



# INTERIM REPORT

## *January – March 2001*

Operating profit excluding non-comparable items  
rose to SEK 299 M (218).

A decline in the US market was offset in full  
by acquisitions and the development in other markets.

*See page 2*



Profit after net financial items  
(excluding non-comparable items): SEK 260 M (234).

*See page 2*



Earnings per share (excluding non-comparable items): SEK  
1.85 (1.40).

Earnings per share SEK 1:10 (1:40).

*See page 2*



Group holdings of own repurchased shares amounted to  
8,960,800 (nearly 9 percent) as per April 25.

*See page 5*



Leading position in marine fender systems  
after acquisition of new group of companies.

*See page 4*



Acquisition of Phønix Tag strengthens  
Nordic position in roof coverings.

*See page 4*

## ***Group, 1<sup>st</sup> quarter 2001***

**Net sales and earnings.** *Operating profit excluding non-comparable items increased*  
*by 37 percent.*

The Group's net sales during the period totaled SEK 4,718 M (2,969). For comparable units, net sales were unchanged, excluding currency effects.

Consolidated operating profit amounted to SEK 319 M (218). Favorable effects of non-comparable items on operating profit during the period amounted to SEK 20 M (0) and related to gains from the acquisition of rights pertaining to surplus funds from Alecta pension insurance (formerly SPP).

The Group's financial net amounted to an expense of SEK 39 M (income: 16), not including the SEK 121 M write-down of preference shares in Boliden Ltd. to market value at the end of the period. Profit after net financial income and expense amounted to SEK 159 M (234) and excluding non-comparable items amounted to SEK 260 M (234)

**Balance sheet, cash flow and investments.** *Higher debt/equity ratio.*

Capital employed by the Group amounted to SEK 10,818 M (7,385) at the end of the period. Repurchases of Trelleborg's own shares during the period totaled SEK 308 M. Net financial assets/liabilities amounted to a net liability of SEK 2,590 M (assets: 1,434). Liquid funds include the holding of preference shares in Boliden Ltd., with a book value of SEK 196 M. The book value of the Group's shareholding in Trenor Holding is SEK 115 M.

The debt/equity ratio at the close of the period was 30 percent. The equity/assets ratio was 47.5 percent (62.5). Equity per share (about 96 million shares outstanding) amounted to SEK 87.40 (79.60) at the end of the first quarter. The return on equity amounted to 5.2 percent (7.1).

The Group's cash flow from operations during the period was negative in an amount of SEK 197 M (positive: 149) and investments totaled SEK 141 M (71).

The weaker cash flow compared with a year earlier was due mainly to an increase in working capital attributable in part to seasonal factors (Invensys AVS was acquired in March 2000). In addition, the takeover process following the acquisition of LAC resulted in higher working capital during the early part of the year.

**Earnings per share, excluding non-comparable items, increased from**  
***SEK 1.40 to SEK 1.85.***

Earnings per share for the period totaled SEK 1.10 (1.40) and SEK 1.85 (1.40) excluding non-comparable items. Earnings per share were affected favorably by the Group's share buyback program and, as a result, improved much more substantially than net profit, compared with the preceding year. The table illustrating the Group's key ratios (page 9) also includes earnings per share based on the volume of shares outstanding at the end of the period to show the full effect of repurchased shares.

## **Trelleborg Automotive.** *Strong improvement in earnings despite weak development in US market*

The business area's net sales amounted to SEK 2,509 M (991). Operating profit for the period rose to SEK 180 M (101).

Demand in the US market was sharply weaker compared with Q1 2000 due to a decline in automotive production and surplus-inventory adjustments. The weak development was offset largely by temporary layoffs and production cutbacks. The business area's labor force in US operations was reduced during the period by the equivalent of about 300 full-time jobs.

Conditions in Brazil and Mexico improved significantly, with particularly strong growth in Mexico. The markets in China and India also showed favorable development during the period. Demand in the European market was somewhat weaker than a year earlier.

Integration of the acquired units of Invensys AVS in Europe is proceeding more rapidly than anticipated, and effects of the integration process will generate stronger favorable effects on earnings in 2001 than previously expected.

Toward year-end 2000, Trelleborg acquired the UK-based Laird Group Plc's automotive components unit (Laird Automotive Component - LAC). The acquisition has strengthened Trelleborg's global leadership position in vibration control components for the automotive industry. The Group also gains several new positions in attractive areas such as flow systems and noise suppression.

Integration of the acquired antivibration systems (AVS) units with the Group's existing AVS operations has already been started, resulting in savings in sales, research and development, purchasing and other areas. Products for flow systems have been organized in a separate business unit - Fluid Management. Other product areas will be structured within Automotive Components & Acoustics, a new business unit of Industrial AVS. Revenue synergies from the acquisition are expected to impact within two-three years.

The business area entered a program of cooperation during the period with Tokai Rubber Industries, Japan's leading supplier of industrial rubber automotive components (Tokai Rubber Industries has a global market share of about 11 percent in the antivibration systems sector). The alliance was formed to meet the growing needs of automotive manufacturers for highly coordinated global production that provides high levels of reliability and quality.

Several orders were secured during the period. An important order valued at EUR 50 M calls for hydraulic antivibration systems for the new Golf/Audi A3 platform. In the US, the Dawson unit booked an order valued at USD 25 M to supply antivibration components to Mercury Sable. Industrial AVS also booked a major order during the period for a subway system in Korea. Continued strong interest in the DuruLam™ noise suppression material was noted.

## **Trelleborg Wheel Systems.** *Successful launch of Pirelli TM 900 HP.*

Net sales amounted to SEK 867 M, compared with SEK 785 M during the corresponding period in 2000. Operating profit for the period amounted to SEK 60 M (61).

Despite substantial geographic differences, some increase was noted in overall demand for tires for material-processing vehicles. The decline in the American market in the beginning of 2001 was somewhat sharper than anticipated, particularly in the after-market. Development in Europe has been favorable, however, virtually offsetting the decline in North America.

The business area continues to focus on growth markets such as Brazil, South Africa and Southeast Asia, where increased activity was noted during the first quarter. Two new sales units were opened in South Africa during the period, raising the number of sales outlets in the country to seven.

In the agricultural sector, sales to tractor manufacturers were stable during the period, while some decline was noted in the after-market. The decline was probably due to uncertain conditions in Europe. It is still too early to draw any conclusions with regard to the outbreaks of foot-and-mouth and "mad cow" disease, but there is a risk they will affect investments by European farmers.

Pirelli TM 900 High Power was launched during the period at the SIMA agricultural fair in Paris. The new product is one of the market's largest tires and enables Trelleborg to offer tires in all tractor segments.

All production of rims was concentrated in Sävsjö, Sweden last year. The move to enhance production efficiency was completed in accordance with plan and sales of rims and complete wheel systems showed favorable growth during the first quarter.

### **Trelleborg Engineered Systems.** *Continued earnings improvement, up 27 percent.*

Net sales during the period amounted to SEK 831 M (771). Operating profit rose to SEK 46 M (36), primarily as a result of cost rationalization measures and the restructuring project implemented within Trelleborg Industrial Hose.

The business area reported favorable order bookings during the period in both the infrastructure and oil and offshore markets. Improved demand, combined with the launch of new products, has increased the project portfolio and, in turn, created better capacity utilization. Orders received during the period covered a broad geographic base.

Sales of industrial supply products in Europe were strong during the period. Demand for industrial supply products in North America and Central America were lower, compared with the corresponding period last year.

An agreement was signed during the period for the acquisition of Hercules Rubber & Chemicals (Singapore) and Queensland Rubber (Australia) and a majority ownership interest in Fentek Marine Systems (Germany). The acquisition strengthens Trelleborg's position in marine fender systems. The acquired companies reported sales of about SEK 230 M in year 2000, with about 300 employees at facilities in Singapore, Australia, Germany and the UK. The acquisition will have favorable effects on Group earnings in 2001. It will also broaden the business area's product range for the infrastructure market and increase sales in this sector to about SEK 800 M. A separate business unit for infrastructure products will be established in Singapore.

### **Trelleborg Building Systems.** *Favorable development in Scandinavia, weaker in Germany.*

Net sales amounted to SEK 346 M (347) and operating profit totaled SEK 22 M (24).

The Sealing Profiles market segment reflected a mixed geographic trend of business development during the first quarter. Scandinavian markets showed favorable development, which was primarily attributable to strong underlying economic conditions in the industrial and construction sectors. The business area's development in Continental European was weaker, however, due mainly to lower demand in Germany.

In the do-it-yourself market, the business area gained several new customers in markets outside Europe, including the US, Argentina, Brazil and Chile.

Trends for roof coverings in the Waterproofing segment were somewhat weaker compared with Q1 2000, which was exceptionally strong, however, due to several winter storms in Europe. The Rubber Membranes product unit reported favorable trends for geo-membranes, which include waterproofing materials for reservoirs, different types of landfills and similar applications.

Phønix Tag of Denmark was acquired during the period from Rieber & Søn ASA. The acquired operations have annual sales of about SEK 450 M and 360 employees. The acquisition had only negligible effects on operations during the period, but is expected to generate favorable effects on earnings already in 2001. Trelleborg Building Systems has noted strong development in the Nordic region over the past five years. As a result of the Phønix Tag acquisition, Trelleborg is now No. 2 in the Nordic market for roof coverings.

The operations of Phønix Tag are highly compatible with the operations of Trelleborg Building Systems, and synergy gains will be realized in areas such as product development, purchasing and marketing.

## *Miscellaneous*

**Trenor (49%) contributed earnings of SEK 28 M (29) in Q1 2001.**

The Group's participation in pretax earnings of the Trenor Group (49%) – Trelleborg's former Distribution Sector – amounted to SEK 28 M (29).

**Share buyback plan.** *The Group's holding of own shares has reached 8,960,800 shares (as per April 25).*

To normalize the balance sheet and achieve the return on shareholders' equity goal, Trelleborg needs a different financial structure. Accordingly, the Company has carried out and plans further extensive repurchasing of its own shares.

As per April 25, Trelleborg had repurchased 8,960,800 shares (nearly 9 percent of total shares outstanding) as part of the second buyback program to acquire 10 percent of the total number of shares in the company. At the Annual General Meeting on April 26, 2001, the Board of Directors will request authorization to continue the program and repurchase up to 10 percent of all shares outstanding and, if necessary, use the shares as direct or indirect payment for acquisitions.

In addition, at a Special General Meeting in the beginning of 2001, the Board was authorized to effect a synthetic buyback program comprising a maximum of 20 million shares. The program has not yet been started. Trelleborg intends to report volumes of share-swap agreements entered into by the Group in each quarterly report.

## **Options to senior executives.**

The Board plans to propose that the Annual General Meeting on April 26 authorize the continuation of the multi-year program to issue call options to senior executives that was introduced during 2000. The scope and terms of the program, which are in line with last year's program, was presented in the notice convening the 2001 Annual General Meeting.

## Outlook

### Earnings contribution from acquisitions *offset weaker trend in North America.*

Trends during the first quarter of 2001 were largely in line with the business outlook presented in the 2000 year-end report.

*"Net sales by the Automotive business area, amounting to approximately SEK 9 billion, are distributed as follows: SEK 5 billion in Europe, SEK 1 billion in Asia and Latin America, and SEK 3 billion in the U.S.*

*In Europe, we are expecting the market to remain unchanged in 2001, while we foresee strong growth in Asia and Latin America.*

*The operations in the U.S. are facing weaker demand in 2001. The year 2000 was a strong year for car sales, with a total production of about 17.4 million vehicles. The most recent statistics indicate the production in 2001 will be on the more normal level of about 15.5 million vehicles. However, the larger vehicle manufacturers in the U.S. are entering 2001 with surplus inventories. It is reasonable to assume that an adaptation of the inventory situation will take place during the first half of 2001, and possibly parts of the third quarter. The total earnings effect of weaker demand and inventory adaptations in North America is expected to be negative – which, however, should be more than offset by the earnings contribution resulting from the acquisition of LAC.*

*A stable trend is expected in the Group's remaining business areas, despite somewhat lower GDP growth, particularly in the U.S."*

Minor deviations from projections in the year-end report were noted in the Automotive business area, based on better-than-anticipated car sales in the US. As a result, inventory adjustments have proceeded more quickly than expected. Analyses of the European market in 2001 indicate a probable slowdown, compared with 2000. Implementation of the business area's integration measures in Europe has proceeded more rapidly than planned.

In the US, trends for industrial tires within the Wheel Systems business area and the industrial supply products of Engineered Systems have been weaker than expected.

Economic conditions in our markets are difficult to project. As a result, we are carefully monitoring economic trends in our key markets, and are well prepared to adapt operations to meet new developments.

The Group is evaluating several opportunities for continued growth through acquisitions.

Results of our aggressive acquisition strategy and share buyback program are expected to lead to a net debt/equity ratio in 2001 that is in line with the Swedish engineering industry as a whole (currently averaging 45 percent), while substantial financial scope remains for continued strong growth of our core operations. The long-term goal for the Group's net debt/equity ratio remains unchanged at 75-125 percent.

Trelleborg, April 26, 2001

Fredrik Arp  
President

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Councils's recommendation.  
The same accounting principles have been used as in our latest annual report. This Interim Report has not been audited by the Company's auditors.  
This Report and other Information about the Trelleborg Group, including the magazine T-TIME, are also available on the Internet at the following address: [www.trelleborg.com](http://www.trelleborg.com).  
The interim report for the first six months of 2001 will be published on August 2, 2001.  
The interim report for the first nine months of 2001 will be published on October 29, 2001.

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## Income statements

Group	Jan-Mar		Apr 2000-Full year	
SEK M	2001	2000	Mar 2001	2000
Net sales	4,718	2,969	15,403	13,654
Cost of goods sold	-3,681	-2,259	-11,859	-10,437
<b>Gross profit</b>	<b>1,037</b>	<b>710</b>	<b>3,544</b>	<b>3,217</b>
Selling, administration and R&D expenses		-815	-545	-2,908
2,638				-
Non-comparable items	20		387	367
Other operating revenues and expenses	48	18	223	193
Pretax profit from participations in associated companies	29	35	214	220
<b>Operating profit</b>	<b>319</b>	<b>218</b>	<b>1,460</b>	<b>1,359</b>
Financial income and expenses	-39	16	-66	-11
Write down of preference shares in Boliden Ltd	-121	-	-328	-207
<b>Profit after financial items</b>	<b>159</b>	<b>234</b>	<b>1,066</b>	<b>1,141</b>
Taxes	-45	-68	-300	-323
Minority shares	-4	-1	-19	-16
<b>Net profit for the period</b>	<b>110</b>	<b>165</b>	<b>747</b>	<b>802</b>

## Balance Sheets

Group	Mar 31	Mar 31	Dec 31
SEK M	2001	2000	2000
Intangible fixed assets	2,692	1,916	2,594
Tangible fixed assets	5,421	4,593	5,223
Financial fixed assets	1,143	1,622	1,066
Inventories	2,694	1,849	2,443
Receivables	5,422	3,404	4,580
Liquid funds	772	1,776	1,226
<b>Total assets</b>	<b>18,144</b>	<b>15,160</b>	<b>17,132</b>
Shareholders' equity	8,450	9,338	8,552
Minority shares	176	136	160
Provisions	1,303	1,767	1,346
Long-term liabilities	3,022	942	2,700
Current liabilities	5,193	2,977	4,374
<b>Total shareholders' equity, provisions and liabilities</b>	<b>18,144</b>	<b>15,160</b>	<b>17,132</b>

**Specification of changes in  
shareholders' equity**

SEK M

Opening balance, January 1, 2001	8 552
Purchase of own shares	-308
Translation differences	79
Exchange-rate differences on hedgning instruments	17
Net profit for the year	110
Closing balance, March 31, 2001	8 450

## Cash flow analysis

SEK M	2001	Jan - Mar 2000
<b>Ongoing operations</b>		
Operating profit	319	218
Reversals		
Depreciation	214	126
Non-comparable items	-20	
Share in result of associated companies	-29	-35
	<b>484</b>	<b>309</b>
Financial items	-39	16
Taxes paid	-31	-41
<b>Cash flow from ongoing operation before changes in working capital</b>	<b>414</b>	<b>284</b>
Cash flow from changes in working capital	-581	-88
<b>Cash flow from ongoing operations</b>	<b>-167</b>	<b>196</b>
<b>Changes in other receivables and liabilities</b>	<b>-61</b>	<b>-49</b>
<b>Investment operations</b>		
Acquisition of subsidiaries	-147	-2,137
Gross investments in tangible and intangible assets	-141	-71
Sale of equipment	42	
<b>Cash flow from investment operations</b>	<b>-246</b>	<b>-2,208</b>
<b>Financing operations</b>		
Change in interest-bearing investments	9	32
Change in interest-bearing liabilities	407	-522
Buy-back of own shares	-308	
<b>Cash flow from investment operations</b>	<b>108</b>	<b>-490</b>
<b>Cash flow for the period</b>	<b>-366</b>	<b>-2,551</b>
Liquid funds at beginning of the year	1,226	4,331
Write down of preference shares In Boliden Ltd	-121	
Exchange rate differences in liquid funds	33	-4
<b>Liquid funds at the end of the period</b>	<b>772</b>	<b>1,776</b>

## Key figures, Group

	2001	Jan - Mar 2000	Apr 2000-Mar 2001	Full year 2000
Return on shareholders equity, %	5.2	7.1	8.4	9.0
<b>Earnings per share</b>				
Earnings per share, SEK <sup>1)</sup>	1:10	1:40	7:10	7:30
Earnings per share, excluding non-comparable items, SEK <sup>1)</sup>	1:85	1:40	6:95	6:50
Earnings per share at end of period, SEK <sup>2)</sup>	1:15	1:40	7:50	7:70
Earnings per share excluding non-comparable items at end of period, SEK <sup>2)</sup>	1:90	1:40	7:40	6:85
Earnings per share after full conversion, SEK <sup>3)</sup>	1:10	1:35	6:85	7:05
Earnings per share after full conversion, excluding non-comparable items, SEK <sup>3)</sup>	1:80	1:35	6:75	6:30
Equity/assets ratio, %	47.5	62.5		50.9
Shareholders' equity per share, SEK	87:40	79:60		84:60
Financial assets, minus liabilities at end of period, SEK M	- 2,590	1,434		-1,720
Investments in plant, SEK M	141	71	613	543
Number of shares at end of period	105,607,372	117,341,524	105,607,372	105,607,372
<sup>2)</sup> Number of shares at end of period, excluding own holdings	96,646,572	117,341,524	96,646,572	101,063,772
<sup>1)</sup> Average number of shares	98,709,972	117,341,542	105,403,611	109,855,550
<sup>3)</sup> Average number of shares, after ull conversion	122,613,136	110,646,493	103,981,566	115,127,144

## Group review

### Net sales

SEK M	Jan-Mar 2001	Apr 2000- 2000 Mar 2001	Full year 2000
Trelleborg Automotive	2,509	991	7,340
Trelleborg Wheel Systems	867	785	3,106
Trelleborg Engineered Systems	831	771	3,001
Trelleborg Building Systems	346	347	1,470
Eliminations	-87	-105	-342
Other companies	252	180	828
Non-comparable items			756
<b>Group total</b>	<b>4,718</b>	<b>2,969</b>	<b>15,403</b>

### Operating profit

SEK M	Jan-Mar 2001	Apr 2000- 2000 Mar 2001	Full year 2000
Trelleborg Automotive	180	101	530
Trelleborg Wheel Systems	60	61	199
Trelleborg Engineered Systems	46	36	150
Trelleborg Building Systems	22	24	160
Group wide expenses	-34	-30	-151
Trenor/Distribution operations	28	29	202
Other companies	-3	-3	-17
Non-comparable items	20		387
<b>Group total</b>	<b>319</b>	<b>218</b>	<b>1,460</b>

## Key operating ratios

	Operating margin, (ROS) % <sup>1)</sup> , rolling 12-mos			Return on capital employed, (ROA) % <sup>2)</sup> , rolling 12-mos		
	Apr 2000- Mar 2001	Apr 1999- Mar 2000	Full year 2000	Apr 2000- Mar 2001	Apr 1999- Mar 2000	Full year 2000
Trelleborg Automotive	7.1	9.0	7.5	13.0	17.3	14.3
Trelleborg Wheel Systems	6.4	6.8	6.6	11.0	12.0	11.6
Trelleborg Engineered Systems	5.0	3.8	4.8	9.7	7.6	9.3
Trelleborg Building Systems	10.6	10.8	10.8	20.7	20.8	21.5
<b>Group total</b>	<b>5.6</b>	<b>4.7</b>	<b>5.7</b>	<b>12.5</b>	<b>11.7</b>	<b>13.5</b>
<b>Group, excl. goodwill amortiz.</b>				<b>13.9</b>	<b>13.0</b>	<b>14.9</b>

<sup>1)</sup> Operating result excluding share in results of associated companies and non-comparable items in relations to net sales.

<sup>2)</sup> Operating result excluding non-comparable items/average capital employed.

## Capital employed <sup>1)</sup>

SEK M	March 2001	March 2000	Full year 2000
Trelleborg Automotive	5,703	3,411	5,139
Trelleborg Wheel Systems	1,909	1,681	1,763
Trelleborg Engineered Systems	1,683	1,508	1,552
Trelleborg Building Systems	830	734	753
Group-wide expences	119	- 334	-53
Trenor/Distribution operations	115		90
Other companies	459	385	431
<b>Group total</b>	<b>10,818</b>	<b>7,385</b>	<b>9,675</b>

<sup>1)</sup> Total assets less interest-bearing investments, tax receivables/liabilities, accrued interest and non-interest bearing operating liabilities on balance sheet data.

## Cash flow report

January - March 2001	Profit/loss excluding associated companies and non-comparable items	De- preci- ation	Gross invest- ments	Sold fixed assets	Change in working capital	total operating cash flow	2000
SEK M							
Trelleborg Automotive	178	128	-74	21	-298	-45	123
Trelleborg Wheel Systems	60	35	-28	2	-96	-27	1
Trelleborg Engineered Systems	46	30	-26	0	-76	-26	29
Trelleborg Building Systems	22	15	-10	0	-13	14	10
Group items	-33	3	-1	10	-87	-108	2
Units sold	-4	3	-2	9	-11	-5	-16
<b>Operating cash flow</b>	<b>269</b>	<b>214</b>	<b>-141</b>	<b>42</b>	<b>-581</b>	<b>-197</b>	<b>149</b>
Acquisitions						-147	2,137
Divestments							
Dividend to share holders							
Buy back of own shares						-308	
Write down of preference shares in Boliden Ltd							-121
Other (financial transactions, taxes etc)							-97-77
<b>Changes financial net assets/liabilites</b>							<b>-870-2,01</b>