



SIX MONTH REPORT JANUARY-JUNE 1999

Operating profit amounted to SEK 449 M (355)



Profit after financial items totaled SEK 438 M (333)



Common stock in Boliden spun off to shareholders



Acquisition of minority shares in Starckjohann Oyj



Major part of restructuring program in Other Activities sector completed

Group

Net sales, earnings and profitability

The Group's net sales for the first half of 1999 totaled SEK 12,440 M (SEK 12,380 M). Operating profit for the period totaled SEK 449 M (355). Excluding participation in the results of Boliden Ltd, operating profit for the corresponding period of 1998 amounted to SEK 485 M. The return on the Group's capital employed in operations was 8.1 percent (5.9).

Restructuring items during the period totaled SEK -1 M. The divested units within the Other Activities sector, primarily BPA and Sorb Industri, generated a total gain of nearly SEK 300 M. In accordance with the program presented in the report on first-quarter operations, Group earnings were charged with structural costs of approximately SEK 300 M in the Other Activities sector. These comprised SEK 125 M for the write-down of properties and SEK 175 M in provisions for the divestment and termination of operations. The restructuring program planned for the Industrial sector has not yet been effecting Group earnings.

Profit after financial items for the period amounted to SEK 438 M (333). The financial net was positively affected by exchange gains.

Profit after tax and minority interests totaled SEK 308 M (204). Earnings per share amounted to SEK 2.65 (1.75).

Balance sheet, cash flow and investments

As at June 30, 1999, the Group's net debt amounted SEK 2,827 M, an improvement during the year of SEK 460 M. The equity/assets ratio was 47.0 percent (56.4). Divestments contributed funds of SEK 800 M during the period. The second half of the purchase price for BPA will be paid during the fourth quarter. The purchase price for the sale of the remaining portion of Sorb Industri was paid on July 13, 1999. Acquisitions relating to Starckjohann and Pirelli's production of tires for agricultural applications resulted in a cash outflow of SEK 249 M. The

cash surplus from operations, meaning operating profit after the reversal of depreciation, amounted to SEK 741 M (755). The operating cash flow for the period was SEK 203 M (neg. 71).

On April 1, 1999, the Group's PRI pension provision in Sweden was reversed and, in future, premium payments will be expensed.

At the end of the period the Group had liquid funds of SEK 1,188 M (890). This includes the holding of preference shares in Boliden Ltd in an amount of SEK 524 M. The return on the preference shares amounts to 5 percent. On June 30, 1999, the market value of these shares exceeded their book value by slightly more than SEK 350 M. Trelleborg has undertaken not to sell its holding prior to the end of September 1999, without the approval of the issuing banks.

The Group's holding of common stock in Boliden was spun off to shareholders in accordance with a decision taken at the 1999 Annual General Meeting.

Gross investments during the period amounted to SEK 411 M (354).

Personnel

The Group had an average of 13,004 (14,030) employees during the first half of 1999.

INDUSTRIAL SECTOR

Net sales within the Industrial sector rose 14 percent to SEK 4,431 M (3,886) during the first half of 1999. The increase was attributable to strong organic growth within Trelleborg Automotive and to acquired units. Operating profit totaled SEK 302 M (285).

The trend noted in the first quarter is being maintained, with strong developments in North America but continued weak demand from general industry and the agricultural sector. The Nordic building market is developing in a positive manner.

Work is in progress on the restructuring program for this sector, which was described in the first-quarter report. The program, which primarily affects the sector's European units, has yet to be effected against earnings but costs of approximately SEK 250 M are anticipated during the second half of the year, as outlined in the first-quarter report. Expectations that the program will have an annual positive effect of approximately SEK 75 M on earnings commencing in year 2001 remain unchanged.

Trelleborg Automotive

The positive market trend in North America continued during the second quarter of 1999 at the same time as demand from markets in Europe and Brazil showed signs of improving. Capacity utilization in Europe strengthened during the period.

Trelleborg Wheel Systems

Integration of Pirelli's agricultural tire operations is progressing favorably. The launch of new products and extensive marketing activities strengthened the business unit's position during the period.

Sales of solid tires for materials-handling vehicles remained satisfactory in the United States, while weak markets characterized the situation in Europe. Increasing demand within this product area is currently being noted in South America.

Trelleborg Engineered Systems

Demand from the business area's largest customers in the oil, infrastructure and mining segments remained weak during the second quarter.

Although some improvement in demand was noted within the hose product segment, particularly in North America, operations continued to be affected by low workload levels. An extensive action program is in progress to increase production efficiency and reduce costs.

Trelleborg Building Systems

The building market in the Nordic region is showing favorable development, while the trend in the rest of Europe remains weak. An improvement in demand for bitumen-based roofing material contributed to an improvement in the earnings of the Roofing business unit. The increase in net sales was mainly attributable to the units acquired during 1998.

DISTRIBUTION SECTOR

Net sales within the Distribution sector increased marginally to SEK 7,199 M (7,111) during the first half of 1999. The positive trend within the Nordic building market was offset partly by declining steel prices and the divestment of Starckjohann Auto. These factors also had an adverse effect on operating profit. Ahlsell's earnings were charged with the costs of integrating Skoogs operations, market investments in Denmark and structural measures in Poland. Starckjohann's building materials division, Starkki, has yet to experience the full effect of the comprehensive expansion program implemented during the past year. Operating profit for the sector amounted to SEK 172 M (222) during the period.

Following the acquisition of shares held by minority owners, corresponding to about 15 percent, Trelleborg's holding in Starckjohann Oyj as at June 30, 1999, amounted to 99.7 percent and work to exploit synergies between the sector's Swedish and Finnish heating and plumbing supplies and steel operations intensified. Starckjohann Auto was sold during the period.

Ahlsell

Demand for heating and plumbing supplies increased in pace with the improved climate for building operations in Sweden. Within the electrical supplies area, growth was slightly lower. The integration of the acquired operations in Skoog, which is now in its final phase, resulted in costs being charged against Ahlsell's earnings for the period. Through cost savings and active marketing, the earnings of Ahlsell's D-I-Y operations in Sweden improved. Market cultivation operations have been initiated in Denmark following extensive analysis work and in Poland operations are being concentrated to the electrical supplies area.

Bröderna Edstrand

First-half earnings were charged with the write-down of inventory in an amount of SEK 9 M and with costs related to the start up of sales companies in Poland, Latvia and Lithuania.

Demand for Bröderna Edstrand's products and services in Sweden increased gradually during the second quarter following a slump during the winter months. The negative trend of prices leveled off and has now been replaced by indications that prices will recover during the second half of the year.

Reynolds

The French metal wholesaler was affected by the country's weak economic development during the first quarter. However, the situation improved during the following three months and the acquisition in 1998 of Testas contributed to the business area posting positive earnings for the period. The product range was expanded to meet customer demand.

Starckjohann

The traditionally weak start to the year due to seasonal factors was replaced by increasing demand for products from Starckjohann's three remaining business units: Starckjohann Steel, Suomen LVI-Tukku and Starkki. Starckjohann Auto was sold on May 31, 1999. Following the acquisition of the outstanding minority shares, a full industrial integration process with major earnings potential was initiated for LVI-Tukku in combination with Ahlsell and for Starckjohann Steel in combination with Bröderna Edstrand.

During the first half of 1999, steel distributor Starckjohann Steel noted an increase in price for stainless steel and anticipates a similar trend for commercial steel in future. Construction of a steel service center in Lahti is continuing and production will commence as planned during the autumn. This will provide Starckjohann with a favorable position within a strategically important growth area.

Demand for LVI-Tukku's heating and plumbing products is at a satisfactory level and the company maintained its market position. The trend of prices remained weak, however.

Following a very weak start to the year, Starkki's sales of building materials and hardware accelerated during the spring and early summer. Despite tough competition, Starkki strengthened its market position during the period.

OTHER ACTIVITIES SECTOR

Net sales for the first half of 1999 totaled SEK 849 M (1,424). Operating profit amounted to SEK 30 M (45). During the first quarter, the assets in Skoog's German operations were sold. During the second quarter, the shareholdings in BPA, Peab, Trelleborg NV-SA and Sorb Industri were sold. The sale of Sorb Industri was implemented in two stages: through a stock exchange listing when Trelleborg reduced its ownership stake to 37 percent and through the sale of the remaining holding on June 30, 1999. The operations of Chapman have now been sold or phased out.

Parent Company

Profit after financial items for Trelleborg AB, parent company of the Trelleborg Group, totaled SEK 583 M (116). The parent company did not engage in any sales during the period. Investments totaled SEK 4 M. The average number of employees in the company during the period was 55 (53).

Outlook for 1999

The American market has developed favorably during the year and shows no sign of weakening. European markets, which to date have been weak, especially in Central Europe, are showing some signs of improvement.

During the second half of the year, costs related to the restructuring program in the Industrial sector will effect noncomparable items in an amount of about SEK 250 M. It is anticipated that the sale of operations included in the Other Activities sector will be completed during the current year, without any major effect on earnings.

In line with the new strategic direction, extensive efforts are in progress to implement the necessary structural changes to concentrate the Group's operations in future.

Trelleborg, August 4, 1999

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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.
This report has not been subject to specific examination by Trelleborg AB's auditors.
The report for the nine-month period ended September 30, 1999, will be published on November 10.

Income statements

Group	April–June		January–June		July 1998–	Full year
SEK M	1999	1998	1999	1998	June 1999	1998
Net sales	6,377	6,307	12,440	12,380	25,101	25,041
Cost of goods sold	–5,047	–5,018	–9,889	–9,856	–20,197	–20,164
Gross profit	1,330	1,289	2,551	2,524	4,904	4,877
Selling, administration and R&D expenses	–1,090	–1,054	–2,161	–2,126	–4,203	–4,168
Noncomparable items	–1	17	–1	17	–1	17
Other operating revenues and expenses	18	27	23	33	183	193
Pretax profit/loss from participations in associated companies	18	–145	37	–93	–53	–183
Operating profit	275	134	449	355	830	736
Financial income and expense	7	–1	–11	–22	–109	–120
Profit after financial items	282	133	438	333	721	616
Taxes	–81	–64	–128	–108	–101	–81
Minority shares	–1	–13	–2	–21	–24	–43
Net profit for the period	200	56	308	204	596	492

Balance sheets

Group	June 30	June 30	December 31
SEK M	1999	1998	1998
Intangible fixed assets	2,411	2,020	2,483
Tangible fixed assets	4,318	3,781	4,718
Financial fixed assets	1,502	4,035	4,167
Inventories	3,591	3,878	4,042
Receivables	5,168	4,635	4,233
Liquid funds	1,188	890	855
Total assets	18,178	19,239	20,498
Shareholders' equity	8,531	10,642	10,975
Minority shares	21	200	156
Provisions	509	1,310	1,050
Long-term liabilities	4,171	2,522	3,758
Current liabilities	4,946	4,565	4,559
Total shareholders' equity, provisions and liabilities	18,178	19,239	20,498

Cash flow analysis

SEK M	1999	January–June 1998
Ongoing operations		
Operating profit excluding share in results of associated companies	412	448
Depreciations	329	307
<i>Cash surplus from operations</i>	741	755
Change in working capital	–127	–472
Gross investments	–411	–354
Operating cash flow	203	–71
Divestments	800	247
Acquisitions	–249	–239
Financial items	–11	–22
Taxes paid	–32	–24
Change in other receivables and liabilities	–16	–369
Dividend to shareholders	–235	–587
<i>Change in financial net assets/liabilities</i>	460	–1,065
Financing operations		
Loans raised/Amortized loans	–124	–1,711
Increase/decrease in financial investments	–3	93
<i>Cash flow from financing operations</i>	–127	–1,618
Change in liquid funds	333	–2,683

Key figures

Group	January–June 1999	1998	July 1998– June 1999	Full year 1998
Return on shareholders' equity, after full tax, %	6.3	3.8	6.2	4.5
Equity/assets ratio, %	47.0	56.4	—	54.3
Earnings per share, after full tax, SEK	2.65	1.75	5.10	4.20
Earnings per share, after full tax and full conversion, SEK	2.55	—	5.00	4.20
Earnings per share, after full tax, excluding noncomparable items, SEK	2.65	1.60	5.10	4.05
Earnings per share, after full tax and full conversion, excluding noncomparable items, SEK	2.55	—	5.00	4.05
Shareholders' equity per share, SEK	72.70	90.70	—	93.55
Financial assets, minus liabilities at end of period, SEK M	–2,827	–1,933	—	–3,287
Investments in plants, SEK M	411	354	863	806
Average number of employees	13,004	14,030	—	13,895
Of whom women	3,006	3,725	—	3,282
men	9,998	10,305	—	10,613

Group review

SEK M	April–June		Net sales		July 1998– June 1999	Full year 1998
	1999	1998	January–June 1999	1998		
Trelleborg Automotive	635	538	1,238	1,103	2,354	2,219
Trelleborg Wheel Systems	758	550	1,489	1,122	2,535	2,168
Trelleborg Engineered Systems	660	686	1,285	1,385	2,527	2,627
Trelleborg Building Systems	337	293	619	511	1,286	1,178
Other	–100	–98	–200	–235	–412	–447
Industrial Sector	2,290	1,969	4,431	3,886	8,290	7,745
Ahlsell	1,397	1,291	2,673	2,498	5,517	5,342
Bröderna Edstrand	590	611	1,170	1,223	2,275	2,328
Reynolds	270	250	539	525	1,068	1,054
Starckjohann	1,532	1,590	2,818	2,865	6,021	6,068
Other	1	—	–1	—	–1	—
Distribution Sector	3,790	3,742	7,199	7,111	14,880	14,792
Other companies	316	613	849	1,424	2,021	2,596
Group items	—	—	—	—	—	—
Eliminations	–19	–17	–39	–41	–90	–92
Group total, excluding Boliden	6,377	6,307	12,440	12,380	25,101	25,041
Boliden	—	—	—	—	—	—
Group total	6,377	6,307	12,440	12,380	25,101	25,041

Group review, continued

MSEK	April–June		Operating profit/loss		July 1998– June 1999	Full year 1998
	1999	1998	January–June 1999	1998		
Trelleborg Automotive	66	57	125	115	232	222
Trelleborg Wheel Systems	53	32	94	72	149	127
Trelleborg Engineered Systems	32	36	50	67	98	115
Trelleborg Building Systems	35	39	45	50	130	135
Other	–9	–7	–12	–19	–38	–45
Industrial Sector	177	157	302	285	571	554
Ahlsell	51	67	90	104	246	260
Bröderna Edstrand	25	21	36	47	74	85
Reynolds	4	3	2	7	4	9
Starckjohann	36	59	45	70	157	182
Other	–1	–5	–1	–6	–3	–8
Distribution Sector	115	145	172	222	478	528
Other companies	11	14	30	45	31	46
Group items	–27	–39	–54	–84	–135	–165
Noncomparable items	–1	17	–1	17	–1	17
Group total, excluding Boliden	275	294	449	485	944	980
Boliden	—	–160	—	–130	–114	–244
Group total	275	134	449	355	830	736

Key operating ratios

	Operating margin				Return on capital employed in operations			
	Jan–Jun 1999	Jan–Jun 1998	Jul 1998–Jun 1999	Full year 1998	Jan–Jun 1999	Jan–Jun 1998	Jul 1998–Jun 1999	Full year 1998
%								
Trelleborg Automotive	8.5	9.3	9.0	9.4	17.5	17.6	16.6	16.7
Trelleborg Wheel Systems	6.3	6.4	5.9	5.9	12.0	12.3	10.6	10.8
Trelleborg Engineered Systems	3.9	4.8	3.9	4.4	7.9	11.6	7.9	9.8
Trelleborg Building Systems	7.3	9.9	10.0	11.4	12.1	19.1	17.7	22.0
Industrial Sector	6.4	7.0	6.6	7.0	12.0	13.6	11.8	12.7
Ahlsell	3.4	4.2	4.5	4.9	12.3	16.3	16.8	19.1
Bröderna Edstrand	3.1	3.9	3.3	3.7	21.6	23.4	20.7	21.8
Reynolds	0.4	1.4	0.4	0.9	1.9	6.6	1.9	4.1
Starckjohann	1.6	2.4	2.6	3.0	4.1	7.4	7.2	9.0
Distribution Sector	2.4	3.1	3.2	3.6	8.2	11.6	11.3	13.2
Other companies	1.5	1.5	—	—	3.0	5.1	1.5	2.4
Group total, excluding Boliden	3.3	3.6	3.5	3.7	8.1	10.1	8.7	9.6
Boliden	—	—	—	—	—	–10.5	–8.5	–10.2
Group total	3.3	3.6	3.5	3.7	8.1	5.9	6.8	5.9

Key operating ratios, continued

SEK M	Average capital employed in operations			
	January–June 1999	January–June 1998	July 1998–June 1999	Full year 1998
Trelleborg Automotive	1,422	1,311	1,386	1,325
Trelleborg Wheel Systems	1,565	1,167	1,413	1,182
Trelleborg Engineered Systems	1,249	1,158	1,230	1,178
Trelleborg Building Systems	738	525	729	611
Other	65	26	73	53
Industrial Sector	5,039	4,187	4,831	4,349
Ahlsell	1,456	1,282	1,459	1,361
Bröderna Edstrand	337	405	358	390
Reynolds	220	218	227	227
Starckjohann	2,199	1,878	2,183	2,026
Other	8	22	5	15
Distribution Sector	4,220	3,805	4,232	4,019
Other companies	1,813	1,772	1,844	1,891
Group items	–25	–137	–44	–103
Group total, excluding Boliden	11,047	9,627	10,863	10,156
Boliden	—	2,478	1,334	2,394
Group total	11,047	12,105	12,197	12,550

Cash flow report

January-June	Profit/loss excluding associated companies	Depre- ciation	Gross invest- ments	Other changes in capital employed	Total operating cash flow	Acqui- sitions	Divest- ments
SEK M							
Trelleborg Automotive	105	53	-54	-64	40		
Trelleborg Wheel Systems	94	63	-30	-93	34	-40	
Trelleborg Engineered Systems	50	43	-70	-66	-43		
Trelleborg Building Systems	45	28	-14	-28	31		
Other	-12	3	-1	34	24		
Industrial Sector	282	190	-169	-217	86	-40	0
Ahlsell	90	33	-37	-31	55		
Bröderna Edstrand	36	10	-9	-6	31		
Reynolds	2	4	-1	12	17		
Starckjohann	45	50	-101	176	170	-209	100
Other	-1	0	-1	0	-2		
Distribution Sector	172	97	-149	151	271	-209	100
Other companies	13	38	-88	78	41		700
Group items	-54	4	-5	-139	-194		
Noncomparable items	-1	—	—	—	-1		
Operating cash flow	412	329	-411	-127	203	-249	800
Acquisitions					-249		
Divestments					800		
Dividend to shareholders					-235		
Other (financial items, taxes paid etc)					-59		
Change in financial net assets/liabilities					460		