



Trelleborg interim report

April – June 2016

Peter Nilsson, President & CEO

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Summary & Q3 2016 outlook

Q&A

An eventful quarter

Q2 2016 highlights

- Organic Y/Y sales decline by 6 percent, mainly driven by expected lower project deliveries to the oil/gas segment
- Good market positions, cost control and contributing acquisitions improved the quarterly EBIT to highest level to date
- Trelleborg's EBIT-margin at 13.7% - solid level despite exposure to depressed agriculture and oil/gas markets
- Solid operating cash flow, R12M cash conversion at 83 percent
- Acquisition of CGS finalized, and consolidated from May 31, 2016
- Conditions for closing of divestment of Vibracoustic fulfilled by end of June - divestment thus recognized in Q2

Organic growth initiatives and acquisitions

Recap of Q2 2016 events

- Acquisition of Silicone Fabricators Inc. (SSF), a U.S.-based privately-owned manufacturer of high-precision silicone components for medical equipment manufacturers

CGS acquisition update

- CGS acquisition finalized, and consolidated from May 31, 2016. The acquired business contributes with one month's results in this report
- Non-recurring costs of SEK 69 million, related to the acquisition, was charged in Q2 2016. Of this amount, SEK 49 million was charged to reported EBIT and SEK 20 million was charged to net financial items
- CGS tire operations has been integrated into the Trelleborg Wheel Systems business area from May 31, 2016
- During a transition period, CGS non-tire operations will be reported separately under the Rubena Savatech name, while gradually being integrated into existing business areas

Vibracoustic divestment update

- By end of Q2 2016, conditions for closing were fulfilled, and thus the divestment of Vibracoustic is recognized in the second quarter
- The total purchase price of SEK ~6.9 billion is reported as a receivable in the Q2 report
- The transaction resulted in a capital gain of SEK ~4.1 billion¹
- A payment of SEK ~6.2 billion was received on July 5, 2016
- The remaining SEK ~0.7 billion of the purchase price is subject to Vibracoustic's realized sales development during 2016 and 2017

Note:

¹ Profit after tax from discontinued operations is reported in accordance with IFRS, and amounts to SEK 4,369 million. This amount includes a capital gain of SEK 4,070 million and an equity reclassification of SEK 299 million. The net effect on equity amounts to SEK 4,070 million

Trelleborg in transition

- The divestment of Trelleborg's 50 percent share in Vibracoustic, as well as the acquisition of CGS, are now finalized
- Both deals have had a significant impact on Trelleborg's key financial items, both separately and combined
- As CGS's balance sheet is now fully consolidated, while its P&L is only included with one month, some key ratios are significantly skewed

An eventful quarter

Group financial highlights, Q2 2016

Net sales

- Sales: 0%; Organic: -6%;
Structure: +9%; Currency -3%

Earnings

- Highest adj. EBIT to date
- Negative FX impact
- Negative one-off items

Cash flow

- Solid operating cash flow
- R12M cash conversion at 83%

SEK M	Q2 2016	Q2 2015	Change, %
Net sales	6 544	6 531	0
Organic, %	-6	-1	
Structural, %	9	4	
Exchange rate, %	-3	11	
EBITA, excl. items affecting comparability	935	908	3
EBITA margin, %	14.3%	13.9%	0.4 p.p
EBIT, excl. items affecting comparability	899	883	2
EBIT margin, %	13.7	13.5	0.2 p.p
Items affecting comparability ¹	-107	-23	
Reported EBIT	792	860	-8
Operating cash flow	835	603	38

¹ Consists of restructuring charges of SEK -58 M (-23) and communicated one-off items related to the CGS acquisition of SEK -49 M (0).



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Lower organic sales but improved margins

Trelleborg Coated Systems¹

- Organic sales: -5%
- Engineered fabrics weaker linked to specific market segments
- Printing blankets flat; growth in Europe, weaker in Americas
- EBIT slightly lower due to lower sales
- EBIT-margin strengthened due to cost control and implemented restructuring initiatives

SEK M	Q2 2016	Q2 2015	Change, %
Net sales	628	672	-7
Organic, %	-5	0	
Structural, %	-	24	
Exchange rate, %	-2	17	
EBIT	86	87	-1
EBIT, %	13.7	12.9	0.8 p.p.

Muted general industry in most geographies

Trelleborg Industrial Solutions¹

- Organic sales: -2%
- Mixed market segment sales development
- Both Europe and North America declined, while Asia improved
- Fewer oil/gas deliveries
- Lower profits as a result of weak general industry development
- Margin reflects cost discipline and good market positions

SEK M	Q2 2016	Q2 2015	Change, %
Net sales	1 321	1 358	-3
Organic, %	-2	-4	
Structural, %	2	7	
Exchange rate, %	-3	8	
EBIT	149	154	-3
EBIT, %	11.3	11.4	-0.1 p.p.

Proactive alignment to tough oil/gas markets

Trelleborg Offshore & Construction¹

- Organic sales: -29%
- As expected, very weak organic sales in oil/gas segment
- Mixed development in infrastructure projects
- Proactive alignment to current market situation supports EBIT
- Guidance of FY16 organic sales drop of 15-20% still valid
- EBIT and margin expected to remain in positive territory

SEK M	Q2 2016	Q2 2015	Change, %
Net sales	835	1 174	-29
Organic, %	-29	6	
Structural, %	5	-	
Exchange rate, %	-5	15	
EBIT	26	68	-62
EBIT, %	3.1	5.8	-2.7 p.p.

Solid performance and improved EBIT margin

Trelleborg Sealing Solutions¹

- Organic sales: +2%
- Mixed geographical and market segment development
- Aerospace and automotive stable, heavy capex industry still muted
- Solid development due to market positioning and operational control
- Margin improvement due to sales mix
- Acquisition of U.S.-based Silicone Fabricators Inc. (SSF)

SEK M	Q2 2016	Q2 2015	Change, %
Net sales	2 120	2 129	0
Organic, %	2	-3	
Structural, %	0	-	
Exchange rate, %	-2	12	
EBIT	506	496	2
EBIT, %	23.8	23.3	0.5 p.p.

Organic growth and stronger margins

Trelleborg Wheel Systems¹

- Organic sales: 1%
- Agri sales increase in all channels, mostly due to easy comp's
- Industrial and construction tires weaker in North America
- CGS tire operations integrated as of May 31, 2016 – positive contribution
- EBIT negatively impacted by ramp-up and integration costs

SEK M	Q2 2016	Q2 2015	Change, %
Net sales	1 472	1 136	30
Organic, %	1	-4	
Structural, %	32	2	
Exchange rate, %	-3	9	
EBIT	186	125	49
EBIT, %	12.6	11.0	1.6 p.p.

Strong performance in June

Rubena Savatech¹

- Leading supplier of specialty polymer solutions for industrial and automotive applications
- Will be reported separately during a transition period
- Operations will gradually be integrated into existing business areas
- Sales and EBIT represent June only
- High capacity utilization and good cost control results in solid EBIT
- Ongoing investment projects to increase production capacity

SEK M	Q2 2016 ²
Net sales	166
EBIT	26
EBIT, %	15.6



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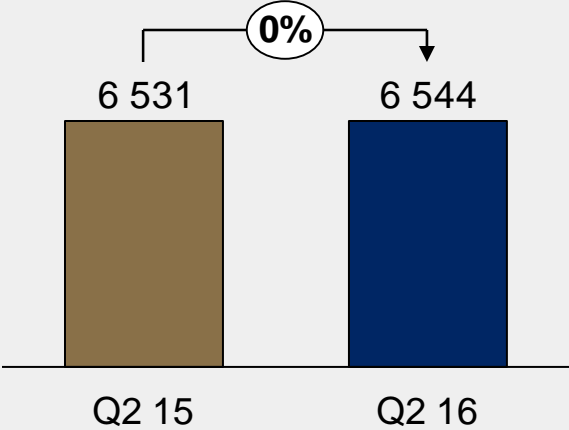
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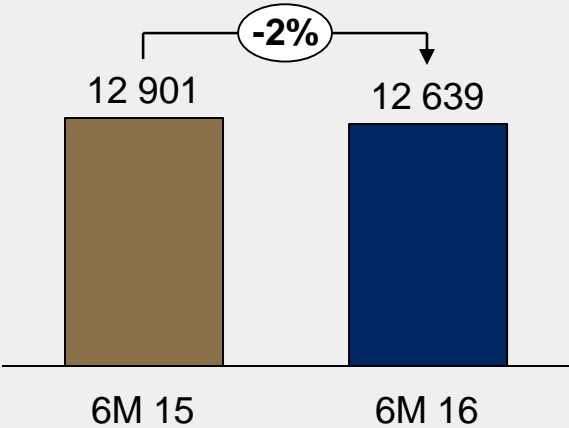
Organic sales drop due to oil/gas segment

Sales development



April - June [%]

Organic	-6
Structural	9
Currency	-3
Total	0

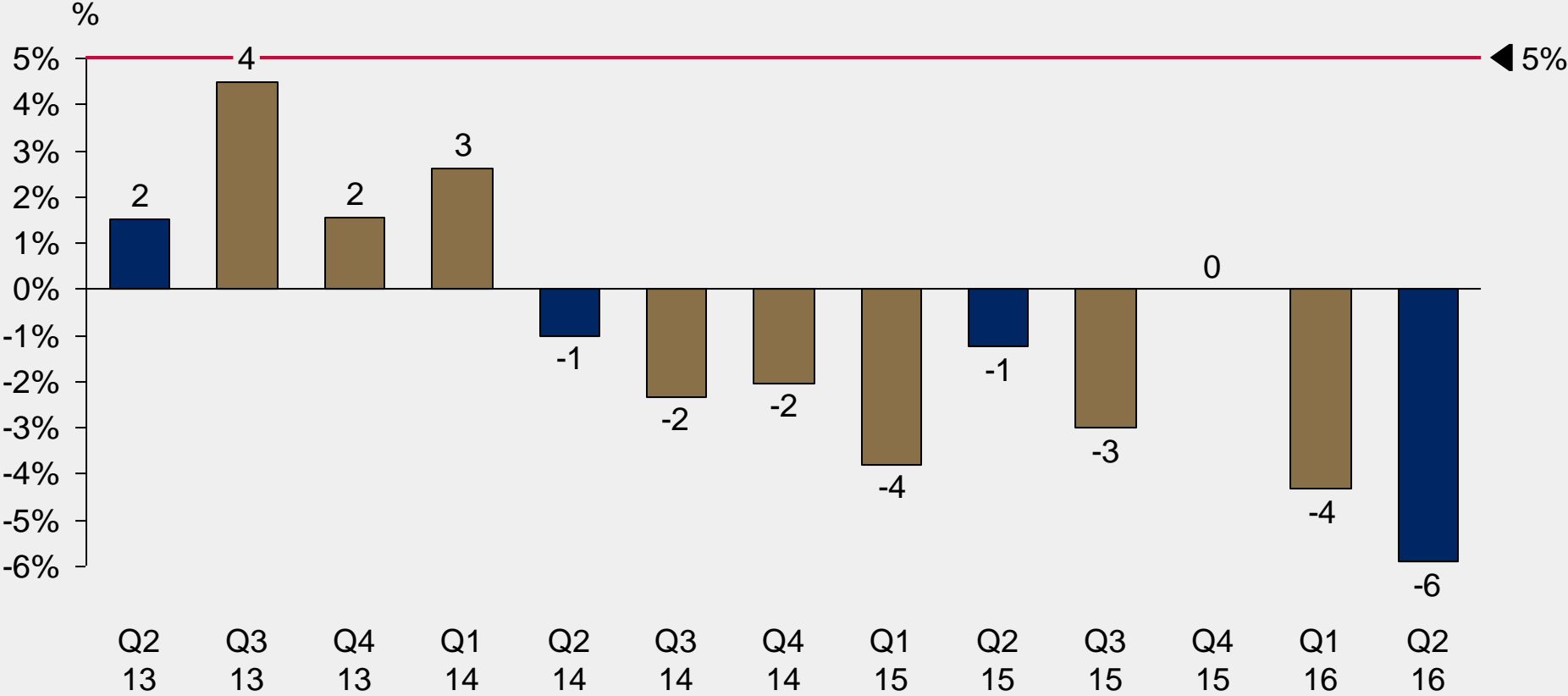


January - June [%]

Organic	-5
Structural	5
Currency	-2
Total	-2

Market conditions remain challenging

Organic sales development



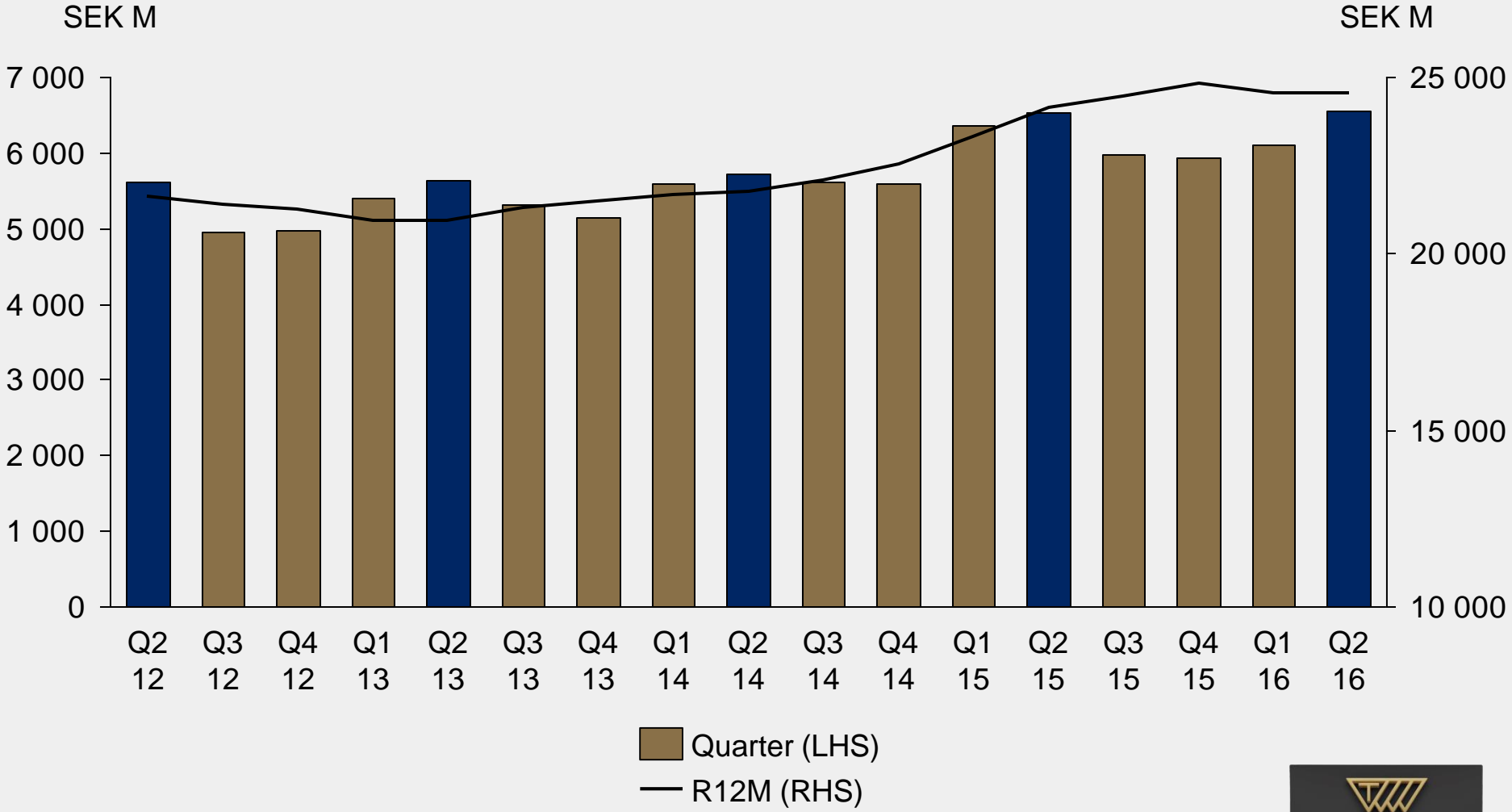
Sales hampered by organic decline and FX

Sales per business area

April - June				SEK M	January - June			
2016	2015	Change %	Organic %		2016	2015	Change %	Organic %
628	672	-7	-5	Coated Systems	1 259	1 355	-7	-6
1 321	1 358	-3	-2	Industrial Solutions	2 604	2 698	-3	-2
835	1 174	-29	-29	Offshore & Construction	1 737	2 163	-20	-21
2 120	2 129	0	2	Sealing Solutions	4 247	4 333	-2	0
1 472	1 136	30	1	Wheel Systems	2 616	2 258	16	1
166	-			Rubena Savatech	166	-		
98	149			Other items	205	276		
-96	-87			Eliminations	-195	-182		
6 544	6 531	0	-6	Continuing operations	12 639	12 901	-2	-5

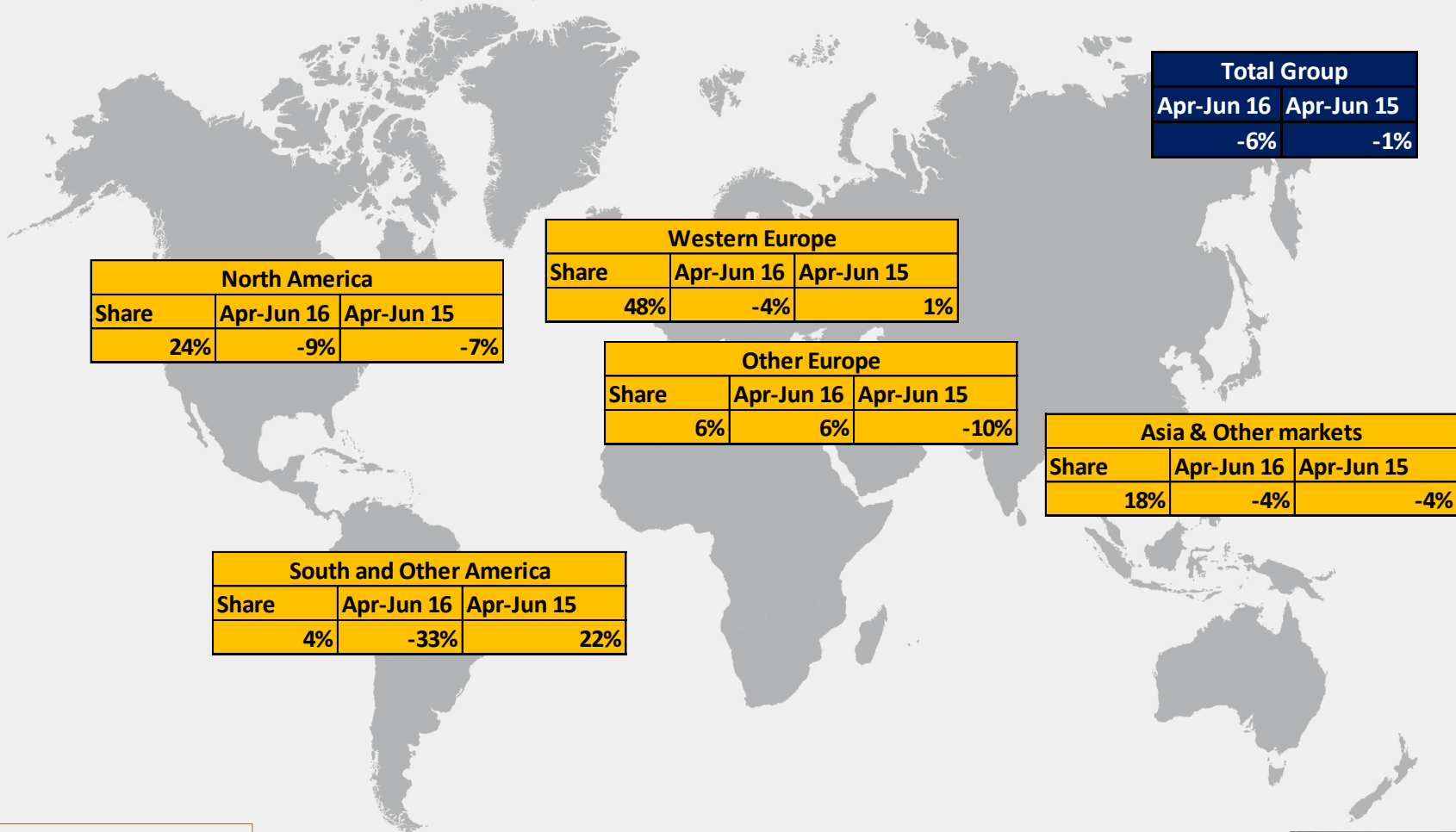
Sales hampered by organic decline and FX

Sales development, R12M



Organic sales development by geography

Picture distorted by project-related business

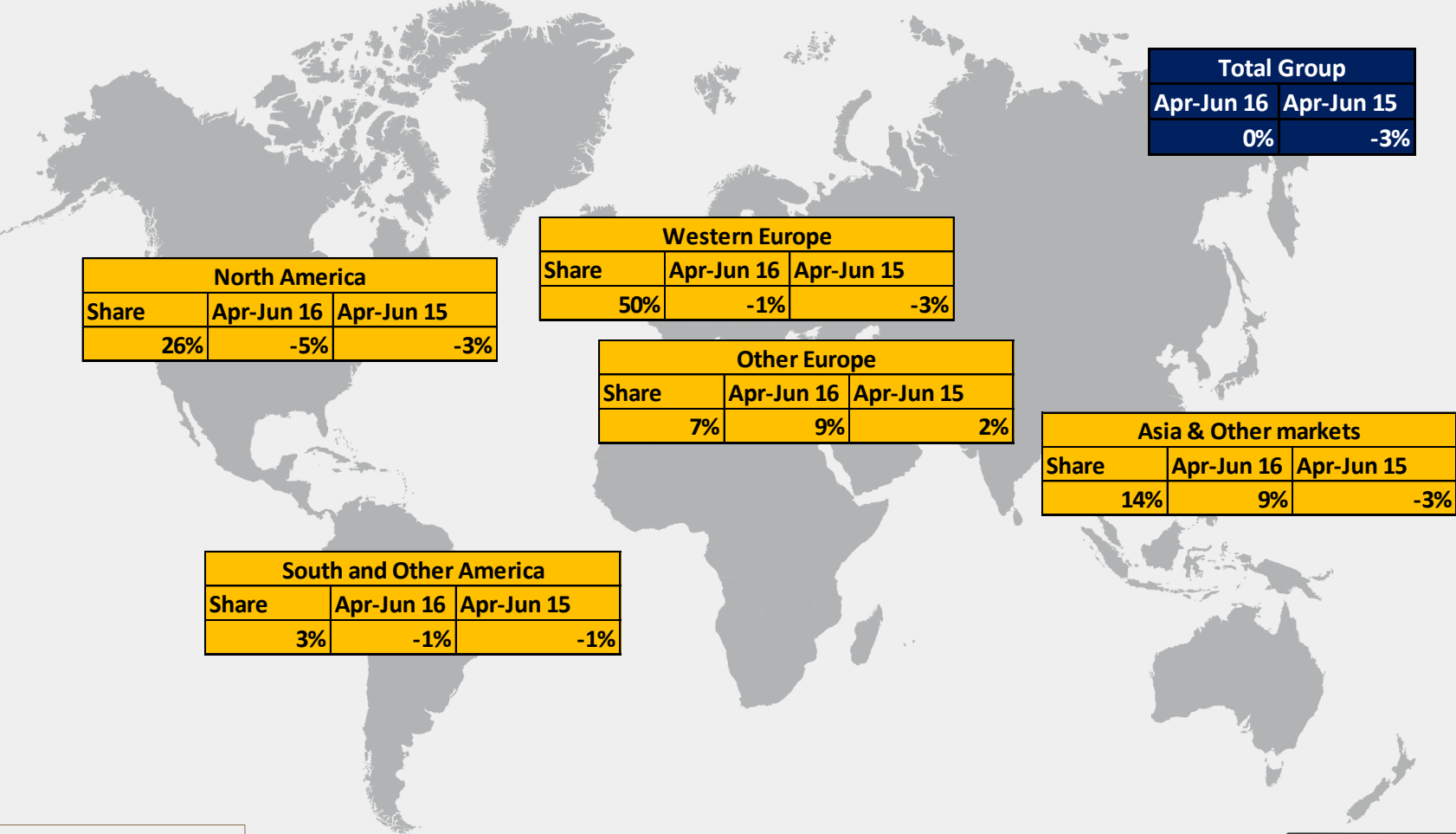


Share = Actual 2015



Organic sales development by geography

Organic sales excl. project-related business¹



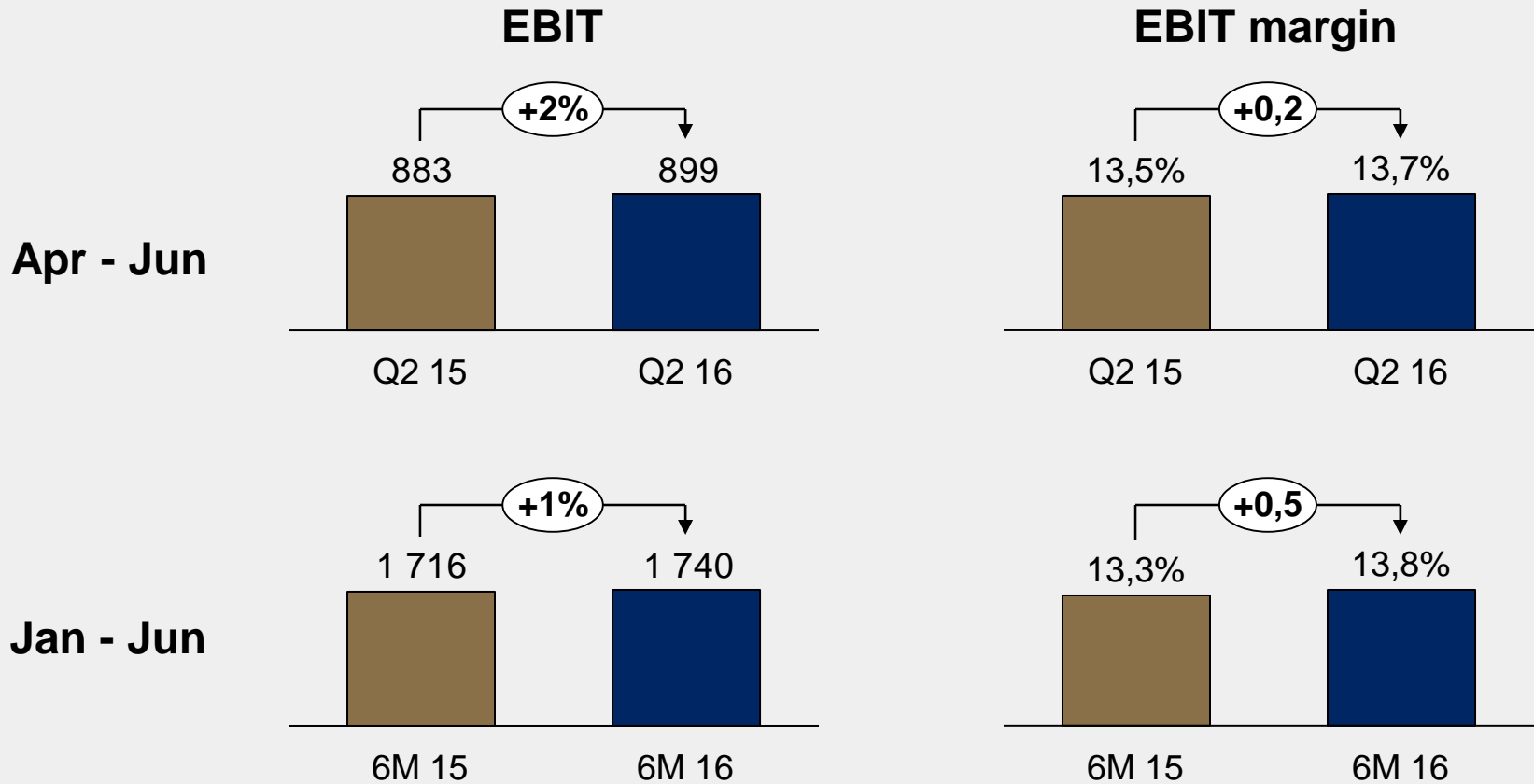
Share = Actual 2015

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



Highest EBIT, despite soft market conditions

EBIT development¹



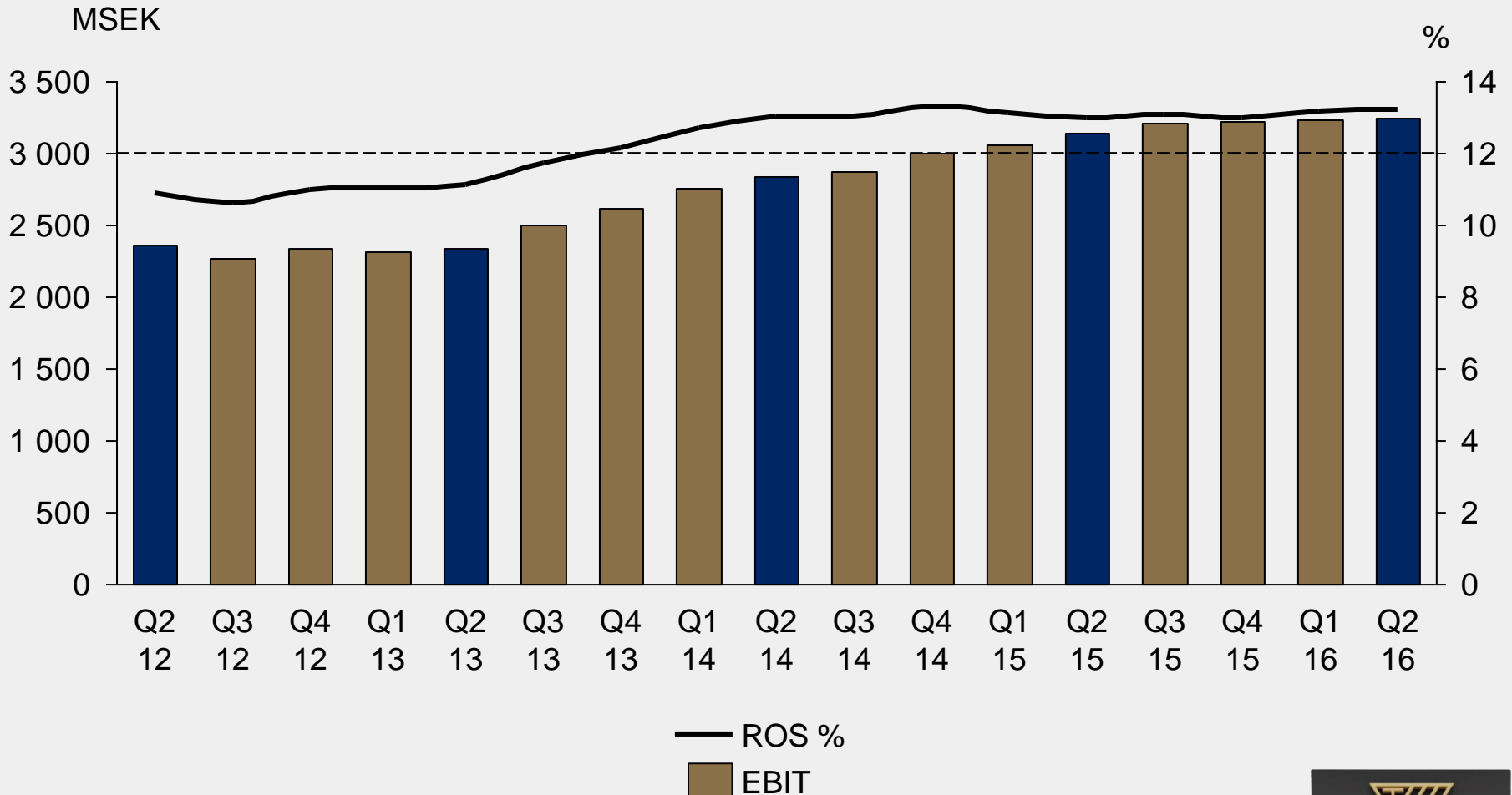
Highest EBIT, despite soft market conditions

Group EBIT per business area¹

April - June			SEK M	January - June		
2016	2015	Change %		2016	2015	Change %
86	87	-1	Coated Systems	162	177	-8
149	154	-3	Industrial Solutions	272	295	-8
26	68	-62	Offshore & Construction	49	76	-36
506	496	2	Sealing Solutions	1 002	1 021	-2
186	125	49	Wheel Systems	342	241	42
26	-		Rubena Savatech	26	-	
-80	-47		Other items	-113	-94	
899	883	2	Continuing operations	1 740	1 716	1

Thirteen quarters of improved profits

EBIT and margin, R12M¹



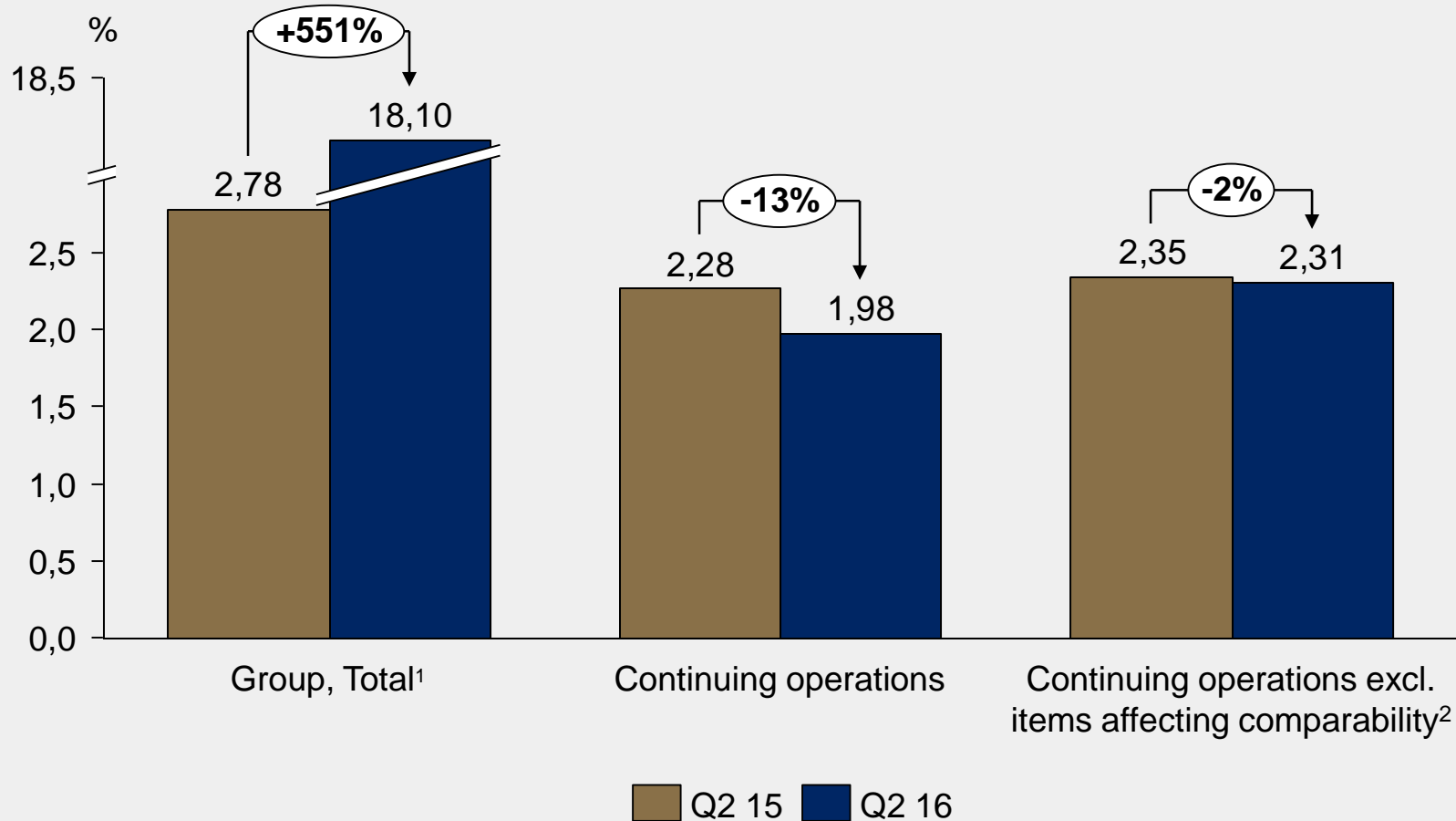
Total Group

Profit & Loss statement

April - June			SEK M	January - June		
2016	2015	Change %		2016	2015	Change %
899	883	2	EBIT, excl. items affecting comparability	1 740	1 716	1
13,7%	13,5%	0,2 pp	EBIT Margin	13,8%	13,3%	0,5 pp
-107	-23		Items affecting comparability	-222	-58	
792	860	-8	EBIT	1 518	1 658	-8
-63	-41	-54	Financial income and expense	-110	-76	-45
729	819	-11	Profit before tax	1 408	1 582	-11
-192	-200		Tax, Group total	-342	-411	
537	619	-13	Net Profit, continuing operations	1 066	1 171	-9
4 369	137		Net Profit, discontinuing operations ¹	4 369	274	
4 906	756	549	Net Profit, Total Group	5 435	1 445	276

EPS declined by 13 percent, due to higher restructuring costs and CGS one-off items

Earnings per share – second quarter

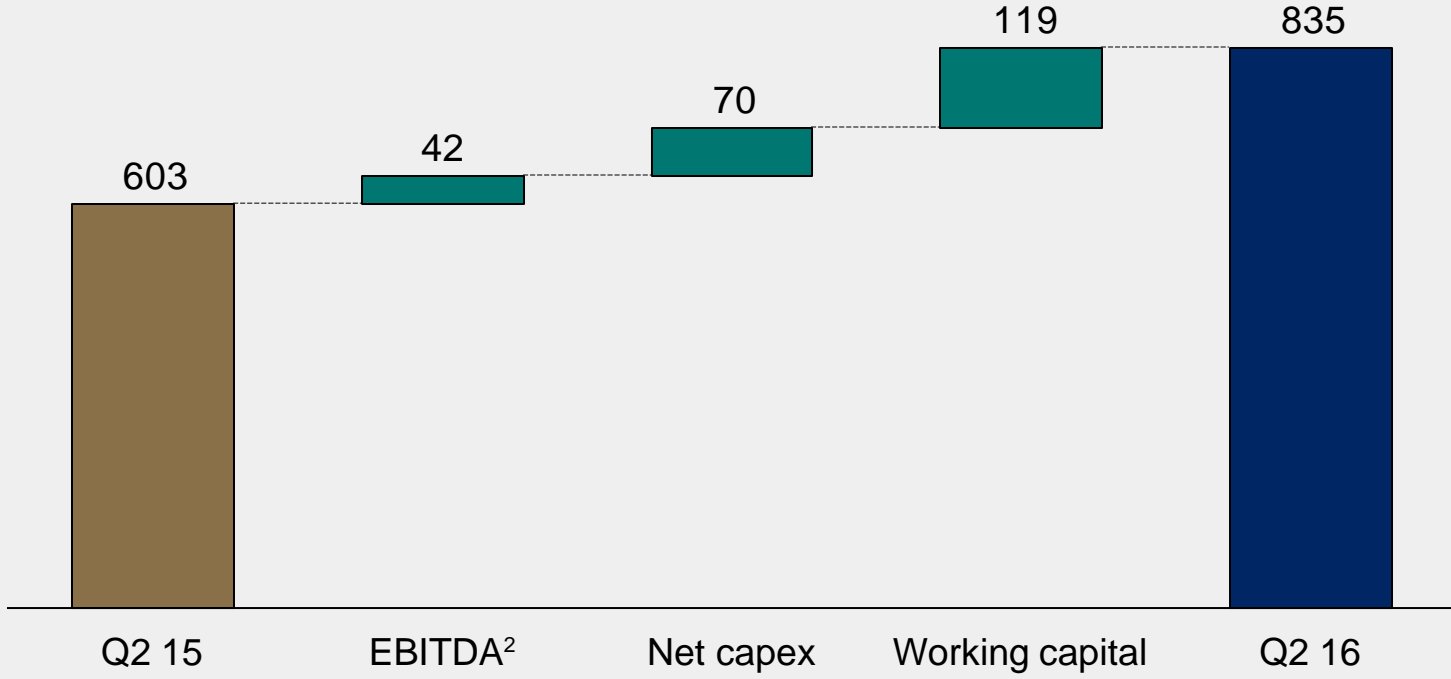


¹ 2016 includes capital gain from Vibracoustic divestment

² Q2 2016 impacted by financial non-recurring costs totaling SEK 20 M, or SEK 0.07 per share

Cash flow driven by WC and moderate capex

Operating cash flow¹
April - June



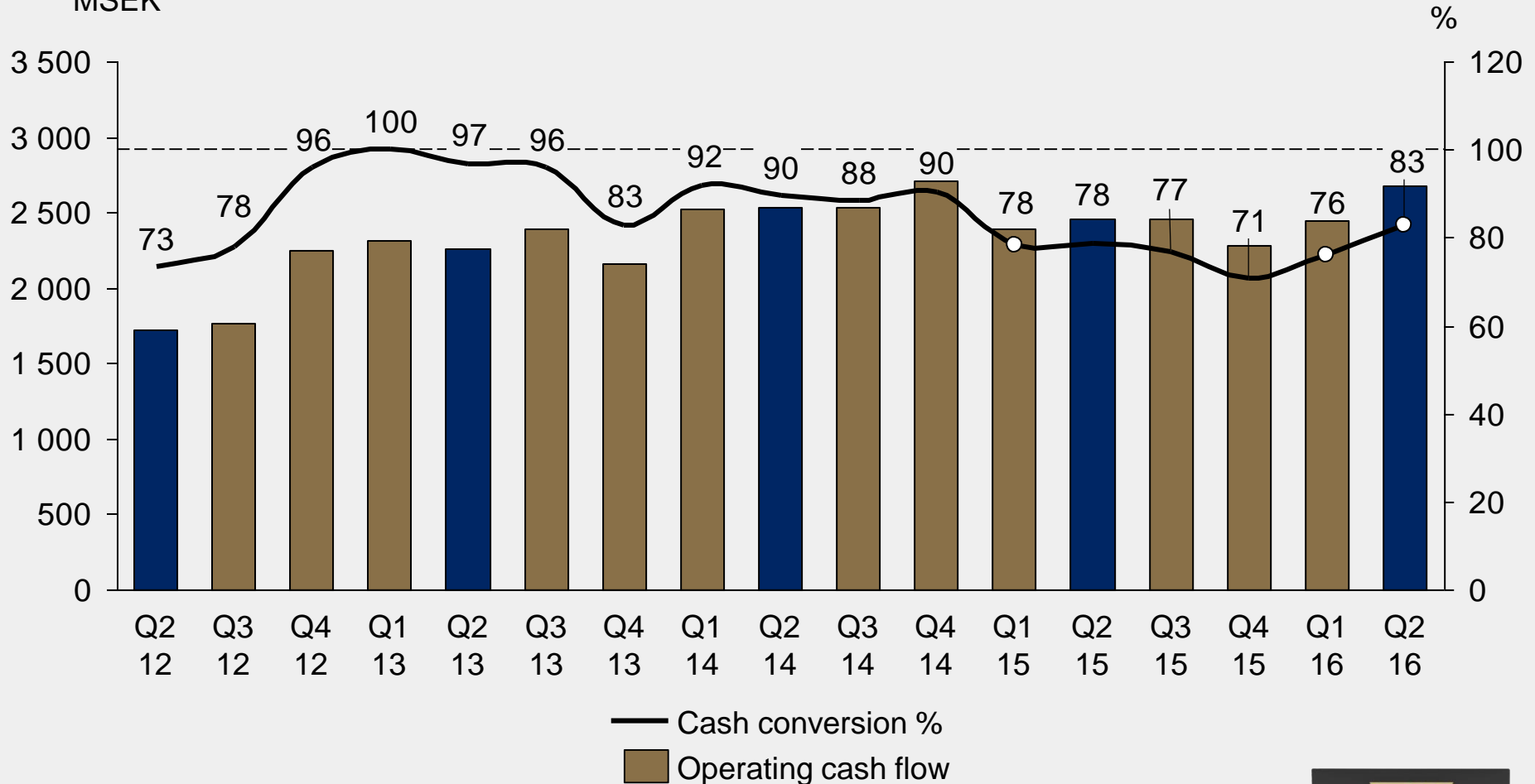
¹ Excluding items affecting comparability
² Including other non cash flow affecting items



Improved cash conversion

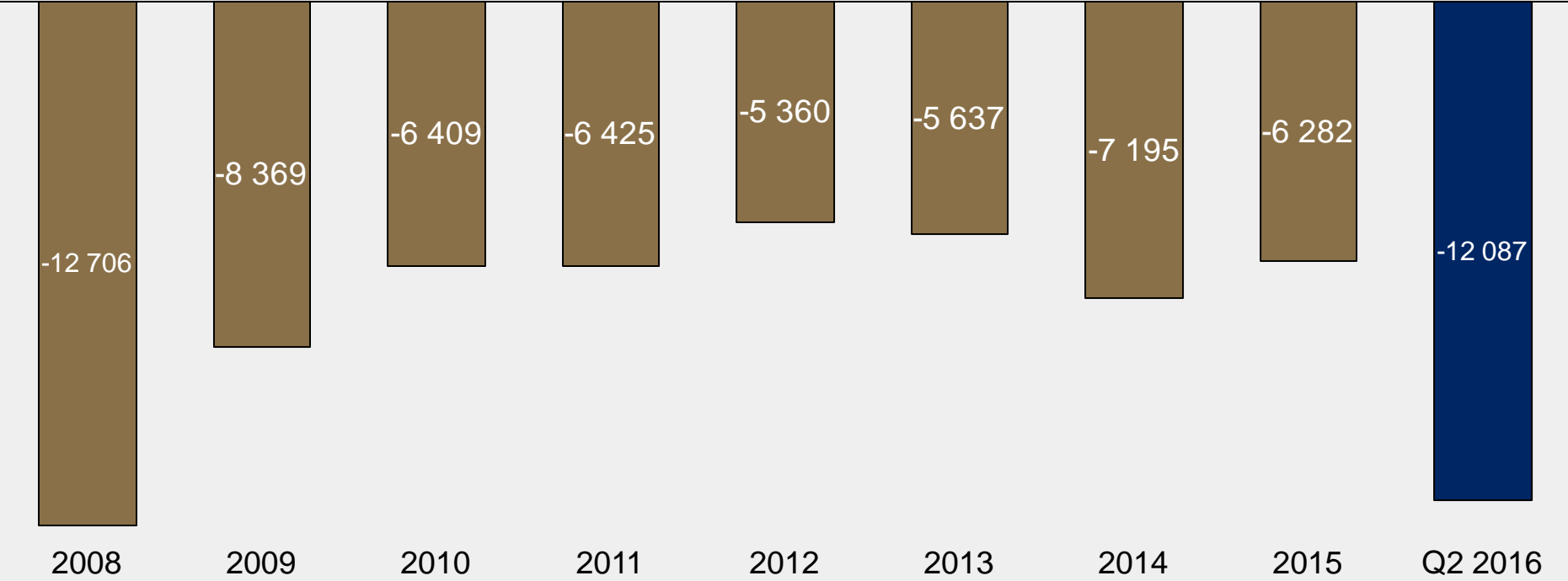
Operating cash flow, R12M¹

MSEK



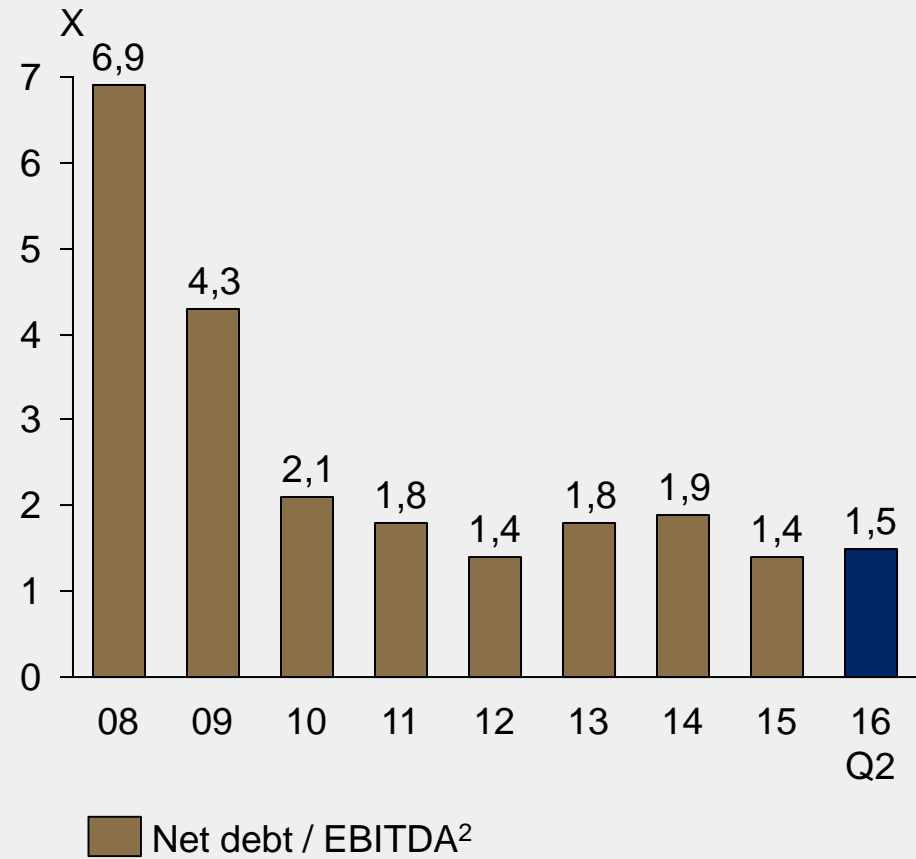
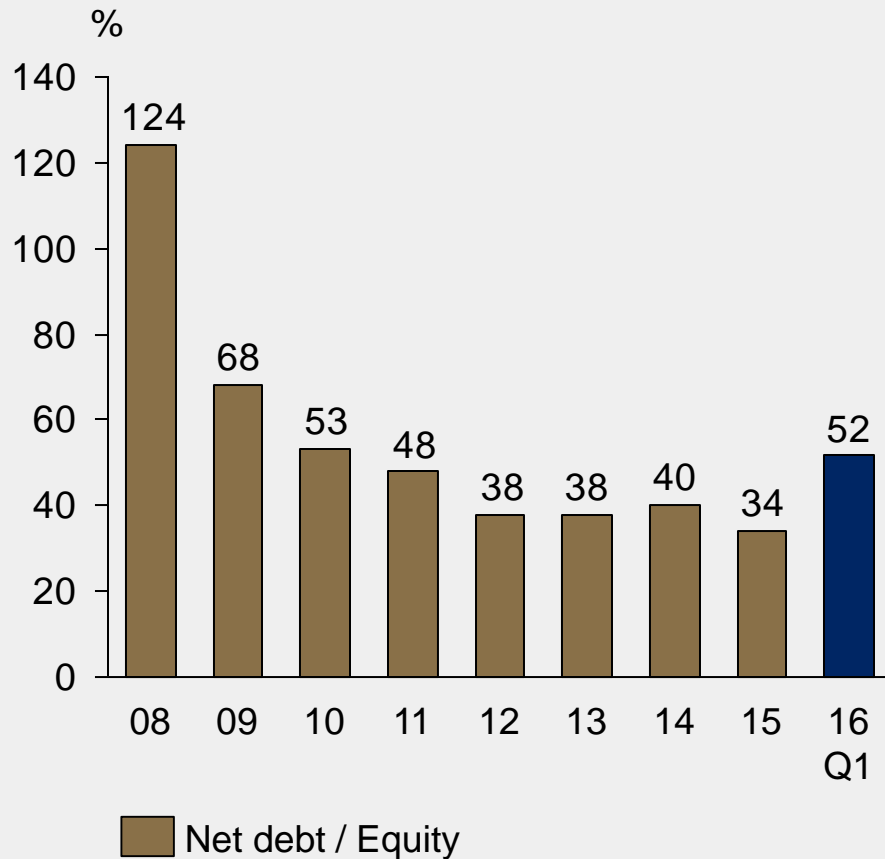
Net debt increase due to CGS acquisition

Net debt development¹



Increased gearing level

Net debt / EBITDA R12M and gearing development¹

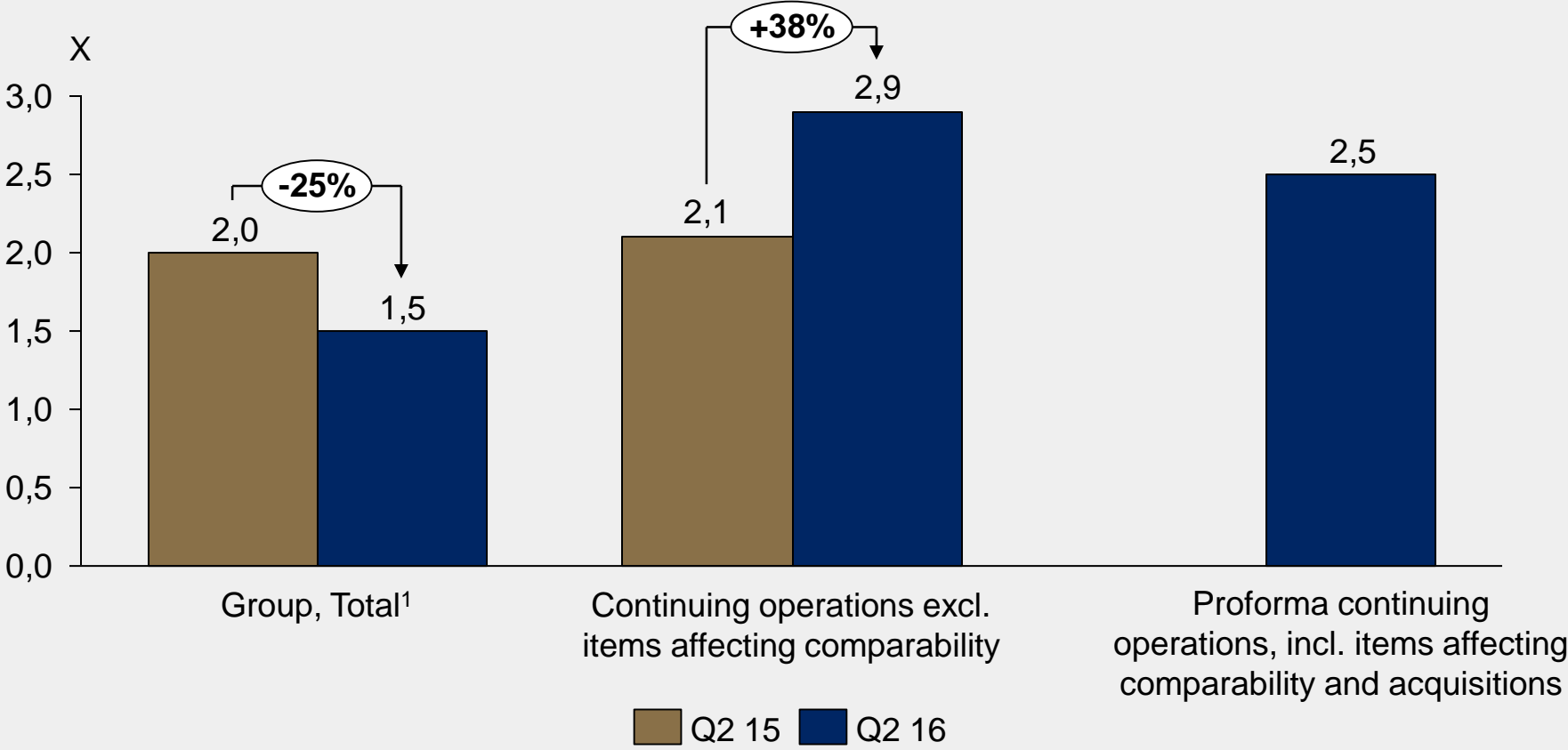


¹ Total Group

² 2016 includes capital gain from Vibracoustic divestment

Total leverage reduced by Vibracoustic capital gain

Net debt / EBITDA, R12M

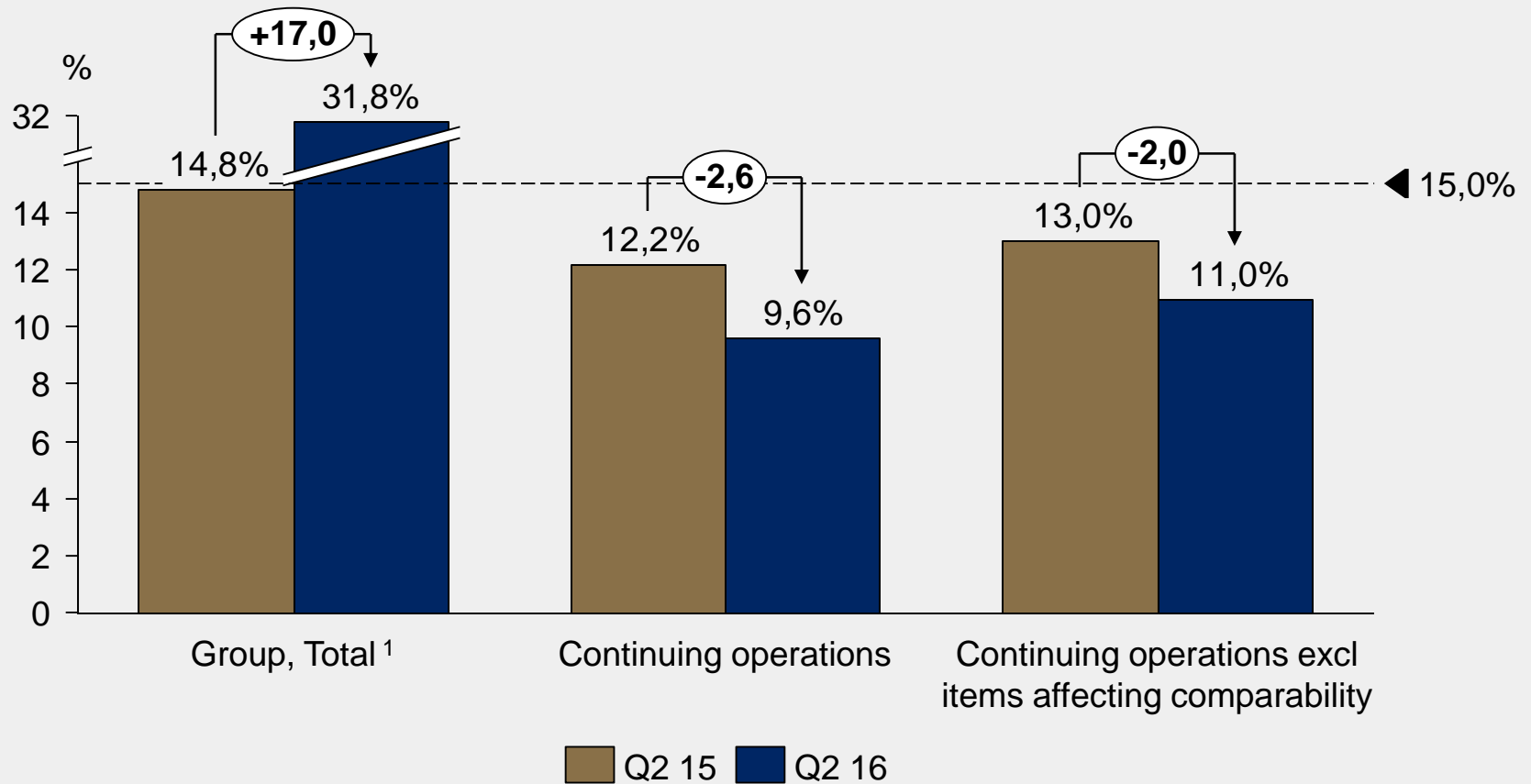


¹ 2016 includes capital gain from Vibracoustic divestment



ROE to improve when CGS is included for a full year

Return On Equity, R12M





Financial guidelines for full-year 2016

Trelleborg Group:

- Restructuring costs: ~SEK 250 M
- Capex: ~SEK 1,100-1,200 M (incl. CGS ~SEK 1,300-1,400 M)
- Tax rate¹: <27%

- Financial guidelines will be subject to revision, to be communicated in H2 2016



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Continued focus on growth and excellence

2016 priorities

- Manage uncertain market conditions
- Continued focus on innovation, profitable growth, selected segments and 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 Q3 2016

- Demand is expected to be on a par with, or slightly weaker, than the second quarter of 2016, adjusted for seasonal variations



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