



## I N T E R I M   R E P O R T

**JANUARY – SEPTEMBER 2004**

### **STABLE PROFIT TREND FOR TRELLEBORG GROUP**

**During the third quarter, the Trelleborg Group continued to experience a favorable trend in profits and sales and a strong cash flow. Profit after financial items, before goodwill amortization and for continuing operations, rose by 36 percent. The profit trend was stable in all business areas with the exception of Trelleborg Automotive, where a weak market trend and increased raw-material costs for certain input goods had a negative impact on profits.**

- Net sales amounted to SEK 5,460 M (3,978) during the third quarter, and to SEK 17,383 M (12,609) during the period January to September.
- Profit after tax for the third quarter amounted to SEK 137 M (165) and for the nine-month period to SEK 1,145 M (482). The participation in the profits of Trenor, which was divested during the second quarter of 2004, was SEK 52 M in the third quarter of 2003.
- Earnings per share for the quarter amounted to SEK 1.45 (1.95) and for the period as a whole to SEK 13.05 (5.75).
- For continuing operations, operating profit for the quarter rose to SEK 293 M (219) and for the nine-month period to SEK 1,033 M (706). Profit after financial items for the quarter rose to SEK 221 M (194) and for the period as a whole to SEK 804 M (633).
- The period January – September for continuing operations, excluding goodwill amortization:

	Increase in percent:
• Operating profit (EBITA) SEK 1,333 M (828)	+61 %
• Profit after financial items SEK 1,104 M (755)	+46 %
• Profit after tax SEK 777 M (502)	+55 %
• Earnings per share SEK 8.85 (6.00)	+48 %
- **Since the close of the report period:** Proposal for restructuring measures comprising the transfer of tire production from the town of Trelleborg, review of the mixing structure in Northern Europe and certain measures within Trelleborg Automotive in Europe.

The costs for the measures are estimated at approximately SEK 495 M before tax, of which approximately SEK 160 will affect cash flow during 2005. The measures are expected to have a positive effect on profits of approximately SEK 100 M before tax, with full impact in 2006. See also enclosed press release, page 17.

## Nine-month report 2004

### Key Figures, Group

Key figures	July - Sep 2004		Jan - Sep 2004		Oct 2003- Sep 2004	Full year 2003
<i>Continuing operations</i>						
Net sales, SEK M	5 460	3 978	17 383	12 609	22 734	17 960
Operating profit, SEK M	293	219	1 033	706	1 379	1 052
Profit after financial items, SEK M	221	194	804	633	1 082	911
Net profit, SEK M	137	130	489	393	681	585
<i>Discontinuing operations</i>						
Operating profit, SEK M	-	52	675	94	737	156
Profit after financial items, SEK M	-	57	675	118	737	180
Net profit, SEK M	-	35	656	89	684	117
Sum operating profit, SEK M	293	271	1 708	800	2 116	1 208
Sum profit after financial items, SEK M	221	251	1 479	751	1 819	1 091
Sum net profit, SEK M	137	165	1 145	482	1 365	702
Earnings per share, SEK <sup>1)</sup>	1,45	1,95	13,05	5,75	15,70	8,40
Cash flow from ongoing operations, SEK M	612	420	1 310	916	2 076	1 682
Free cash flow per share, SEK <sup>2)</sup>	3,35	4,10	5,20	5,80	10,70	11,30
Financial net assets/liabilities, SEK M	-7 259	-8 813	-7 259	-8 813	-7 259	-8 447
Debt/Equity ratio, %	85	119	85	119	85	111
Return on shareholders' equity, %	6,5	9,2	19,2	8,9	17,4	9,5
<i>Operating key figures*</i>						
Operating profit (EBITA), SEK M	393	261	1 333	828	1 776	1 271
Profit after financial items, SEK M	321	236	1 104	755	1 479	1 130
Net profit, SEK M	232	166	777	502	1 063	788
Earnings per share, SEK <sup>1)</sup>	2,60	2,00	8,85	6,00	12,25	9,40
Operating margin (ROS), %			7,6	6,4	7,6	6,9
Return on capital employed (ROA), %			11,2	11,5	11,2	11,4
Return on shareholders' equity, %	11,1	9,3	13,0	9,3	13,6	10,7
Operating cash flow, SEK M	487	342	1090	630	1 589	1 129
Operating cash flow per share, SEK <sup>1)</sup>	5,50	4,10	12,40	7,55	18,35	13,50

\* continuing operations excluding goodwill amortization

1) Average number of shares, excluding own holdings

2) Net cash flow excluding acquisitions/divestments after tax and cash flow related to shareholders

## GROUP

### Net sales and earnings

#### Period January - September

During the period January – September, consolidated net sales amounted to SEK 17,383 M (12, 609). Organic growth in the Group's current structure was slightly more than 2 percent. With the exception of Trelleborg Automotive, the business areas achieved an organic growth of between 2 and 7 percent.

For continuing operations, EBITA (operating profit excluding goodwill amortization) rose by 61 percent to SEK 1,333 M (828), against which SEK 60 M was charged, attributable to nonrecurring costs for the closure of the Logansport plant in the US. Operating profit amounted to SEK 1,033 M (706). The Group's operating margin improved by 7.6 percent (6.4) over the most recent 12-month period. Development expenditure amounting to SEK 94 M (33) was capitalized. Consolidated net financial items amounted to an expense of SEK 229 M (expense: 73). Profit after financial items amounted to SEK 804 M (663). Profit after tax amounted to SEK 489 M (393).

Including discontinuing operations (Trenor), profit after financial items amounted to SEK 1,479 M (751). Profit after tax was SEK 1,145 M (482).

#### Third quarter

For continuing operations, net sales during the third quarter amounted to SEK 5,460 M (3,978). EBITA rose by 51 percent to SEK 393 M (261). Operating profit amounted to SEK 293 M (219). Development expenditure of SEK 39 M (33) was capitalized. Consolidated net financial items amounted to an expense of SEK 72 M (expense: 25). Profit after financial items was SEK 221 M (194). Profit after tax amounted to SEK 137 M (130).

Including discontinuing operations (Trenor), profit after financial items amounted to SEK 221 M (251). Profit after tax was SEK 137 M (165).

### Earnings per share

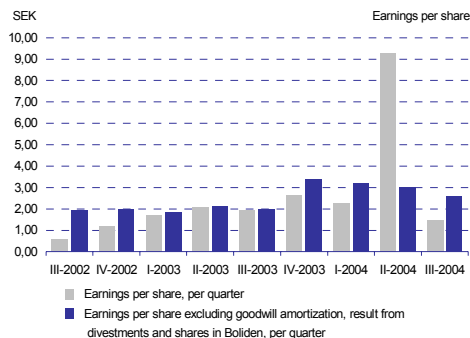
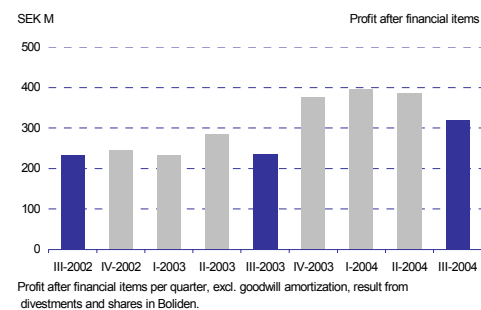
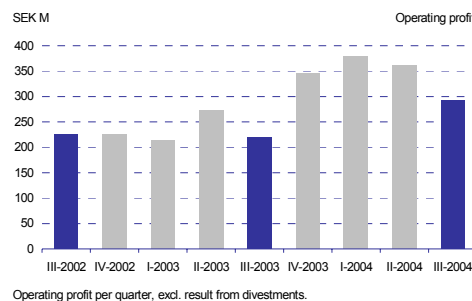
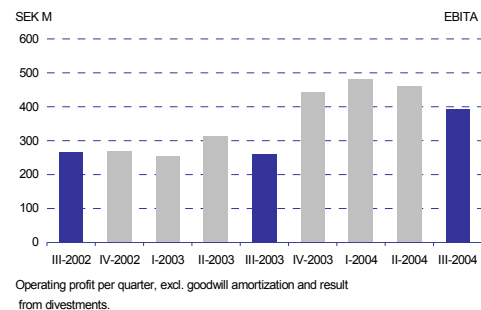
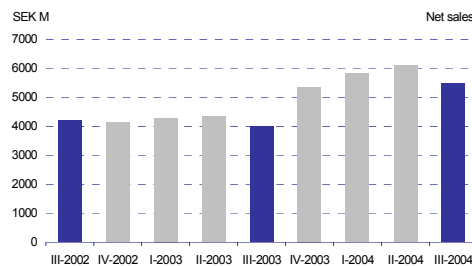
Earnings per share during the period rose to SEK 13.05 (5.75). Earnings per share during the *third quarter* were SEK 1.45 (1.95). For continuing operations, earnings per share, excluding goodwill amortization, were SEK 8.85 (6.00) for the period and SEK 2.60 (2.00) for the third quarter.

### Balance sheet, cash flow, investments

Consolidated cash flow from operations was SEK 1,090 M (630) for the first nine months of the year. The investment level was SEK 725 M (424). Consolidated capital employed for continuing operations amounted to SEK 15,589 M (15,457) at the end of the period. The increase from the beginning of the year was SEK 132 M, of which approximately SEK 21 M was attributable to exchange-rate fluctuations. Net financial debt amounted to SEK 7,259 M (8,813).

The debt/equity ratio at the end of the first nine months was 85 percent (119). The equity/assets ratio was 37.5 percent (30.6). At the end of the period, shareholders' equity per share (net 89.7 million outstanding) amounted to SEK 94.15 (85.80). The return on equity was 19.2 percent (8.9) and for continuing operations, excluding goodwill amortization, was 13.0 percent (9.3).

Effective January 1, 2004, the implementation of the Swedish Financial Accounting Standards Council's recommendation RR29 "Employee benefits" increased the pension liability and consequently decreased capital employed by SEK 196 M. As a result, shareholders' equity has been reduced by SEK 129 M net, after tax.



## OTHER OPERATIONS

### Associated companies

The Trelleborg Group's 49-percent holding in the Trenor Group (Ahlzell, Bröderna Edstrand and Reynolds) was divested during the second quarter of 2004. The capital gain amounted to SEK 620 M.

The Trelleborg Group's pre-tax share in the profits of the Trenor Group during the period amounted to SEK 55 M (94). During the third quarter of 2003, the share in Trenor's profits amounted to SEK 52 M.

### Convertible debentures and options program

During the first six months of the year, shareholders' equity increased by SEK 207 M as a consequence of the conversion of debentures issued in 1998, by SEK 89 M through the exercise of warrants, and by SEK 79 M through the exercise of call options. The number of shares increased by 5.4 million. No changes occurred during the third quarter.

The remaining options outstanding in the program – including options from 2002 with an exercise period extending from October 1, 2004 to March 31, 2005, and an exercise price of SEK 122 – imply a maximum increase in the number of shares outstanding of 1.1 million through utilization of Trelleborg AB's own holdings.

### Structural changes

Since the close of the report period, the Board of Trelleborg AB has decided to convene codetermination negotiations with the affected unions about the closure of tire manufacturing at its Trelleborg facility. The background to the decision is the diminishing market for the type of agricultural tires manufactured in Trelleborg and strongly increasing competition from low-cost countries. The study on which the decision to initiate codetermination negotiations is based assumes that production will be transferred to existing and new outsourcing partners during 2005. In addition, the focus on radial alternatives will gradually increase, entailing increased production at the Group's plant in Italy. Assuming that negotiations are completed successfully, production is expected to continue until the end of 2005.

A decision to discontinue tire production will also entail capacity adjustments for mixing, inventory management and administrative support functions at the Trelleborg location. In total, it is estimated that approximately 200 jobs will be affected, with about 130 of these in production and about 70 in administration. The County Labor Board will be advised of these figures during the day. A review will also be initiated aimed at optimizing the structure of the Group's mixing operations in northern Europe, which include Trelleborg's facility in Hoogezand, in the Netherlands. In the future, the unit in Trelleborg will be developed as an advanced center focusing on mixing and other types of semi-manufactured goods.

The costs for the closure and restructuring measures are expected to total SEK 320 M before tax, of which SEK 125 M will affect cash flow, primarily during 2005. The costs will mainly be charged against earnings for the fourth quarter of 2004. The positive effect on profits will amount to approximately SEK 75 M before tax, with full impact in 2006, of which approximately SEK 70 M will affect cash flow.

Additionally, as a consequence of previous structural measures within Trelleborg Automotive in Europe, certain properties in Breuberg will be written down and certain personnel cutbacks will be made. Costs for these measures are estimated at approximately SEK 175 M before tax, of which about SEK 35 M will affect cash flow. The positive effect on profits will amount to approximately SEK 25 M before tax, with full impact in 2006, of which approximately SEK 20 M will affect cash flow.

The costs for all of the above restructuring measures are expected to amount to SEK 495 M, before tax, and SEK 340 M after tax, of which SEK 160 M will affect cash flow, primarily during 2005. The costs will mainly be charged against earnings for the fourth quarter of 2004. The positive effect on profits will amount to approximately SEK 100 M before tax, with full impact in 2006, of which approximately SEK 90 M will affect cash flow. *See also separate press release, page 17.*

### Nominations Committee

At the Annual General Meeting of Trelleborg AB on April 24, 2004, the Chairman of the Board was commissioned to ask five representatives of the Company's major shareholders to form a Nominations Committee, which in turn shall prepare a proposal on the composition of the Board to be presented for decision by the 2005 Annual General Meeting. The following individuals have been asked to become members of the Nominations Committee and have accepted: Didrik Normark of the Henry and Gerda Dunkers Foundation, Mats Lagerqvist of Robur, Ramsay Brufer of Alecia, Torsten Johansson of Handelsbanken Fonder and Lars Öhrstedt of AFTA/TFA.

## PARENT COMPANY

Profit after financial items for Trelleborg AB, the Parent Company of the Trelleborg Group, amounted to SEK 109 M (252). There were no sales. Investments amounted to SEK 1 M (1).

## OUTLOOK

### **Improved market conditions in the Trelleborg Group's principal industrial markets, with the exception of the light-vehicle industry.**

The improved market conditions in Trelleborg's principal industrial markets are expected to continue, while an equivalent improvement cannot, for the moment, be discerned in the Group's principal markets within the light-vehicle industry.

With the aim of improving the operating margin, a number of efficiency-improvement measures are currently being implemented and new measures have been proposed to further increase the Group's competitiveness.

A combination of increased prices for polymer- and steel-based input goods is expected to continue to have a negative effect on the operating margin within Trelleborg Automotive. A combination of measures is being implemented to balance increased costs for input materials, including efficiency improvements, consolidation of the supplier structure, design changes and price increases.

The Trelleborg Group is prioritizing continued efforts to generate organic growth and complementary acquisitions that will help strengthen the Group's core areas.

*Trelleborg, October 26, 2004  
Fredrik Arp  
President*

*This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20 "Interim reports." Effective as of 2004, Trelleborg AB applies the Swedish Financial Accounting Standards Council's new recommendation RR 29 "Employee benefits." The transitional rules of the new recommendations have been applied. In other respects, the same accounting principles have been applied as in the latest Annual Report. This report has not been subject to special examination by the Group's auditors.*

*The data presented in the diagrams in this interim report are available in Excel format under Financial info at [www.trelleborg.com](http://www.trelleborg.com).*

*This report 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 to have been 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.*

# Trelleborg Automotive

## Sales in line with the trend in underlying markets

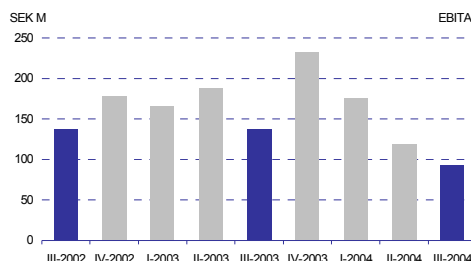
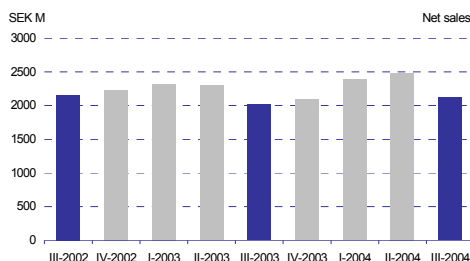
The business area's net sales during the period January-September amounted to SEK 6,995 M (6,631). For comparable currencies/units, sales declined by 1 percent compared with the year-earlier period. EBITA amounted to SEK 388 M (493). Operating profit was SEK 310 M (414). The business area's operating cash flow was SEK 307 M (488). The reduction in cash flow is attributable to lower profit levels and a higher investment level, which was partly offset by a reduced amount of tied-up capital. During the **third quarter**, the business area's net sales totaled SEK 2,122 M (2,014). EBITA amounted to SEK 93 M (138) and operating profit was SEK 68 M (111). Development expenses of SEK 39 M (28) were capitalized.

During the period, car production in North America remained at the same level as in 2003, while car sales rose by about 1 percent. In Western Europe, car production increased slightly compared with 2003, while car sales rose by 1.5 percent (*source: JD Powers/Trelleborg*).

The business area's increased sales volume compared with the year-earlier period is primarily attributable to the acquisition of Metzeler Hose Systems. In other respects, the total sales volume was largely unchanged and in line with the overall underlying market.

Favorable production efficiency and positive effects from earlier rationalization programs were not sufficient to offset price increases for polymer-based raw materials and input goods containing steel. A combination of measures is being implemented to balance increased costs for input materials, including efficiency improvements, consolidation of the supplier structure, design changes and price increases.

During the quarter, the business area opened a new Technical Center in Shanghai. The center offers enhanced technology and development opportunities and forms part of Trelleborg's efforts to strengthen its presence and competitiveness in the Asian market.



# Trelleborg Wheel Systems

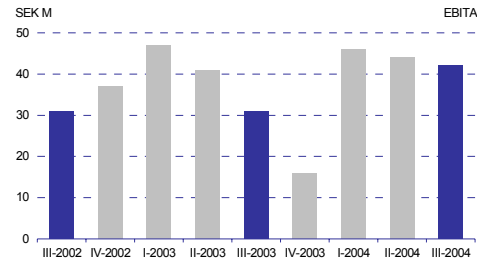
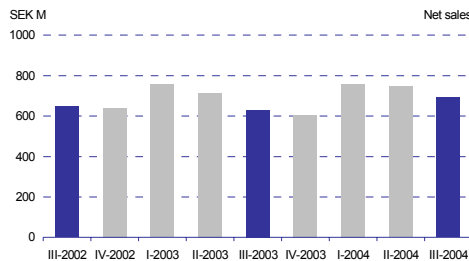
## Increased sales and profits, improved market trend for agricultural tires in Europe.

Net sales for the period amounted to SEK 2,197 M (2,099). For comparable currencies/units sales rose by 7 percent compared with the year-earlier period. EBITA amounted to SEK 132 M (120). Operating profit was SEK 119 M (105). The business area's operating cash flow amounted to SEK 163 M (expense: 56). During the **third quarter**, net sales amounted to SEK 692 M (629). EBITA was SEK 42 M (32) and operating profit was SEK 37 M (26).

The favorable trend emerging increasingly clearly in the European aftermarket for agricultural tires strengthened during the quarter. Development in original assembly was also favorable during the third quarter. The general trend, with radial tires gaining ground at the expense of cross-ply tires, continues.

As a consequence of improved market conditions and sales activities, Trelleborg Wheel Systems has increased its sales and captured market shares in the radial tires segment of the European aftermarket. The growth in volumes and favorable production efficiency had a positive impact on profits. Price adjustments are under way in several market segments and, consequently, it was possible to further counteract the effects of increased raw material prices during the quarter.

The general market trend for industrial tires, in both original assembly and the aftermarket in Europe, has been favorable with an upward curve. The business area's sales of industrial tires in Europe were very strong. Sales also rose in North America where general demand for industrial tires for original assembly remained favorable and where a corresponding trend, in line with this, can be seen in the aftermarket.



# Trelleborg Engineered Systems

## Several attractive project orders

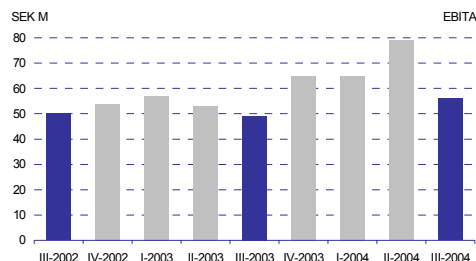
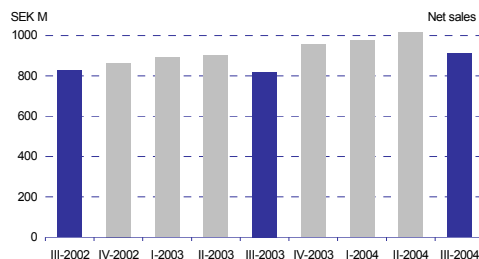
Net sales for the period amounted to SEK 2,957 M (2,609). For comparable currencies/units sales rose by 4 percent compared with the year-earlier period. EBITA increased to SEK 200 M (159). Operating profit was SEK 176 M (144). Operating cash flow amounted to SEK 224 M (163). During the *third quarter*, net sales amounted to SEK 912 M (819). EBITA rose to SEK 56 M (49) and operating profit amounted to SEK 48 M (44).

During the third quarter, Trelleborg Engineered Systems noted a continued improvement in sales and profits, both in industrial supplies and project-related operations.

The profit trend within Industrial Fluid Systems remains stable, partly due to the clearer focus on products with a high technology content and consequently increased customer value, and due to a gradual reduction in standard products. This focus has been successful and a solid sales trend has been achieved in chosen segments including food-industry applications and to the chemical and petrochemical industries.

Engineered Solutions is highly sensitive to project deliveries, which entailed a certain decrease in invoicing during the quarter. A number of attractive project orders were secured, including a large order within Offshore for flexible, fireproof pipe penetrations for an oil and gas extraction project off the coast of eastern Siberia. The solution was designed specifically to cope with the extremely demanding climate and environment. Two large orders were also secured for noise-reduction solutions for rail applications in Hong Kong and Taiwan.

Sales of molded components for the manufacturing industry developed very favorably during the period. The units transferred to the business area from Trelleborg Sealing Solutions at the start of the year, Forsheda and Mörbylånga, continued to make positive contributions towards the business area's sales and profit trends.





# Trelleborg Building Systems

## Slight improvement in the Swedish building market, continued weak demand in Germany

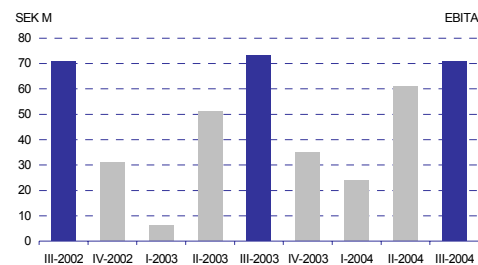
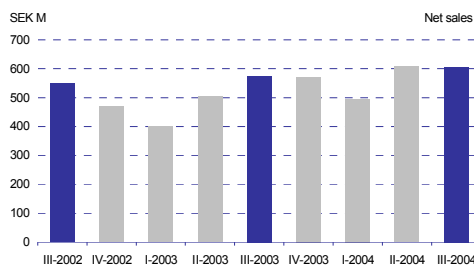
Trelleborg Building Systems' net sales for the period amounted to SEK 1,711 M (1,481). For comparable currencies/units, sales rose by 2 percent compared with the year-earlier period. EBITA increased to SEK 156 M (130). Operating profit was SEK 142 M (117). The business area's operating cash flow amounted to SEK 102 M (86). During the **third quarter**, net sales amounted to SEK 606 M (575). EBITA was SEK 71 M (73) and operating profit was SEK 67 M (69).

The trend in the European construction market was mixed during the third quarter. In Denmark, demand was relatively weak, while the other Nordic countries developed more favorably and the Swedish market improved compared with the third quarter in 2003, although this was primarily attributable to residential construction and renovation. At the same time, demand from the German building sector declined.

Profits for the quarter were impacted negatively by costs incurred in connection with rationalization measures within Swedish operations and the weakening of the German market. To a certain extent, these factors were offset by strong sales in roofing operations in Sweden and by favorable development in the Pipe Seals business unit, which has been included in Trelleborg Building Systems since the start of the year. Rationalization measures in Sweden are expected to have a favorable impact on profits from the first quarter of 2005.

The coordination of the production structure in the UK continues. During the third quarter, negotiations were initiated with the unions regarding the closure of the Telford plant (formerly DJ Profiles) and the transfer of production to Minworth. Approximately 50 employees are affected by the move, which is expected to be completed during 2005.

Following the end of the third quarter, Trelleborg signed an agreement to acquire the operations of Batek of Norway, which specialized in the aftermarket for pipe seals. The acquisition complements Trelleborg Building Systems in the Pipe Seals product area and provides increased access to the Nordic aftermarket. Batek generates annual sales of approximately SEK 10 M.



# Trelleborg Sealing Solutions

## Strong growth in Asia

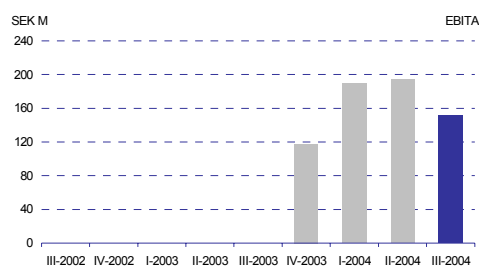
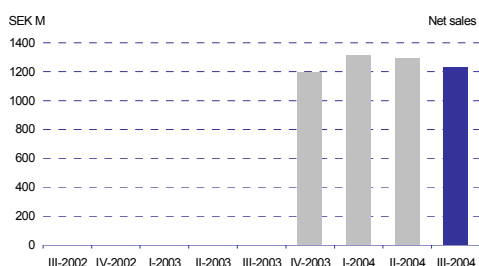
During the period, Trelleborg Sealing Solutions' net sales amounted to SEK 3,833 M. For comparable currencies/units, sales rose by 7 percent compared with the year-earlier period. EBITA amounted to SEK 535 M and operating profit to SEK 364 M. The business area's operating cash flow was SEK 440 M. During the **third quarter**, net sales amounted to SEK 1,228 M. EBITA was SEK 151 M and operating profit was SEK 94 M.

During the third quarter, a continued favorable trend in demand was noted in all of Trelleborg Sealing Solutions' main markets: Europe, the US and Asia. The business area's sales rose in all of these markets during the third quarter compared with the 2003. Most significant was the increase in Germany, where demand for industrial products was strong, driven by exports. Trelleborg Sealing Solutions also reported strong growth in sales in both China and Japan, where it exceeded the underlying market trend.

Significant product launches during the third quarter included Glydring<sup>®</sup>P, manufactured from a high-performance plastic material for demanding applications, such as large, mobile hydraulic machinery operating with extreme pressures of up to 800 bar. The seal offers both improved performance and extended lifetime.

The business area's supply chain concept has made a valuable contribution to the positive trend in the European market. A new logistics center was opened in the US and the European supply chain concept is now also being developed in the US and Asian markets with the purpose of strengthening the global logistics structure and raising the level of service.

All ongoing integration projects are proceeding according to plan and generating the expected effects. During the first nine months of the year, integration measures had a positive SEK 40 M effect on profits. In the UK, the plant in Milford Haven was closed and the unit sold. The closure of the unit in Ross-on-Wye is expected to be completed during the first quarter of 2005.



# Financial reporting

## Income Statements

Group SEK M	July - Sep 2004 2003		Jan - Sep 2004 2003		Oct 2003- Sep 2004	Full year 2003
<i>Continuing operations</i>						
Net sales	5 460	3 978	17 383	12 609	22 734	17 960
Cost of goods sold	-4 076	-3 093	-12 826	-9 733	-16 765	-13 672
<b>Gross profit</b>	<b>1 384</b>	<b>885</b>	<b>4 557</b>	<b>2 876</b>	<b>5 969</b>	<b>4 288</b>
Selling expenses	-516	-343	-1 581	-1 079	-2 065	-1 563
Administrative costs	-532	-294	-1 679	-901	-2 251	-1 473
Research and development costs	-104	-80	-350	-318	-444	-412
Other operating revenue	54	85	201	223	314	336
Other operating expense	-5	-38	-91	-113	-134	-156
Costs related to closure of Logansport facility	-	-	-60	-	-60	-
Result from participation in associated companies	12	4	36	18	50	32
<b>Operating profit</b>	<b>293</b>	<b>219</b>	<b>1 033</b>	<b>706</b>	<b>1 379</b>	<b>1 052</b>
Financial income and expenses	-72	-25	-229	-73	-297	-141
<b>Profit after financial items</b>	<b>221</b>	<b>194</b>	<b>804</b>	<b>633</b>	<b>1 082</b>	<b>911</b>
Tax	-83	-60	-302	-228	-382	-308
Minority shares	-1	-4	-13	-12	-19	-18
<b>Net profit</b>	<b>137</b>	<b>130</b>	<b>489</b>	<b>393</b>	<b>681</b>	<b>585</b>
<i>Discontinuing operations</i>						
Result before tax from participation in Trenor	-	52	55	94	117	156
Result from Trenor divestment	-	-	620	-	620	-
<b>Operating profit</b>	<b>-</b>	<b>52</b>	<b>675</b>	<b>94</b>	<b>737</b>	<b>156</b>
Result from Boliden shares	-	5	-	24	-	24
<b>Result after financial items</b>	<b>-</b>	<b>57</b>	<b>675</b>	<b>118</b>	<b>737</b>	<b>180</b>
Tax	-	-22	-19	-29	-53	-63
<b>Net profit</b>	<b>-</b>	<b>35</b>	<b>656</b>	<b>89</b>	<b>684</b>	<b>117</b>
<b>Sum operating profit</b>	<b>293</b>	<b>271</b>	<b>1 708</b>	<b>800</b>	<b>2 116</b>	<b>1 208</b>
<b>Sum result after financial items</b>	<b>221</b>	<b>251</b>	<b>1 479</b>	<b>751</b>	<b>1 819</b>	<b>1 091</b>
<b>Sum net profit</b>	<b>137</b>	<b>165</b>	<b>1 145</b>	<b>482</b>	<b>1 365</b>	<b>702</b>

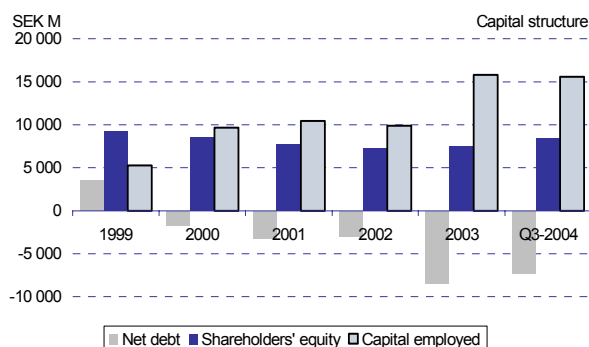
Earnings per share SEK	July - Sep 2004 2003		Jan - Sep 2004 2003		Oct 2003- Sep 2004	Full year 2003
<i>Continuing operations</i>						
Earnings <sup>1)</sup>	1,45	1,55	5,50	4,70	7,80	7,00
Earnings, after dilution <sup>2)</sup>	1,45	1,55	5,50	4,60	7,70	6,80
<i>Total</i>						
Earnings <sup>1)</sup>	1,45	1,95	13,05	5,75	15,70	8,40
Earnings, after dilution <sup>2)</sup>	1,45	1,95	13,05	5,60	15,60	8,15

Number of shares						
<i>Excluding own holdings</i>						
End of period	89 717 261	83 902 684	89 717 261	83 902 684	89 717 261	84 291 318
<sup>1)</sup> Average number	89 717 261	83 536 939	87 894 469	83 532 249	87 027 409	83 701 750
End of period after dilution	89 770 198	87 682 125	89 770 198	87 682 125	89 770 198	87 866 058
<sup>2)</sup> Average number after dilution	89 417 223	86 644 649	87 947 406	87 311 690	88 994 714	87 276 490
<i>Own holdings</i>						
End of period	6 263 100	7 193 100	6 263 100	7 193 100	6 263 100	7 179 100
Average number	6 263 100	7 193 100	6 531 550	7 124 190	6 719 564	7 137 938

# Balance Sheets

Group	Sep 30	Sep 30	Dec 31
SEK M	2004	2003	2003
Goodwill	6 776	6 967	6 987
Other intangible fixed assets	276	121	167
Tangible fixed assets	5 869	5 807	5 778
Associated company participations in Trenor	-	319	353
Investments held as fixed assets	1	157	157
Other financial fixed assets	764	720	700
Inventories	2 862	2 716	2 715
Current receivables	5 737	5 181	5 000
Liquid funds	630	2 114	999
<b>Total assets</b>	<b>22 915</b>	<b>24 102</b>	<b>22 856</b>
Shareholders' equity	8 449	7 200	7 452
Minority interest	136	178	152
Provisions	1 446	1 184	1 174
Long-term interest bearing liabilities	7 596	6 222	9 359
Other long term liabilities	71	65	60
Interest bearing current liabilities	294	4 862	244
Other current liabilities	4 923	4 391	4 415
<b>Total shareholders' equity, provisions and liabilities</b>	<b>22 915</b>	<b>24 102</b>	<b>22 856</b>

Specification of changes in shareholders' equity	Sep 30	Sep 30	Dec 31
SEK M	2004	2003	2003
Balance, January 1	7 452	7 284	7 284
Adjustment of opening balance of shareholders' equity in accordance with RR29	-129	-	-
Dividend	-396	-355	-355
New share issue in connection with loan conversion	207	32	54
New share issue in connection with exercise of warrants	89	-	3
Transfer of own shares at exercise of call options	79	-	1
Buy-back of own shares	-	-19	-19
Options premium	-	-	8
Net profit	1 145	482	702
Translation difference	23	-406	-408
Translation difference on hedging instruments after tax	-21	182	182
<b>Closing balance</b>	<b>8 449</b>	<b>7 200</b>	<b>7 452</b>



**Cash flow analysis**

SEK M	July - Sep 2004		Jan - Sep 2004		Oct 2003- Sep 2004	Full year 2003
<b>Ongoing operations</b>						
Operating profit	293	271	1 088	800	1 496	1 208
Reversals						
Amortization, intangible assets	110	42	323	127	429	233
Depreciation, tangible assets	199	158	609	473	798	662
Undistributed result from participation in associated companies	-12	-56	-41	-112	-117	-188
	<b>590</b>	<b>415</b>	<b>1 979</b>	<b>1 288</b>	<b>2 606</b>	<b>1 915</b>
Finacial items	-81	-11	-174	50	-107	117
Taxes paid	-59	-37	-279	-106	-308	-135
<b>Cash flow from ongoing operations before changes in working capital</b>	<b>450</b>	<b>367</b>	<b>1 526</b>	<b>1 232</b>	<b>2 191</b>	<b>1 897</b>
Change in inventories	-38	8	-84	-43	-108	-67
Change in operating receivables	499	671	-485	139	-177	447
Change in operating liabilities	-299	-614	353	-379	156	-576
Utilization of restructuring reserves	-	-12	-	-33	14	-19
<b>Cash flow from ongoing operations</b>	<b>612</b>	<b>420</b>	<b>1 310</b>	<b>916</b>	<b>2 076</b>	<b>1 682</b>
<b>Investment operations</b>						
Acquisitions	36	-5 984	-336	-6 089	-388	-6 141
Restructuring measures in acquired units	-54	-29	-180	-144	-243	-207
Divestments	-	-	1 097	-	1 097	-
Gross investments in tangible and intangible assets	-270	-170	-725	-424	-988	-687
Sale of fixed assets	5	120	52	137	99	184
<b>Cash flow from investment operations</b>	<b>-283</b>	<b>-6 063</b>	<b>-92</b>	<b>-6 520</b>	<b>-423</b>	<b>-6 851</b>
<b>Financing operations</b>						
Change in interest-bearing investments	-	12	156	28	146	18
Change in interest-bearing liabilities	-842	7 188	-1 518	7 618	-3 033	6 103
Repurchase of Trelleborg shares	-	-	-	-19	-	-19
New share issue in connection with the exercising of warrants	-	-	89	-	92	3
Transfer of own shares in connection with the exercising of call options	-	-	79	-	80	1
Dividend to shareholders	-	-	-396	-355	-396	-355
Dividend to minority	-	-2	-2	-2	-27	-27
<b>Cash flow from the financing operations</b>	<b>-842</b>	<b>7 198</b>	<b>-1 592</b>	<b>7 270</b>	<b>-3 138</b>	<b>5 724</b>
<b>Cash flow for the period</b>	<b>-513</b>	<b>1 555</b>	<b>-374</b>	<b>1 666</b>	<b>-1 485</b>	<b>555</b>
Liquid funds at beginning of the period	1 152	577	999	485	2 114	485
Revaluation of shares in Boliden	-	-8	-	-	-	-
Exchange rate differences in liquid funds	-9	-10	5	-37	1	-41
<b>Liquid funds at end of period</b>	<b>630</b>	<b>2 114</b>	<b>630</b>	<b>2 114</b>	<b>630</b>	<b>999</b>

## Group review \*)

SEK M	July - Sep		Jan - Sep		Operating key figures	
	2004	2003	2004	2003	Oct 2003- Sep 2004	Full year 2003
<i>Continuing operations</i>						
Net sales	5 460	3 978	17 383	12 609	22 734	17 960
EBITDA	603	418	1 965	1 306	2 606	1 947
EBITA	393	261	1 333	828	1 776	1 271
Operating profit	293	219	1 033	706	1 379	1 052

SEK M	July - Sep		Jan - Sep		Net sales	
	2004	2003	2004	2003	Oct 2003- Sep 2004	Full year 2003
Trelleborg Automotive	2 122	2 014	6 995	6 631	9 085	8 721
Trelleborg Wheel Systems	692	629	2 197	2 099	2 802	2 704
Trelleborg Engineered Systems	912	819	2 957	2 609	3 912	3 564
Trelleborg Building Systems	606	575	1 711	1 481	2 283	2 053
Trelleborg Sealing Solutions	1 228	-	3 833	-	5 027	1 194
Elimination	-100	-59	-310	-211	-375	-276
<b>Group</b>	<b>5 460</b>	<b>3 978</b>	<b>17 383</b>	<b>12 609</b>	<b>22 734</b>	<b>17 960</b>

SEK M	July - Sep		Jan - Sep		Operating result before depreciations (EBITDA)	
	2004	2003	2004	2003	Oct 2003- Sep 2004	Full year 2003
<i>Continuing operations</i>						
Trelleborg Automotive	186	230	668	766	974	1 072
Trelleborg Wheel Systems	70	60	218	200	262	244
Trelleborg Engineered Systems	86	71	291	241	387	337
Trelleborg Building Systems	87	85	203	165	256	218
Trelleborg Sealing Solutions	192	-	655	-	816	161
Group items	-18	-28	-68	-66	-82	-80
Other companies	-	-	-2	-	-7	-5
<b>Group</b>	<b>603</b>	<b>418</b>	<b>1 965</b>	<b>1 306</b>	<b>2 606</b>	<b>1 947</b>

SEK M	July - Sep		Jan - Sep		Operating result before goodwill amortization (EBITA)	
	2004	2003	2004	2003	Oct 2003- Sep 2004	Full year 2003
<i>Continuing operations</i>						
Trelleborg Automotive	93	138	388	493	620	725
Trelleborg Wheel Systems	42	32	132	120	147	135
Trelleborg Engineered Systems	56	49	200	159	265	224
Trelleborg Building Systems	71	73	156	130	191	165
Trelleborg Sealing Solutions	151	-	535	-	653	118
Group items	-18	-29	-70	-68	-85	-83
Other companies	-2	-2	-8	-6	-15	-13
<b>Group</b>	<b>393</b>	<b>261</b>	<b>1 333</b>	<b>828</b>	<b>1 776</b>	<b>1 271</b>

SEK M	July - Sep		Jan - Sep		Operating result	
	2004	2003	2004	2003	Oct 2003- Sep 2004	Full year 2003
<i>Continuing operations</i>						
Trelleborg Automotive	68	111	310	414	518	622
Trelleborg Wheel Systems	37	26	119	105	133	119
Trelleborg Engineered Systems	48	44	176	144	232	200
Trelleborg Building Systems	67	69	142	117	172	147
Trelleborg Sealing Solutions	94	-	364	-	425	61
Group items	-18	-29	-70	-68	-86	-84
Other companies	-3	-2	-8	-6	-15	-13
<b>Group</b>	<b>293</b>	<b>219</b>	<b>1 033</b>	<b>706</b>	<b>1 379</b>	<b>1 052</b>

	Operating margin, (ROS) % <sup>1)</sup>		
	Oct 2003- Sep 2004	Oct 2002- Sep 2003	Full year 2003
Trelleborg Automotive	6,3	7,3	8,0
Trelleborg Wheel Systems	5,3	5,7	5,0
Trelleborg Engineered Systems	6,8	6,1	6,3
Trelleborg Building Systems	8,3	8,3	8,0
Trelleborg Sealing Solutions	12,9	-	9,8
<b>Group</b>	<b>7,6</b>	<b>6,4</b>	<b>6,9</b>

<sup>1)</sup> EBITA excluding participations in associated companies in relation to net sales

	Return on capital employed, (ROA) % <sup>2)</sup>		
	Oct 2003- Sep 2004	Oct 2002- Sep 2003	Full year 2003
Trelleborg Automotive	11,9	12,9	14,2
Trelleborg Wheel Systems	9,3	10,0	8,5
Trelleborg Engineered Systems	14,2	12,4	12,6
Trelleborg Building Systems	21,2	20,1	19,8
Trelleborg Sealing Solutions	10,7	-	7,1
<b>Group</b>	<b>11,2</b>	<b>11,5</b>	<b>11,4</b>

<sup>2)</sup> EBITA in relation to average capital employed.

SEK M	Capital employed <sup>3)</sup>		
	Sep 30 2004	Sep 30 2003	Dec 31 2003
<i>Continuing operations</i>			
Trelleborg Automotive	5 171	4 943	4 927
Trelleborg Wheel Systems	1 509	1 597	1 559
Trelleborg Engineered Systems	1 815	1 934	1 849
Trelleborg Building Systems	924	963	872
Trelleborg Sealing Solutions	5 969	5 856	6 005
Group items	55	4	89
Other companies	146	160	156
<b>Group</b>	<b>15 589</b>	<b>15 457</b>	<b>15 457</b>

<sup>3)</sup> Total assets less interest-bearing investments, non-interest bearing operating liabilities, tax receivables/liabilities and provisions for pensions.

Jan - Sep	EBITDA excluding undistributed result from associated companies		Gross investments		Sold fixed assets		Change in working capital		Cash flow report		
SEK M	2004	2003	2004	2003	2004	2003	2004	2003	Total cash flow		Oct 2003- Sep 2004
Trelleborg Automotive	713	775	-416	-259	6	40	4	-68	307	488	559
Trelleborg Wheel Systems	226	207	-50	-80	29	1	-42	-184	163	-56	228
Trelleborg Engineered Systems	302	251	-71	-50	6	2	-13	-40	224	163	284
Trelleborg Building Systems	209	171	-40	-33	1	1	-68	-53	102	86	239
Trelleborg Sealing Solutions	668	-	-139	-	10	-	-99	-	440	-	520
Group items	-137	-116	-9	-2	-	5	-	45	-146	-68	-219
Other companies	-2	-	-	-	-	-	2	17	-	17	-22
<b>Operating cash flow</b>	<b>1 979</b>	<b>1 288</b>	<b>-725</b>	<b>-424</b>	<b>52</b>	<b>49</b>	<b>-216</b>	<b>-283</b>	<b>1 090</b>	<b>630</b>	<b>1 589</b>
Acquisitions									-336	-6 442	-339
Divestments									1097	88	1 096
Restructuring measures incl. In acquired units									-180	-177	-229
Dividend to shareholders									-396	-355	-396
Dividend to minority									-2	-2	-27
Buy-back of own shares									-	-19	-
Exercising of warrants and call options									168	-	172
Financial items									-174	50	-107
Paid tax									-279	-106	-308
<b>Sum net cash flow</b>									<b>988</b>	<b>-6 333</b>	<b>1 451</b>

<sup>\*)</sup> To achieve comparability, historic data has been adjusted with regard to the transfer of operations from Trelleborg Sealing Solutions to Trelleborg Engineered Systems and Trelleborg Building Systems and from Trelleborg Engineered Systems to Trelleborg Building Systems. The business areas were charged with Group-wide costs corresponding to approx. 0.4 percent of external sales, which had no impact on reported cash flow. Historic data has also been adjusted for comparison.

## Development of tailored products in close collaboration with customers creates leading positions

Trelleborg is a global industrial group with cutting-edge expertise in polymer materials combined with a high level of industrial know-how in functional solutions and systems that meet our customers' requirements. Trelleborg strives to attain leading positions in well-defined product and market areas and is world leading in such areas as antivibration systems for light vehicles.

The Group comprises five focused business areas: Trelleborg Automotive, Trelleborg Wheel Systems, Trelleborg Engineered Systems, Trelleborg Building Systems and Trelleborg Sealing Solutions. Trelleborg has approximately 22,000 employees in some 40 countries.

### Business concept

Based on its extensive knowledge of polymer technology, markets and customers, Trelleborg develops manufactures and markets functionally oriented products, systems and services.



### Vision

Trelleborg's vision is to be one of the leading global industrial companies primarily within the polymer area by offering:

- our customers products, systems and services of the highest total value
- our employees a stimulating work environment in which to develop
- our shareholders a favourable long term return on their investment

### Objectives

Trelleborg's goal is to capture leading positions and create economies of scale within the areas of research and development, production, marketing and service.

## Financial Information

### Calendar

Interim report January-September  
Year end report 2004  
Annual report 2004  
Annual General Meeting

October 26, 2004  
February 8, 2005  
March 2005  
April 26, 2005

### Financial information

Annual reports, the stakeholder magazine T-TIME and other information on the Trelleborg Group may be ordered from Trelleborg AB, Information Department, Box 153, SE-231 22 Trelleborg, Sweden, by telephone on +46 410-670 09, by fax on +46 410-427 63, by e-mail [info@trelleborg.com](mailto:info@trelleborg.com) or can be downloaded from the Group's website [www.trelleborg.com](http://www.trelleborg.com).

**Invitation to Conference call on October 26, at 16.00 (CET) on +44 20 7162 0188 or just use on of the links to the webcast:**

<http://www.globalleague.com>

[http://195.178.161.233/hearing/financia1.nsf/\(recorded\)/99A18A96A8C8E59CC1256F200044B2A0?OpenDocument](http://195.178.161.233/hearing/financia1.nsf/(recorded)/99A18A96A8C8E59CC1256F200044B2A0?OpenDocument)

### Contacts

**Bo Jacobsson**, Chief Financial Officer

Phone: +46 410-670 99, fax: +46 410-137 45

Mobile: +46 70-685 65 60

e-mail: [bo.jacobsson@trelleborg.com](mailto:bo.jacobsson@trelleborg.com)

**Mikael Byström**, Senior Vice President, Corporate Communications

Phone: +46 410-670 37, fax: +46 410-427 63

Mobile: +46 708-55 21 69

e-mail: [mikael.bystroem@trelleborg.com](mailto:mikael.bystroem@trelleborg.com)

**Viktoria Bergman**, Vice President, Corporate Communications

Phone: +46 410-670 94, fax: +46 410-102 61

Mobile: +46 708-47 57 33

e-mail: [viktoria.bergman@trelleborg.com](mailto:viktoria.bergman@trelleborg.com)

Trelleborg AB (publ)  
Box 153, SE-231 22 Trelleborg, Sweden  
Tel: +46 410-670 00 • Fax: +46 410-427 63  
E-mail: [info@trelleborg.com](mailto:info@trelleborg.com)  
Internet: [www.trelleborg.com](http://www.trelleborg.com)



Press Release

Trelleborg, October 26, 2004

## **Trelleborg initiates negotiations on transfer of tire manufacture from town of Trelleborg**

The Board of Trelleborg AB decided today to call for codetermination negotiations with the affected unions about the closure of tire manufacturing at its Trelleborg facility. The background to the decision is the diminishing market for the type of agricultural tires manufactured in Trelleborg and strongly increasing competition from low-cost countries. A number of alternatives have been evaluated but found to be insufficiently profitable in the long term.

About 4,000 tons of agricultural and forest tires are manufactured annually in the town of Trelleborg, comprising approximately 50 percent of the Group's total sales of cross-ply tire tires. Remaining production of cross-ply tires under Trelleborg brands is already conducted by a number of sub-suppliers. Of the approximately 730 Trelleborg employees in the town, about 160 are affected by tire production. The facility in Trelleborg produces cross-ply tires, the use of which is losing considerable ground in the agricultural sector to radial tires, the type of tires produced at the Group's facility in Tivoli, Italy, among other plants.

The study on which the decision to initiate codetermination negotiations is based assumes that production will be transferred to existing and new outsourcing partners during 2005. In addition, the focus on radial alternatives will gradually increase, entailing increased production at the Group's plant in Italy. Assuming that negotiations are completed successfully, production is expected to continue until the end of 2005. A decision to discontinue tire production will also entail capacity adjustments for mixing, inventory management and administrative support functions at the Trelleborg location. In total, it is estimated that approximately 200 jobs will be affected, with about 130 of these in production and about 70 in administration. The County Labor Board will be advised of these figures during the day.

A review will also be initiated aimed at optimizing the structure of the Group's mixing operations in northern Europe, which include Trelleborg's facility in Hoogezand, in the Netherlands. In the future, the unit in Trelleborg will be developed as an advanced center focusing on mixing and other types of semi-manufactured goods.

The costs for the closure and restructuring measures are expected to total SEK 320 M before tax, of which SEK 125 M will affect cash flow, primarily during 2005. The costs will mainly be charged against earnings for the fourth quarter of 2004. The positive effect on profits will amount to approximately SEK 75 M before tax, with full impact in 2006, of which approximately SEK 70 M will affect cash flow.

Additionally, as a consequence of previous structural measures within Trelleborg Automotive in Europe, certain properties in Breuberg will be written down and certain personnel cutbacks will be made. Costs for these measures are estimated at approximately SEK 175 M before tax, of which about SEK 35 M will affect cash flow. The positive effect on profits will amount to approximately SEK 25 M before tax, with full impact in 2006, of which approximately SEK 20 M will affect cash flow.

The costs for all of the above restructuring measures are expected to amount to SEK 495 M, before tax, and SEK 340 M after tax, of which SEK 160 M will affect cash flow, primarily during 2005. The costs will mainly be charged against earnings for the fourth quarter of 2004. The positive effect on profits will amount to approximately SEK 100 M before tax, with full impact in 2006, of which approximately SEK 90 M will affect cash flow.

In collaboration with union representatives, efforts will immediately be initiated to support those employees who are affected and to plan a program of measures to help them gain new employment both within the Trelleborg Group and externally.

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*For further information, please contact Mikael Byström, Senior Vice President Corporate Communications +46 (0) 410-67037, or +46 0708-552169, or Viktoria Bergman, Vice President Corporate Communications +46 (0)410-67094 or +46 708-475733.*

***Trelleborg** is a global industrial group. Operations are based on spearhead competence within polymer materials and a high level of industrial know-how, combined with functional solutions and systems designed to meet the needs of customers. The Trelleborg Group has annual sales of approximately SEK 22.5 billion, with about 22,000 employees in 40 countries. Trelleborg consists of five business areas: Trelleborg Automotive, Trelleborg Wheel Systems, Trelleborg Engineered Systems, Trelleborg Building Systems and Trelleborg Sealing Solutions. The Trelleborg share has been quoted on the A list of the Stockholm Exchange since 1964. [www.trelleborg.com](http://www.trelleborg.com)*