / EBITDA R12M and net gearing development<sup>1</sup>



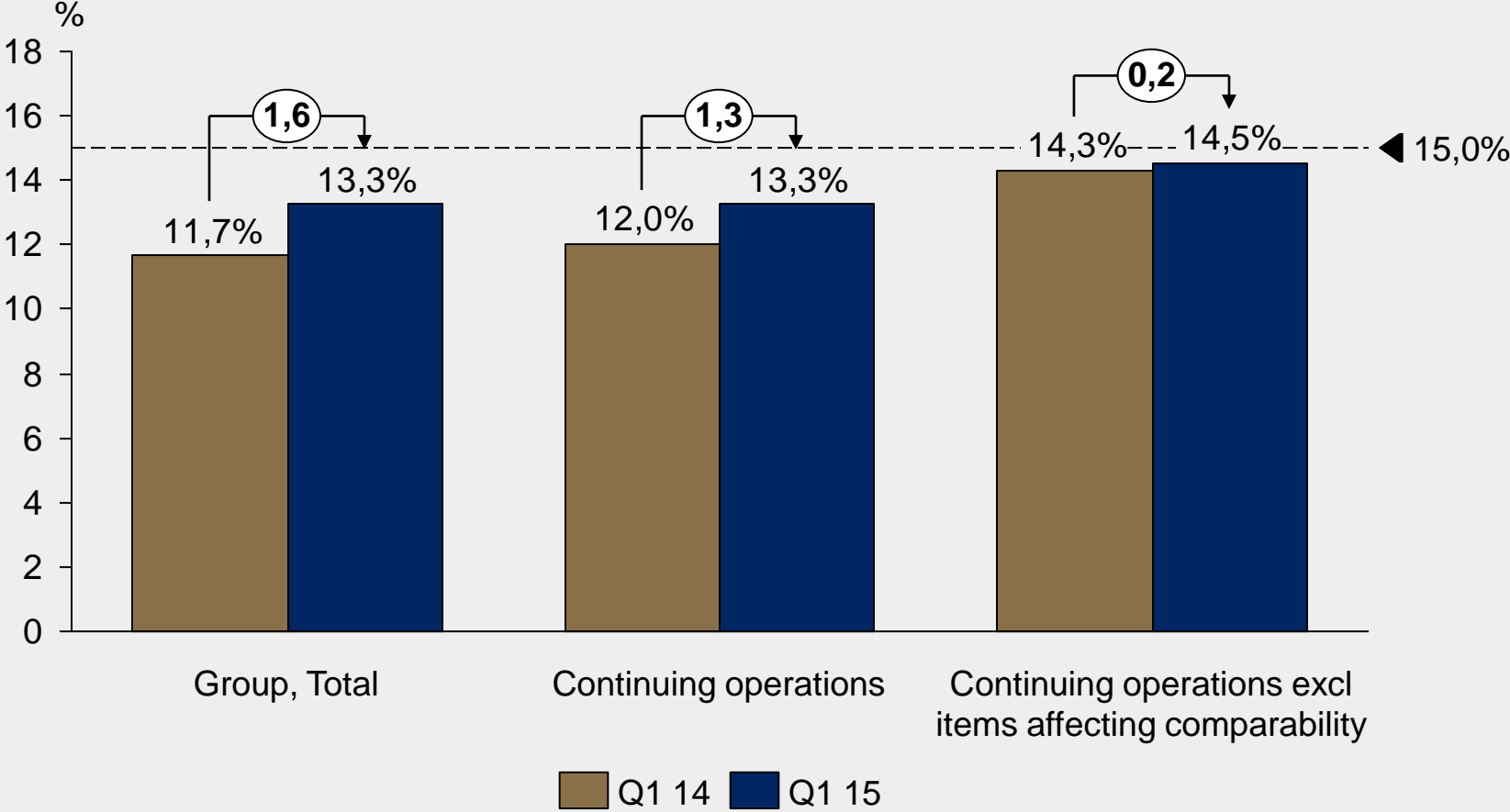
# Higher ratio as a result of increased net debt

Net debt / EBITDA, R12M



# ROE drawing closer to long-term target

## Return On Equity, R12M





# Financial guidelines for full-year 2015

## Trelleborg Group:

- Restructuring costs: ~SEK 250 M
- Capex: ~SEK 1,100-1,200 M
- Tax rate<sup>1</sup>: ~28%

## TrelleborgVibracoustic (50% ownership):

- Restructuring costs: ~EUR 20 M
- Annual impact from purchase price allocation (PPA): ~EUR 6 M
- Tax rate<sup>1</sup>: ~29%



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# Continued focus on growth and excellence

## 2015 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 Q2 2015

- Demand in the second quarter of 2015 is expected to be on a par with the first quarter of 2015, adjusted for seasonal variations



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# Questions & Answers