



# Trelleborg interim report

**July – September 2014**

Peter Nilsson, President & CEO

Ulf Berghult, CFO



# Agenda

Highlights

Business areas

TrelleborgVibracoustic (50% ownership)

Financials

Summary & Q4 2014 outlook

Q&A

# Stable earnings in a challenging environment

## Q3 2014 highlights

- Sales grew by 6%; structural growth by 2%, organic sales decreased by 2%
- Mixed picture in terms of geographic markets and market segments
- Good cost control and currency improved the results
- Trelleborg's EBIT-margin at 13.0% - same as last year, highest so far for Q3
- TrelleborgVibracoustic's EBIT-margin at 8.8% - highest so far for Q3
- Stable operating cash flow – R12M cash conversion at 88%
- First dividend from TrelleborgVibracoustic at SEK 131 M

# Organic growth initiatives and acquisitions

## Recap of Q3 2014 events

- Acquisition of Uretex Archer, an American polymer coating manufacturer
- Divestment of facility that manufactures rubber boots for light vehicles
- US agriculture tire plant - all permits received and first investments made

# Stable earnings in a challenging environment

## Group financial highlights

### Net sales

- Organic sales: -2%
- Mixed markets and segments development

### Earnings

- All-time-high Q3 EBIT
- All-time-high JV contribution

### Cash flow

- Well managed working capital
- First dividend from JV – SEK 131 M to Trelleborg

SEK M	Q3 2014	Q3 2013	Change, %
Net sales	5 614	5 306	6
Organic	-2	6	
Structural	2	3	
Exchange rate	6	-2	
Operating profit excl. items affecting comparability excl. part in TrelleborgVibracoustic	730	688	6
Operating margin, %	13.0	13.0	0.0pp
Items affecting comparability <sup>1</sup>	-41	-101	
Profit share in TrelleborgVibracoustic <sup>2</sup>	155	25	
Reported operating profit	844	612	
Operating margin, %	15.0	11.5	3.5pp
Operating cashflow	899	763	18

<sup>1</sup> Consists of restructuring charges of SEK -41 M (-101) and one-off items of SEK 0 M (0)

<sup>2</sup> Profit share in TrelleborgVibracoustic includes total items affecting comparability of SEK -20 M (-109), of which restructuring costs of SEK -9 M (-97)



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# Improved profitability despite weaker markets

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

- Organic sales: -3%
- Weaker printing blankets in Americas, growth in Europe/Asia
- Sales somewhat hampered by a shift in N.A. distribution model
- Engineered fabrics softer in Europe, stable in North America
- Ongoing efficiency measures in both Europe and North America
- Solvent-free production line

SEK M	Q3 2014	Q3 2013	Change, %
Net sales	442	435	2
Organic, %	-3	12	
Structural, %	0	0	
Exchange rate, %	5	-3	
Operating profit	43	30	43
Operating margin, %	9,7	6,7	3.0pp

# Acquisition of Uretek Archer Group

## Highly complementary in all aspects

- Leading manufacturer of polymer-coated fabrics for a variety of industrial and aerospace applications
- Turnover ~SEK 500 M
- Complements existing business in engineered fabrics
- Broadens product range
- Expected to be finalized in Q4 2014





# Mixed markets and geographies

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

- Organic sales: -4%
- Structural growth: +11%
- Mixed geographical and market segment sales development
- Lack of large project deliveries compared with last year
- Turkish industrial hose manufacturer consolidated
- Divestment of rubber boots facility

SEK M	Q3 2014	Q3 2013	Change, %
Net sales	1 262	1 127	12
Organic, %	-4	5	
Structural, %	11	0	
Exchange rate, %	5	0	
Operating profit	136	123	11
Operating margin, %	10.8	10.9	-0.1pp

# Less project sales compared with last year

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

- Organic sales: -7%
- Good infrastructure related business
- Some offshore oil/gas project deliveries deferred
- Market activity remains healthy
- EBIT somewhat hampered by project and product mix

SEK M	Q3 2014	Q3 2013	Change, %
Net sales	917	913	0
Organic, %	-7	3	
Structural, %	0	4	
Exchange rate, %	7	-5	
Operating profit	71	76	-7
Operating margin, %	7.7	8.3	-0.6pp

# Solid quarter in terms of volume and profits

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

- Organic sales: +2%
- Mixed geographical and market segment sales development
- Solid development due to higher volumes and good cost control
- Favourable currency F/X
- Focus on innovative new solutions

SEK M	Q3 2014	Q3 2013	Change, %
Net sales	1 930	1 787	8
Organic, %	2	6	
Structural, %	0	0	
Exchange rate, %	6	-1	
Operating profit	433	386	12
Operating margin, %	22.4	21.6	0.8pp

# Good results considering very tough markets

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

- Organic sales: -6%
- Agri OE-market significantly weaker; aftermarket more stable
- Improved sales for industrial tires in most geographical markets
- Good market positions yield solid margin despite falling volumes
- Investment in U.S. production for agri tires commenced

SEK M	Q3 2014	Q3 2013	Change, %
Net sales	1 008	1 010	0
Organic, %	-6	4	
Structural, %	0	16	
Exchange rate, %	6	-1	
Operating profit	106	117	-9
Operating margin, %	10.6	11.5	-0.9pp



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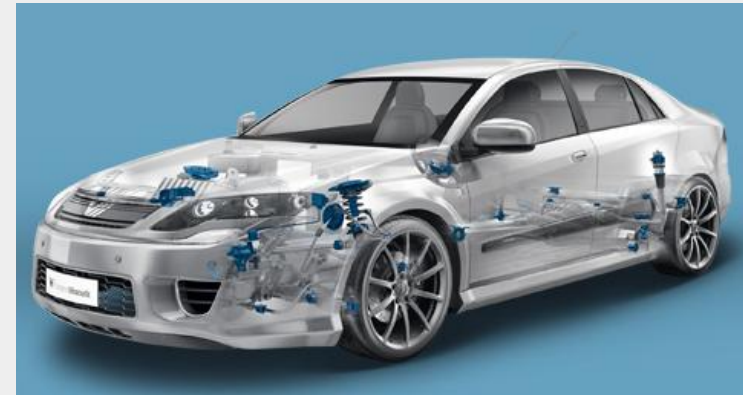
Q&A

# A solid development

## Global leader in automotive antivibration solutions

TrelleborgVibracoustic

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



# Profitability continues to improve

## TrelleborgVibracoustic<sup>1</sup>

- Organic sales: +2%
- Positive sales development in all geo markets but South America
- Platform mix impacted sales
- Improved efficiency
- Highest EBIT-margin in a Q3
- Ongoing capacity additions in China, Thailand and Romania

EUR M	Q3 2014	Q3 2013	Change, %
Net sales	438	425	3
Organic, %	2	9	
Structural, %	0	0	
Exchange rate, %	1	-3	
Operating profit	39	31	26
Operating margin, %	8.8	7.4	1.4pp

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

# Associated income bridge

## TrelleborgVibracoustic

- Associated income of SEK 155 M (*after* financial net and items affecting comparability)
- Restructuring charges in the quarter in line with FY 2014 guidance of ~EUR 30 M
- Tax rate 29%
- First dividend of SEK 131 M to Trelleborg

SEK M	Q3 2014	Q3 2013	Change, %
Operating profit excl. items affecting comparability	354	272	30
Acquisition-related costs	-6	-15	
Amortization of intangible assets <sup>1</sup>	-15	-9	
Restructuring items	-19	-193	
Operating profit	314	55	471
Financial net	-2	-6	
Profit before tax	312	49	537
<b><i>Of which Trelleborg's share (50%)</i></b>	<b>155</b>	<b>25</b>	
<i>Trelleborg's share (50%) excl. items affecting comparability</i>	175	133	

<sup>1</sup> Related to split of acquisition balance

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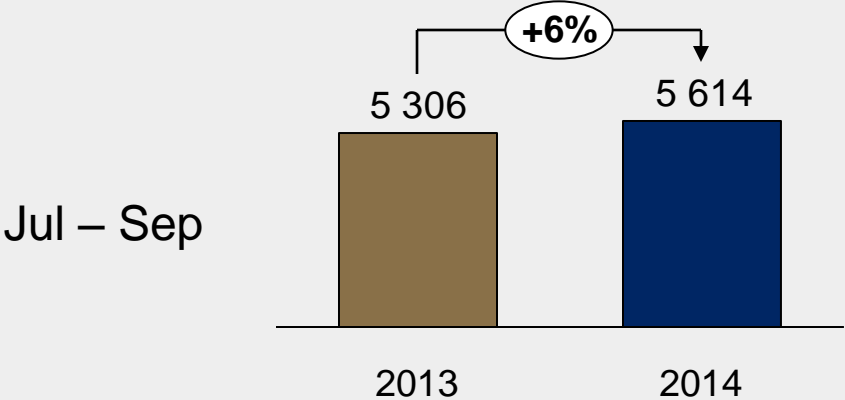
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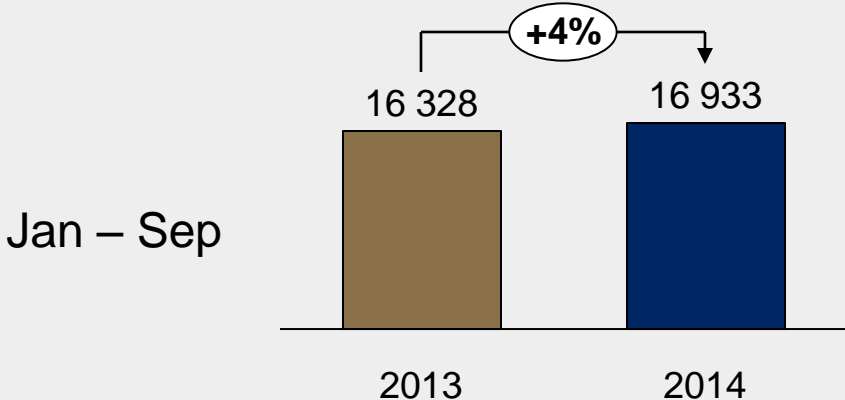
Q&A

# Sales increase in weaker market conditions

## Sales development



Jul - Sep %	
Organic	-2
Structural	2
Currency	6
<b>Total</b>	<b>6</b>

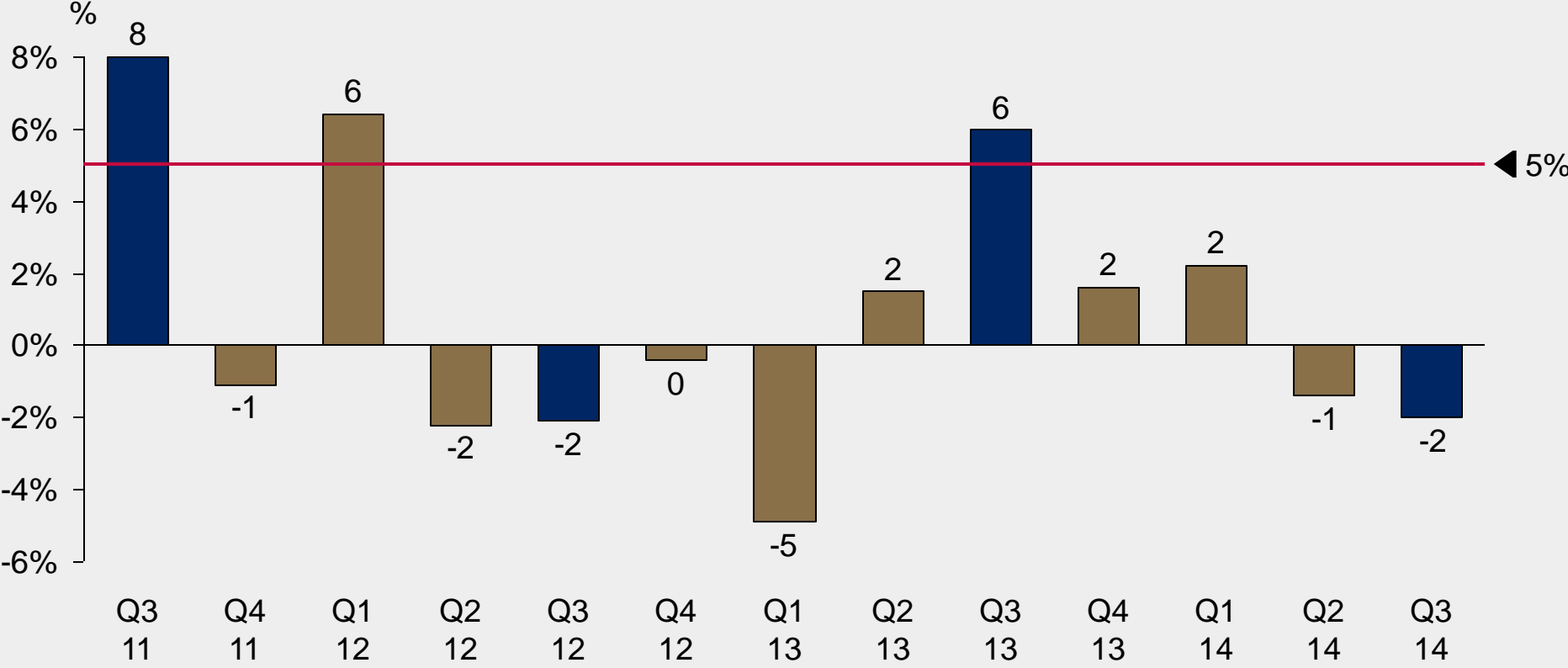


Jan - Sep %	
Organic	0
Structural	1
Currency	3
<b>Total</b>	<b>4</b>



# Soft business climate

## Organic sales development



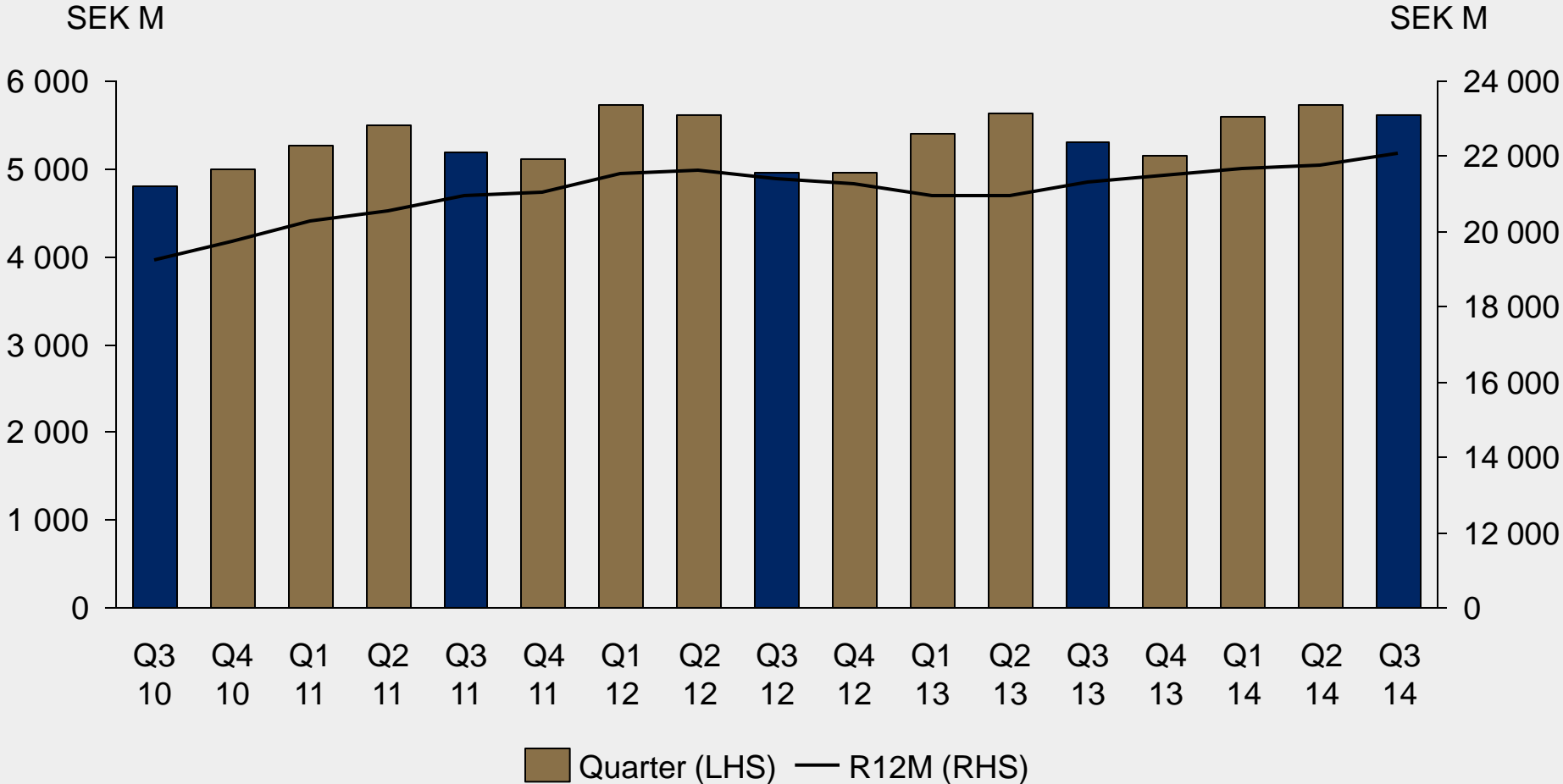
# Organic development reflects soft markets

## Sales per business area

2014	Jul - Sep			SEK M	2014	Jan - Sep		
	2013	Change	% Organic %			2013	Change	% Organic %
442	435	2	-3	Coated Systems	1 390	1 375	1	-1
1 262	1 127	12	-4	Industrial Solutions	3 665	3 458	6	-2
917	913	0	-7	Offshore & Construction	2 743	2 747	0	-3
1 930	1 787	8	2	Sealing Solutions	5 806	5 370	8	5
1 008	1 010	0	-6	Wheel Systems	3 191	3 230	-1	-5
134	129			Other items	410	478		
-79	-95			Eliminations	-272	-330		
<b>5 614</b>	<b>5 306</b>	<b>6</b>	<b>-2</b>	<b>Continuing operations</b>	<b>16 933</b>	<b>16 328</b>	<b>4</b>	<b>0</b>

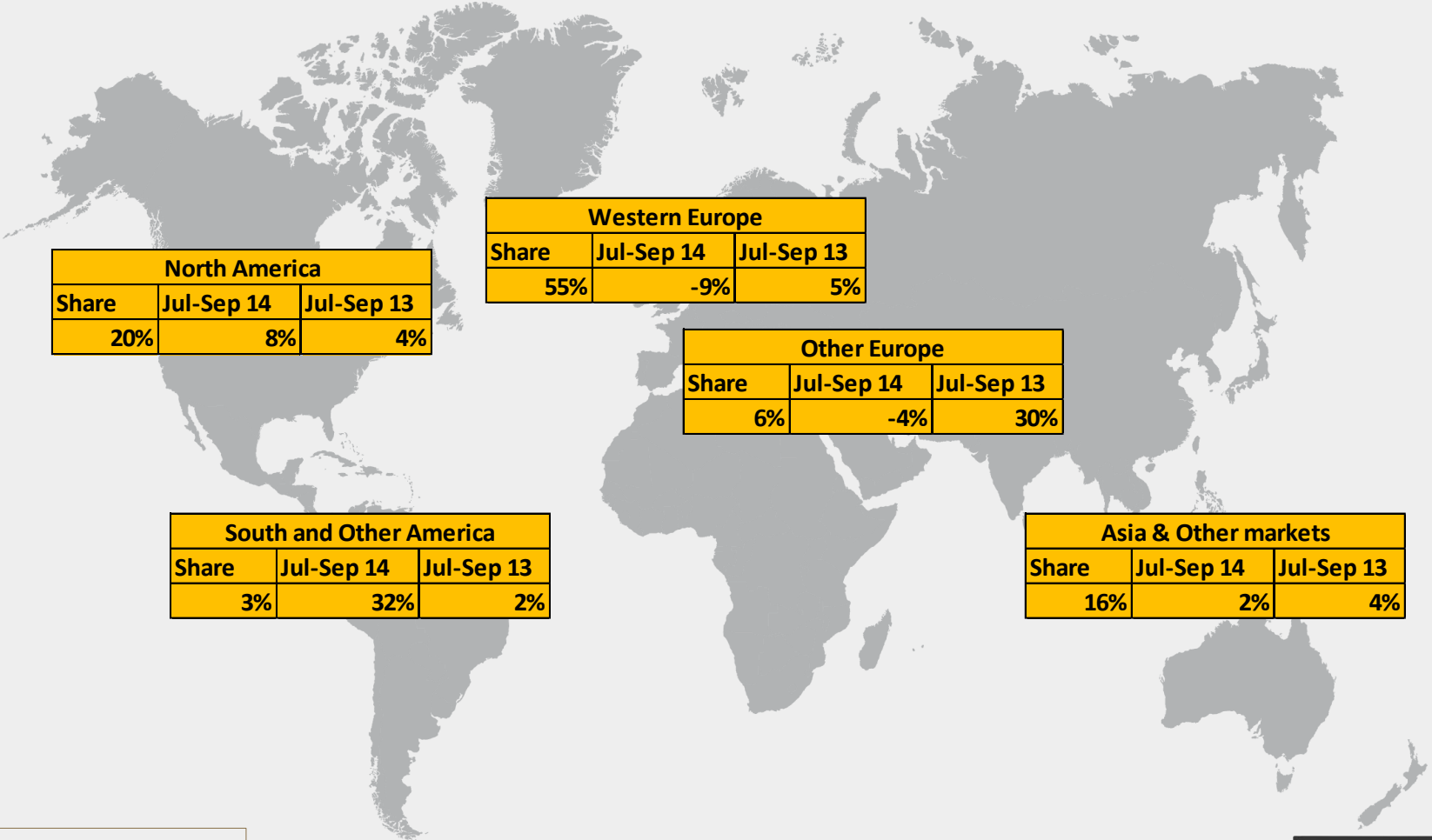
# Growing sales trend continues

## Sales development, R12M



# Europe down, good growth elsewhere

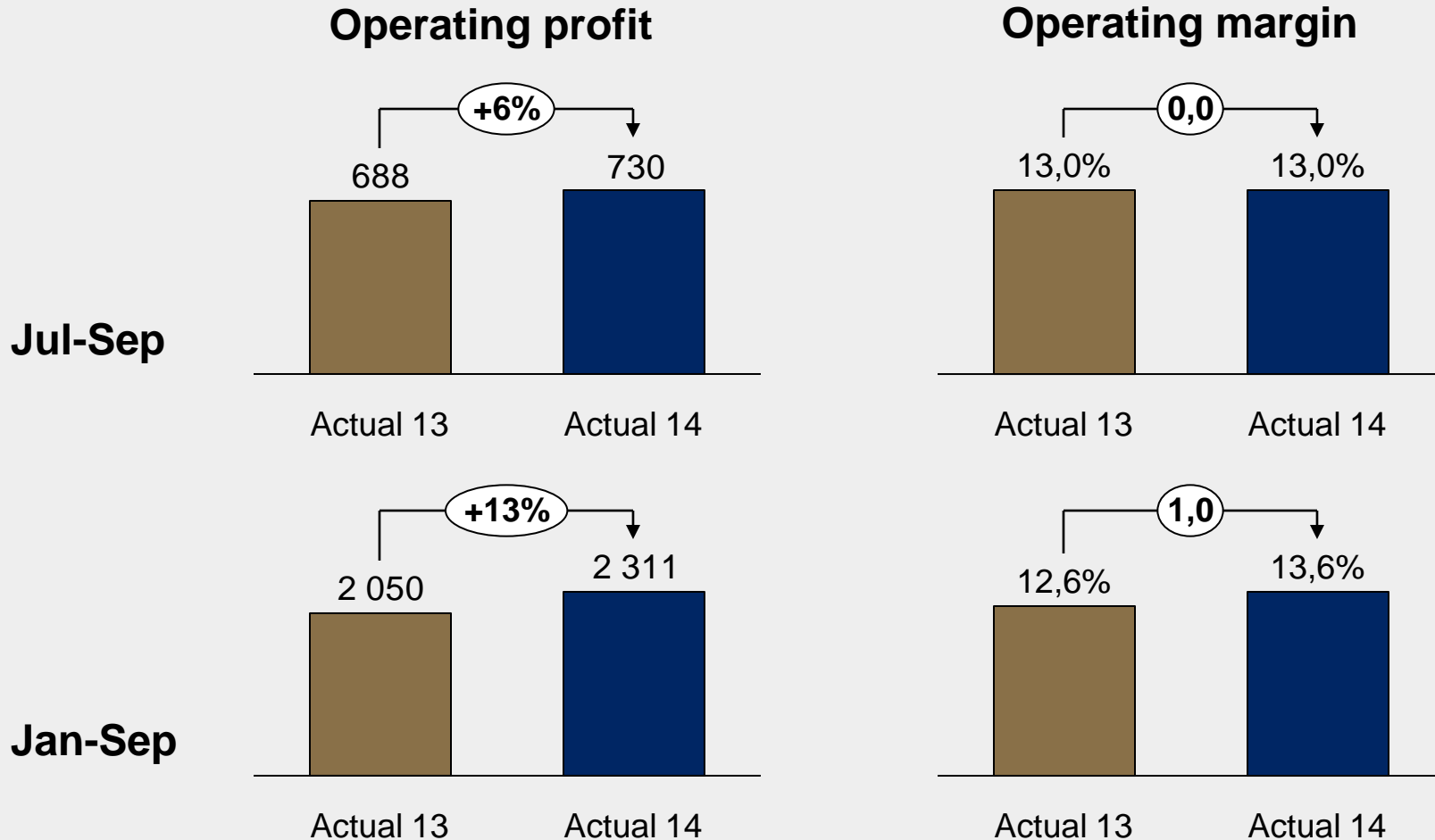
## Organic sales growth by geographic markets



Share = Actual 2013

# Third quarter margin on record level

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



# Solid EBIT growth

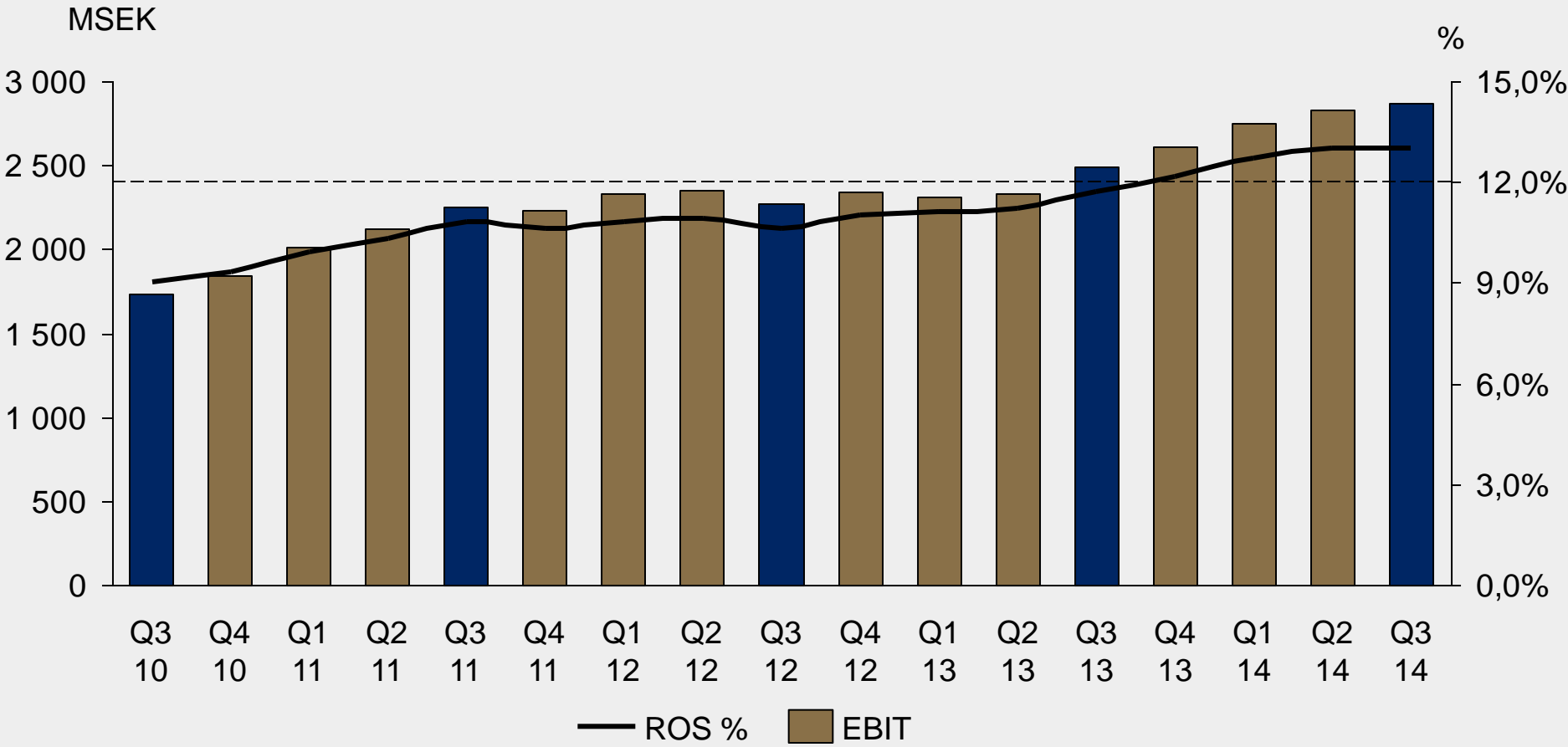
## Group operating profit per business area<sup>1</sup>

Jul - Sep			SEK M	Jan - Sep		
2014	2013	Change %		2014	2013	Change %
43	30	43	Coated Systems	164	142	15
136	123	11	Industrial Solutions	388	336	15
71	76	-7	Offshore & Construction	228	204	12
433	386	12	Sealing Solutions	1 323	1 154	15
106	117	-9	Wheel Systems	401	398	1
-59	-44		Other items	-193	-184	
<b>730</b>	<b>688</b>	<b>6</b>	<b>Continuing operations</b>	<b>2 311</b>	<b>2 050</b>	<b>13</b>



# R12M margin at 13 percent

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



# Total Group

## Profit & Loss statement

Jul - Sep			SEK M	Jan - Sep		
2014	2013	Change %		2014	2013	Change %
<b>730</b>	<b>688</b>	<b>6%</b>	<b>Operating Profit</b>	<b>2 311</b>	<b>2 050</b>	<b>13%</b>
<b>13,0%</b>	<b>13,0%</b>	<b>0.0 pp</b>	<b>Operating Margin</b>	<b>13.6%</b>	<b>12.6%</b>	<b>1.0pp</b>
<b>-41</b>	<b>-101</b>		Restructuring costs	<b>-158</b>	<b>-187</b>	
			One-off items		<b>-155</b>	
<b>-41</b>	<b>-101</b>		Items affecting comparability	<b>-158</b>	<b>-342</b>	
155	25		Associated income from Trelleborg Vibracoustic	330	232	
<b>844</b>	<b>612</b>	<b>38%</b>	<b>Operating profit</b>	<b>2 483</b>	<b>1 940</b>	<b>28%</b>
<b>15.0%</b>	<b>11.5%</b>	<b>3.5pp</b>	<b>Operating Margin</b>	<b>14,7%</b>	<b>11,9%</b>	<b>2.6pp</b>
<b>-34</b>	<b>-81</b>		Financial income and expense	<b>-101</b>	<b>-155</b>	
<b>810</b>	<b>531</b>		<b>Profit before tax</b>	<b>2 382</b>	<b>1 785</b>	
<b>-227</b>	<b>-149</b>		Tax, Group total	<b>-646</b>	<b>-527</b>	
<b>583</b>	<b>382</b>		<b>Net Profit, Group Total</b>	<b>1 736</b>	<b>1 258</b>	

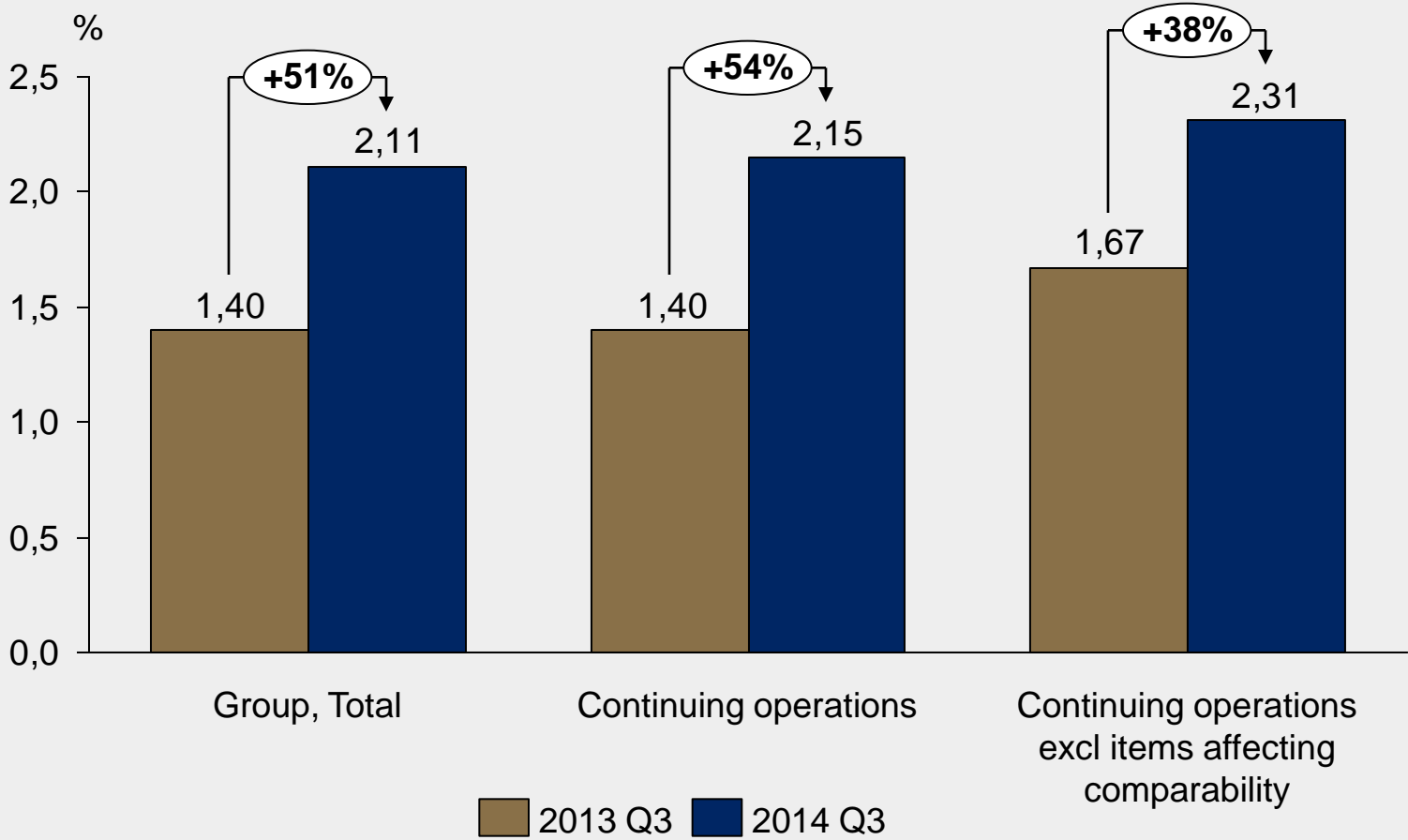
# TrelleborgVibracoustic

## Impact on Trelleborg's accounts

Jul - Sep 2014	Jul - Sep 2013	SEK M	Jan - Sep 2014	Jan - Sep 2013
39	31	Operating profit excl. items affecting comparability, MEUR	117	90
354	272	Operating profit excl. items affecting comparability	1 053	773
-6	-15	Acquisition related costs	-29	-33
-15	-9	Amortization on intangible assets	-42	-28
-19	-193	Restructuring costs	-275	-200
314	55	Operating Profit	707	512
-2	-6	Financial net	-46	-49
312	49	Profit before tax	661	463
<b>155</b>	<b>25</b>	<b>Trelleborg share</b>	<b>330</b>	<b>232</b>
-89	-25	Tax	-207	-151
<b>-45</b>	<b>-13</b>	<b>Trelleborg share</b>	<b>-104</b>	<b>-76</b>
223	24	Net profit	454	312
<b>110</b>	<b>12</b>	<b>Trelleborg share (net impact)</b>	<b>226</b>	<b>156</b>

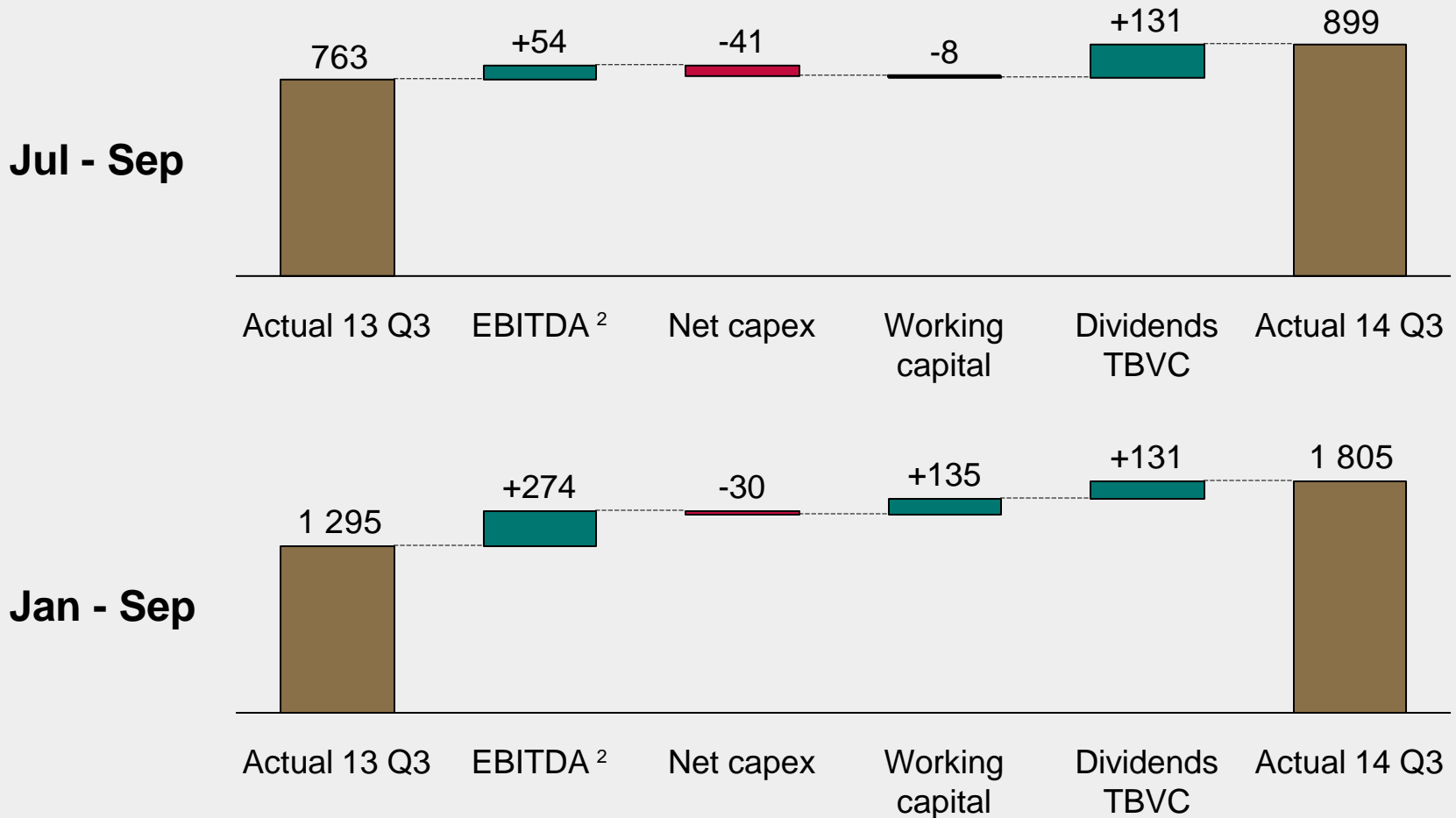
# Underlying EPS increased by 38 percent

## Earnings per share – third quarter



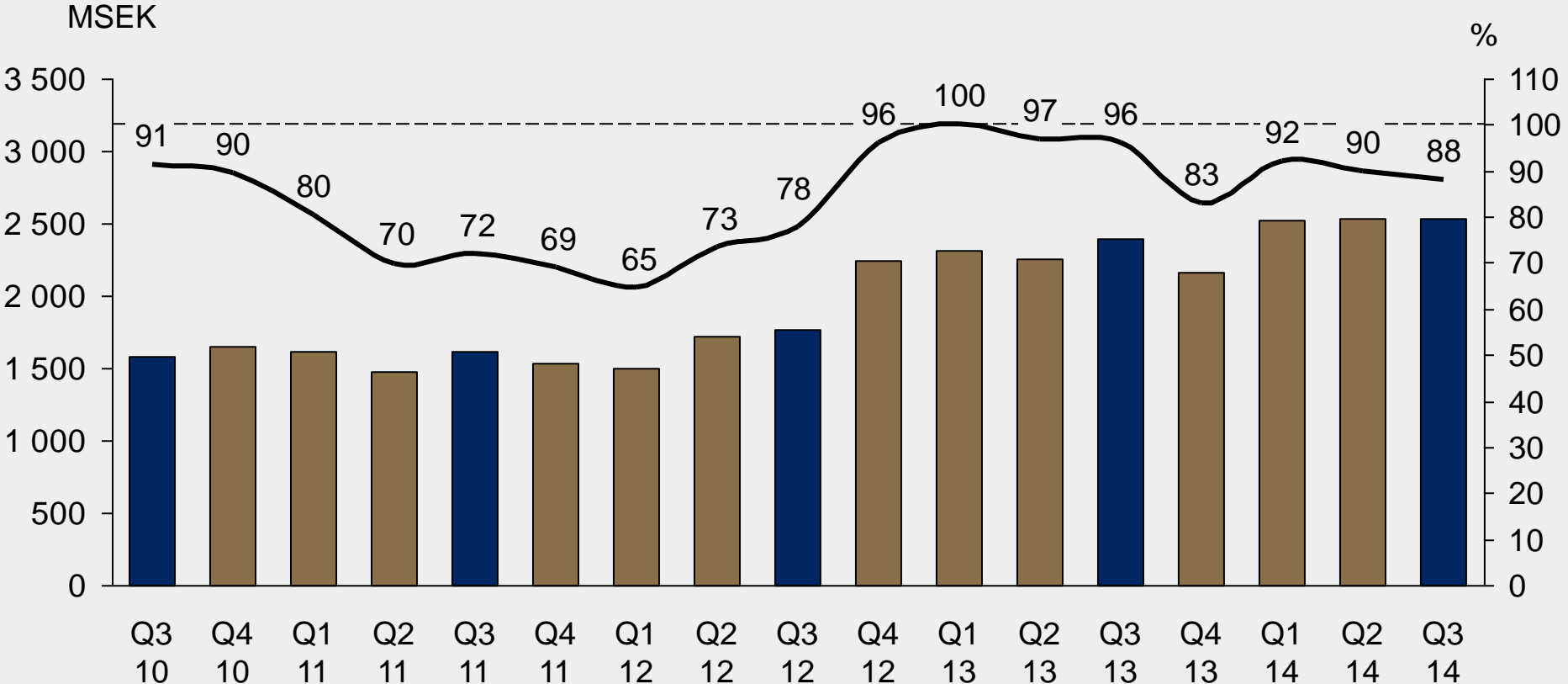
# First dividend from TBVC

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



# Cash conversion at stable levels

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



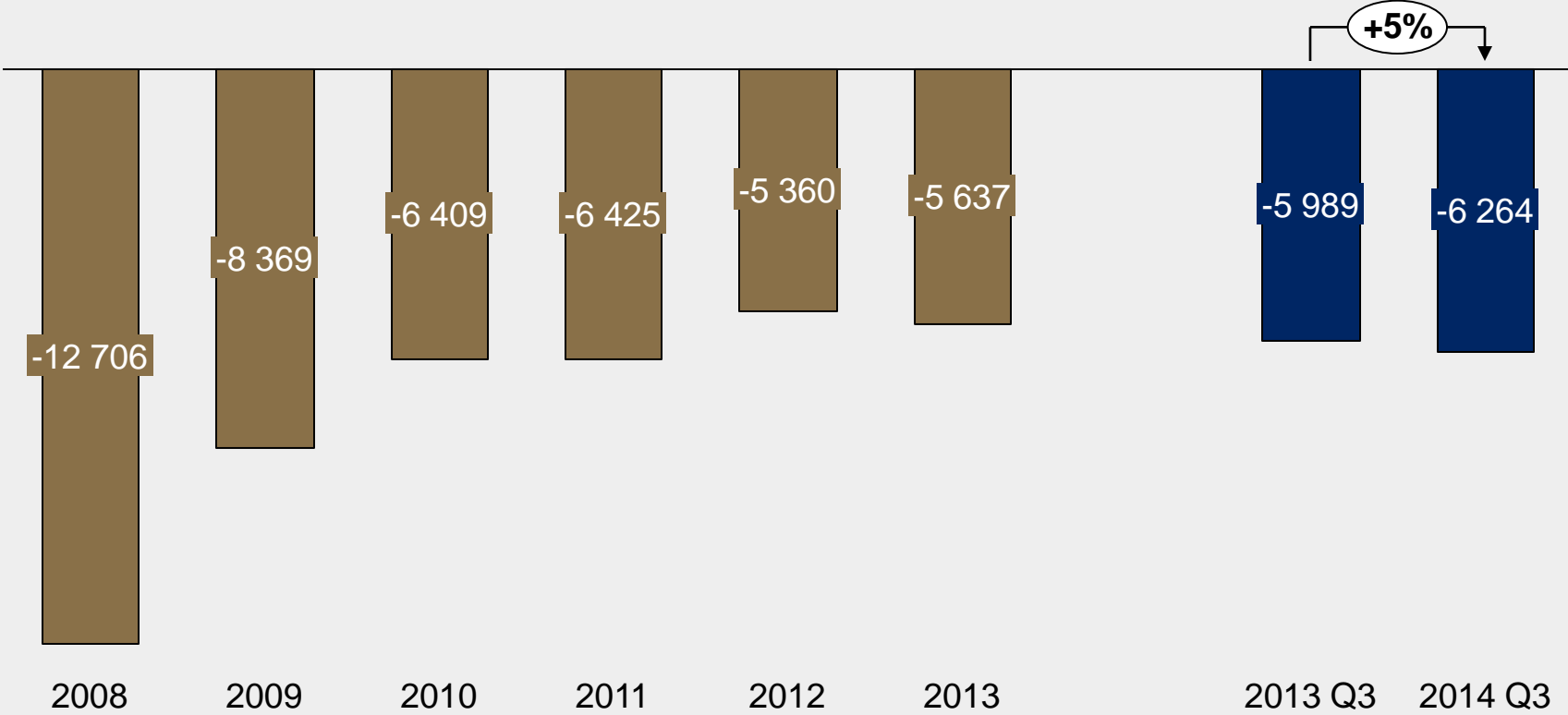
— Cash conversion %    ■ Operating cash flow



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

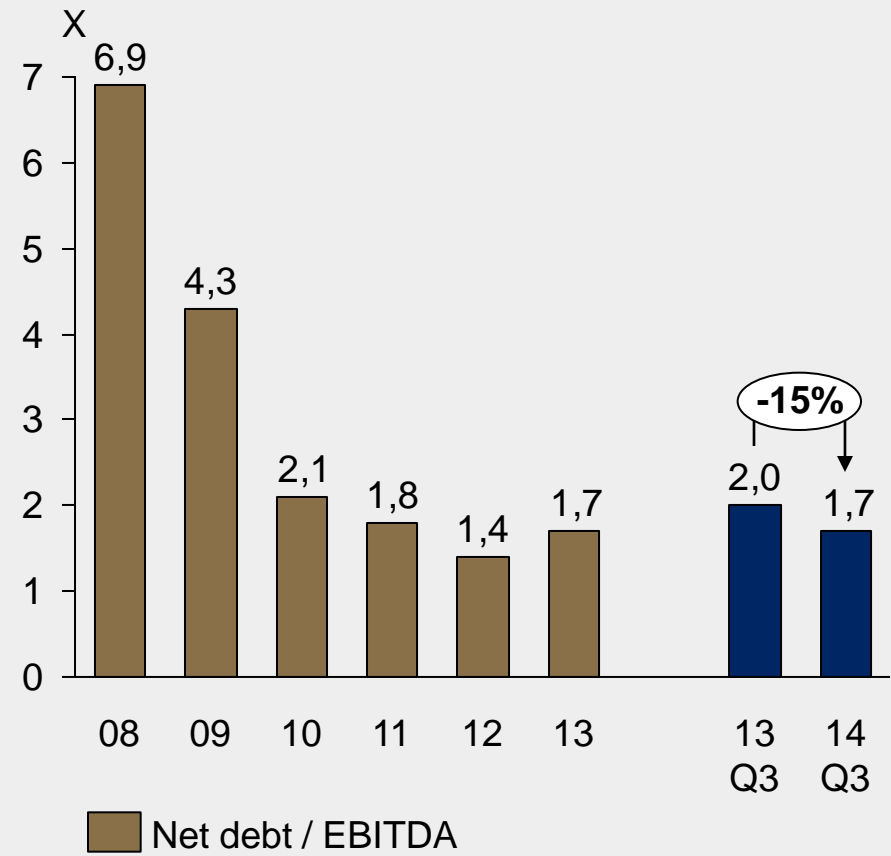
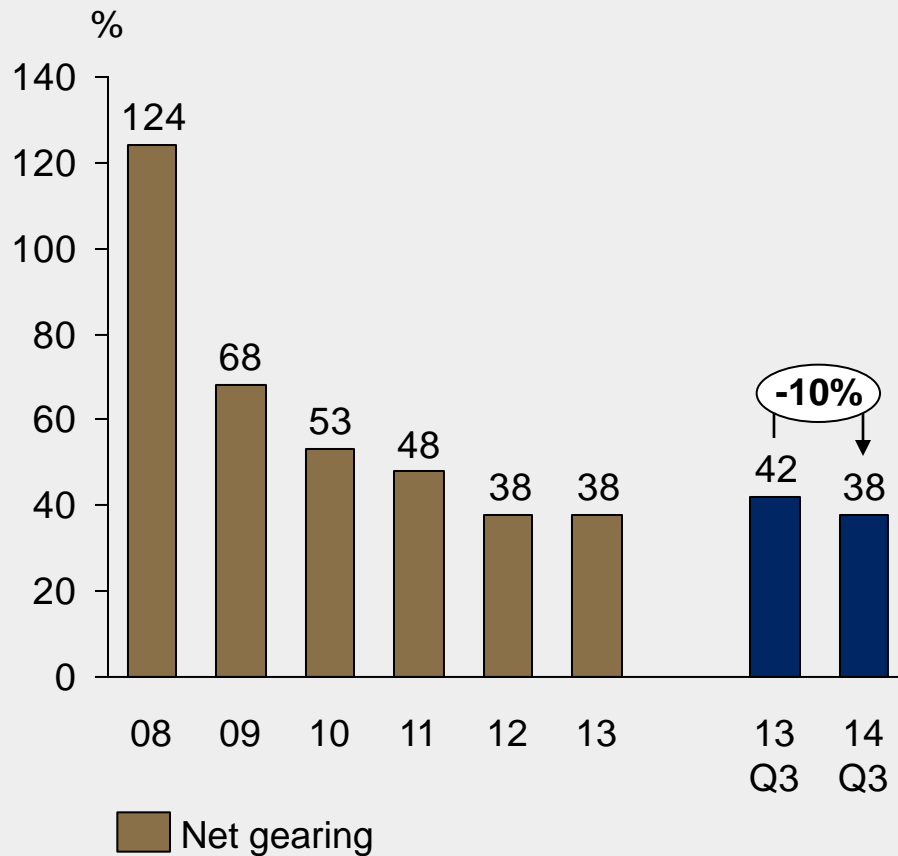
# Net debt increase due to acquisitions and F/X

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



# Gearing trending south

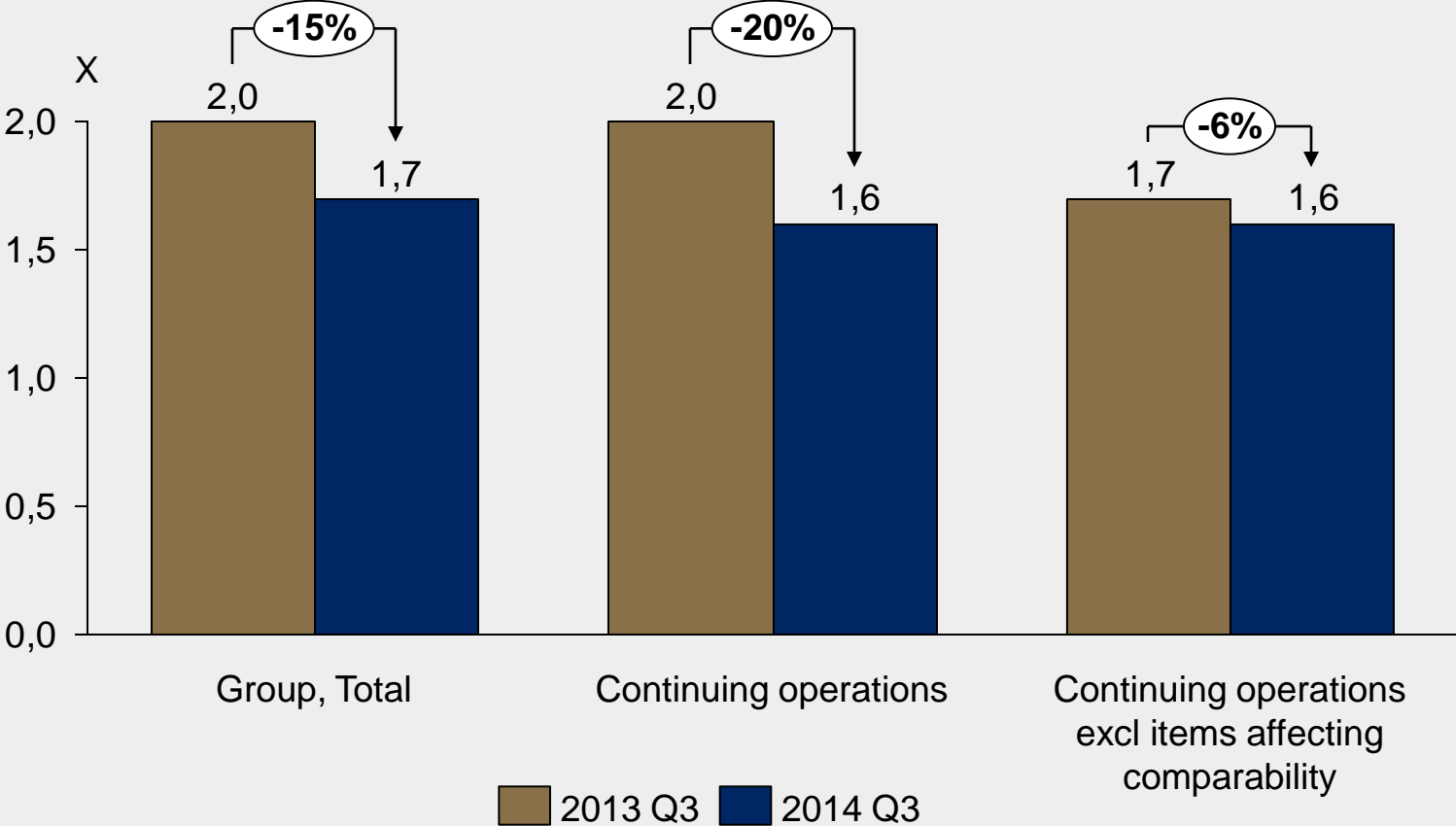
## Net debt / EBITDA R12M and net gearing development<sup>1</sup>





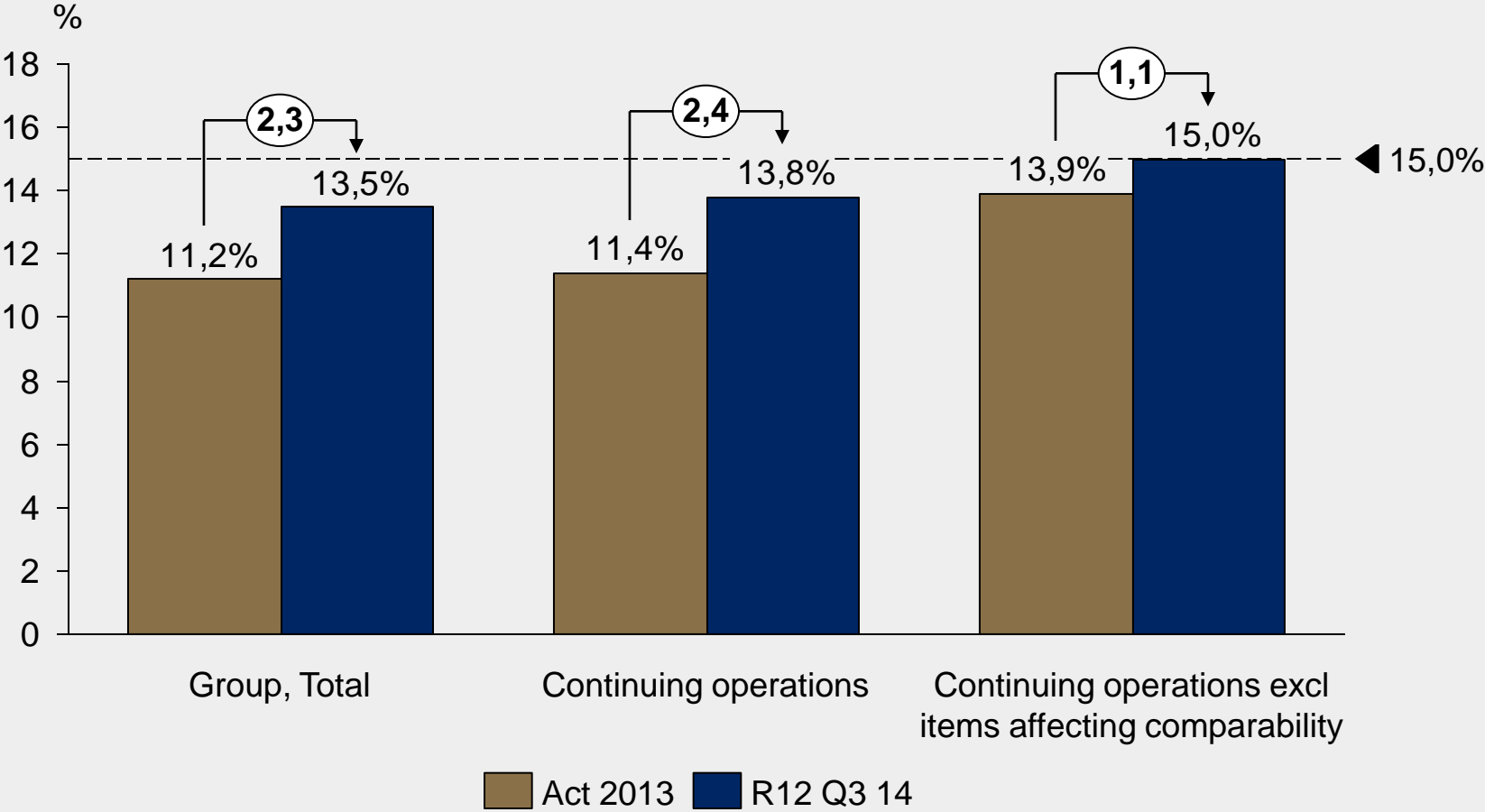
# Increased profit offset net debt increase

Net debt / EBITDA, R12M



# Closing in on ROE target of 15 percent

## Return On Equity, R12M





# Financial guidelines for full-year 2014

## Trelleborg Group:

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

## TrelleborgVibracoustic (50% ownership):

- Restructuring costs: ~EUR 30 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

## 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 Q4 2014

- Demand in the fourth quarter is expected to be on a par with the third quarter of 2014, adjusted for seasonal variations



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# Questions & Answers