



YEAR-END REPORT FOR 1999

Profit after net financial items SEK 1,550 M (616)
and earnings per share of SEK 8.60 M (4.20)

•

Profit after net financial items (excluding non comparable items) SEK 974 M (599)
and earnings per share (excluding non comparable items) of SEK 6.35 (4.05)

•

51 percent of Distribution sector divested

•

Acquisition of Invensys AVS

•

Program with right to repurchase up to 10 percent of shares proposed

•

Proposed dividend of SEK 3.25 (2.00)

GROUP

Net sales

The Group's net sales for 1999 totaled SEK 23,345 M (25,041). The decrease was due to the divestment during the year of most of the operations within the Other Activities sector and the sale on November 30, 1999, of 51 percent of the Distribution sector. The Group's Industrial sector posted a 12-percent increase in net sales to SEK 8,701 M, primarily as a result of acquisitions but also through organic growth, mainly in the Trelleborg Automotive business area.

Earnings

Group operating profit for the year totaled SEK 1,551 M (736).

Non comparable items amounted to SEK 576 M. The divestment of 51 percent of the Distribution sector generated a gain of about SEK 950 M. The divestments made within the Other Activities Sector earlier during the year, primarily the holdings in BPA and Sorb Industri, contributed a gain of about SEK 300 M. Provisions of SEK 259 M for the restructuring program in the Industrial sector and the write-down of real estate in an amount of SEK 210 M, closure costs of SEK 170 M in the Other Activities sector and costs for other restructuring items totaling SEK 35 M are included among non comparable items.

The Group's financial net was an expense of SEK 1 M. The financial net was positively affected by exchange-rate gains. Cash inflow in connection with the sale of 51 percent of the Distribution sector generated a positive financial net during December.

Profit after financial income and expense amounted to SEK 1,550 M (616). Excluding non comparable items, profit for the year amounted to SEK 974 M, compared with SEK 599 M in 1998, an improvement of approximately 63 percent.

Tax charges for the year totaled SEK 543 M, of which SEK 316 M was attributable to the sale of 51 percent of the Distribution sector. Taxes paid amounted to slightly more than SEK 100 M.

Net profit for the year totaled SEK 1,006 M (492), corresponding to earnings per share of SEK 8.60. Excluding non comparable items, net profit for the year amounted to SEK 746 M, or SEK 6.35 per share.

Balance sheet, cash flow and investments

The Group's net financial assets totaled SEK 3,499 M (net debt: 3,287). Of this change, SEK 6,685 M derived from the divestment of units, primarily the sale of 51 percent of the Distribution Sector, which affected net debt in an amount of SEK 5,625 M. Cash flow from operations during the year totaled SEK 1,077 M (292).

The gross operating cash flow, meaning operating profit after the reversal of depreciation totaled SEK 1,557 M (1,540).

The Group's liquid funds include the holding of preference shares in Boliden Ltd in a booked amount of SEK 524 M. At year-end 1999, the market value of these shares was about SEK 1,075 M.

Gross investments amounted to SEK 811 M.

The Swedish Staff Pension Society (SPP) has allocated approximately SEK 200 M of its consolidation surplus to the existing companies within the Trelleborg Group. To date, SPP has not stated on what terms or when these funds will be made available.

At the end of the year, the equity/assets ratio was 66.4 percent (54.3). At year-end, shareholders' equity per share totaled SEK 78.50 and the return on shareholders' equity was 10 percent (4.5).

The Group's holding of common stock in Boliden was spun off to shareholders in accordance with the decision taken at the 1999 Annual General Meeting. This corresponded to SEK 6.45 per Trelleborg share.

INDUSTRIAL SECTOR

Net sales within the Industrial sector rose 12 percent to SEK 8,701 M (7,745), primarily as a result of new acquisitions. Operating profit for the year totaled SEK 605 M (554).

Sales to the North American automotive industry were very satisfactory throughout the year. A reversal of the earlier weak trend in demand from general industry and the infrastructure sector in Europe was noted during the final quarter, with increased order bookings as a result.

Integration work relating to the companies acquired and the restructuring program launched during the second quarter are progressing according to plan. The restructuring program, which led to costs of SEK 259 M being charged against Group earnings for the year, is expected to have a positive effect on annual earnings of approx. SEK 75 M, commencing in year 2001.

Trelleborg Automotive

The North American automotive market expanded by 10 percent during the year, compared with 1998. The corresponding growth figure for Europe was 2.5 percent in 1999. In Mexico, the business area was expended though a new plant. The after-effects of the currency devaluation adversely affected the market in Brazil.

Net sales rose to **SEK 2,434 M** (2,219), due to the strong North American market. Operating profit in 1999 amounted to **SEK 247 M** (222). Trelleborg Automotive noted organic growth of 10 percent during the year. The Americas and Laminates business units showed favourable earnings, order bookings and profitability. The Europe business unit is being restructured to operate with fewer but larger production facilities.

Trelleborg Wheel Systems

The market for agricultural tires was weak during the year. The business area's newly developed radial tractor tire, the TM800, received a positive reception from the market, which led to increased market share for Trelleborg

Net sales rose to **SEK 2,770 M** (2,168). Operating profit amounted to **SEK 171 M** (127). The increase was due to the acquisition of Pirelli's agricultural tire operations.

Demand for solid tires for forklift trucks was weak in Europe at the beginning of the year, but recovered. In North America, the strong trend remains unchanged, with high capacity utilization.

The trend in both Southeast Asia and South America, regions that Trelleborg Wheel Systems views as future growth markets, was positive. The integration of Pirelli's tractor tire division was implemented as planned and new market companies were established in Europe.

A restructuring program is in progress in Europe to reduce manufacturing costs by concentrating production and increasing imports from the business area's manufacturing units in Asia.

Trelleborg Engineered Systems

The year was characterized by weak demand for industrial supplies and a reduction in the number of projects from the oil, offshore and infrastructure sectors. Some improvement in demand was noted towards the end of the year.

Net sales totaled **SEK 2,448 M** (2,627). Operating profit amounted to **SEK 62 M** (115).

The decrease was due largely to lower sales within all business units except Technical Laminates.

Despite substantial cost reductions, industrial hose operations posted lower earnings due to pressure on prices and low capacity utilization.

As part of the Group's restructuring program, sections of the production conducted in Trelleborg are gradually being relocated to the plant in France. The number of employees in both locations is being reduced, at the same time as an investment program to increase efficiency is under way in the French plant. The full effects of the restructuring work will be felt in 2001.

The business area's Spanish operations continue to show favourable development, while the build-up phase of the Mexican operations has involved start up costs.

Trelleborg Building Systems

Demand within the Swedish building market increased, while the trend in the business area's other European markets remained sluggish. Bitumen-based roof-sealing products showed favourable growth, which combined with the acquisition of the roofing materials company Trebolit have created a rational production structure and improved profitability.

The weak trend in the Russian market led to lower sales within the consumer sector. Through the acquisition of DiPro Dichtungsprofile, Germany's leading manufacturer of extruded sealing strips made from TPE material, the business area's position as the leading supplier to the European building-related industry was strengthened.

Net sales totaled SEK 1,370 M (1,178). Operating profit amounted to SEK 142 M (135). The costs of marketing operations in Germany and the development of new products within the rubber sheeting and roofing materials product segments have burdened operating earnings for the year.

DISTRIBUTION SECTOR

Note: Comments and figures relate to the period January 1 through November 30, 1999 and full-year 1998

In line with the Group's strategic policy of concentrating on Industrial sector operations, 51 percent of the Distribution sector was sold to Nordic capital at the end of November for a price corresponding to SEK 6,500 M for the entire operation on a debt-free basis. The divestment generated a capital gain of SEK 950 M and cash flow of SEK 5,625 M. The sale of 51 percent in a restructured Distribution sector (Trenor-holding), means that the operations of the sector were consolidated in the Group accounts through November 30, 1999, after which they are reported in accordance with the equity accounting method. The Trelleborg Group's book value for the remaining 49 percent is SEK 0.

The Trelleborg Group intends to liquidate the remaining holding within a four- year period through Trenor-holding either selling-off or exchange-listing the four sub groups – Ahlsell, Bröderna Edstrand, Reynolds and Starkki.

The price level noted above, for which the operations were sold, corresponds to 13 times the average operating profit for 1998/99.

Ahlsell

During the first three quarters of the year, Ahlsell showed favourable growth within all areas. A certain decline occurred during the final quarter. However, this trend was reversed at the beginning of year 2000. The integration of the Skoogs division, which was completed during 1999, resulted in considerable costs of a nonrecurring nature. During the fourth quarter, the Norwegian heating and plumbing supplies wholesaler Sjölie & Birch was acquired. Integration work is proceeding according to plan. The operations established in Denmark are also developing as planned, while the now-concluded discontinuation of heating and plumbing supplies operations in Poland was more costly than estimated.

On the whole, Ahlsell is well equipped to meet year 2000, with operations established in all of the Nordic countries – in Finland via LVI-Tukku, which has been an Ahlsell subsidiary since December.

The building market, upon which Ahlsell is dependent, is expected to develop favourably, particularly in Sweden and Finland, where Ahlsell conducts most of its operations. Net sales totaled SEK 5,177 M in 1999 (5,342). Operating profit amounted to SEK 210 M (260).

Bröderna Edstrand

Operations developed favourably for Bröderna Edstrand during the second half of 1999, with rising metals prices and a more advantageous delivery mix, which resulted in improved earnings during this period. The business area's investment in the Baltic States is proceeding according to plan, but has resulted in extra costs during the start-up phase. In December, Finland's Starckjohann Steel became a subsidiary of Bröderna Edstrand making the company the largest independent steel wholesaler in Europe.

Net sales totaled SEK 2,077 M in 1999 (2,328). Operating profit amounted to SEK 81 M (85).

Reynolds

Reynolds encountered an improved French market, where the integration of Testas was concluded. The effects of the co-ordination program were clearly evident in the combined earnings of Intermetaux and Testas. The UK market remained weak, which led to a deterioration in earnings for the British subsidiary.

Net sales for the first 11 months of the year totaled SEK 1,004 M (1,054). Operating profit amounted to SEK 16 M (9).

Starckjohann

Starckjohann's Auto operations were sold during the year, which led to a drop in sales of approximately SEK 270 M compared with 1998.

The building materials operations of Starkki, which showed weak development during the first three quarters of 1999, improved during the final months and are in line with expectations in terms of gross profit levels. During the final quarter, Starckjohann Steel's major investment in a new steel service centre in Lahtis was completed. Start-up activities functioned well and full capacity utilization is planned for 2001.

In relation to the sector as a whole, LVI-Tukku reported a favourable trend of sales, but market price pressure resulted in an unchanged level of earnings.

Since December 1999, the Starckjohann group has been demerged through Starkki becoming an independent subsidiary, while Starckjohann Steel has been incorporated and sold to Bröderna Edstrand. Starckjohann, consisting of LVI-Tukku, has been sold to Ahlsell.

OTHER ACTIVITIES SECTOR

Net sales declined sharply as a result of the divestment of operations and amounted to SEK 1,169 M (2,596) in 1999. The divestment of the operations contained in Other Activities has largely proceeded according to plan. All that now remains of this sector, apart from a few non-core properties, is the US metals recovery company, Metech. Operating profit for the year totaled SEK 28 M (46). The divestment of the sector's units has contributed a cash inflow of SEK 919 M.

Personnel

The average number of employees in the Trelleborg Group during the year was 12,655 (13,895).

Streamlining process largely completed

Following the divestment of operations in the Distribution and Other Activities sectors, the streamlining process to concentrate on industrial operations has now been largely completed. As shown clearly by the consolidated balance sheet, the Group's financial resources have to a large extent been released for the expansion phase.

Furthermore, effective March 1, the Group organization will be adapted to reflect the new structure. The organization will concentrate on the implementation of an effective expansion process, in parallel with a focus on an increased earnings capacity for existing industrial operations.

Acquisition of Invensys AVS operations

In December 1999, an agreement was signed regarding Trelleborg's acquisition of the Invensys Group's operations in the antivibration area (BTR AVS), with annual sales of SEK 4,200 M and 4,000 employees. The acquisition, which is expected to be consolidated as of March 1, 2000, will make Trelleborg Automotive the world leader in this product area. The acquisition is in line with the Group's new strategy. The price of about SEK 2,100 M corresponds to approximately a multiple of five on earning before depreciation for the past year.

A substantial restructuring program is being planned to rapidly integrate operations and gain a full effect within a two-year period. In terms of growth opportunities, however, the full effect will not be felt until some years later, due to the sector's structure.

The Group's earnings per share are expected to be positively affected as early as during year 2000.

Dividend proposal

The Board of Directors and the President propose that the shareholders should be paid a cash dividend of SEK 3.25 per share for the 1999 financial year.

Program for repurchase of shares

It is the Board's intention to propose that the Annual General Meeting authorize the Board to repurchase up to 10 percent of the shares outstanding in the company, in line with proposed new legislation in Sweden. Depending on the rate of expansion, these shares can subsequently be used as payment for acquisitions, or redeemed.

Options program for executives

The Board intends to propose that the Annual General Meeting authorize the Board to issue a multi-year call option program to the Group's executives. The scope of the program and its terms and conditions are currently being studied and details will be presented prior to the Annual General Meeting in April.

Outlook for 2000

To a large extent, trends in the Group's most important markets in 2000 are similar to those encountered during the second half of 1999. The North American automotive industry had an excellent year in 1999. It is reasonable to assume that this market will weaken slightly during year 2000. Most forecasts indicate a soft landing, however, with continued, relatively high volumes. The European automotive industry is expected to show a trend similar to that of the preceding year in 2000, with relatively good volumes.

In terms of key customer segments for the Group's industrial supplies, such as materials handling, oil and process industries, particularly in the North American market, trends are now considered to be turning upward.

Relatively high GDP growth in Scandinavia and large areas of the rest of Europe indicates better demand and an accompanying lift in industrial production, which will benefit most of the Trelleborg business areas.

During 2000, the Group's focus will be on achieving better earnings for its existing operations and continued expansion.

A development plan has been formulated for the Group's existing operations that will support increased profitability over the long term. The plan includes the restructuring program, which led to costs of SEK 259 M being charged against Group earnings for 1999, and which is expected to have a positive effect on annual earnings of SEK 75 M, commencing in year 2001. Half of this effect is estimated to be achieved during 2000.

The full effect of the acquisition of BTR AVS is expected to be felt during the next two years and to make a positive contribution to earnings per share as early as during the current year.

Additional positive effects on earnings can be obtained when non-core assets are sold, for example parts of the Trenor holding, and/or the Boliden preference shares. On top of this, there is the possible allocation of approximately SEK 200 M from SPP, which could be received later this year.

The Group is well equipped to continue its structural transformation into a focused industrial group, with a good long-term earnings capacity.

Trelleborg, February 14, 2000

Fredrik Arp
President and C.E.O.

For further information, please contact
CFO, **Jan Björck**, phone: +46 (0)410 670 28,
or Senior Vice President Corporate Communications, **Mikael Byström**,
phone: +46 (0)410 670 37, mobile: +46 (0)708 55 21 69

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 special examination by Trelleborg AB's auditors.
The interim report for the period Jan-March 2000 will be published on April 13, 2000.

Income statements

Group SEK M	October-December			
	1999	1998	1999	1998
Net sales	5,025	6,465	23,345	25,041
Cost of goods sold	-4,032	-5,254	-18,595	-20,164
Gross profit	993	1,211	4,750	4,877
Selling, administration and R&D expenses	-795	-1,122	-3,914	-4,168
Non comparable items	649	0	576	17
Other operating revenues and expenses	22	120	84	193
Pre-tax profit/loss from participations in associated companies	12	-33	55	-183
Operating profit	881	176	1,551	736
Financial income and expense	26	-34	-1	-120
Profit after financial items	907	142	1,550	616
Taxes	-349	44	-543	-81
Minority shares	1	0	-1	-43
Net profit for the period	559	186	1,006	492

Balance Sheets

Group SEK M	December 31	December 31
	1999	1998
Intangible assets	1,155	2,483
Tangible assets	3,008	4,718
Financial assets	1,476	4,167
Inventories	1,556	4,042
Receivables	2,367	4,233
Liquid funds	4,331	855
Total assets	13,893	20,498
Shareholders' equity	9,213	10,975
Minority shares	12	156
Provisions	860	1,050
Long-term liabilities	1,535	3,758
Current liabilities	2,273	4,559
Total shareholders' equity and liabilities	13,893	20,498

Cash flow analysis

SEK M	1999	1998
<i>Ongoing operations</i>		
Profit after financial items	1,550	616
<i>Reversals:</i>		
Depreciation	637	621
Non comparable items	-576	-17
Share in result of associated companies	-55	193
	1,556	1,413
Taxes paid	-117	-39
Cash flow from ongoing operations before changes in working capital	1,439	1,374
Change in working capital	331	-940
Cash flow from ongoing operations	1,770	434
Change in other receivables and liabilities	-236	-470
Acquisitions	-387	-1,297
Gross investments in tangible and intangible assets	-811	-806
Sale of equipment	-	15
Cash flow from investment operations	-1,198	-2,088
Divestments	6,685	247
Cash flow from financing operations	-3,519	-871
Cash flow for the year	3,502	-2,748
Exchange rate differences in liquid funds	-26	30
Liquid funds at year-end	4,331	855

Key figures, Group

	1999	1998
Return on shareholders' equity, after full tax, %	10.0	4.5
Equity/assets ratio, %	66.4	54.3
Earnings per share, after full tax, SEK	8.60	4.20
Earnings per share, after full tax and full conversion, SEK	8.30	4.20
Earnings per share, after full tax, excluding non comparable items, SEK	6.35	4.05
Earnings per share, after full tax and full conversion excluding non comparable items, SEK	6.20	4.05
Shareholders' equity per share, SEK	78.50	93.55
Financial assets, minus liabilities at end of period, SEK M	3,499	-3,287
Investments in plant, SEK M	811	806
Average number of shares after full conversion	122,612,286	117,341,524

Group review

SEK M	Net sales			
	October-December		1999	1998
	1999	1998	1999	1998
Trelleborg Automotive	629	586	2,434	2,219
Trelleborg Wheel Systems	626	512	2,770	2,168
Trelleborg Engineered Systems	614	641	2,448	2,627
Trelleborg Building Systems	360	317	1,370	1,178
Other	-40	-108	-321	-447
Industrial Sector	2,189	1,948	8,701	7,745
Ahlsell	1,123	1,514	5,177	5,342
Bröderna Edstrand	406	581	2,077	2,328
Reynolds	197	258	1,004	1,054
Starckjohann	970	1,551	5,284	6,068
Other	—	—	—	—
Distribution Sector ¹⁾	2,696	3,904	13,542	14,792
Other companies	155	645	1,169	2,596
Group items	—	—	—	—
Eliminations	-15	-32	-67	-92
Boliden	—	—	—	—
Group total	5,025	6,465	23,345	25,041

SEK M	Operating profit/loss			
	October-December		1999	1998
	1999	1998	1999	1998
Trelleborg Automotive	67	60	247	222
Trelleborg Wheel Systems	41	21	171	127
Trelleborg Engineered Systems	7	22	62	115
Trelleborg Building Systems	37	31	142	135
Other	-4	-10	-17	-45
Industrial Sector	148	124	605	554
Ahlsell	69	96	210	260
Bröderna Edstrand	20	16	81	85
Reynolds	5	-6	16	9
Starckjohann	34	28	144	182
Other	1	—	—	-8
Distribution Sector ¹⁾	129	134	451	528
Other companies	-1	2	28	46
Group items	-44	-36	-109	-165
Noncomparable items	649	—	576	17
Boliden	—	-48	—	-244
Group total	881	176	1 551	736

¹⁾ Through November 1999

Key operations ratios

	Operating margin		Return on capital employed	
%	1999	1998	1999	1998
Trelleborg Automotive	9.0	9.4	17.3	16.7
Trelleborg Wheel Systems	6.2	5.9	11.0	10.8
Trelleborg Engineered Systems	2.5	4.4	5.0	9.8
Trelleborg Building Systems	10.3	11.4	19.0	22.0
Industrial Sector	6.6	7.0	12.0	12.7
Ahlsell	4.1	4.9	15.6	19.1
Bröderna Edstrand	3.9	3.7	25.2	21.8
Reynolds	1.6	0.9	8.2	4.1
Starckjohann	2.7	3.0	7.1	9.0
Distribution Sector ¹⁾	3.3	3.6	11.6	13.2
Other companies	0.5	—	2.2	2.4
Boliden	—	—	—	-10.2
Total Group ²⁾	3.9	3.6	9.4	5.9

	Average capital employed	
SEK M	1999	1998
Trelleborg Automotive	1,431	1,325
Trelleborg Wheel Systems	1,558	1,182
Trelleborg Engineered Systems	1,252	1,178
Trelleborg Building Systems	746	611
Other	53	53
Industrial Sector	5,040	4,349
Ahlsell	1,471	1,361
Bröderna Edstrand	353	390
Reynolds	217	227
Starckjohann	2,193	2,026
Other	6	15
Distribution Sector ¹⁾	4,240	4,019
Other companies	1,062	1,891
Group items	39	-103
Boliden	—	2,394
Total Group	10,381	12,550

¹⁾ Through November 1999

²⁾ Excluding non comparable items

Cash flow report

January-December 1999	Profit/loss excl associated companies and non comparable items	Depreciation	Gross investments	Other changes in capital employed	Total operating cash flow
SEK M					
Trelleborg Automotive	218	102	-110	-40	170
Trelleborg Wheel Systems	171	126	-117	42	222
Trelleborg Engineered Systems	62	90	-140	-44	-32
Trelleborg Building Systems	141	59	-31	25	194
Other	-18	8	-7	38	21
Industrial Sector	574	385	-405	21	575
Ahlsell	210	62	-73	-46	153
Bröderna Edstrand	81	18	-24	-22	53
Reynolds	16	7	-2	-12	9
Starckjohann	144	99	-190	130	183
Other	0	1	0	6	7
Distribution Sector ¹⁾	451	187	-289	56	405
Other companies	4	58	-111	187	138
Group items	-109	7	-6	67	-41
Operating cash flow	920	637	-811	331	1,077
Acquisitions					-387
Divestments					6,685
Dividend to shareholders					-235
Other (financial transactions, taxes etc)					-354
Change in financial net assets/liabilities					6,786

¹⁾ Through November 1999