



# Trelleborg interim report

**July – September 2013**

Peter Nilsson, President & CEO

Ulf Berghult, CFO



# Agenda

Highlights

Business areas

TrelleborgVibracoustic

Financials

Summary & Q4 2013 outlook

Q&A

# Continuing stable performance

## Q3 2013 highlights

- Organic sales increased by 5%
- Most geographic markets and market segments showed positive organic growth
- Good cost control and improved efficiency improved the results despite currency headwinds
- Continued benefits from improved market positions
- Substantial EBIT increase Y/Y
- Good growth and improved results in TrelleborgVibracoustic

# Organic growth initiatives and acquisitions

## Recap of Q3 2013 events

- Technology acquisition strengthens offering in the growing market for natural gas offshore
- Awarded the largest order to date within the offshore oil/gas segment
- Synergy extraction in TrelleborgVibracoustic continues - significant restructuring measures initiated

# Continuing stable performance

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

### Net sales

- Organic sales up 5%
- Positive markets and segments development

### Earnings

- All-time-high EBIT margin
- JV contribution impacted by restructuring cost

### Cash flow

- Well managed working capital
- Capex on par with last year

SEK M	Q3 2013	Q3 2012	Change, %
Net sales	5 306	4 961	7
Organic	5	-2	
Structural	4	0	
Exchange rate	-2	-2	
Operating profit excl. items affecting comparability excl. part in TrelleborgVibracoustic	688	528	30
Operating margin, %	13.0	10.6	2.4pp
Items affecting comparability <sup>2</sup>	-101	-12	n.a.
Profit share in TrelleborgVibracoustic <sup>3</sup>	25	72	-66
Operating profit	612	588	4
Operating margin, %	11.5	11.9	-0.4pp
Operating cashflow	763	625	22

<sup>2</sup> Consists of one-off items of 0 SEK M (0) and restructuring charges of -101 SEK M (-12).

<sup>3</sup> Associated income related to TrelleborgVibracoustic includes one-off items of -108 SEK M.



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# Challenging market conditions in some areas

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

- Organic sales: -4%
- Mixed sales developments
- Challenging markets in printing blankets in Europe
- Sales and profits adversely impacted by currency effects
- Negative one-offs in the quarter
- Restructuring measures initiated in USA

SEK M <sup>1,2</sup>	Q3 2013	Q3 2012	Change, %
Net sales	435	399	9
Organic, %	-4	-7	
Structural, %	16	0	
Exchange rate, %	-3	-1	
Operating profit	30	30	0
Operating margin, %	6.7	7.7	-1.0pp

# Sales and profitability improved

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

- Organic sales: +6%
- Most end-user segments and geographies improved
- Improved cost efficiency
- Better market positions
- Favourable project deliveries
- Acquisition of technology for cryogenic FLNG hose system

SEK M <sup>1,2</sup>	Q3 2013	Q3 2012	Change, %
Net sales	1 090	1 031	6
Organic, %	6	-5	
Structural, %	-	0	
Exchange rate, %	0	-3	
Operating profit	120	70	71
Operating margin, %	11.0	6.8	4.2pp



# Better performance and healthy demand

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

- Organic sales: +3%
- Activity remains high in most market segments
- Better cost efficiency
- Positive project mix
- Benefits from bolt-on acquisitions
- Largest order to date within the offshore oil/gas segment

SEK M <sup>1,2</sup>	Q3 2013	Q3 2012	Change, %
Net sales	913	892	2
Organic, %	3	24	
Structural, %	4	0	
Exchange rate, %	-5	1	
Operating profit	76	45	69
Operating margin, %	8.3	5.1	3.2pp

# Solid quarter in terms of volume and profits

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

- Organic sales: +6%
- Most geographic markets reported positive organic growth
- Profit improved on the back of higher volumes and good cost control
- Several innovative sealing solutions launched
- Decision to invest in a new plant dedicated to aerospace

SEK M <sup>1,2</sup>	Q3 2013	Q3 2012	Change, %
Net sales	1 787	1 706	5
Organic, %	6	-6	
Structural, %	-	0	
Exchange rate, %	-1	-2	
Operating profit	386	343	13
Operating margin, %	21.6	20.0	1.6pp

# Solid performance in mixed market conditions

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

- Organic sales: +4%
- Agriculture tires sales improved on last year
- Weaker demand for industrial tires, especially in Europe
- Market positions yield record-high third quarter margin
- Entering new subsegments for specialty tires

SEK M <sup>1,2</sup>	Q3 2013	Q3 2012	Change, %
Net sales	1 010	852	19
Organic, %	4	-7	
Structural, %	16	-	
Exchange rate, %	-1	-4	
Operating profit	117	88	33
Operating margin, %	11.5	10.4	1.1pp



# Agenda

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# Creating shareholder value

## Global leader in automotive antivibration solutions

- Revenue and cost synergies
- Sustainable growth above market development
- Unrivalled global footprint - awards on back of global platform development
- EBIT-margin that exceeds industry average
- First operational years will be impacted by integration and costs of capturing synergies
- Synergy effects will be most evident in the second operational year and onwards

 TrelleborgVibracoustic



# Good growth and stronger results

## TrelleborgVibracoustic

- Organic sales: +9%
- Good platform mix
- Favourable sales development in North America, China and Brazil
- Substantial restructuring measures in Europe initiated
- Solid cash flow

EUR M <sup>1,2</sup>	Q3 2013	Q3 2012	Change, %
Net sales	425	402	6
Organic, %	9		
Structural, %	0		
Exchange rate, %	-3		
Operating profit	31	20	54
Operating margin, %	7.4	5.1	2.3pp
Operating cash flow	26	23	

<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 25 MSEK (*after* financial net and items affecting comparability)
- Associated income of 133 MSEK (*before* financial net and items affecting comparability)
- Total items affecting comparability of -217 MSEK, of which -108 MSEK impact associate income

MSEK	Q3 2013	Q3 2012	Change, %
Operating profit excl. items affecting comparability	272	173	57
Acquisition related costs	-15	-5	-
Amortization of intangible assets <sup>1</sup>	-9	-	-
Restructuring items	-193	-6	-
Operating profit	55	162	-66
Financial net	-6	-18	
Profit before tax	49	144	-66
<b>Of which Trelleborg's share (50%)</b>	<b>25</b>	<b>72</b>	<b>-66</b>
<i>Trelleborg's share (50%) excl. items affecting comparability</i>	133	78	71

1) Related to split of acquisition balance

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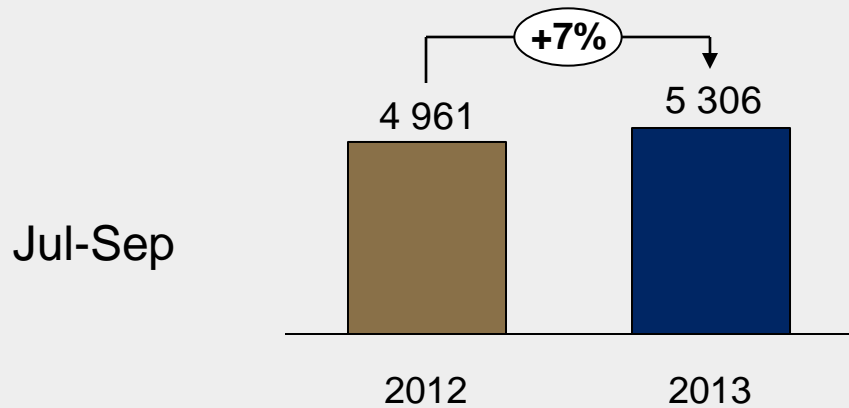
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Q&A



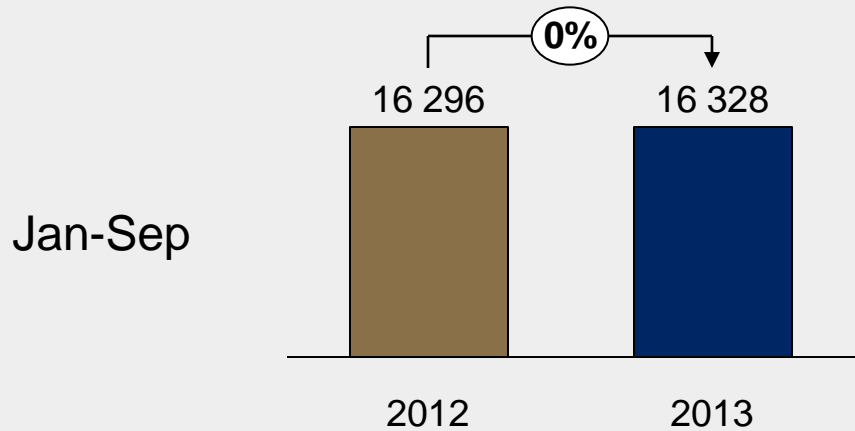
# Strong quarter despite currency headwind

## Sales development



### Jul-Sep

Organic	5%
Structural change	4%
Currency	-2%
<b>Total</b>	<b>7%</b>

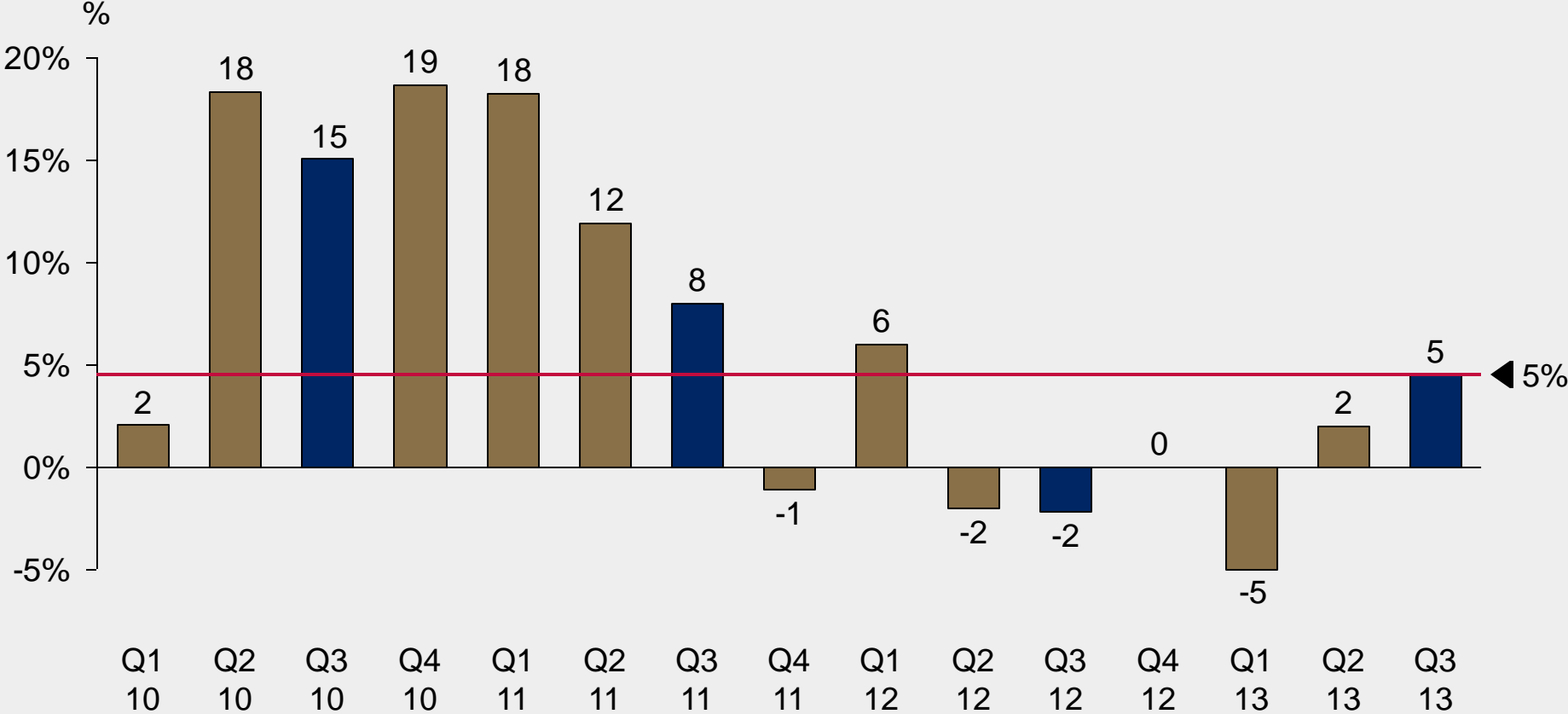


### Jan-Sep

Organic	0%
Structural change	4%
Currency	-4%
<b>Total</b>	<b>0%</b>

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

## Organic sales development



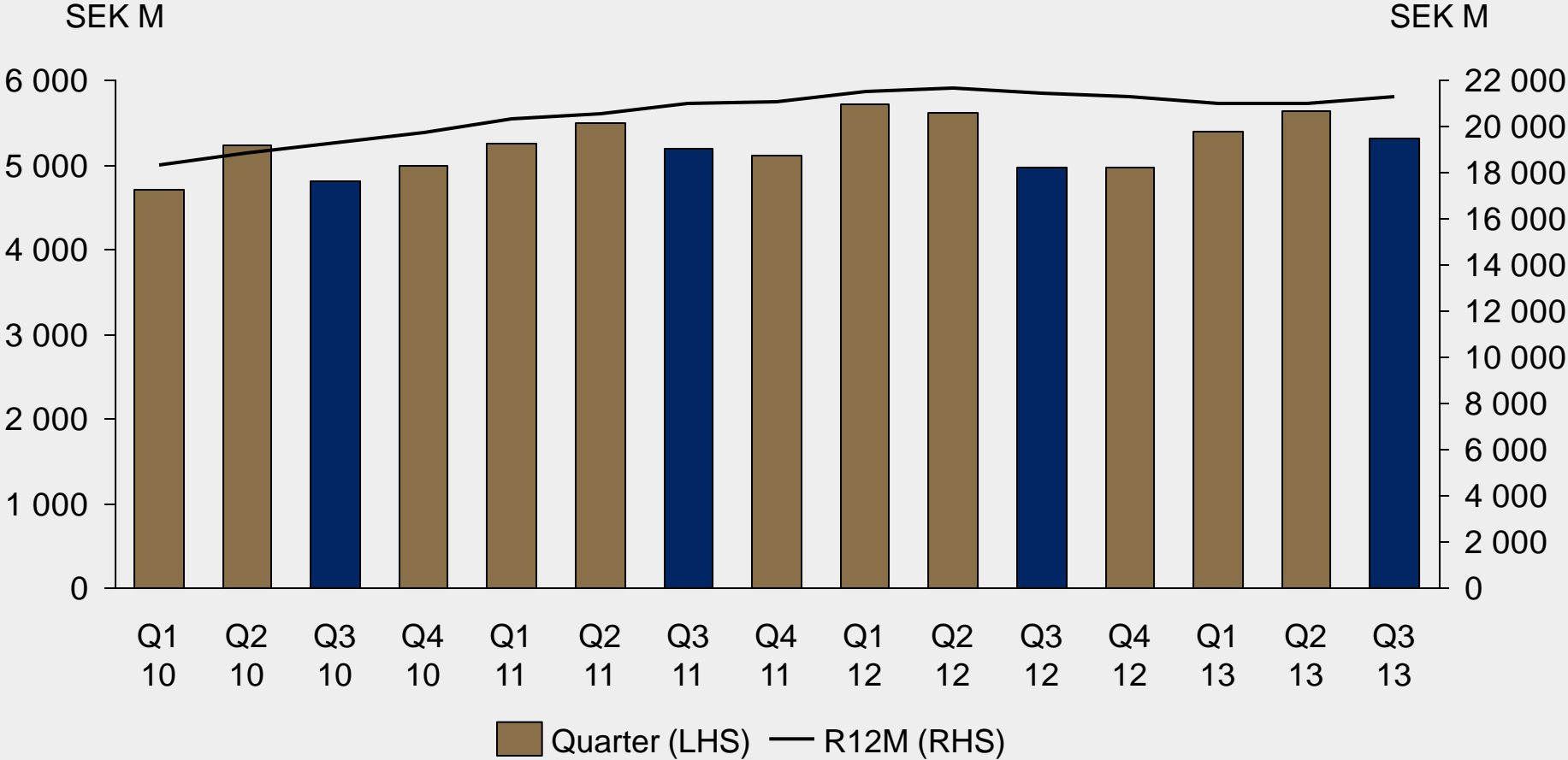
# Sales better than underlying markets

## Sales per business area

Jul-Sep				SEK M	Jan-Sep			
2013	2012	Change %	Organic %		2013	2012	Change %	Organic %
435	399	9	-4	Trelleborg Coated Systems	1 375	1 332	3	-5
1 090	1 031	6	6	Trelleborg Industrial Solutions	3 324	3 395	-2	0
913	892	2	3	Trelleborg Offshore & Construction	2 747	2 720	1	2
1 787	1 706	5	6	Trelleborg Sealing Solutions	5 370	5 623	-4	-1
1 010	852	19	4	Trelleborg Wheel Systems	3 230	3 032	7	-2
199	231			Others	716	830		
-128	-150			Eliminations	-434	-636		
<b>5 306</b>	<b>4 961</b>	<b>7</b>	<b>5</b>	<b>Continuing operations</b>	<b>16 328</b>	<b>16 296</b>	<b>0</b>	<b>0</b>

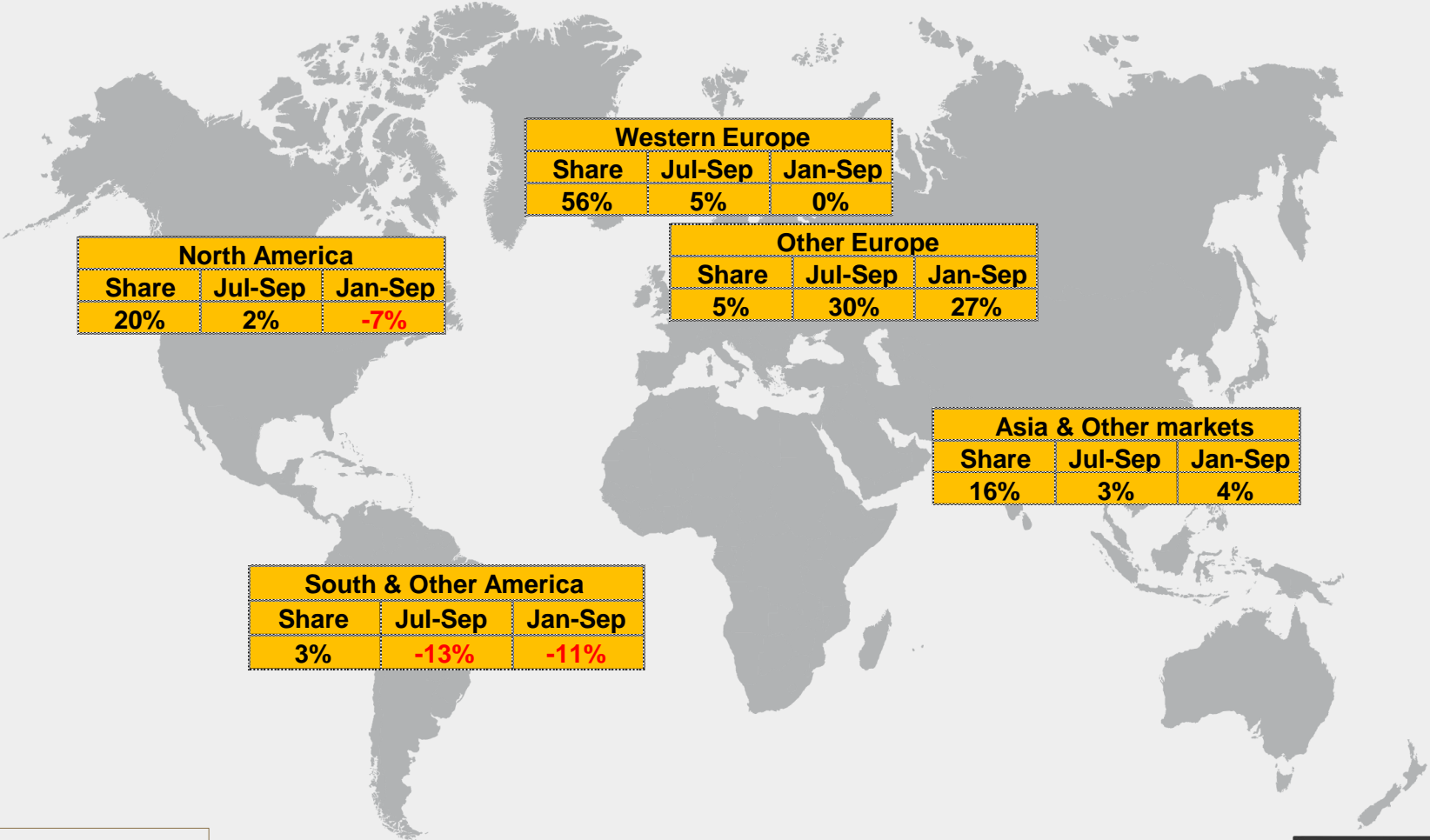
# Sales continue to grow on previous year

## Sales development, R12M



# Parts of Europe show recovery

## Organic sales by geographic markets

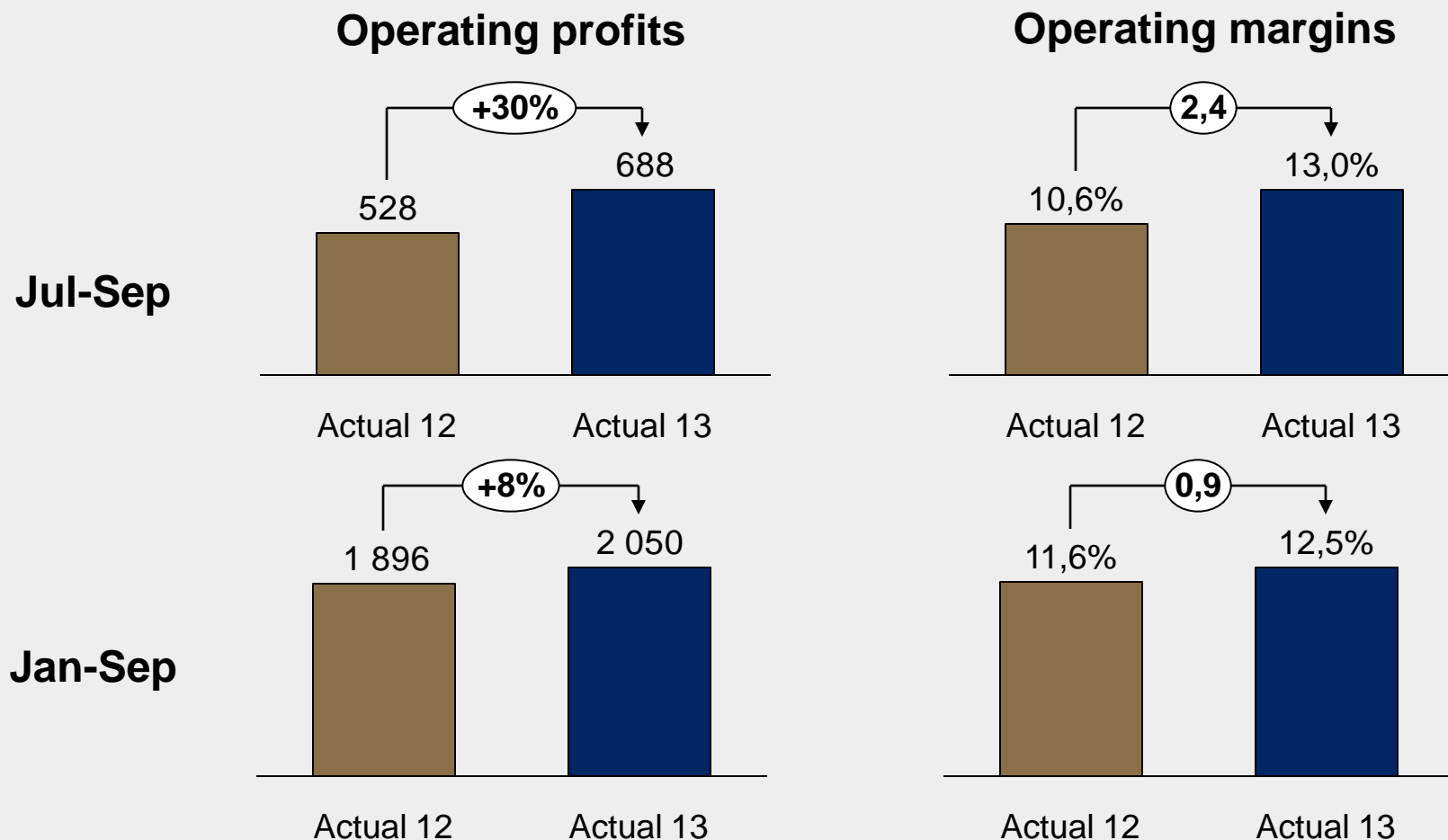


Share = Act 2012



# All-time-high operating margin

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



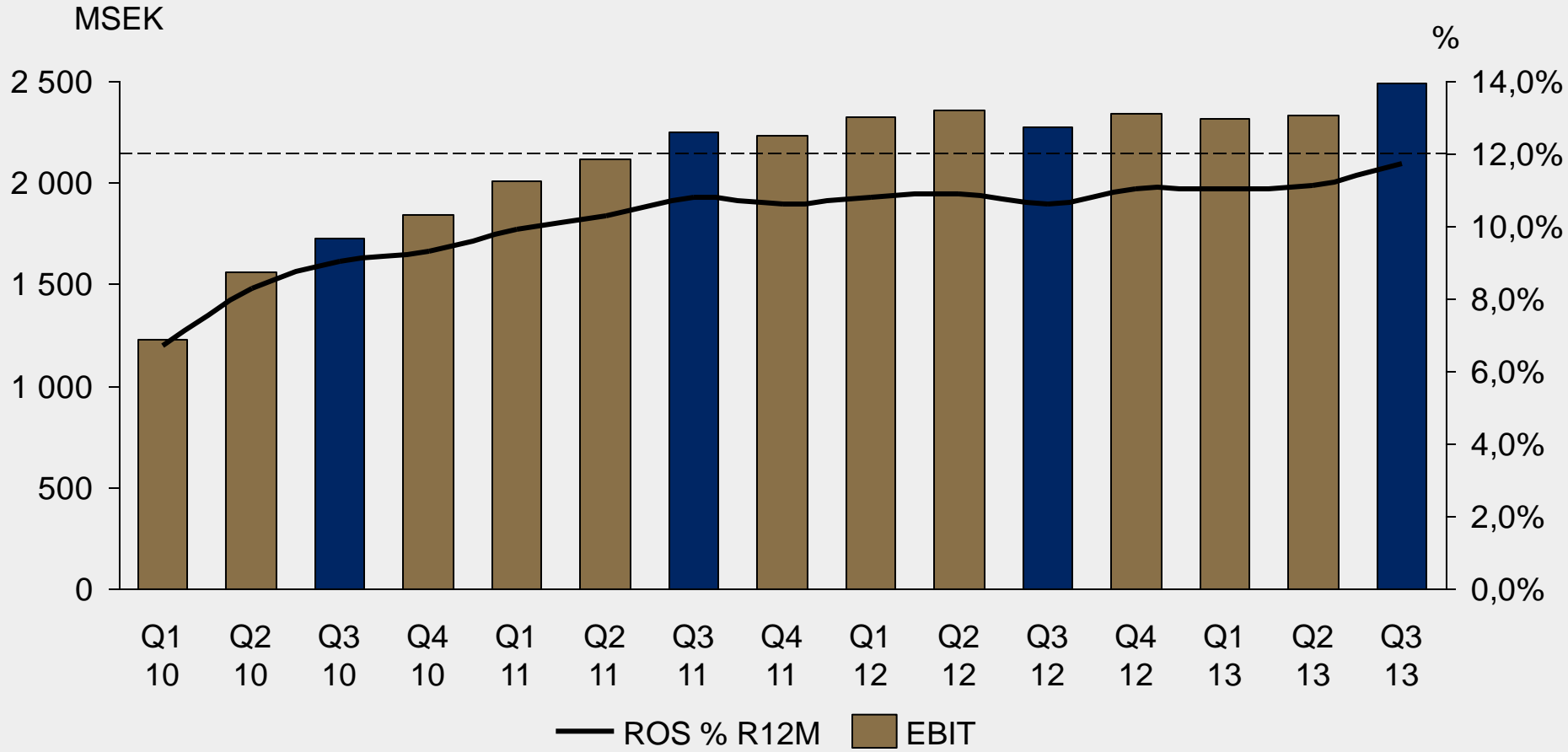
# Strong improvement in most business areas

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

Jul-Sep			SEK M	Jan-Sep		
2013	2012	Change		2013	2012	Change
30	30	0%	Trelleborg Coated Systems	142	140	1%
120	70	71%	Trelleborg Industrial Solutions	326	235	39%
76	45	69%	Trelleborg Offshore & Construction	204	159	28%
386	343	13%	Trelleborg Sealing Solutions	1 154	1 236	-7%
117	88	33%	Trelleborg Wheel Systems	398	377	6%
-41	-48	-15%	Others	-174	-251	-31%
<b>688</b>	<b>528</b>	<b>30%</b>	<b>Continuing operations</b>	<b>2 050</b>	<b>1 896</b>	<b>8%</b>

# R12M EBIT-margin close to target of 12%

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





# Total Group - including discontinued business

## Profit & Loss statement

Jul-Sep			SEK M	Jan-Sep		
2013	2012	Change		2013	2012	Change
688	528	30%	<b>Operating profit, Continuing operations</b>	2 050	1 896	8%
13,0%	10,6%	2,4pp	<b>Operating margin</b>	12,5%	11,6%	0,9pp
-101	-12		Restructuring costs	-187	-63	
0	0		One-off items	-155	203	
-101	-12		Items affecting comparability	-342	140	
25	72		Associated income from TrelleborgVibracoustic	232	72	
612	588	4%	<b>Operating profit, Continuing operations</b>	1 940	2 108	-8%
11,5%	11,9%	-0,4pp	<b>Operating margin</b>	11,9%	12,9%	-1,0pp
-	3		Operating profit, Discontinued operations	-	342	
612	591		<b>Operating profit, Group total</b>	1 940	2 450	
-81	-39		Financial income and expenses	-155	-153	
531	552		<b>Profit before tax</b>	1 785	2 297	
-149	-154		Tax, Group total	-527	-497	
382	398		<b>Net profit, Group total</b>	1 258	1 800	

# Operating profit bridge

## Year-on-year comparison

	Operating profit, Continuing operations	Restructuring costs	One-off items	= Items affecting comparability	Associated income from Trelleborg-Vibracoustic	Operating profit, Continuing operations	Operating profit, Discontinued operations incl. one-offs	Operating profit, Group total
Q3 13	688	-101	0	-101	25	612	-	612
Q3 12	528	-12	0	-12	72	588	3	591
Jan-Sep 13	2 050	-187	-155	-342	232	1 940	-	1 940
Jan-Sep 12	1 896	-63	203	140	72	2 108	342	2 450

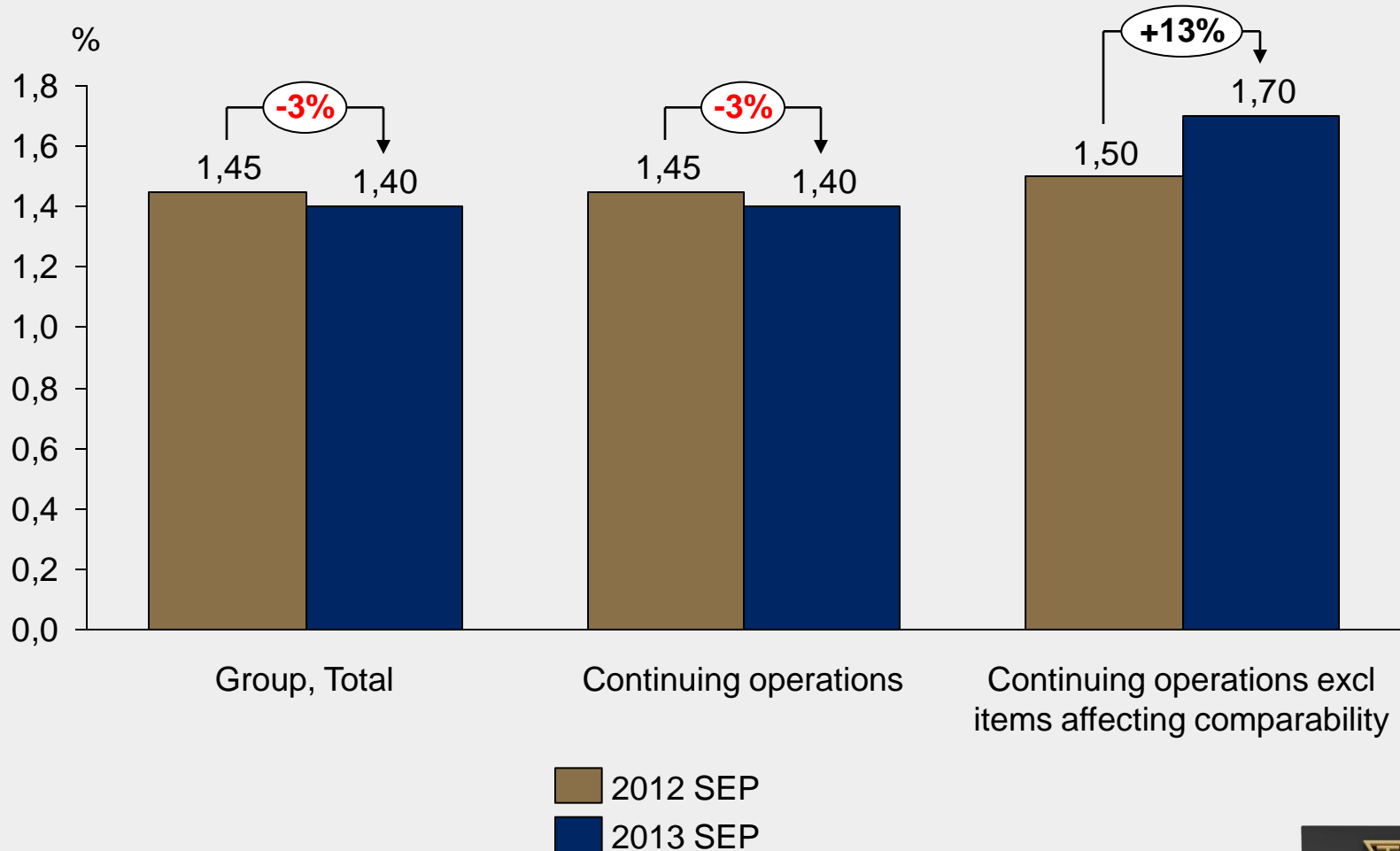
# TrelleborgVibracoustic

## Impact on Trelleborg's accounts

SEK M	Jul-Sep 2013	Jul-Sep 2012	Förändring, %
<b>Operating profit excl. items affecting comparability, MEUR</b>	<b>31</b>	<b>20</b>	<b>54</b>
<b>Operating profit excl. items affecting comparability</b>	<b>272</b>	<b>173</b>	<b>57</b>
Acquisition related costs	-15	-5	
Amortization on intangible assets	-9	-	
Restructuring costs	-193	-6	
<b>Operating profit</b>	<b>55</b>	<b>162</b>	
Financial net	-6	-18	
Profit before tax	49	144	
<i>Trelleborg share</i>	25	72	
Tax	-25	-36	
<i>Trelleborg share</i>	-13	-18	
Net profit	24	108	
<i>Trelleborg share(net impact)</i>	12	54	

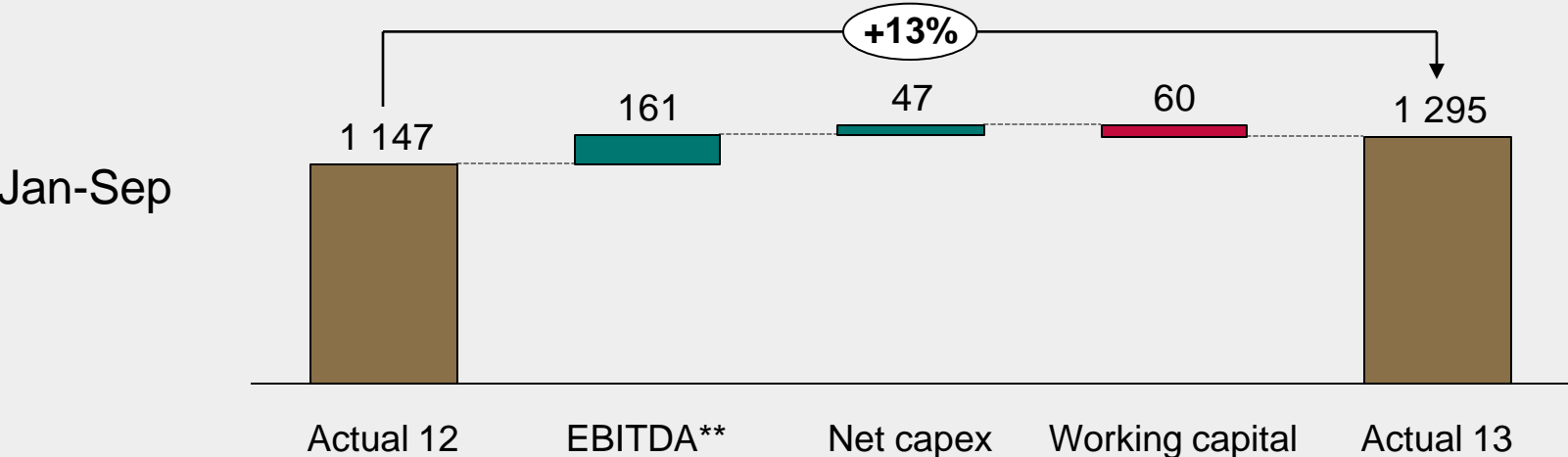
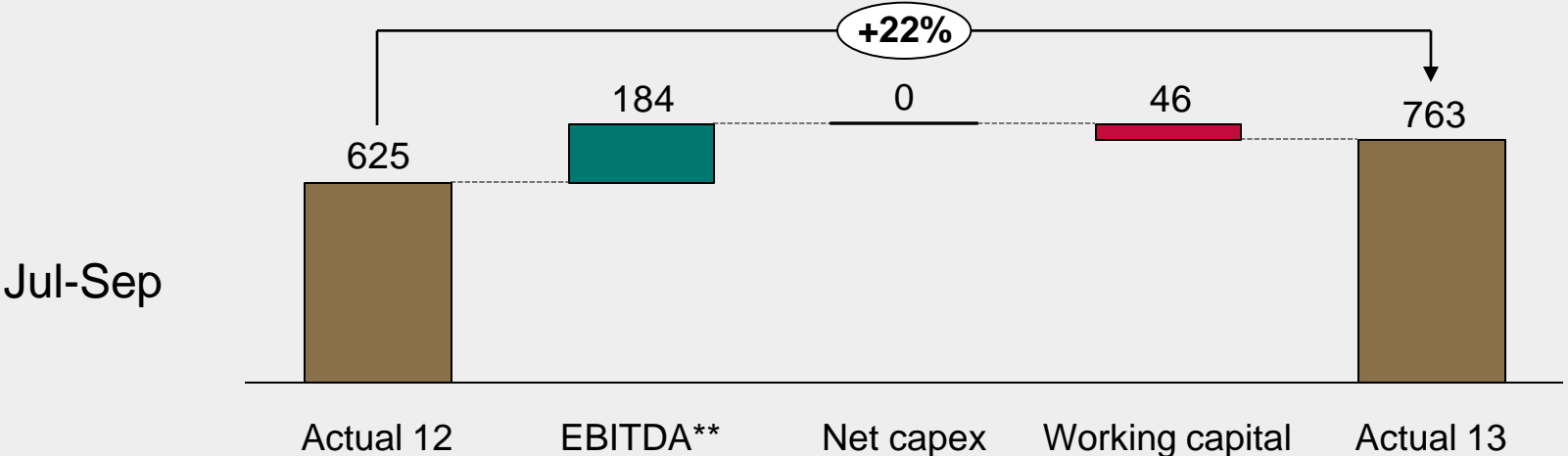
# Underlying EPS increased by 13 percent

## Earnings per share – third quarter



# Solid working capital management

## Operating cash flow\*



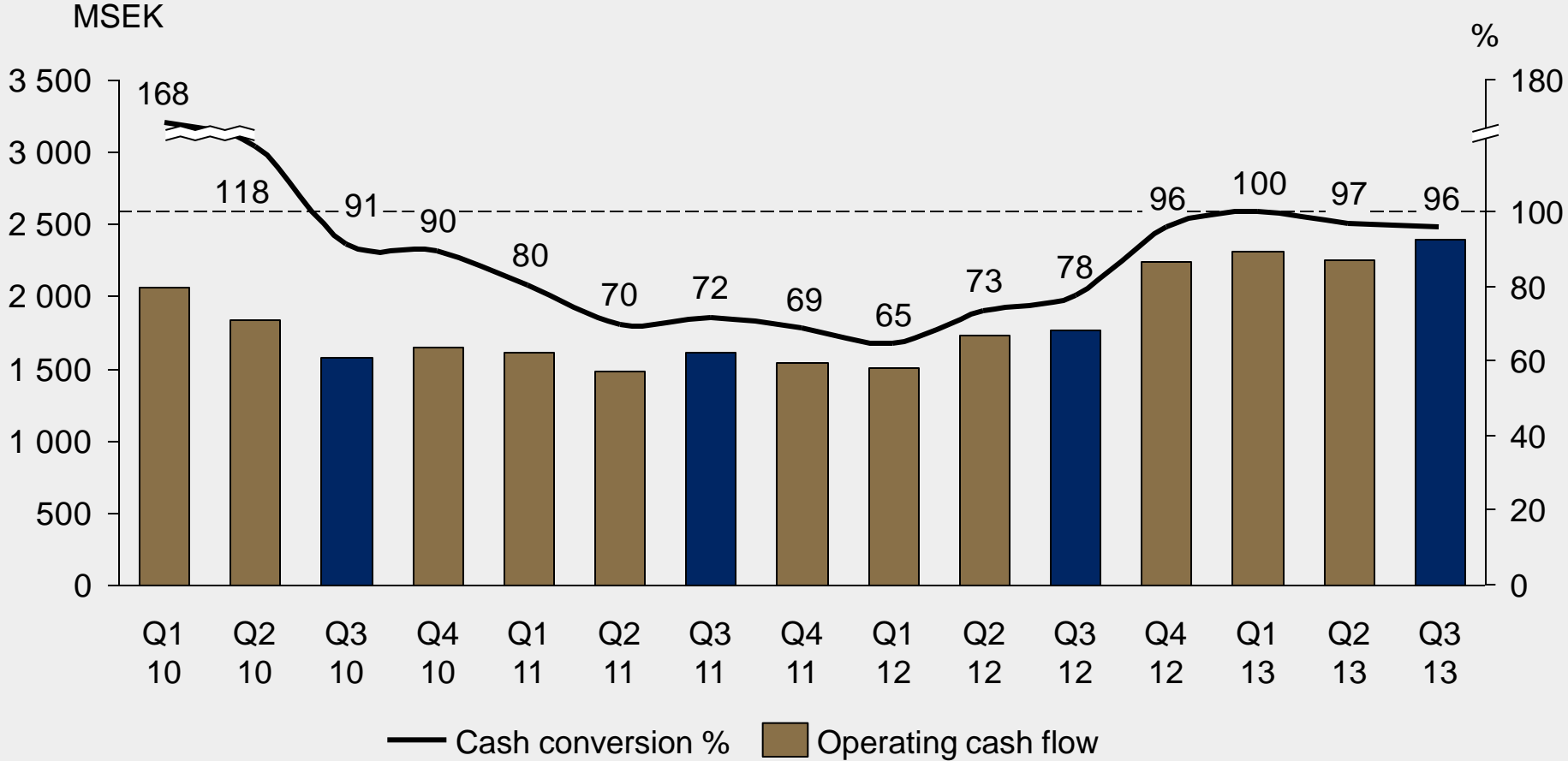
\* Excluding items affecting comparability and TrelleborgVibracoustic.

\*\* Excluding other non cash flow affecting items.



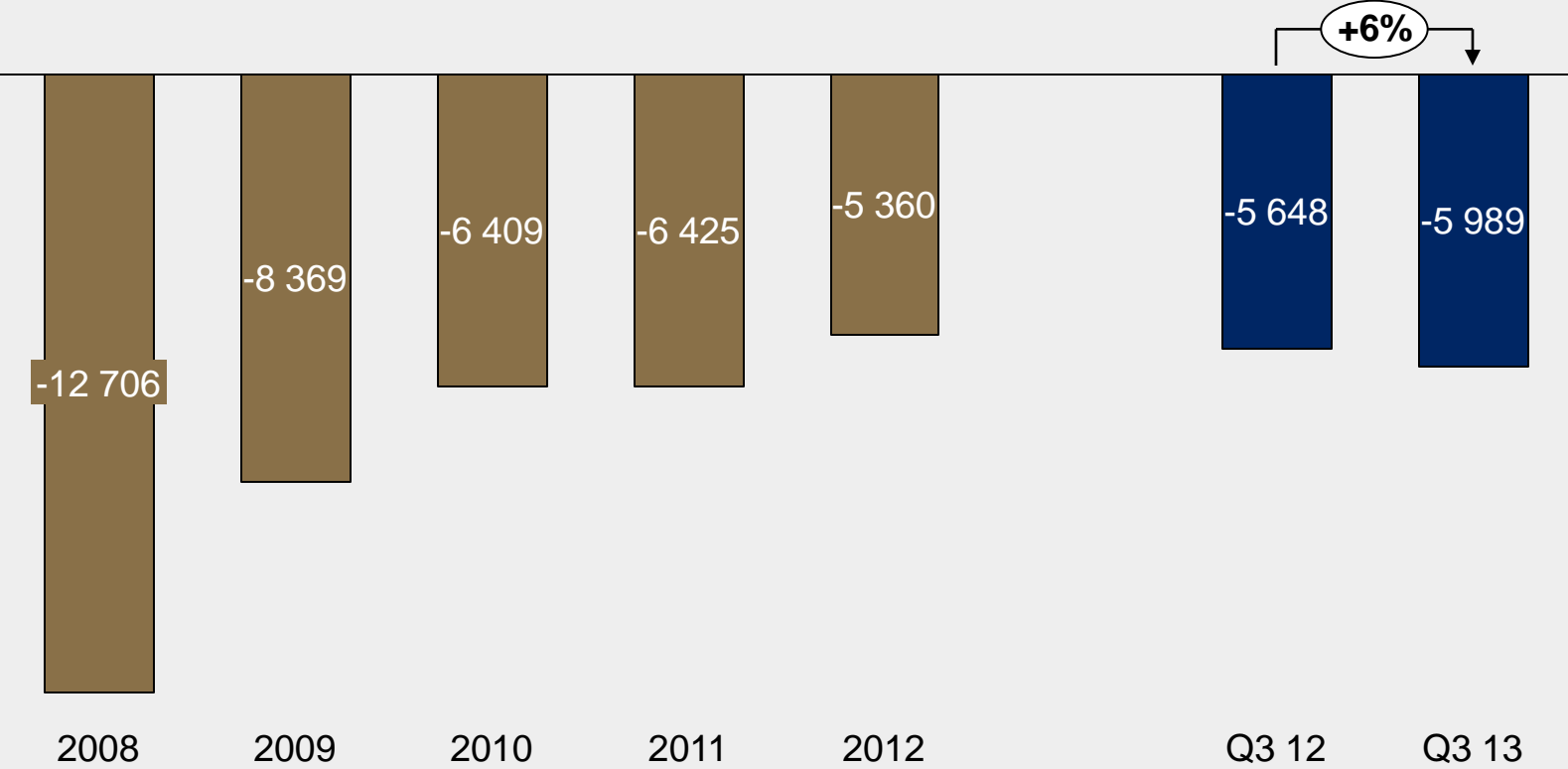
# Solid cash conversion

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



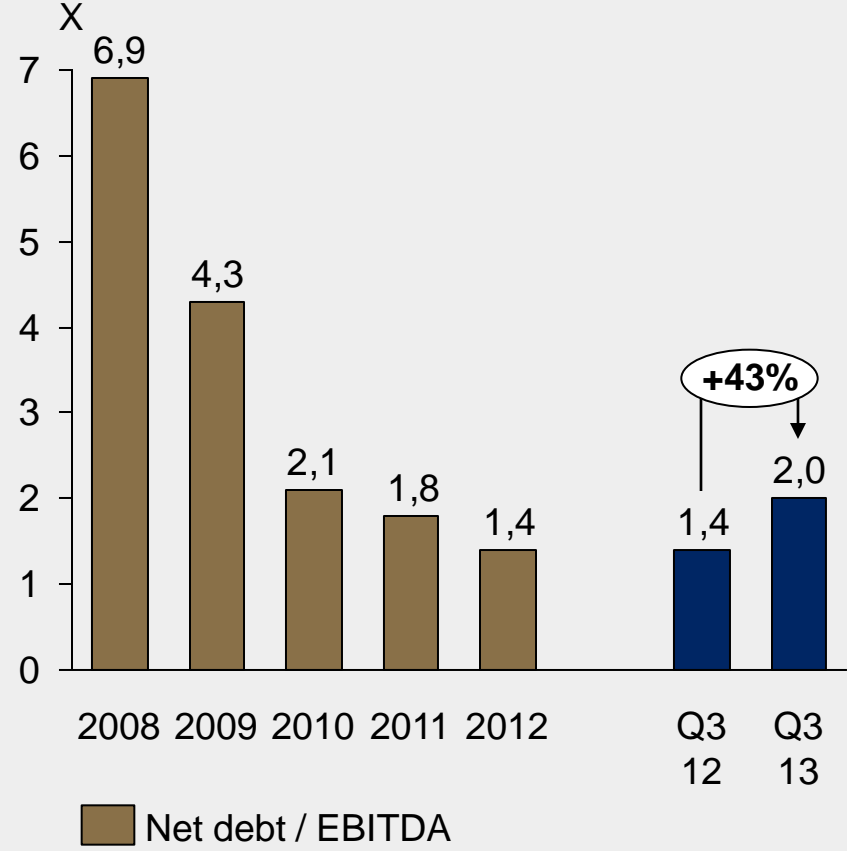
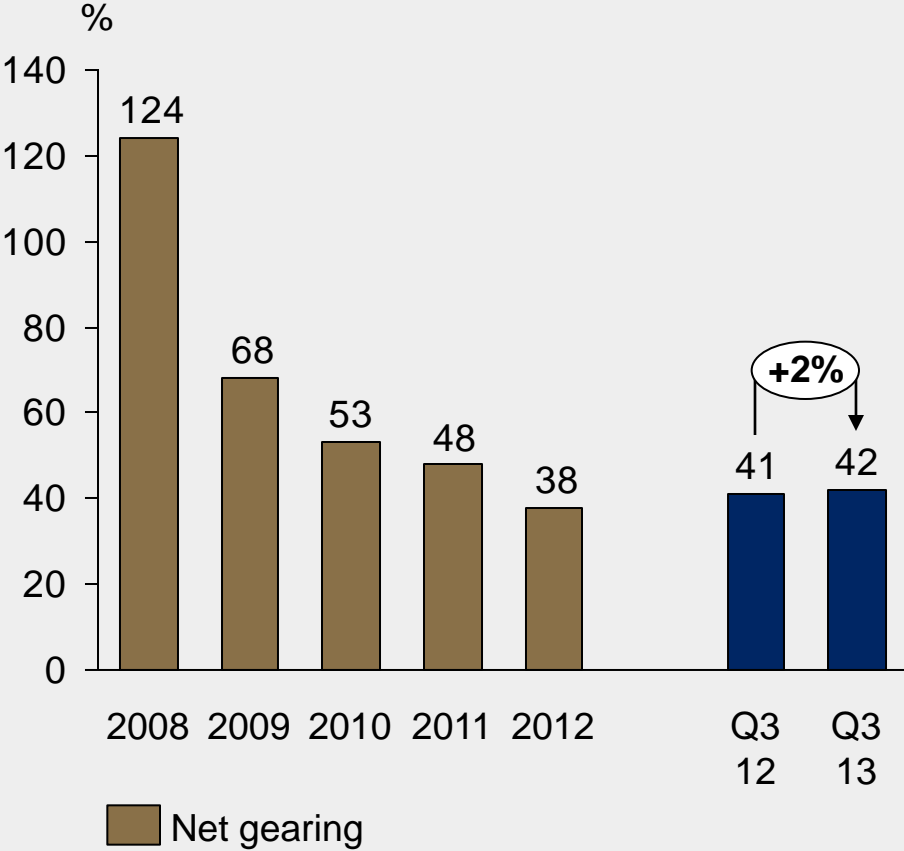
# Solid capital structure

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



# Solid capital structure

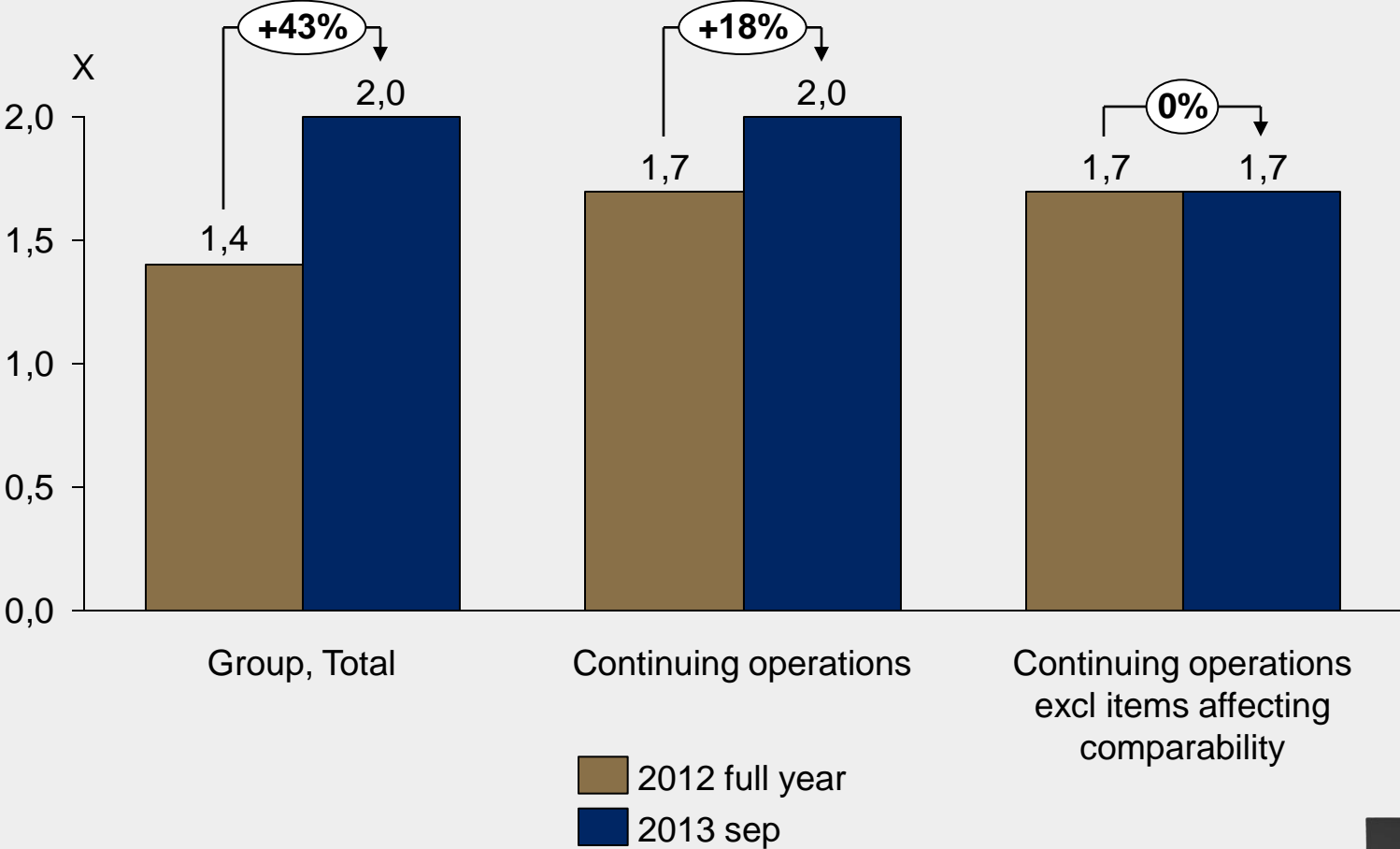
## Net debt / EBITDA and net gearing development<sup>1</sup>





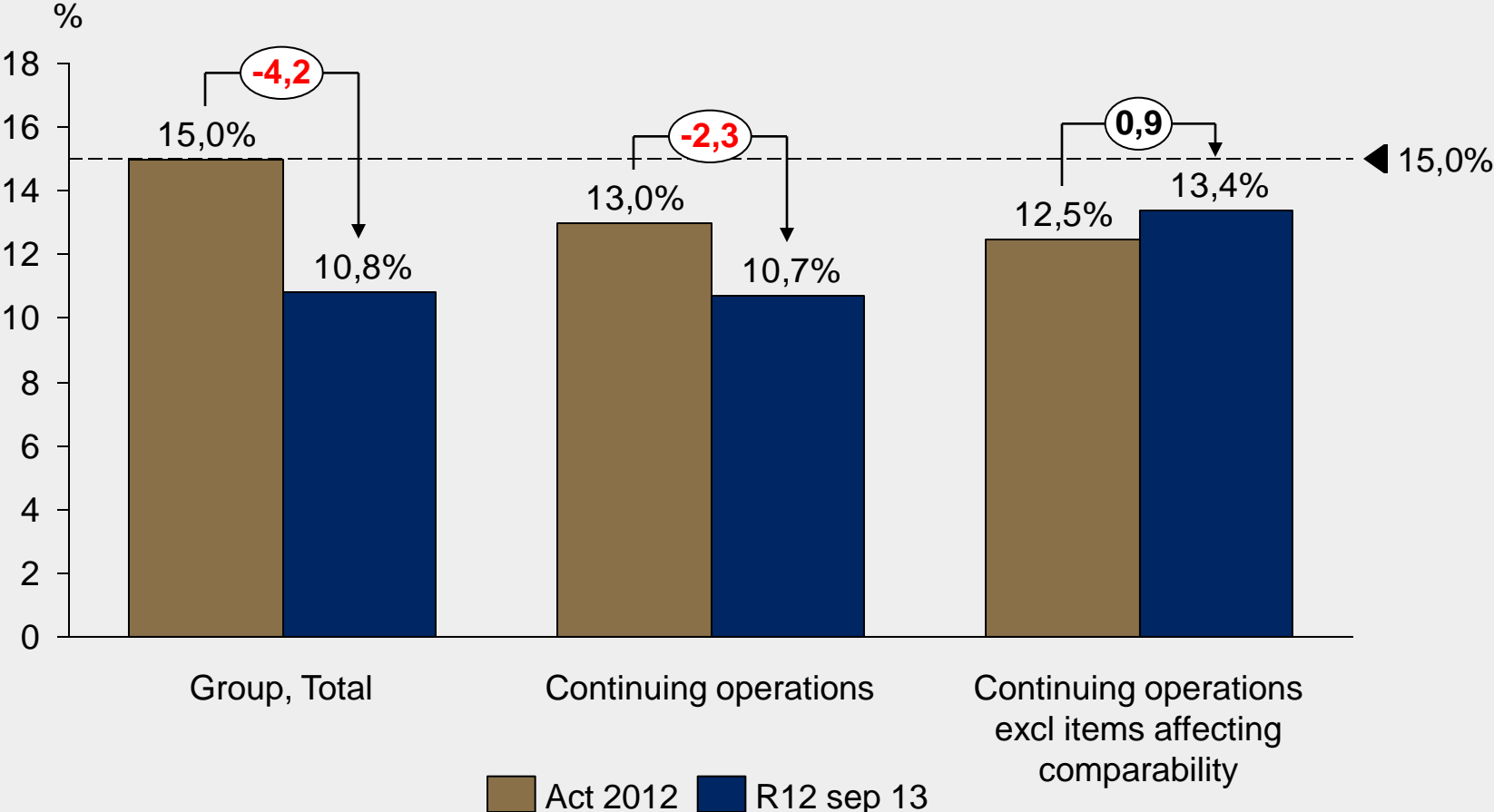
# Ratio for continuing operations stable

Net debt / EBITDA, R12M



# Long-term ROE target of 15%

## Return On Equity, R12M





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Highlights

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# Continued focus on growth and excellence

## 2013 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 Q4 2013

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



# Agenda

Highlights

Business areas

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Financials

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Q&A

# 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