



Trelleborg interim report

October – December 2016

Peter Nilsson, President & CEO
Ulf Berghult, Chief Financial Officer



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New platform - focus on profitable growth

Q4 2016 highlights

- Organic Y/Y sales decline by 4 percent, mainly driven by expected lower project deliveries to the oil/gas segment
- Reported sales increase of 25 percent, mainly driven by the CGS acquisition
- Good market positions, cost control, F/X and contributing acquisitions improved the EBIT to the highest level for a fourth quarter to date
- Trelleborg's EBIT-margin at 11.3% impacted by integration of acquired businesses and exposure to depressed agriculture and oil/gas markets
- Strong operating cash flow, R12M cash conversion at 99 percent
- Two acquisitions adding annual sales of approx. SEK 690 M

Organic growth initiatives and acquisitions

Recap of Q4 2016 events

- Acquisition of **Schwab Vibration Control**, a German and Swiss leading manufacturer of antivibration components and systems mainly for the rail market. The transaction was consolidated as of 1 October, 2016
- Acquisition of **subsidiary of CoorsTek**, a U.S.-based subsidiary manufacturing precision seals mainly for the aerospace industry. The transaction was consolidated as of 21 November, 2016
- Launched **Seals-Shop.com**, an e-commerce platform focusing primarily on hydraulic seals for the MRO market and smaller OEM customers in Europe

Organic growth initiatives and acquisitions

Post Q4 2016 events

- Agreement to acquire **Carolina Seal**, a U.S.-based distributor of polymer seals mainly to the transportation equipment market segment. The transaction is expected to be finalized in the first quarter of 2017
- Board decision of **major investment** in Trelleborg Wheel Systems' tire operation in Serbia, to improve footprint and increase production capacity to accommodate additional future sales

New platform - focus on profitable growth

Group financial highlights, Q4 2016

Net sales

- Sales: +25%; Organic: -4%;
Structure: +26%; Currency 3%

Earnings

- Highest Q4 EBIT to date
- Positive FX impact
- Integration of acquisitions

Cash flow

- Strong operating cash flow
- R12M cash conversion at 99%
- Proposed DPS of SEK 4.25

SEK M	Q4 2016	Q4 2015	Change, %
Net sales	7 434	5 927	25
Organic, %	-4	0	
Structural, %	26	2	
Exchange rate, %	3	4	
EBITA, excl. items affecting comparability	916	736	24
EBITA-margin, %	12.3%	12.4%	-0.1 p.p.
EBIT, excl. items affecting comparability	841	705	19
EBIT-margin, %	11.3	11.9	-0.6 p.p.
Items affecting comparability ¹	-118	-90	
Reported EBIT	723	615	18
Operating cash flow ²	1 331	854	56

¹Consists of restructuring charges of SEK -118 M (-90)

²Continuing business



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Ongoing measures brings higher earnings

Trelleborg Coated Systems¹

- Organic sales: +5%
- Positive organic sales partly impacted by one-off project
- Coated fabrics growth in all regions but Asia
- Printing blankets growth on the back of good development in Asia
- EBIT higher as a result of higher sales and ongoing measures

SEK M	Q4 2016	Q4 2015	Change, %
Net sales	671	602	11
Organic, %	5	0	
Structural, %	-	5	
Exchange rate, %	6	6	
EBIT	87	74	18
EBIT, %	12.9	12.3	0.6 p.p.

Mixed market conditions

Trelleborg Industrial Solutions¹

- Organic sales: 0%
- Mixed market segment sales development – strong sales to LV
- Low activity in oil/gas – actions ongoing to adjust cost base
- Both Europe and North America declined, while Asia improved
- Unfavorable sales mix impacted EBIT-margin
- Schwab acquisition finalized

SEK M	Q4 2016	Q4 2015	Change, %
Net sales	1 390	1 204	15
Organic, %	0	-9	
Structural, %	13	-	
Exchange rate, %	2	3	
EBIT	155	141	10
EBIT, %	11.2	11.7	-0.5 p.p.

Challenging market conditions

Trelleborg Offshore & Construction¹

- Organic sales: -27%
- Market situation in offshore oil/gas remains challenging
- Mixed development in infrastructure projects
- EBIT-margin impacted by lower sales and adverse mix
- Expected FY17 organic sales drop of ~10-20% - as per earlier guidance
- Continued uncertainty ahead – ongoing actions to adjust cost base

SEK M	Q4 2016	Q4 2015	Change, %
Net sales	893	1 149	-22
Organic, %	-27	9	
Structural, %	3	4	
Exchange rate, %	2	7	
EBIT	17	77	-78
EBIT, %	1.9	6.6	4.7 p.p.

Back to organic growth

Trelleborg Sealing Solutions¹

- Organic sales: +2%
- Mixed geographical and market segment development
- Moderate organic sales increase to general industry, automotive strong
- Solid development due to market positioning and operational control
- Consolidation of new acquisitions weighs somewhat on margins
- Acquisition of CoorsTek subsidiary plus launch of *Seals-Shop.com*

SEK M	Q4 2016	Q4 2015	Change, %
Net sales	2 164	1 909	13
Organic, %	2	-2	
Structural, %	7	0	
Exchange rate, %	4	5	
EBIT	434	401	8
EBIT, %	20.1	21.0	-0.9 p.p.

Strong integration focus

Trelleborg Wheel Systems¹

- Organic sales: 0%, but CGS boosting sales
- Agri OE sales decreased in Europe, but improved for us in N.A. and Asia
- Agri aftermarket sales increased marginally in all regions
- Industrial & construction tires slightly down; up in Europe but down in N.A.
- EBIT impacted by seasonality, integration and inventory adjustments in line with customers

SEK M	Q4 2016	Q4 2015	Change, %
Net sales	1 883	1 020	85
Organic, %	0	-2	
Structural, %	80	3	
Exchange rate, %	5	4	
EBIT	174	95	83
EBIT, %	9.2	9.3	-0.1 p.p.

Inventory adjustments – solid order book

Rubena Savatech¹

- Reported separately during a transition period - operations will be integrated into existing business areas in 2017
- Sales solid in a seasonally weaker quarter – project business muted
- Inventory adjustments alongside customers – underabsorption of fixed costs – EBIT temporarily impacted
- Ongoing investment projects to increase production capacity and prepare for integration into Industrial Solutions and Coated Systems

SEK M	Q4 2016
Net sales	447
EBIT	31
EBIT, %	7.0



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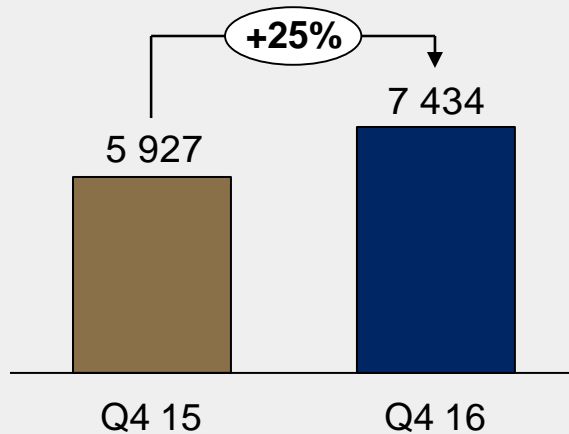
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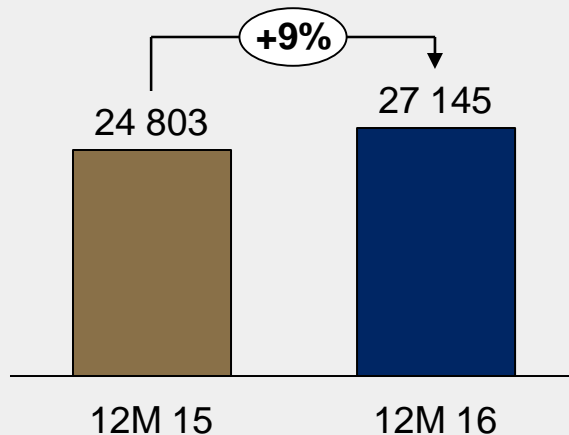
Sales growth driven by acquisitions

Sales development



October - December [%]

Organic	-4
Structural	26
Currency	3
Total	25

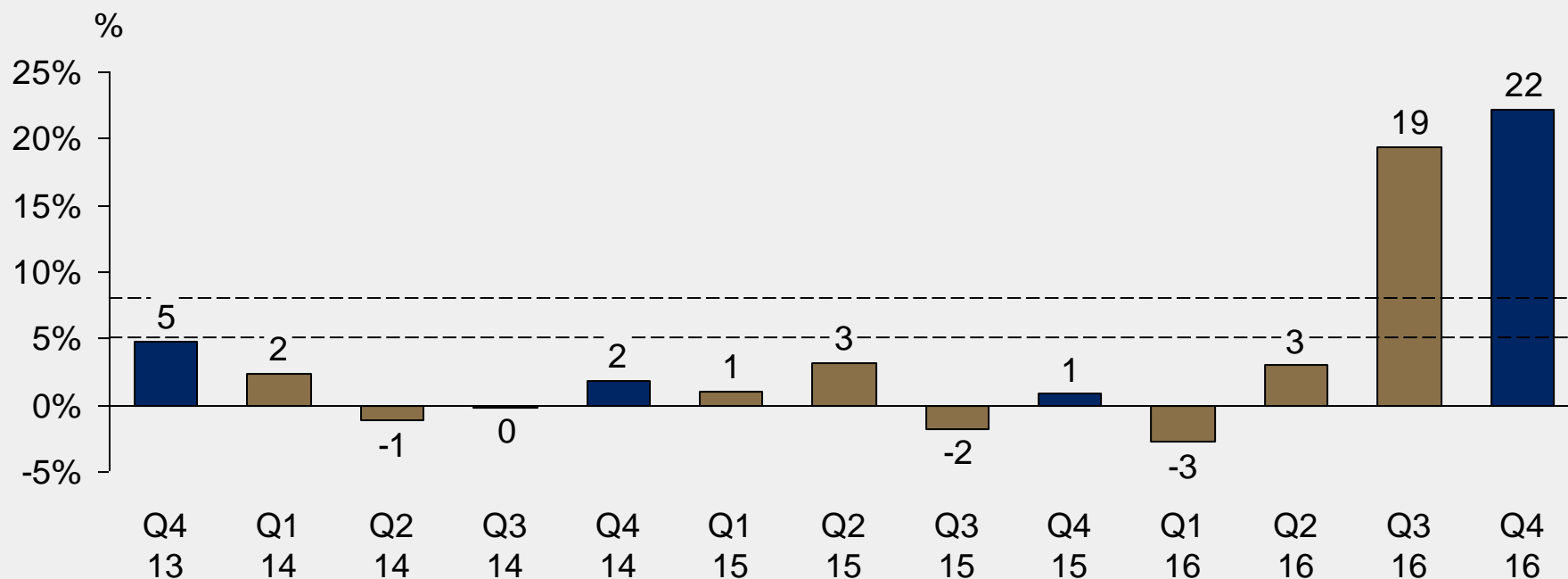


January - December [%]

Organic	-5
Structural	15
Currency	-1
Total	9

Structural and organic sales growth

Target: 5-8% over a business cycle



Of which organic growth, %:

0 2 -1 -3 -2 -4 -1 -3 -1 -4 -6 -5 -4

CGS consolidation boosts sales development

Sales per business area

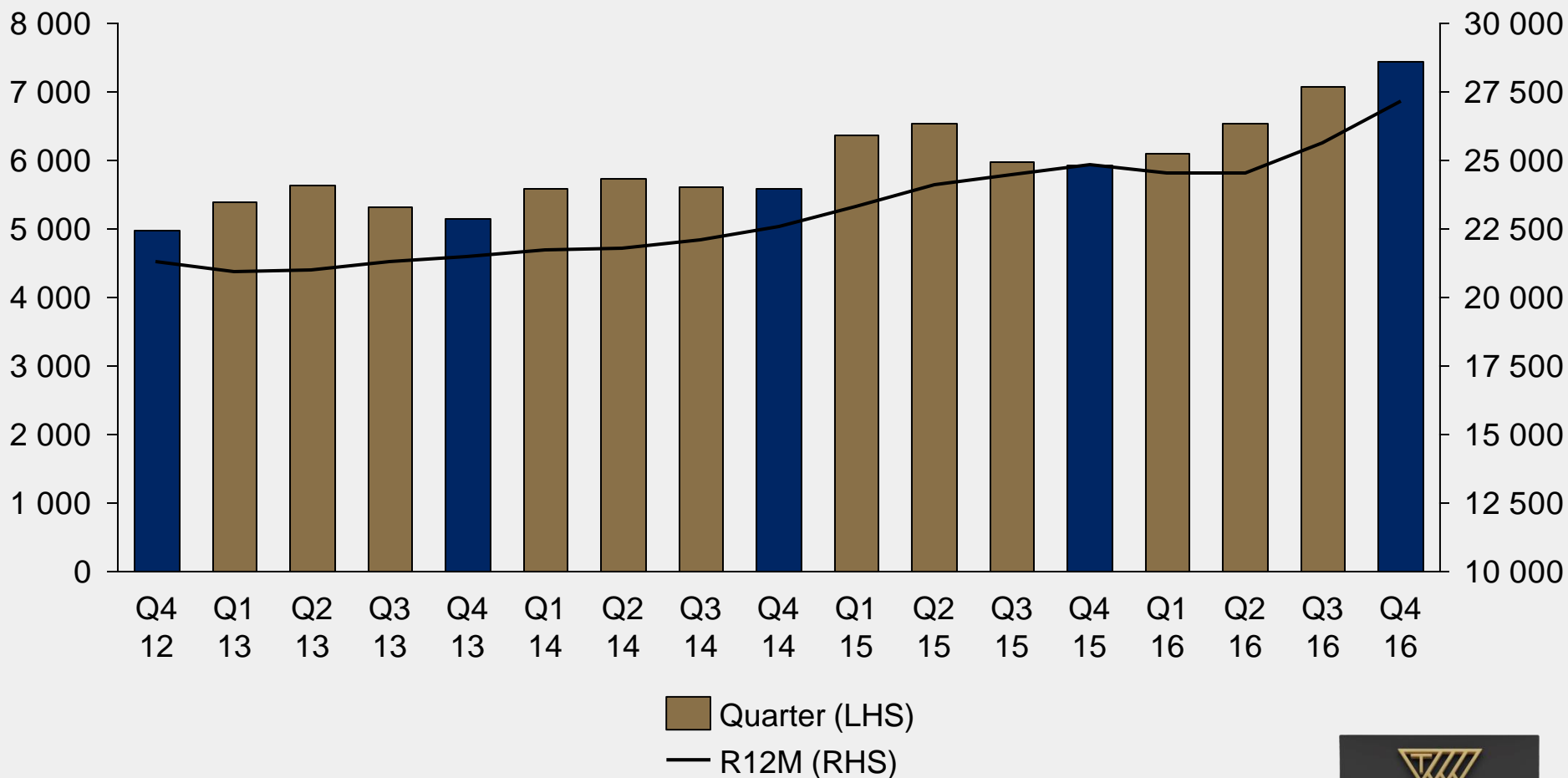
October - December				SEK M	January - December			
2016	2015	Change %	Organic %		2016	2015	Change %	Organic %
671	602	11	5	Coated Systems	2 526	2 559	-1	-2
1 390	1 204	15	0	Industrial Solutions	5 193	5 117	1	-2
893	1 149	-22	-27	Offshore & Construction	3 467	4 331	-20	-23
2 164	1 909	13	2	Sealing Solutions	8 559	8 302	3	1
1 883	1 020	85	0	Wheel Systems	6 354	4 315	47	1
447	-			Rubena Savatech	1 063	-		
61	111			Other items	339	505		
-75	-68			Eliminations	-356	-326		
7 434	5 927	25	-4	Continuing operations	27 145	24 803	9	-5

Record sales through structural development

Sales development, R12M

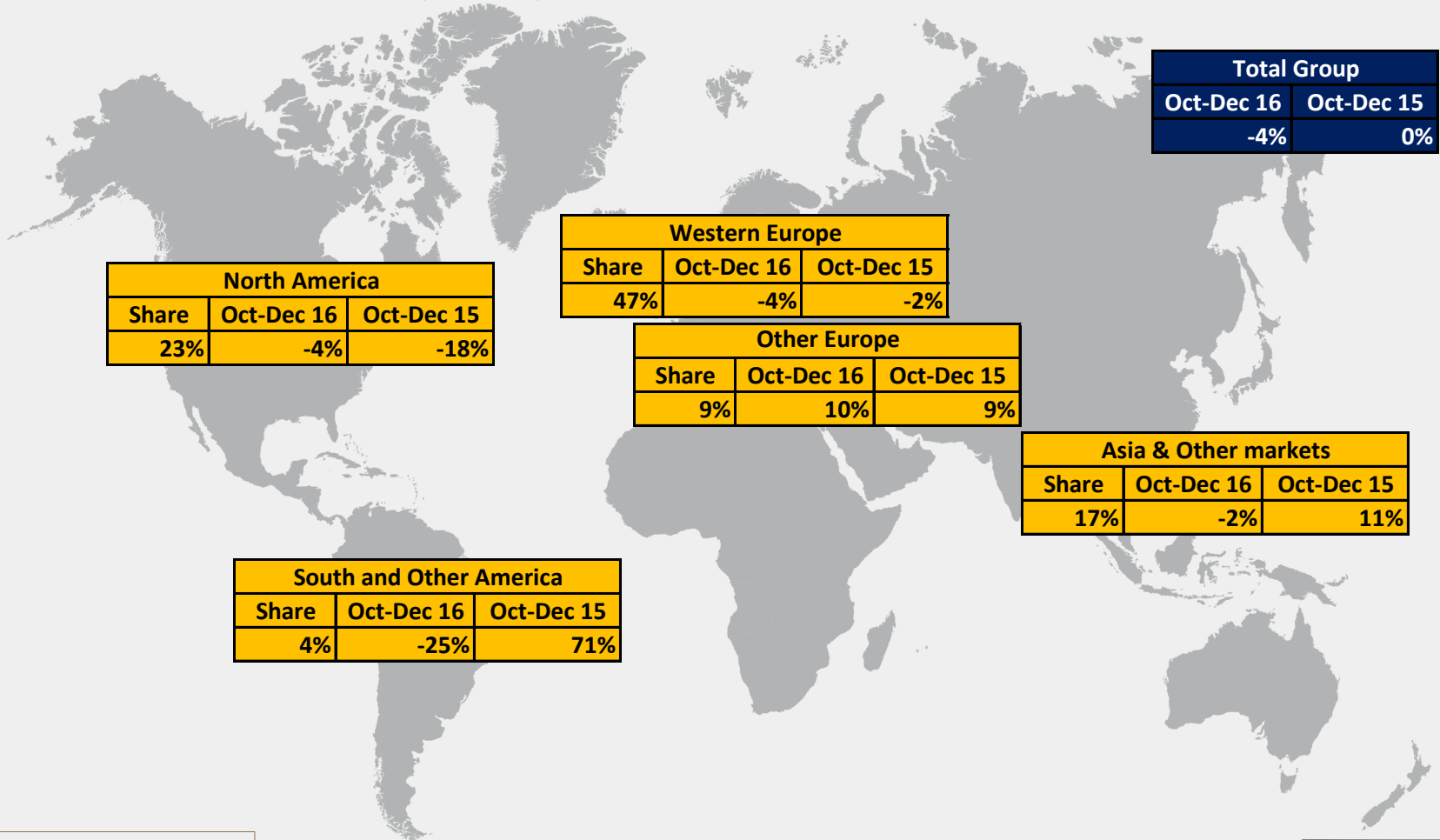
SEK M

SEK M



Organic sales development by geography

Picture distorted by project-related business



Share = Actual 2016

Organic sales development by geography

Organic sales excl. project-related business¹

North America		
Share	Oct-Dec 16	Oct-Dec 15
24%	-6%	-7%

Western Europe		
Share	Oct-Dec 16	Oct-Dec 15
49%	0%	-2%

Other Europe		
Share	Oct-Dec 16	Oct-Dec 15
11%	6%	9%

Asia & Other markets		
Share	Oct-Dec 16	Oct-Dec 15
14%	19%	-2%

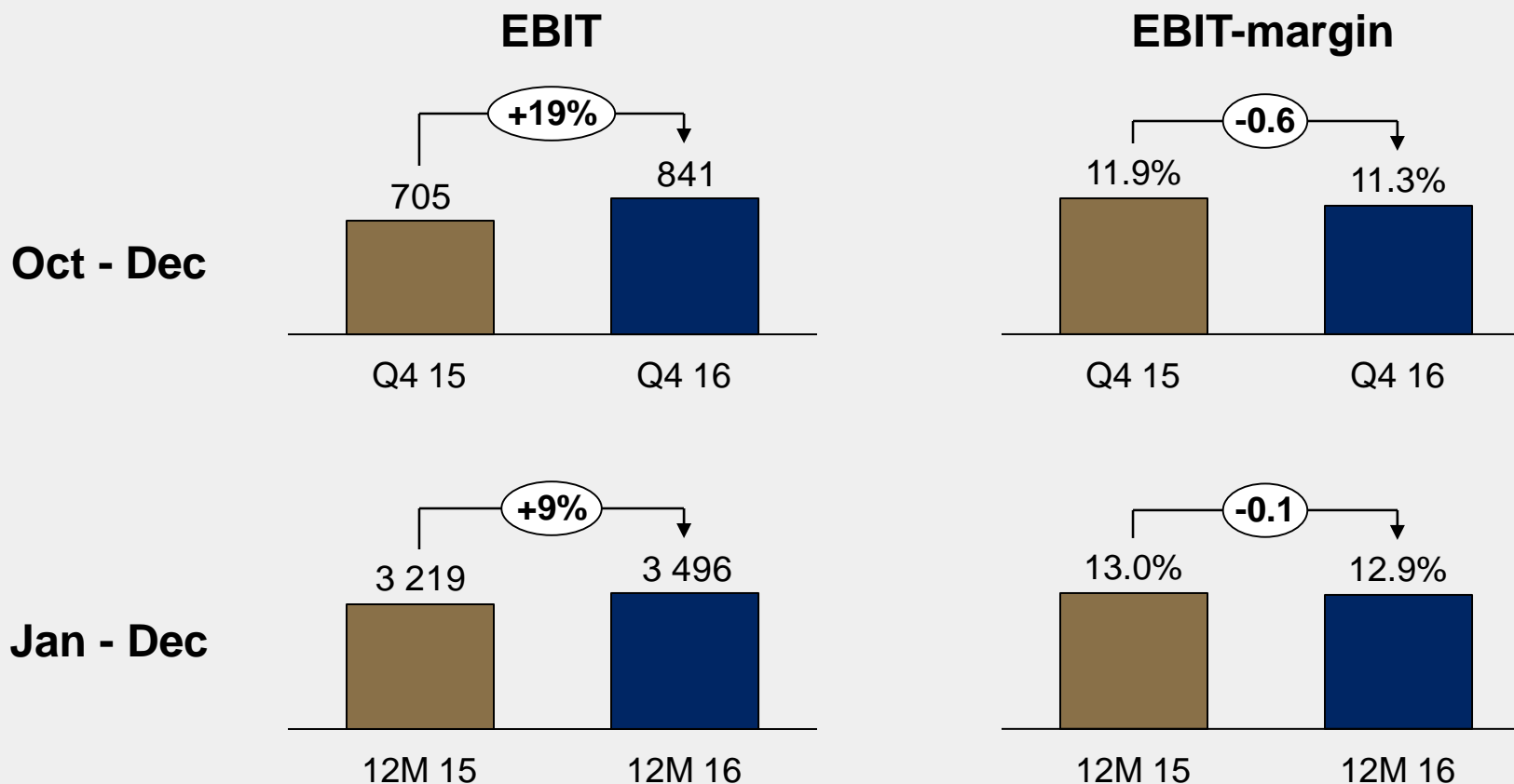
South and Other America		
Share	Oct-Dec 16	Oct-Dec 15
3%	23%	1%

Total Group	
Oct-Dec 16	Oct-Dec 15
2%	-2%

Share = Actual 2016

Record Q4 EBIT, despite mixed markets

EBIT development¹



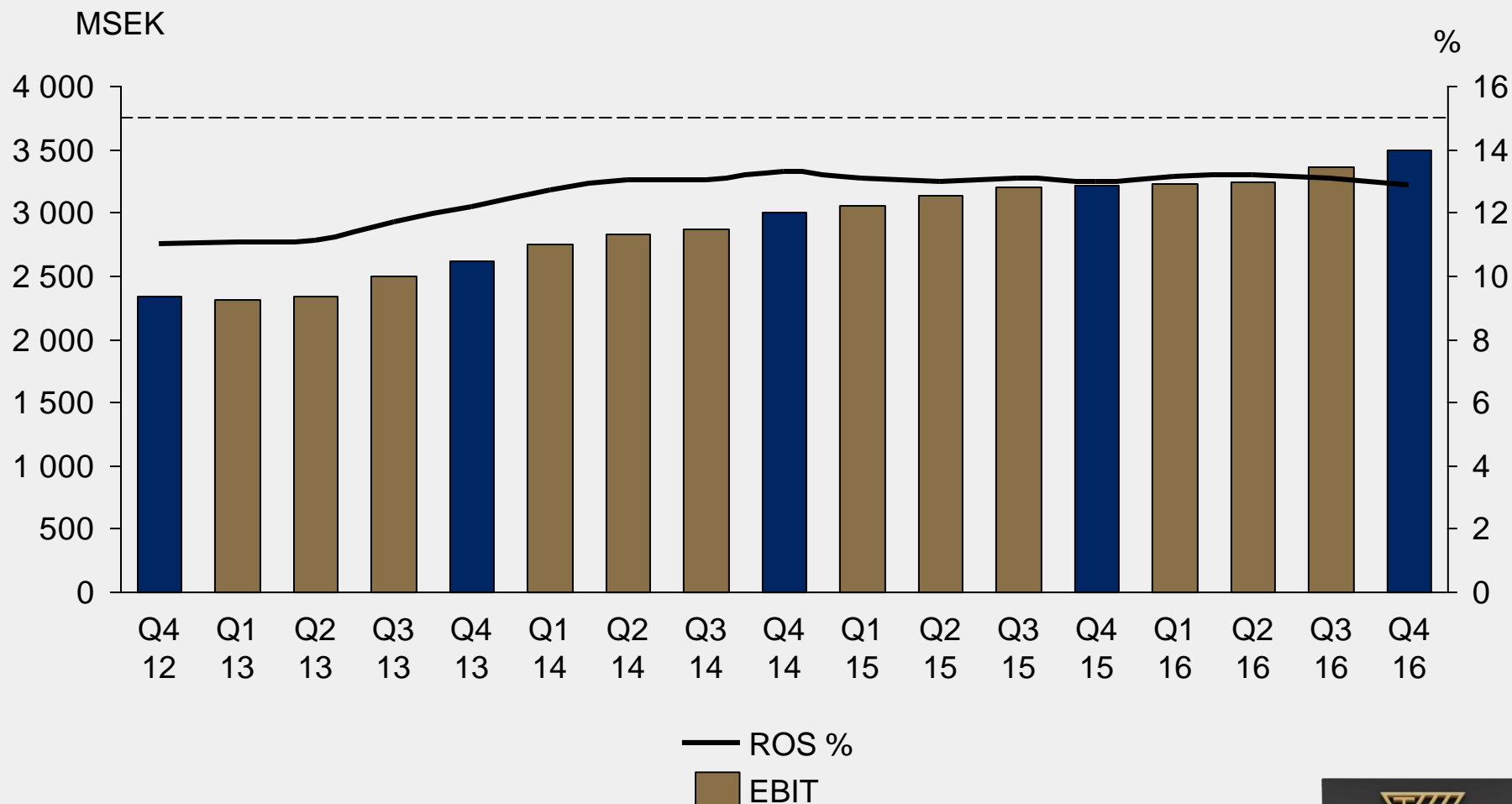
Record Q4 EBIT, despite mixed markets

Group EBIT per business area¹

October - December			SEK M	January - December		
2016	2015	Change %		2016	2015	Change %
87	74	18	Coated Systems	323	317	2
155	141	10	Industrial Solutions	541	560	-3
17	77	-78	Offshore & Construction	108	199	-46
434	401	8	Sealing Solutions	1 903	1 885	1
174	95	83	Wheel Systems	720	468	54
31	-		Rubena Savatech	112	-	
-57	-83		Other items	-211	-210	
841	705	19	Continuing operations	3 496	3 219	9

Fifteen quarters of improved profits

EBIT and margin, R12M¹



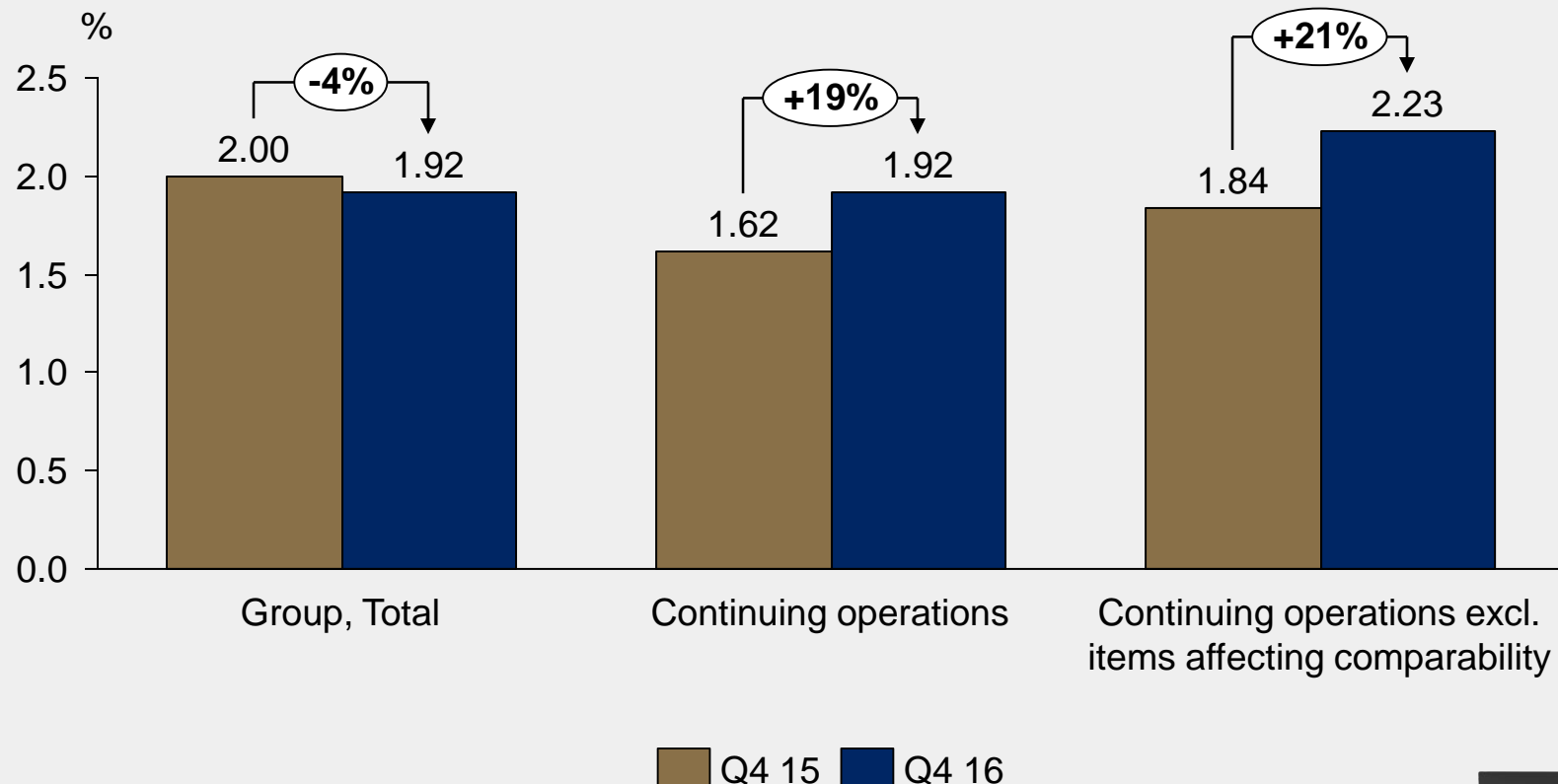
Total Group

Profit & Loss statement

October - December			SEK M	January - December		
2016	2015	Change %		2016	2015	Change %
841	705	19	EBIT, excl. items affecting comparability	3 496	3 219	9
11.3%	11.9%	-0.6 p.p.	EBIT-margin	12.9%	13.0%	-0.1 p.p.
-118	-90		Items affecting comparability	-391	-257	
723	615	18	EBIT	3 105	2 962	5
-53	-43		Financial income and expense	-209	-153	
670	572	17	Profit before tax	2 896	2 809	3
-151	-132		Tax, Group total	-680	-713	
519	440	18	Net Profit, continuing operations	2 216	2 096	6
0	104		Net Profit, discontinuing operations ¹	4 369	509	
519	544	-5	Net Profit, Total Group	6 585	2 605	153

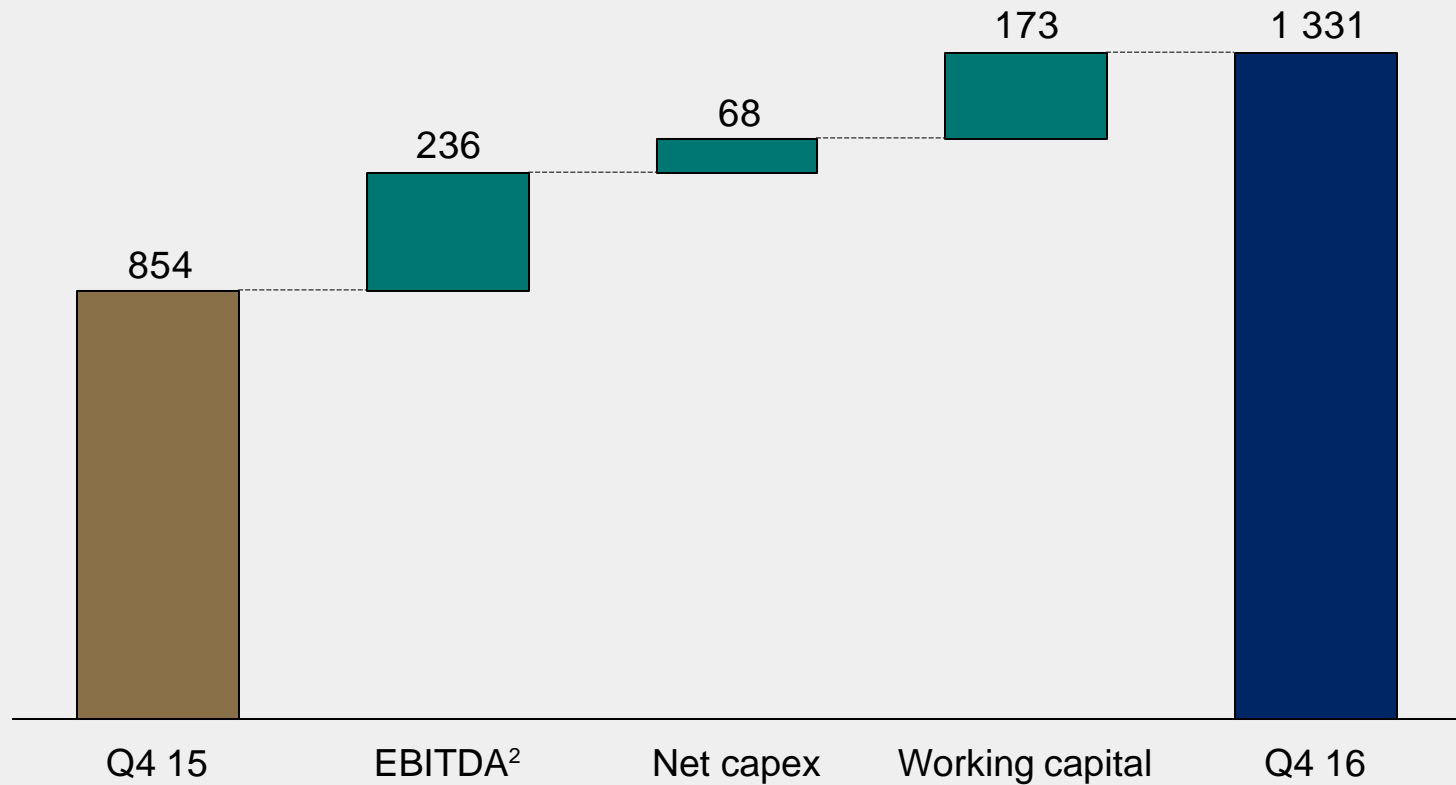
EPS increased by 19 percent, due to acquisitions and restructuring measures

Earnings per share – fourth quarter



Cash flow driven by higher earnings and WC improvements

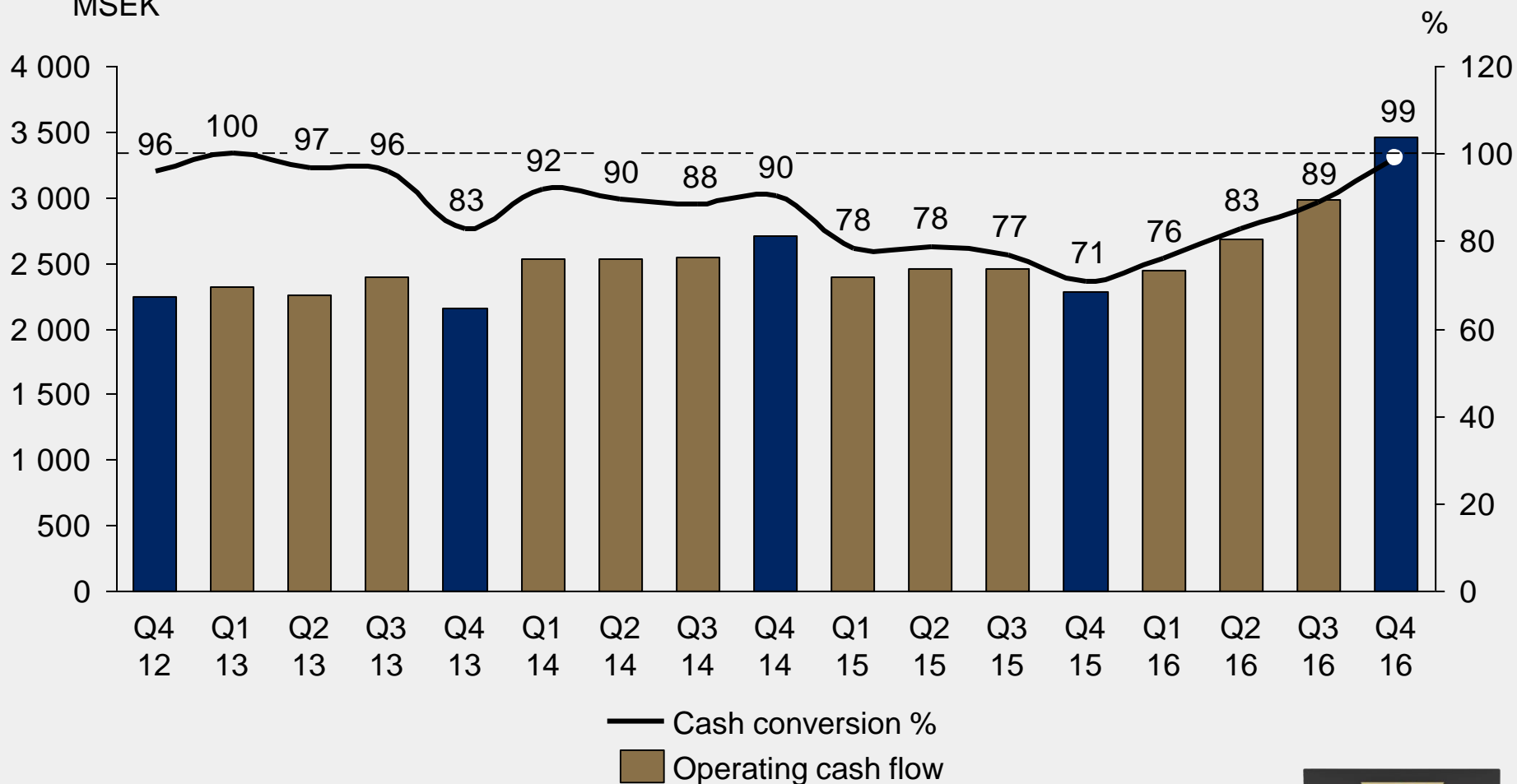
Operating cash flow¹



Improved cash conversion

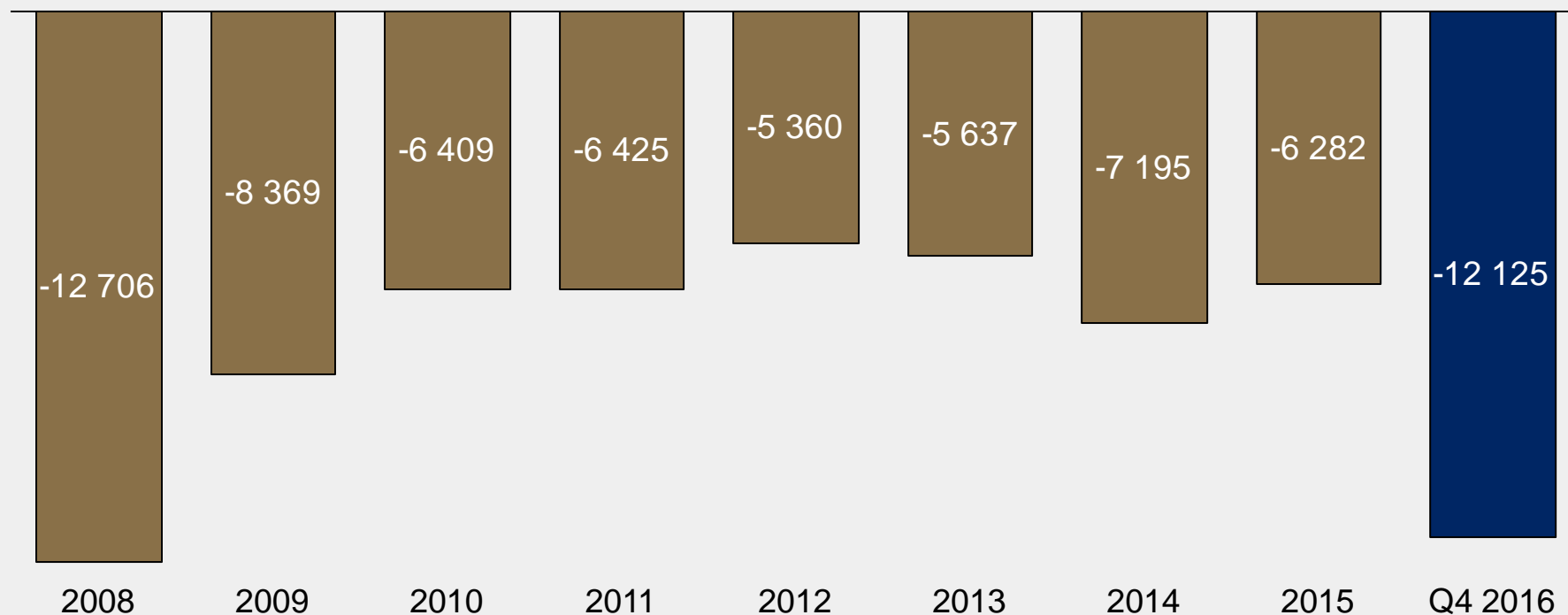
Operating cash flow, R12M¹

MSEK



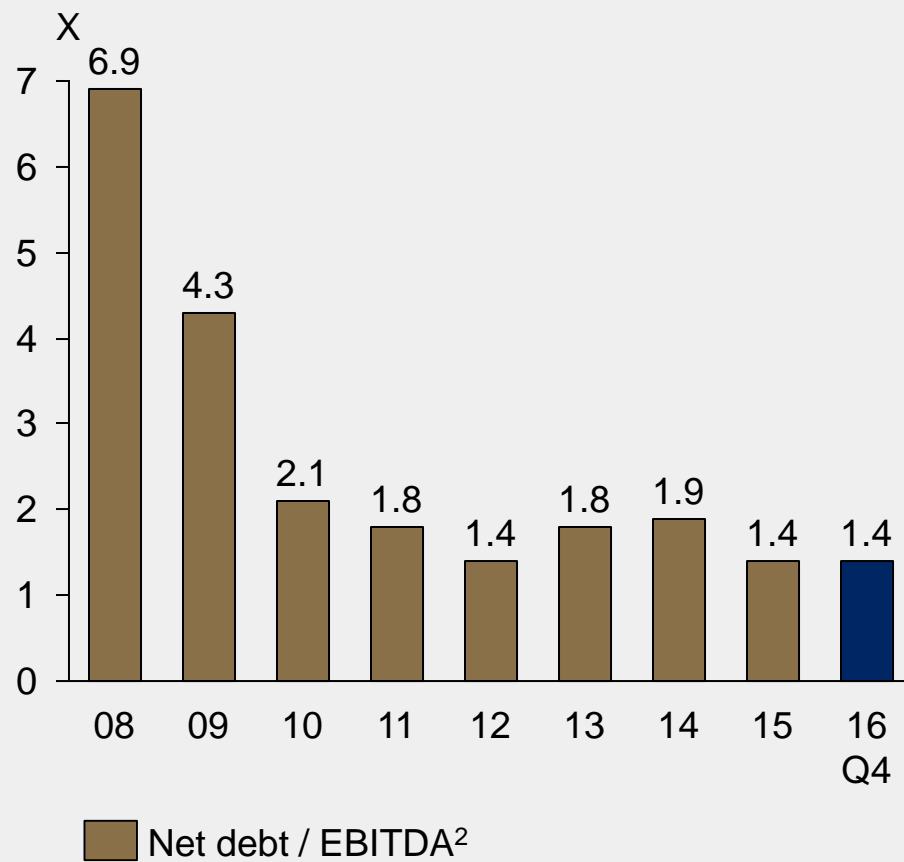
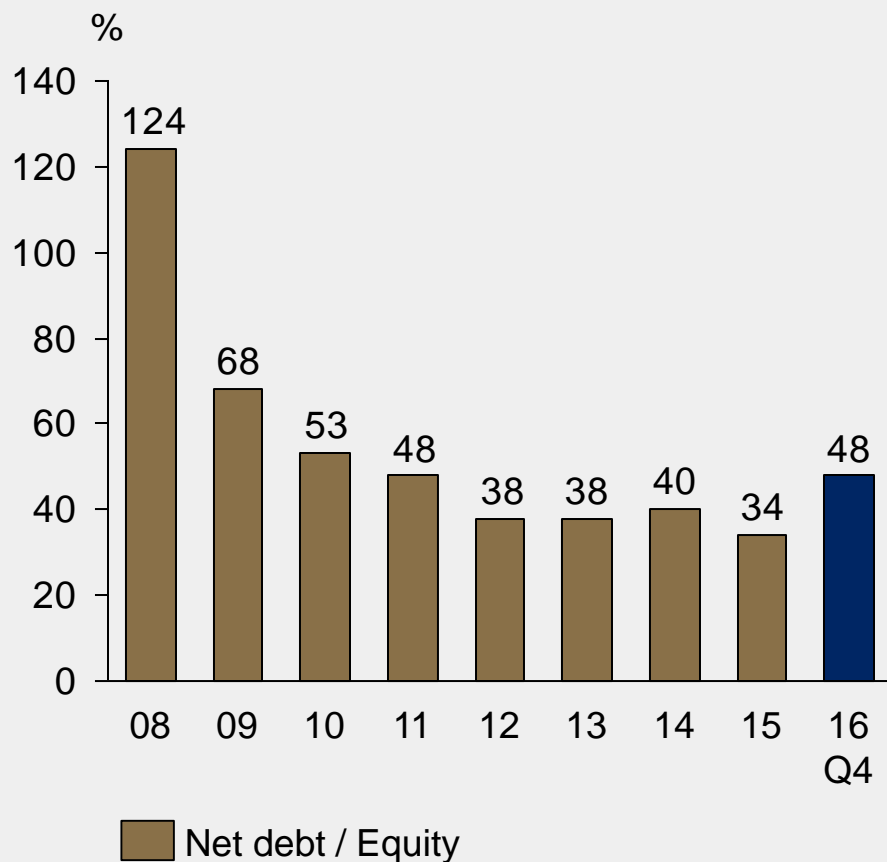
Recent acquisitions increase net debt

Net debt development¹



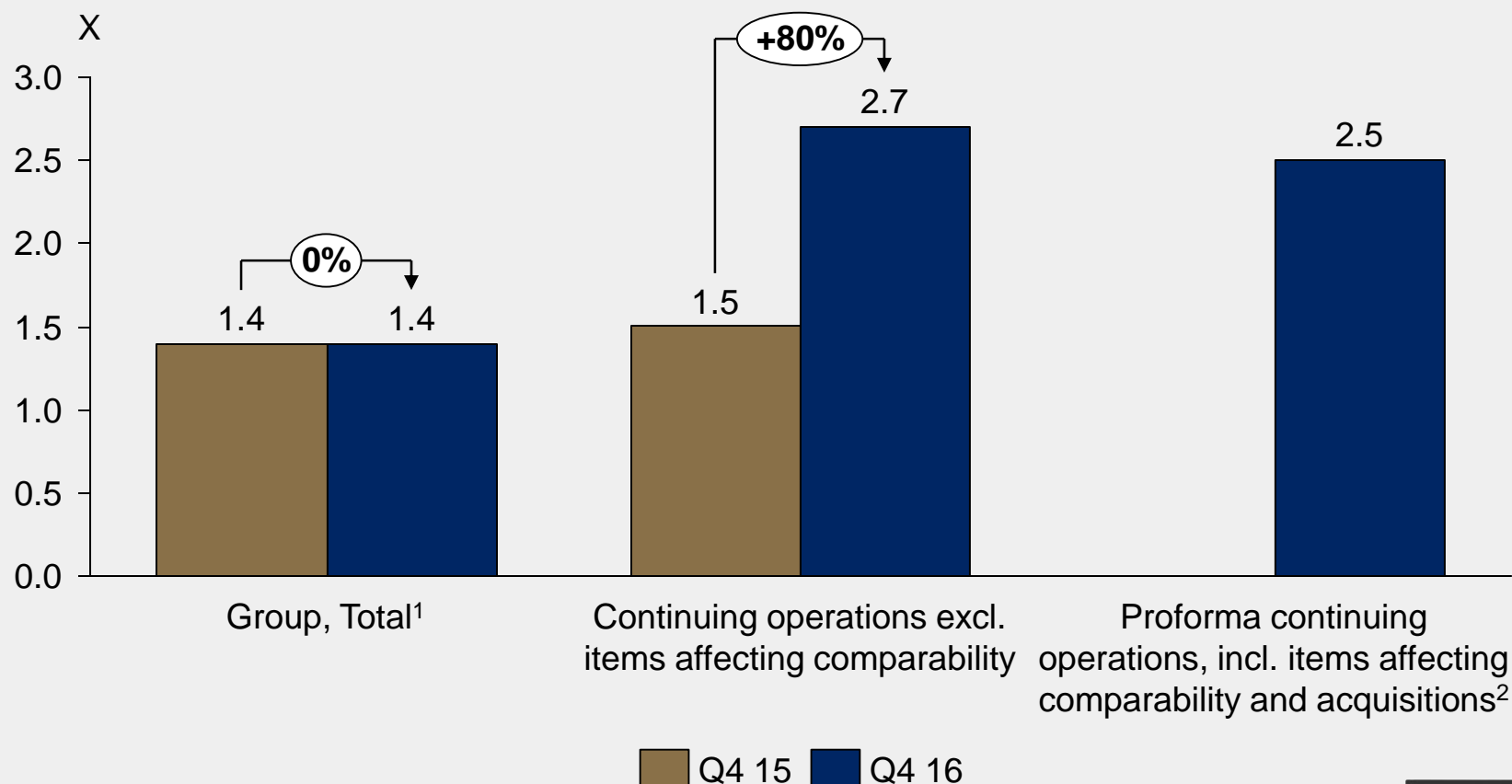
Somewhat increased gearing level

Net debt / EBITDA R12M and gearing development¹



Total leverage reduced by Vibracoustic capital gain

Net debt / EBITDA, R12M

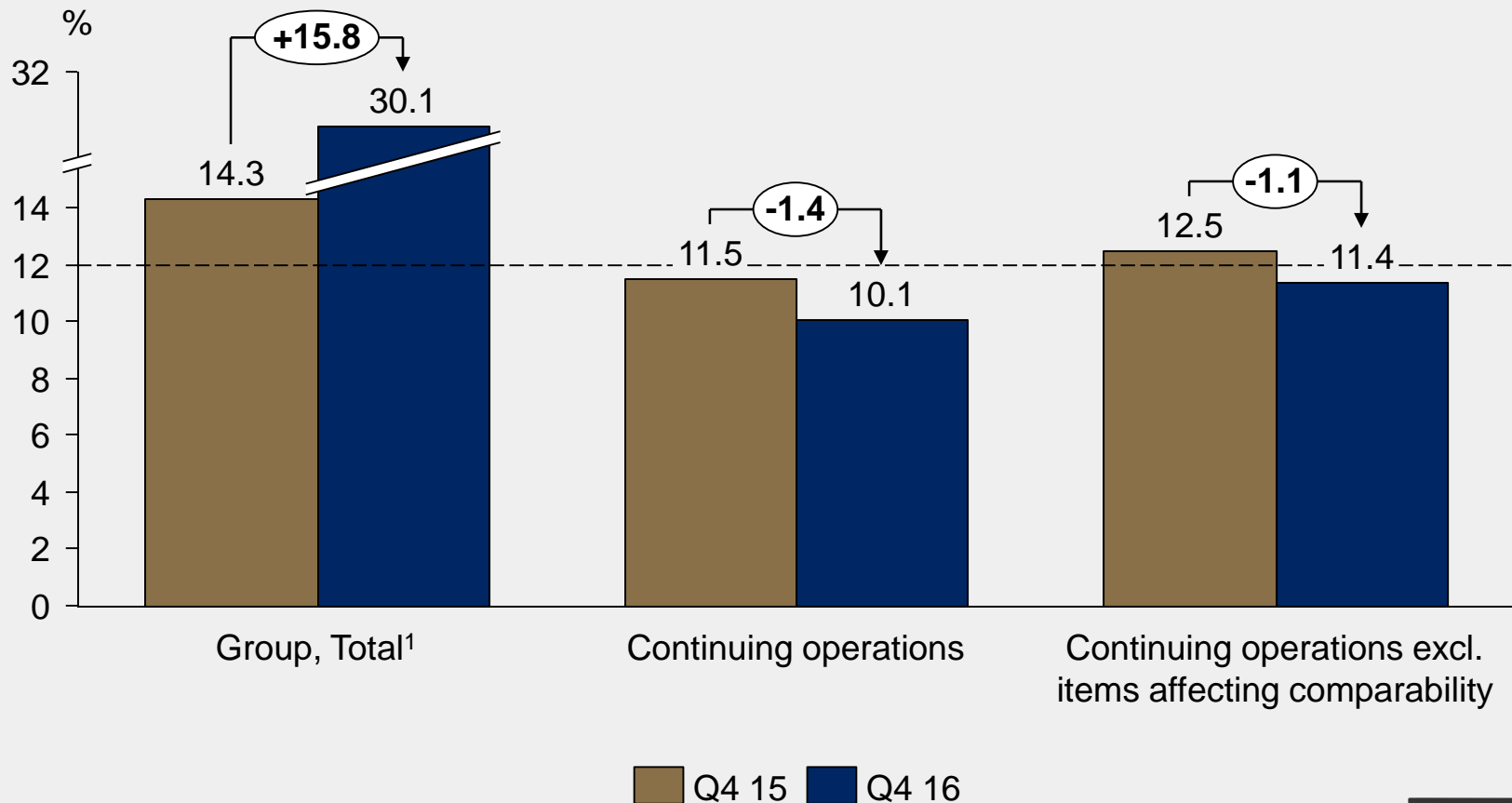


¹2016 includes capital gain from Vibracoustic divestment

²The proforma calculation is based on available information with a certain degree of uncertainty as regards to differences in accounting principles and methodology

ROE to improve once CGS is included for a full year

Return On Equity, R12M





Financial guidelines for full-year 2017

- Capex: SEK ~1,500-1,700 M
- Restructuring costs: SEK ~350-450 M
- Underlying tax rate: ~26%
- Amortization of intangible assets¹: SEK ~300 M



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Continued focus on growth and excellence

2017 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 Q1 2017

- Demand is expected to be slightly improved compared with the fourth quarter of 2016, adjusted for seasonal variations



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Questions & Answers