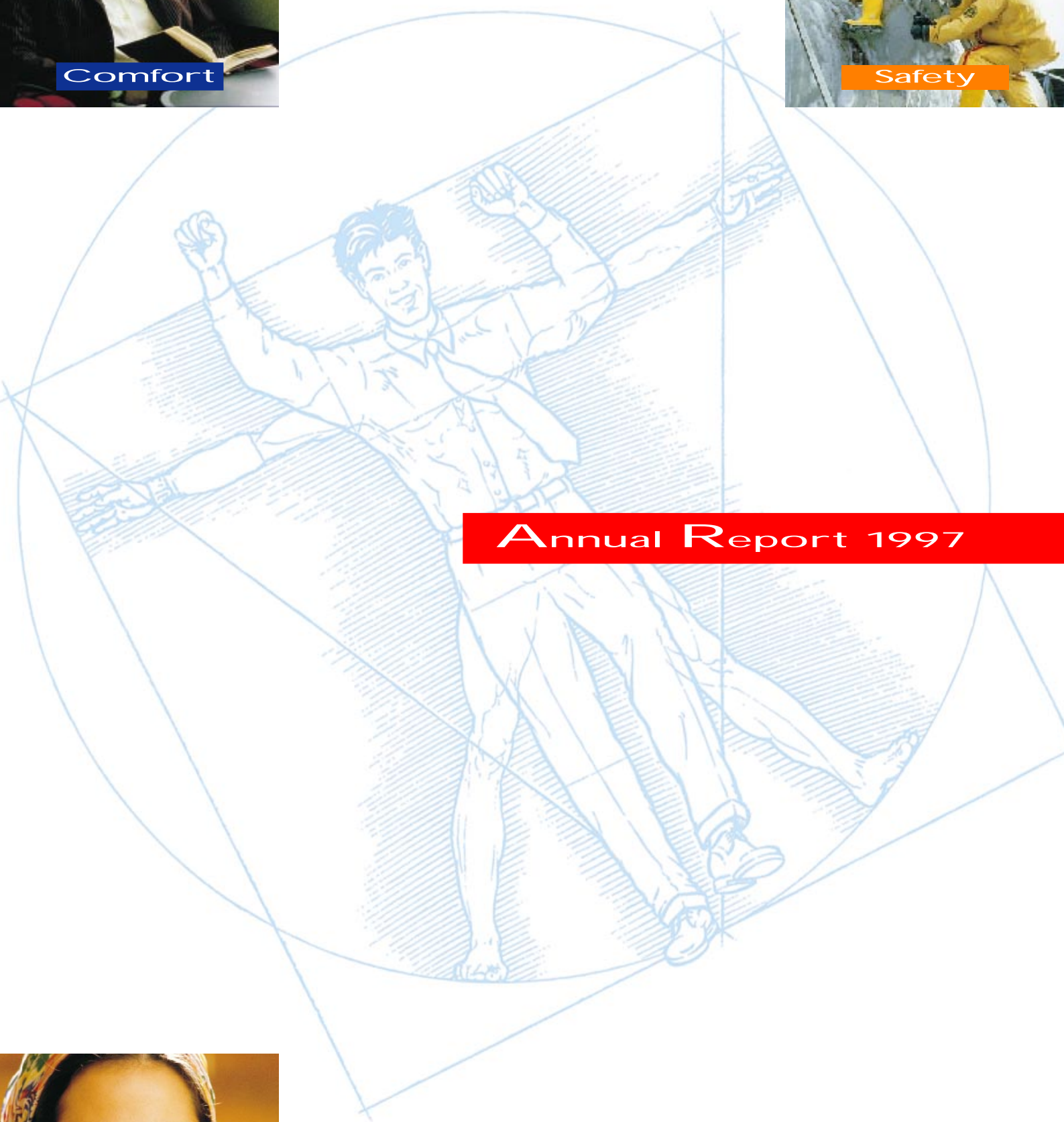




Comfort



Safety



## Annual Report 1997



Environment

  
**TRELLEBORG**  
INDUSTRIES & DISTRIBUTION



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## Reader information

Figures in parantheses refer to 1996 unless otherwise stated. The abbreviation SEK for Swedish kronor is used throughout. "Thousands of SEK" is abbreviated SEK K and "millions of SEK" is abbreviated SEK M.

"Trelleborg" comprises both Trelleborg AB and the Trelleborg Group. Glossaries are found on page 88 which explain certain technical and financial terms. Words defined on these pages are marked with a ▲.

This Annual Report is also available in Swedish.

Denna årsredovisning finns även i en svensk version.





# 1997 Highlights

- Listing of Boliden Ltd on the stock exchanges in Toronto and Montreal.
- Acquisition of the American company, Yale-South Haven Inc, which has manufacturing units in the USA and Mexico.
- Acquisition of the Swedish electrical wholesaler, Skoogs.
- Acquisition of majority holdings in the Finnish wholesaler, Starckjohann.
- Sales of newly-acquired companies exceed the loss of sales involved in listing Boliden on the stock exchanges.
- During the year, earnings after financial income and expenses increased by SEK 1,532M to SEK 2,550M.  
Earnings after tax were SEK 2,038M, equivalent to SEK 17.40 per share (8.60).
- SEK 100M is invested in a new research center.
- The proposed dividend is SEK 3.50 per Series A and Series B share (3.00) plus a bonus of SEK 1.50 (0) per share.

Key figures, Trelleborg Group

		1997	1996
Invoiced sales, SEK M	20,825	20,574	1,018
Earnings after financial items, SEK M	2,550	1,003	10.9
Net earnings, SEK M	2,038		9.5
Return on shareholders' equity after full tax, %	19.9	49.6	8.60
Return on operating capital, including associated companies, excluding items affecting comparability, %	12.6	8.60	8.60
Equity/assets ratio, %	53.8		80.40
Earnings per share after full tax, SEK	17.40	- 464	1,134
Ditto, excluding items affecting comparability	7.65	13,086	3.00
Shareholders' equity per share, SEK	94.20	90.50	
Financial assets less liabilities at year-end, SEK M	- 868		
Capital expenditure, SEK M	963		
Average number of employees	13,525		
Dividend per Series A and B share <sup>1)</sup> , SEK	3.50		
Market price at December 31, Series B share, SEK	100.00		

<sup>1)</sup> For 1997, in accordance with the proposal of the Board of Directors and the President, excluding bonus of SEK 1.50 per Series A and Series B share. For a more detailed summary of the financial developments and other key figures as well as definitions, see pages 88–89.



# Comments by *the President*

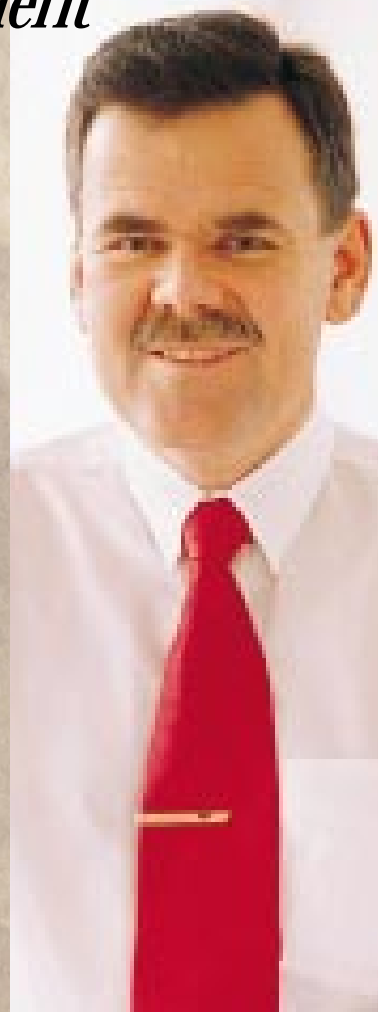
"A concentration to our core operations." For us, at Trelleborg, this is no empty phrase but rather a statement of practical reality and an excellent description of the program of measures upon which we have expended a great deal of time and energy in recent years.

## **Boliden to Canada**

The decision last year to list Boliden in Toronto and Montreal may be said to represent the culmination of all our work in this area, and it was a decisive step on the way towards achieving today's Trelleborg – a streamlined industrial and distribution Group. At virtually the same time as our decision to list Boliden on the Toronto Stock Exchange, we acquired the US rubber company, Yale-South Haven, with annual sales of around SEK 1 billion, and the much smaller, but strategically equally important, Park Rubber in Great Britain.

This "flying start" to our 1997 financial year illustrates very well the policy we have followed for a number of years, namely: concentration to our core business and the divestment of those activities which, according to our strategic plan, can no longer be defined as core operations – with expansion and globalization as our main goal.

Bearing in mind the Group's already intensive workload, the decision to introduce Boliden on the Toronto Stock Exchange was a real challenge. At the same time, we implemented – in record time – an extensive expansion within both our industrial and distribution areas of operations.



Kjell Nilsson, President and CEO.

The listing of Boliden Ltd was well received and the entire 55 percent block of the company's shares was fully subscribed. Trading in the Boliden share on the Toronto Exchange commenced on June 17.

Later, like all of the world's other mining companies, Boliden was affected by falling metal prices and, at the end of the year, by the adverse effects of the financial crisis in Asia. However, in contrast to many of its competitors, Boliden was able to improve its earnings during 1997. During this period, the company also managed to take yet another important step in its development by acquiring the mining company,

# *Continued*

Westmin Resources. Canada-based Westmin has very attractive operations in western Canada and Chile.

## **Trelleborg's core operations**

If we look, then, at Trelleborg's core operations, I can start by noting that our industrial operations had a good year in 1997. Demand was favorable and all of the business areas consolidated their market positions.

A number of strategic acquisitions further strengthened Trelleborg's position as one of the leading producers of industrial rubber. The goal is that the Trelleborg Group will become one of the five largest producers of industrial rubber in the world, at the beginning of the next millennium.

Our distribution operations are also continuing to make rapid progress. The goal for them is that at the turn of the millennium Trelleborg shall have become a full-line distributor of heating & plumbing, electrical, refrigeration and tool products in Scandinavia and the Baltic area. And we are already well on the way. Factors which contributed significantly to this good start were the acquisitions in 1997 of Swedish electric goods wholesaler, Skoogs, and a majority interest in the major Finnish wholesaler, Starckjohann. During 1997, we also acquired the Polish company, Elwar, and a couple of Norwegian distributors, PeFo and Hillco.

In our opinion, conducting operations within both the industrial and distribution areas is a highly successful combination, since these activities complement each other very well. The Group's forceful expansion and globalization in the years ahead will



# *expansion*

necessitate good access to major capital resources. A significant part of the financing is based on the strong positive cash flow generated within the Group's distribution operations

## **More efficient organization**

In addition to the acquisitions, divestments and ongoing operations, we spent 1997 reviewing the Group's principal organization. Our operations are now organized in a manner that provides us with better opportunities to profitably exploit coordination gains and utilize our potential to become more efficient. At the same time, we have been provided with greater direct contact and shorter decision-making channels by removing a level in the organization between the business areas and the Group's executive management.

Today, Trelleborg is organized in eight business areas, four with industrial operations and four with distribution operations. Parallel with the restructuring of the company, we are currently informing the external world about the advantages associated with our products and services and how they serve to improve the quality of our everyday lives. The simple fact is, that most of our products directly or indirectly improve the comfort, safety and environment for most of us.

This is by no means a new concept for any of us within Trelleborg, but our ambition now is to communicate the message to a wider audience of stakeholders, both at home in Sweden and abroad. Many of you will already have seen examples of this in our advertising campaigns during the winter and spring which, following a

break during summer 1998, will return again in the autumn.

## **Focus on Technical Center**

At the time of writing, we are some way into 1998 and there are a number of good reasons why we should, at this stage, take a look at events ahead. Our work continues in accordance with our strategic plan, which very briefly can be summarized by the words: "expansion" and "globalization." But our focus is not merely confined to the expansion of markets and volumes; our aim is to also increase the technological content of our products.

It is against this background that one should view the SEK 100 million investment in the Group's technical development center in Trelleborg.

The current upgrade and modernization of the Technical Center is a strong indication of our confidence in the future. A state-of-the-art Technical Center gives us greater possibilities, working jointly with researchers from universities and colleges of technology, to further improve our products – and find new areas of application for them.

It is our ambition that the Technical Center becomes a respected and leading arena for polymer research!

## **Asia – an opportunity**

The crisis in Asia does nothing to diminish our confidence in the future. Rather, we regard it as a necessary correction to a sometimes inflated market value. At the same time, we are conscious of the fact that all those exposed to competition from the Asian economies – in which devaluations of up to 50 percent have occurred – face a real challenge.

In the Trelleborg Group, we find ourselves in a position where we both obtain raw materials from Southeast Asia and are currently building up our own production operations in the region – with a plant in Shanghai. We see an opportunity here to improve the terms of our raw-materials purchasing and our production potential in the area.

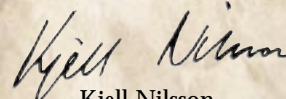
One factor that is of crucial importance to the development of our distribution operations is the domestic building market, which has led a languishing life, to say the least, during recent years.

As a result of their skillful adjustment to the changed customer structure, changed demand patterns and the penetration of partly new markets, both Ahlsell and Bröderna Edstrand have succeeded in maintaining a good level of volumes and earnings.

## **New challenges**

Naturally, no one company can hope to influence global economic developments. Instead, we must concentrate our efforts to monitoring and trying to anticipate developments, thereafter adapting our operations to prevailing and expected conditions.

Each new financial year brings with it new challenges, and I am convinced that 1998 is a year during which Trelleborg will experience a number of positive changes – both within and outside the company.



Kjell Nilsson  
Trelleborg, March 1998

Comfort



Environment

The strive for well-being is one of mankind's most basic and fundamental driving forces. It's about making life easier, more manageable and comfortable in a variety of ways. Making the functions more quiet, quick, soft...

Trelleborg has a series of products and services that strive to improve comfort. Some examples are scaling systems, low-pressure tires, antivibration systems, brake shims and sealing strips.



Rail passengers in Great Britain travel in comfort partly as a result of antivibration systems from Trelleborg.

But comfort is not only a question of sound product properties for our customers. It is also

an important starting point for our service. We are doing our part to make life easier and less complicated for our customers and customers' customers.

From initial contact to after-sales.





The Trelleborg Group has undergone vigorous restructuring in recent years and is now a well-structured industrial and distribution group.

Now that Boliden, the mining and metal company, is listed on the Toronto Stock Exchange, the Group consists of eight business areas as of January 1, 1998: Trelleborg Automotive, Trelleborg Wheel Systems, Trelleborg Engineered Systems, Trelleborg Building Systems, Ahlsell, Bröderna Edstrand, Reynolds and Starckjohann.

## Continued expansion

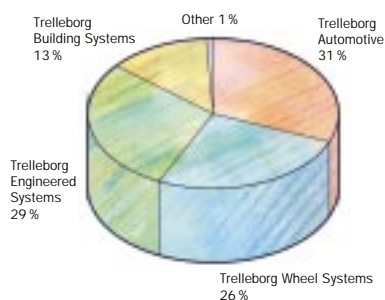
During 1997, expansion continued in line with already presented strategies. With an increased presence on the most important markets of the respective business area, market shares are also increasing.

The combined sales of acquired companies and operations exceed the loss of sales brought about by the listing of Boliden on the stock exchanges.

The Group's operations are based on customers demands on the respective markets.

For the industrial operations this means, among other things, a continued global expansion and close cooperation with customers aimed at jointly developing the best possible products.

Sales of industrial operations distributed by business area



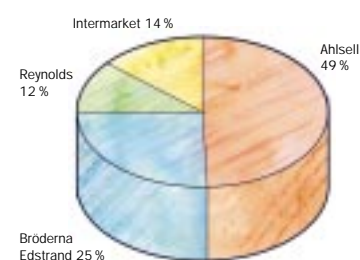
In total, Group external sales of the industrial operations amounted to SEK 6,820M in 1997.



Trelleborg's products and services within the industrial and distribution operations are an important component in modern society. The Group contributes to more comfortable, safer and environmentally-friendly developments.

To increase competitiveness, the four business areas included in the industrial operations shall take advantage of the synergies inherent in the Group's collective resources, such as research and development, marketing, human resources management and information technology.

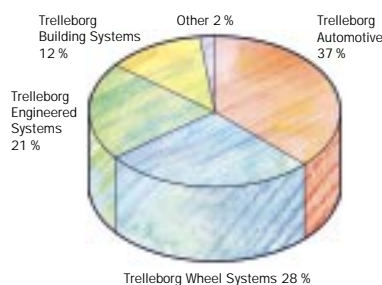
Sales of distribution operations distributed by business area



In total, Group external sales of the distribution operations amounted to SEK 8,270M in 1997.

In the distribution operations, expansion is concentrated in the Baltic area. The well-known wholesaler names have a strong position on their domestic markets in Scandinavia and the objective is also to strengthen the market positions in Finland, Poland and the Baltic States.

Average operating capital employed in industrial operations distributed by business area



Average operating capital employed in industrial operations amounted to SEK 3,581M in 1997.



The utilizing of centralized logistics systems strengthens the purchasing situation for the distribution operations.

### Sales

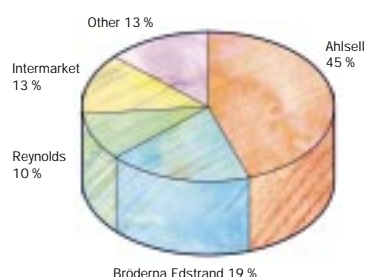
During the year, Group-invoiced sales increased from SEK 20,574M to SEK 20,825M. Excluding Boliden, invoicing amounted to SEK 16,804M (12,681). For the industrial operations, invoicing amounted to SEK 6,820M (4,685) – an increase of SEK 2,135M. Newly-acquired companies accounted for approximately SEK 1,700M of the increase. For comparable units, the sales increase was approximately 9 percent. Invoicing by the distribution operations increased to SEK 8,270M (7,267), of which newly-acquired companies contributed approximately SEK 630M.

### Results

Operating income, excluding items affecting comparability, totalled SEK 1,300M (877), a 48 percent improvement in earnings. Operating income of the industrial operations increased by 50 percent – from SEK 296M to SEK 445M. The newly-acquired companies accounted for the majority of the earnings improvement.

Operating income of the distribution operations improved by 21 percent to SEK 359M (297). The

Average operating capital employed in distribution operations distributed by business area



Average operating capital employed in distribution operations amounted to SEK 1,836M in 1997.

### Operating income by business area per quarter <sup>1)</sup>, 1997

SEK M	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Full-year
Trelleborg Automotive	28	67	46	66	207
Trelleborg Wheel Systems	25	28	23	24	100
Trelleborg Engineered Systems	23	32	8	7	70
Trelleborg Building Systems	11	29	40	32	112
Other	4	- 22	- 8	- 18	- 44
<b>Industrial operations</b>	<b>91</b>	<b>134</b>	<b>109</b>	<b>111</b>	<b>445</b>
Ahlsell	11	40	43	72	166
Bröderna Edstrand	23	30	29	16	98
Reynolds	3	5	8	0	16
Intermarket	15	18	25	27	85
Other	- 3	- 2	- 1	0	- 6
<b>Distribution operations</b>	<b>49</b>	<b>91</b>	<b>104</b>	<b>115</b>	<b>359</b>
Boliden	185	206	126	72	589
Other <sup>2)</sup>	- 16	- 7	- 34	- 36	- 93
<b>Group total</b>	<b>309</b>	<b>424</b>	<b>305</b>	<b>262</b>	<b>1,300</b>

<sup>1)</sup> Including participations in associated companies.

<sup>2)</sup> Comprises Groupwide costs. In addition, Metech International, Inc., Sorb Industri AB, Trelleborg NV-SA, Chapman and Velox are included.

Footnote: Starckjohann is not included in 1997 operating income.

improvement is partly due to the fact that 1996 operating income was charged with inventory losses.

Effective July 1997, the Group's 44.9 percent holding in Boliden Ltd is reported as share in profits of associated companies. For the entire year, the Trelleborg Group's share in Boliden generated earnings of SEK 589M compared with SEK 441M in the previous year, i.e. an earnings improvement of SEK 148M despite the fact that Trelleborg reduced its share in Boliden during the second half of the year.

Items affecting comparability amounted to SEK 1,309M net (0). These include a capital gain of SEK 1,468M on the sale of the shares in Boliden Ltd, as well as provisions of SEK 159M relating to costs for restructuring within the Group. Operating income including items affecting comparability amounted to SEK 2,609M (877).

Financial income and expenses amounted to SEK -59M (141). The change is due to the higher average net debt ratio during the year and the fact that the certificates of claim for the Falconbridge shares matured for payment in July 1996 and January 1997. Earnings after financial income and expenses totalled SEK 2,550M (1,018).

Earnings after minority interest and tax amounted to SEK 2,038M (1,003), which is equivalent to SEK 17.40 per share (8.60).

Return on shareholders' equity after tax amounted to 19.9 percent (10.9) and on operating capital employed, including items affecting comparability, to 25.3 percent (9.5). Excluding items affecting comparability, return on operating capital employed was 12.6 percent (9.5).

For further information, see comments under the section "Financial reporting" page 58, etc. and the reporting of the respective business areas, page 20, etc.

### Financial position

The Group's net liability increased from SEK 464M to SEK 868M. The rise in the debt ratio of SEK 404M is due to the sales settlement for the Boliden shares (SEK +4,357M), dividend to the shareholders (SEK -424M), acquisitions (SEK -4,153M) and the balance of earnings generation, and increased capital tied up in capital employed.

The equity ratio increased by 4.2 percentage points to 53.8 percent. SEK 963M was invested in tangible fixed assets.

### Personnel

The average number of employees increased by 439 to 13,525. At the year-end, the Group had 13,443 employees. Of this figure, 4,818 were employed in Sweden and 8,625 abroad.

## Sales and operating income by business area

	Invoiced sales, SEK M			Operating income <sup>1)</sup> , SEK M		
	1997	1996	±%	1997	1996	±SEK M
Trelleborg Automotive	2,120	1,005	+ 111	207	71	+ 136
Trelleborg Wheel Systems	1,774	1,462	+ 21	100	99	+ 1
Trelleborg Engineered Systems	1,973	1,470	+ 34	70	44	+ 26
Trelleborg Building Systems	895	678	+ 32	112	77	+ 35
Other	58	70	- 17	- 44	5	- 49
<b>Industrial operations</b>	<b>6,820</b>	<b>4,685</b>	<b>+ 46</b>	<b>445</b>	<b>296</b>	<b>+ 149</b>
Ahlsell	4,084	3,344	+ 22	166	164	+ 2
Bröderna Edstrand	2,093	2,134	- 2	98	65	+ 33
Reynolds	963	829	+ 16	16	3	+ 13
Intermarket	1,130	960	+ 18	85	62	+ 23
Other	—	—	—	- 6	3	- 9
<b>Distribution operations</b>	<b>8,270</b>	<b>7,267</b>	<b>+ 14</b>	<b>359</b>	<b>297</b>	<b>+ 62</b>
Boliden	4,021	7,893	- 49	589	441	+ 148
Other <sup>2)</sup>	1,714	729	+ 135	- 93	- 157	+ 64
Items affecting comparability				1,309	—	+ 1,309
<b>Total Group</b>	<b>20,825</b>	<b>20,574</b>	<b>+ 1</b>	<b>2,609</b>	<b>877</b>	<b>+ 1,732</b>

<sup>1)</sup> Including participations in associated companies

<sup>2)</sup> From July 1997, operating income includes the share in Boliden Ltd (44.9%)

<sup>3)</sup> Comprises Group-wide costs. In addition Metech International, Inc., Sorb Industri AB, Trelleborg NV-SA, Chapman and Velox are included

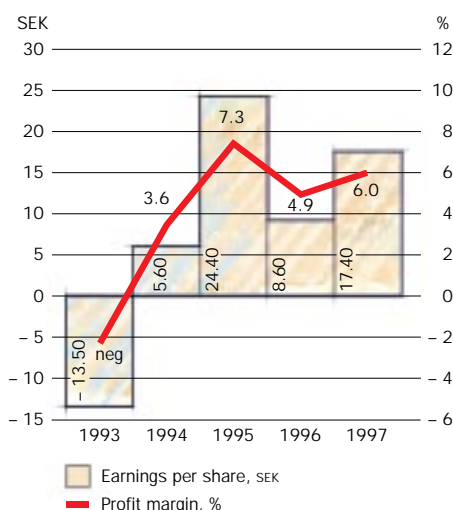
Starckjohann is not included in 1997 operating income.

## Operating key figures

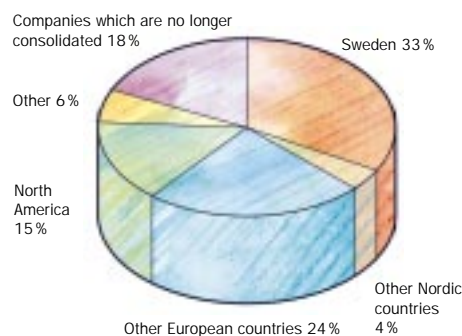
	Average capital employed, SEK M		Operating margin, % <sup>1)</sup>		Return on capital employed, % <sup>2)</sup>	
	1997	1996	1997	1996	1997	1996
Trelleborg Automotive	1,335	493	8.5	6.7	15.5	14.4
Trelleborg Wheel Systems	977	798	5.5	6.5	10.3	12.4
Trelleborg Engineered Systems	751	487	3.5	2.9	9.4	9.1
Trelleborg Building Systems	447	321	12.1	11.2	25.1	24.0
Other	71	126	—	—	—	—
<b>Industrial operations</b>	<b>3,581</b>	<b>2,225</b>	<b>6.2</b>	<b>6.3</b>	<b>12.4</b>	<b>13.3</b>
Ahlsell	820	646	4.0	4.8	20.2	25.4
Bröderna Edstrand	337	377	4.6	3.0	29.1	17.4
Reynolds	191	177	1.7	0.4	8.4	1.9
Intermarket	243	253	7.5	6.5	35.1	24.6
Other	245	- 5	—	—	—	—
<b>Distribution operations</b>	<b>1,836</b>	<b>1,448</b>	<b>4.3</b>	<b>4.0</b>	<b>19.5</b>	<b>20.5</b>
Boliden	3,624	4,382	7.8	4.6	16.3	10.2
Other	1,267	1,148	—	—	—	—
<b>Total Group, excluding items affecting comparability</b>	<b>10,308</b>	<b>9,203</b>	<b>4.7</b>	<b>3.8</b>	<b>12.6</b>	<b>9.5</b>
<b>Total Group, including items affecting comparability</b>	<b>10,308</b>	<b>9,203</b>	<b>11.0</b>	<b>3.8</b>	<b>25.3</b>	<b>9.5</b>



### Earnings per share after full tax and profit margin 1993–1997



### Average number of employees by region 1997



The average number of employees totals 13,525. At the year-end the Group had 13,443 employees. Of this figure, 4,818 were employed in Sweden and 8,625 abroad.

### Cash flow report

1997	Earnings excluding associated companies	Depreciation	Gross investments	Other change in operating capital employed	Total operating cash flow, excluding acquisitions	Acquisitions	Total operating cash flow
SEK M							
Industrial operations	425	277	- 347	- 4	351	- 972	- 621
Distribution operations	359	94	- 116	153	490	- 2,716	- 2,226
Boliden	327	230	- 437	- 424	- 304	—	- 304
Other/Group*)	- 130	85	- 63	- 111	- 219	- 465	- 684
<b>Operating cash flow</b>	<b>981</b>	<b>686</b>	<b>- 963</b>	<b>- 386</b>	<b>318</b>	<b>- 4,153</b>	<b>- 3,835</b>
Dividend to shareholders							- 424
Divestment Boliden							+ 4,357
Other (financial transactions, items affecting comparability, taxes etc)							- 502
<b>Change in financial net assets/liabilities</b>							<b>- 404</b>

\*) Comprises Group-wide costs. In addition Trelleborg NV-SA, Chapman and Velox are included as well as financial transactions, items affecting comparability, taxes, etc.

## Acquisitions

Company (Business Area)	Sales		
<b>1996</b>			
CMPP (TES)	SEK 600M	Vorwerk & Sohn (TWS)	SEK 250M
Horda (TRA+TBS)	SEK 360M	HPT (TES)	SEK 4,5M
Ibercaucho (TRA)	SEK 300M	Wheelbond Africa (TWS)	SEK 25 M
Snowden Rubber and Anderson CP Rubber (TES)	SEK 300M	Projetos e Aplicações de Vibrotécnica e Vedação (TRA)	SEK 55M
Gelia Industri (AHL)	SEK 160M	Elwar (AHL)	SEK 100M
<b>1997</b>		Skoogs Elektriska (AHL)	SEK 2,100M
Tornab (AHL)	SEK 100M	Starckjohann (54 %)	SEK 5,300M
Yale-South Haven (TRA)	SEK 1,000M	Landol (AHL)	SEK 90M
Pe Fo (AHL)	SEK 25M	Värmekällan (AHL)	SEK 25M
Hillco (AHL)	SEK 25M	<b>1998</b>	
		SRG Bevco (TES)	SEK 70M
		VVS-Trading (AHL)	SEK 70M

The abbreviations in parantheses stands for the various business areas: Trelleborg Automotive (TRA), Trelleborg Wheel Systems (TWS), Trelleborg Engineered Systems (TES), Trelleborg Building Systems (TBS) and Ahlsell (AHL).

# Trelleborg 1997

## Treasury

The treasury activities for the Group are centralized at Trelleborg AB Treasury in Stockholm. The unit is responsible for the internal bank, short-term and long-term financing and for managing exposure to the foreign exchange and the interest and commodity markets.

The internal bank manages deposits and loans, foreign exchange and commodity hedging, nettings▲ of intra-Group payments as well as consulting activities in the area of capital rationalization vis-à-vis the Group companies.

The Group is exposed to various risks in the form of fluctuating foreign exchange rates, interest rates and commodity prices as well as financing and credit risks. To reduce exposures, the Board of Directors has set guidelines for the Group's management of these risks.

In addition to hedging of currencies, interest and commodities, some trading is carried out in order to maintain a flow of information, test various strategies and to improve the performance of the hedging program and to reduce financing costs.

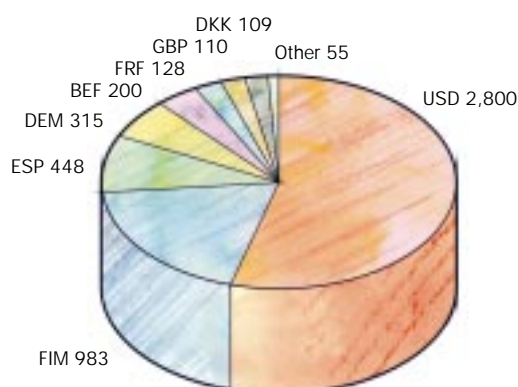
### Currency exposure

The Trelleborg Group's transaction exposures are imports and exports in foreign currencies. Trelleborg's policy states that hedging of these flows can be made at a volume equivalent of up to two years' flow, distributed over a period of up to 3 years.

Currency hedging varies depending on the market development. As of December 31, 1997, hedging was equivalent to approximately 80 percent of one year's exposure. A market valuation of our hedge program as of December 31, 1997, indicates a marginal profit.

The net flow of foreign currencies into SEK amounts to slightly more than SEK 1 billion, see diagram.

Net assets abroad, SEK M



The Group has total net assets outside Sweden equivalent to a value of approximately SEK 5.15 billion.

### Translation exposure

The currency exposure arising through investments in foreign net assets is hedged. The size of the hedging varies but can be up to the value of the investment including the tax effect.

The book value of the Group's net assets outside Sweden totalled SEK 5,150M (1,700) as of December 31, 1997.

### Interest exposure

The Group's net liability increased from SEK 464M to SEK 868M. The net liability increased as a result of the reported acquisitions in both the industrial and distribution operations by SEK 4,153M and decreased by SEK 4,357M in connection with the sale of 55.1 percent in Boliden Ltd.

The interest rate on the interest-bearing assets was fixed at an average period of one year, while most of the borrowings has been characterized by shorter term of the contracts.

In line with current policy, interest on borrowing and investment of liquid funds can be fixed for up to four years. At the turn of the year, the average term of the contracts of borrowing was approximately four months.

The average period for short-term and long-term interest-bearing investments was six months at the turn of the year 1997/1998.

### Financial instruments

In order to secure the various risks to which the Group is exposed, forward contracts, swap contracts▲ and options are used. These instruments are combined to achieve the best possible outcome.

### Financing

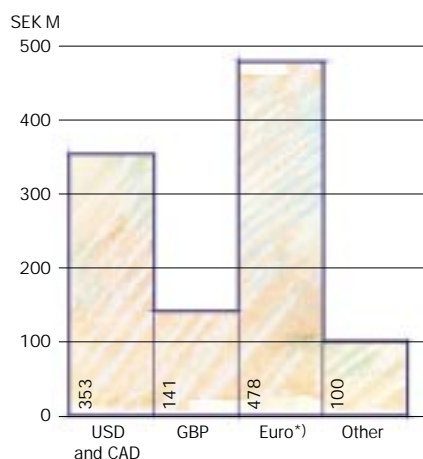
For continued expansion, there is a total of granted long-term credit commitments amounting to approximately SEK 10.1 billion, see diagram opposite page.



In the Group's internal bank there is collective knowledge about various financial markets'.



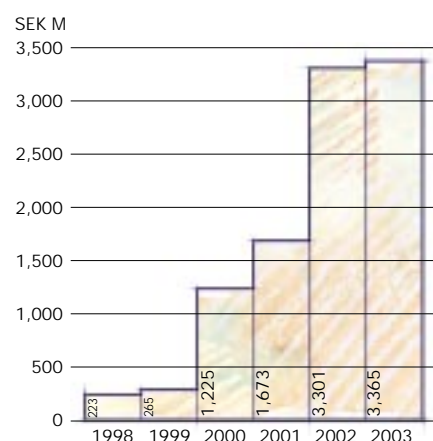
Transaction exposures, SEK M



\*) DEM, FRF, BEF, NLG, FIM, ITL & ESP

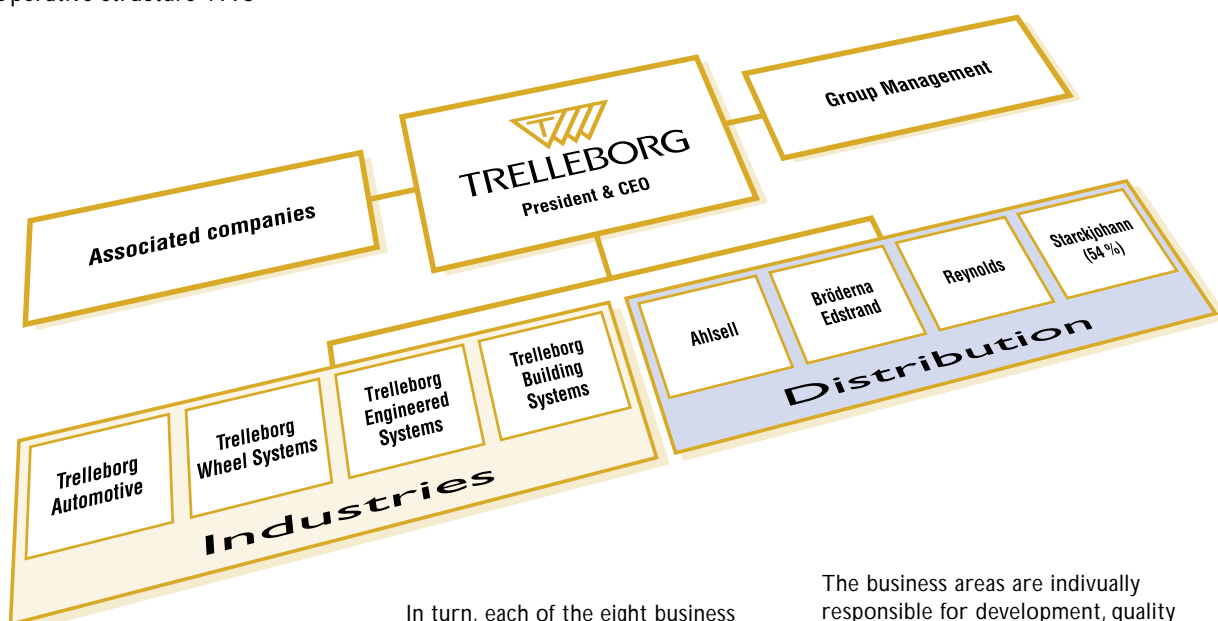
Trelleborg's net inflow in foreign currencies amounts to more than SEK 1 billion (excluding Boliden).

Committed credit facilities and maturity structure at December 31, 1997, SEK M



The Trelleborg Group has access to a total of approximately SEK 10 billion in the form of committed medium and long-term credit facilities.

Operative structure 1998



The Trelleborg Group is organized in eight business areas that are based on products and services in industry and distribution.

In turn, each of the eight business areas consists of a number of divisions and product areas or similar units. The operating organization does not always correspond with the legal organization.

The business areas are individually responsible for development, quality and marketing and have access to the Group's combined expertise and resources. The common denominator for the business areas is their focus on comfort, safety and environment.

Comfort



Environment

We live in a time with an increasing need for security. The more complicated and complex the context, the greater the need for safety concepts. Many products from the Trelleborg Group represent the front line of development

in their respective fields: product solutions and systems which in various ways reduce the risk and threats. Through products like chemical-protection suits, fireproof rubber sheeting, hospital tents, dry suits for diving, faucets safe-





guarded against scalding, pipe seals, air pressure hose, industrial flooring or aluminum to the Swedish combat Boat 90H and fireproof equipment for the offshore sector, Trelleborg contributes to increasing safety. But the safety

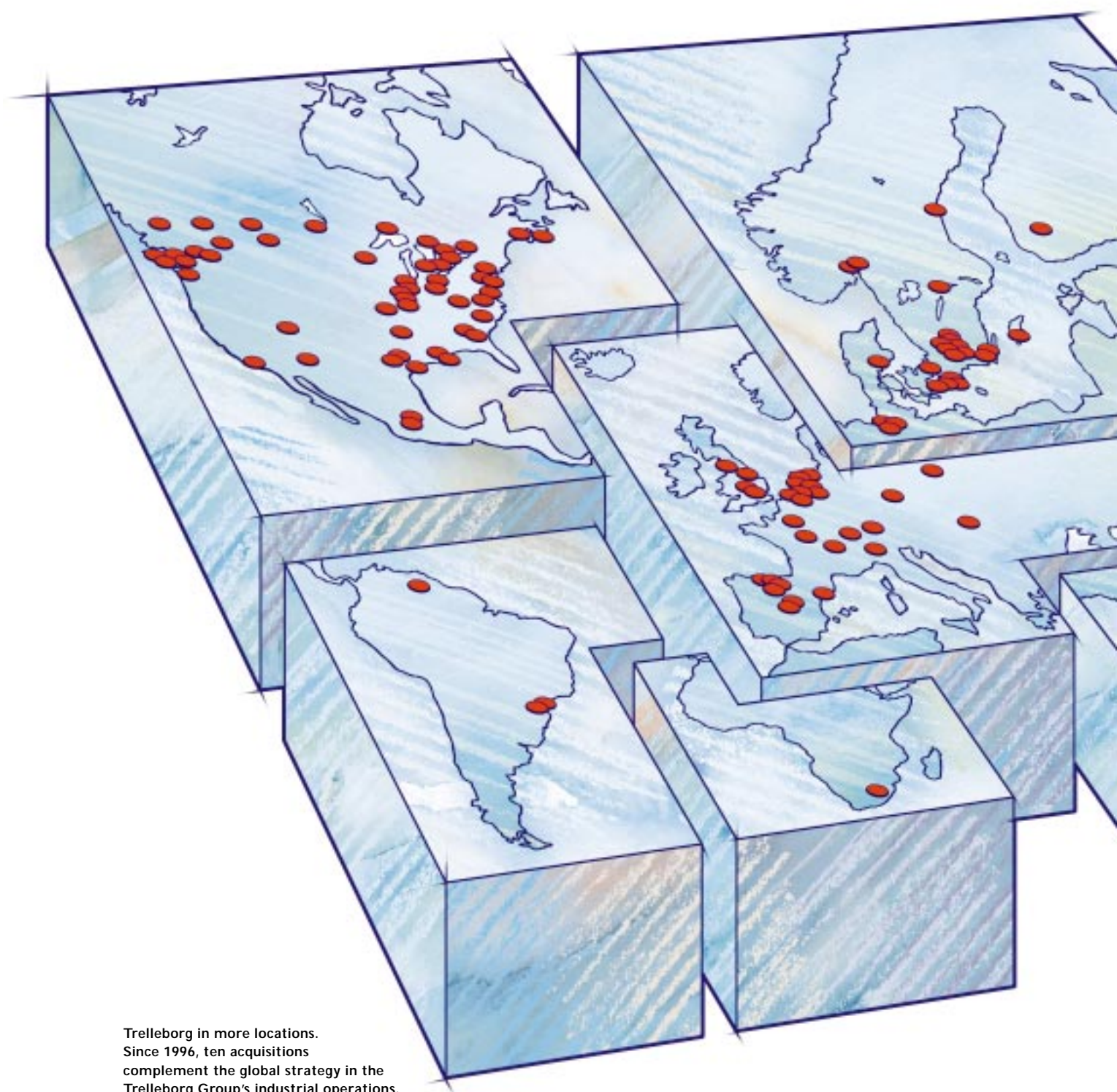
concept is more than just an important characteristic of many of our products. It also means reliable deliveries, precision, accessibility and quality. Our ambition is the right product at the right place at the right time.





# A global *supplier*

*"In addition to competitive prices, Trelleborg will also be able to meet customer requirements with regard to global presence, high-technology expertise and quality- and environmental certification."*



Trelleborg in more locations.  
Since 1996, ten acquisitions  
complement the global strategy in the  
Trelleborg Group's industrial operations.

In 1897, rubber production started in the town of Trelleborg, through Velox AB, one of the building stones of today's Trelleborg Group. Over these 100 years, the original material has been developed to such an extent that it can now be used in thousands of applications, from the chewing gum of the Indians in Brazil to a component in laminated products▲ such as Trelleborg's CQ materials.

Rubber is still an important material and has a broad area of use. In step with other industrial developments, the material has been chemically developed, and today industry increasingly uses the term polymers▲ to denote the smallest common denominator for a material which makes life easier, safer and more environmentally friendly.

### Increased demand for polymers

1997 was a very good and positive year for the four business areas in the Trelleborg Group's industrial opera-

tions which have their common foundation in polymer-based products and technology. Last year was characterized by positive demand for the products of the industrial operations and all business areas strengthened their market positions.

Expansion within the business areas continue, and a number of strategic acquisitions were made in 1997 that aimed to strengthen Trelleborg's position as a leading producer. The objective is to make the Trelleborg Group one of the five largest manufacturers of industrial rubber in the world at the beginning of the next millenium.

To be a large and international company with sound profitability is no end in itself, but a necessity for being able to continue to develop the operations in the future.

### Meets market needs

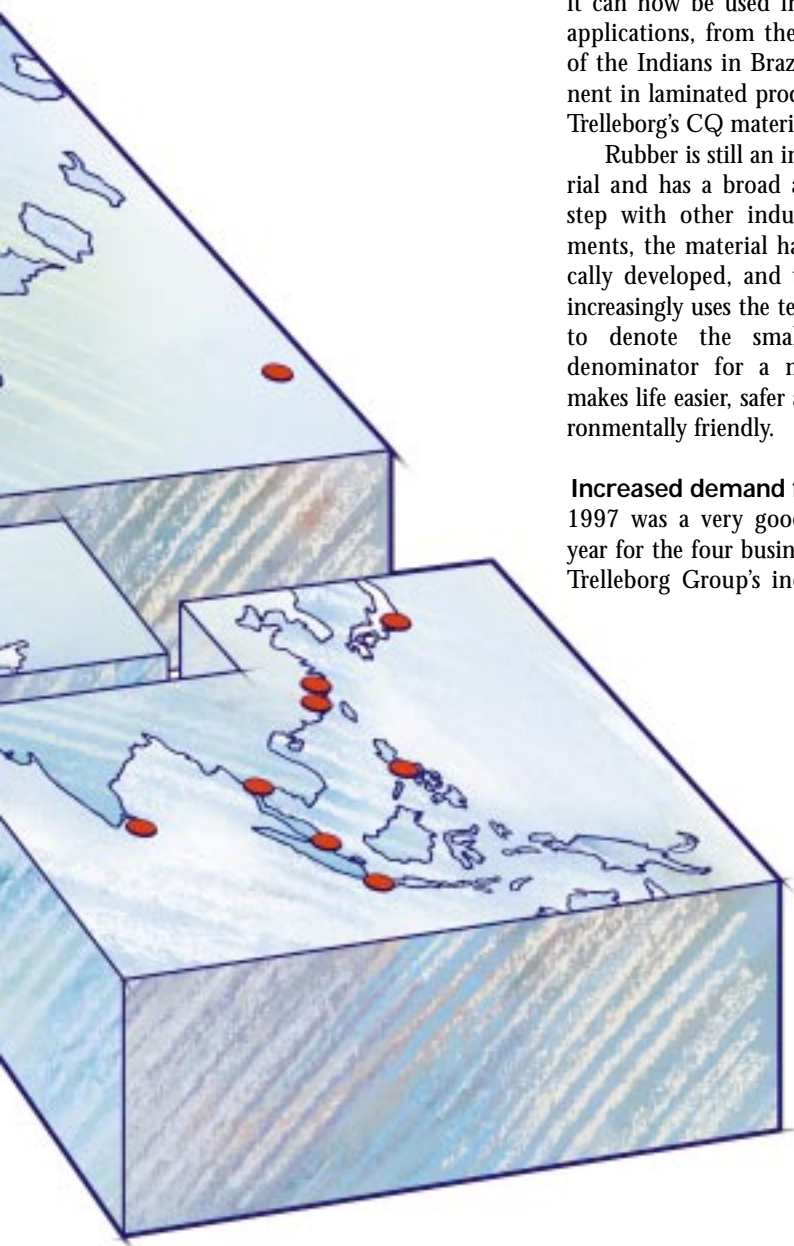
The operations are organized in four business areas:

- Trelleborg Automotive
- Trelleborg Wheel Systems
- Trelleborg Engineered Systems
- Trelleborg Building Systems

All business areas work with customers whose needs are becoming increasingly global. This makes great demands on Trelleborg as an able supplier to meet customer demands with regard to global presence, high-tech expertise and quality assurance, in addition at competitive prices.

Trelleborg, with a presence in the form of manufacturing and sales companies in 35 countries, offers its customers local product adaptation, manufacturing and service. In 1997, new operations were established on a number of important growth markets such as China, South Africa, Mexico and Brazil. In order to consolidate still further the Trelleborg Group's position and investment in technology-driving areas, more than SEK 100M will be invested in a new technical center in Trelleborg.

*(continued)*



● Production sites and sales offices, etc.



# A global *supplier*

Here, technical spearhead-knowledge will be combined with increased contacts with international institutes, universities and research centers. The Technical Center will contribute to enabling Trelleborg to operate more easily (and at an early stage) in development projects and product adaptation in cooperation with partners.

In order to meet customer requirements for quality, all manufacturing plants will be able to meet established standards such as ISO 9001, US 9000, etc. Most of the Trelleborg Group's plants now meet these requirements and work has initiated that aims at environmental certification in accordance with ISO 14000. Quality assurance and envi-



Hans Porat, Executive Vice President and head of industrial operations.

## Invoiced sales, SEK M, by quarter (Group external)

	1997	1996
Q 1	1,496	1,085
Q 2	1,832	1,225
Q 3	1,684	1,081
Q 4	1,808	1,294
<b>Total</b>	<b>6,820</b>	<b>4,685</b>

ronmental assurance now form an integral part of the business operations vis-à-vis both customers and suppliers.

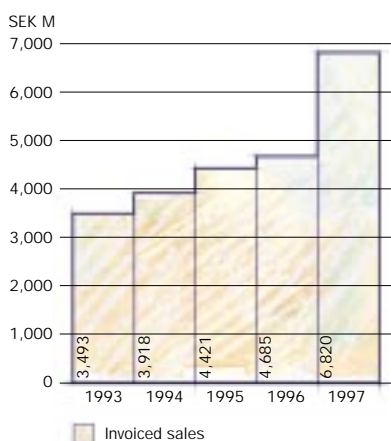
## Market

The four business areas in Trelleborg's industrial operations are active on different parts of a market which to a great extent is undergoing major restructuring and consolidation. Trelleborg takes an active role in this restructuring. By being involved and actively influencing matters, there are opportunities for rapidly meeting customers' changed demands and requirements.

The prime reason for the ongoing restructuring is the demand for global service from customers in leading industries such as automotive, off-shore and OEM▲.

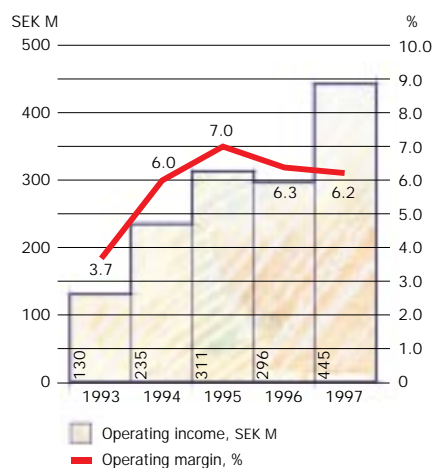
Facts	1997	1996
Invoiced sales, SEK M	6,820	4,685
Operating income, SEK M	445	296
Operating margin, %▲	6.2	6.3
Average operating margin, SEK M	3,581	2,225
Return on operating capital employed, %▲	12.4	13.3
Operating cash flow, including acquisitions, SEK M	- 621	- 582
Operating cash flow, excluding acquisitions, SEK M	351	329
Capital expenditure, SEK M	347	278
Number of employees at December 31	7,728	6,329

## Invoiced sales



Invoiced sales of the industrial operations increased by 46 percent in 1997.

## Earnings and operating margin



Operating income increased by 50 percent during 1997.



This, in combination with new technology and low production utilization among several suppliers, means that many of the smaller producers will have problems meeting the new demands.

Trelleborg has the right criteria for being one of the leading companies in this restructuring process.

### Common objectives

On the following pages, the four business areas in the industrial operations give an account of their respective operations. The common objectives for the industrial operations are:

- To be an internationally leading company in few clearly-defined product areas,
- To grow by an average of 15 percent a year with the aim of creating necessary economy of scale in research and development as well as in production and marketing,
- To reach satisfactory and sustained profitability over one business cycle, which in the long term means 15 percent on capital employed and 8 percent net margin.

### Sales

Group external sales increased by 46 percent to SEK 6,820M (4,685). Cleared of acquisitions, the sales increase was about 9 percent. Of invoiced sales, 83 percent (77) was made outside Sweden.

### Results

The combined operating income of the industrial operations improved by 50 percent to SEK 445M (296).

A significantly faster than anticipated integration of acquisitions, as well as a streamlining of the manufacturing units were primary contributions to the improved result.

### Investments

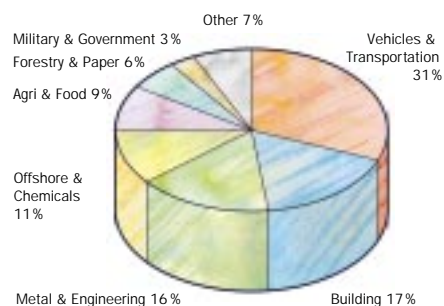
The year's capital expenditure (excluding acquisitions) amounted to SEK 347M which is well in line with the increased activity.

### Prospects for 1998

Trelleborg's strategy to aggressively grow the four business areas of the industrial operations remains.

Over the next few years, the focus and clarity vis-à-vis the market and customers will increase in order to

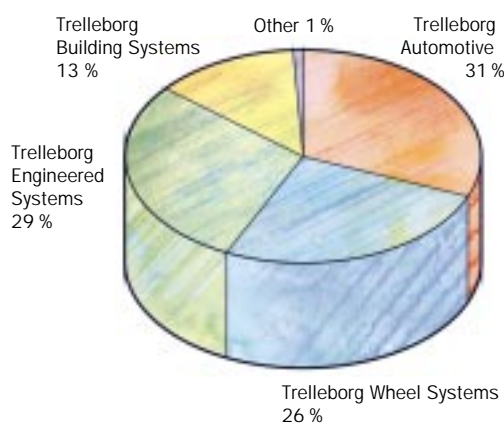
### Sales by customer category



satisfy their global demands of manufacturing and service.

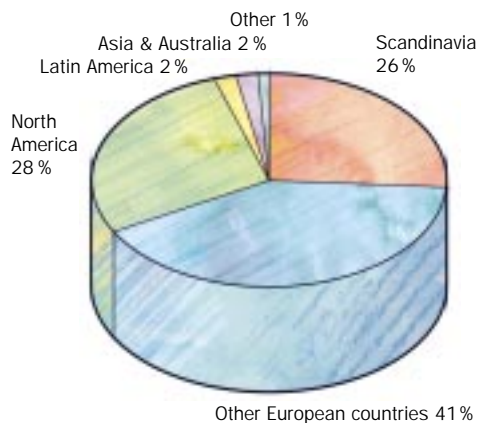
Internally, rationalization continues. This work is of the utmost importance, especially to materialize the synergies of acquired entities.

### Sales by business area



In 1997, total sales of the industrial operations amounted to SEK 6,820M.

### Sales by geographic market



The business areas in the industrial operations continued to increase their sales outside Sweden.

# A business area positioned for growth

The rapidly-growing business area Trelleborg Automotive brings together the Group's development, production and marketing of products and services to the world's automotive industry. The product range consists of antivibration systems, acoustic insulation materials, engine hose, profiles, laminated products and other rubber components.

## Business development

The business area's results continued to develop positively. Earnings increased from SEK 71M in 1996 to SEK 207M.

During the 1997 financial year, operations were acquired with annual sales of approximately SEK 1,000M and more than 1,000 employees.

In February, the American company, Yale-South Haven Inc, was acquired which has its head office in South Haven, Michigan, and five production units in the USA and one in Mexico. The main products are antivibration components for the automotive industry, and the largest customers include General Motors, Chrysler and Ford. The acquisition included 45 percent of Dawson Manufacturing Company with two production units for antivibration components in the USA.

In July, the Brazilian company, Projectos e Aplicações de Vibrotécnica e Vedação Ltda (now Trelleborg PAV) with plants in São Paulo was acquired. Its main products are antivibration components of rubber/metal primarily for manufacturers of heavy vehicles.



Business Area President:  
Mikael Jonson

In December, the remaining 15 percent of the Spanish company, Trelleborg Ibercaucho, was acquired. Thus, the company is a wholly-owned unit within Trelleborg Automotive.

## The market

Within the sector focused on by Trelleborg Automotive, the largest segments are Antivibration Systems, Sealing Systems and Hose Systems. Based on a strategy of building a strong and worldwide operation, Trelleborg Automotive expanded mainly within Antivibration Systems during 1997.

On the Scandinavian market, the restructuring of four small independent units is in progress. Trelleborg Sigma, Trelleborg TTC, Trelleborg Horda and Trelleborg Viking will become the Automotive Components Division.

Within the product area of Rubber Composites, management and production are being concentrated to the main plant in Izarra, outside Bilbao, Spain, to utilize this synergies between the acquired the French company, CMPP, the Spanish company, Ibercaucho, and the existing operation in Trelleborg.

Approximately SEK 142M was invested in plants (excluding acquisition) during 1997. Investments were made in research and development increased capacity and to further improve the level of service.

## Organization

During the year, the business area has been restructured into a more customer-oriented organization with five divisions:

- **Antivibration & Acoustic Systems.** The division develops, manufactures and markets products which solve structural noise problems and antivibration with a focus on light vehicles.



The business area manufactures a wide range of antivibration components, for example, for trains.

## Facts / Trelleborg Automotive

	1997	1996
Invoiced sales, SEK M	2,120	1,005
Share of Group sales, %	10.2	4.9
Operating income, SEK M	207	71
Operating margin, %	8.5	6.7
Average capital employed, SEK M	1,335	493
Return on capital employed, %	15.5	14.4
Capital expenditure, SEK M	142	136
Number of employees on 31 December	2,650	1,453
Production in the USA, Mexico, Brazil, Germany, Spain, Sweden, Norway, Great Britain och China.		



## Business

Trelleborg Automotive will be one of the leading global automotive suppliers within at least two of three segments: Antivibration Systems, Sealing Systems and Hose Systems.

concept

Efficient and quiet brakes are a demand in a modern passenger car.



- **Automotive Components.** Together with customers, the division develops and designs a wide range of moulded products, profiles, hose and antivibration components for heavy vehicles, trains and the Scandinavian automotive industry.
- **Automotive Laminates & Calendered Materials.** The division is a leader in the development of existing and new materials and methods for noise-damping in vehicles.
- **Moulded Goods.** Well-defined product areas with technology for moulded products.
- **Technical Laminates.** Within the division, laminated products, both as bulk and niche products, are developed and manufactured. The division is the leader on the European market.

### Customers

The customers include some of the world's largest automotive manufacturers such as General Motors, Ford, Chrysler, Volkswagen, Audi, Skoda, Volvo and Scania as well as train

manufacturers and the brake and engineering industries.

### Competitors

The largest competitors are BTR, Freudenberg, Cooper Tire & Rubber Co, Hutchinson and Conti-Tech.

### Production

With production in several locations in Europe, the USA, Latin America and China, the business area is present on the most important markets.

Certification in accordance with QS 9000 has a high priority. The units in the USA and Germany as well as one unit in Sweden are already certified and other units will follow during 1998.

### Research and development

Research centers for antivibration and sound-proofing for passenger cars are found in South Haven, Neumünster and Kalmar. A new research center for trucks will be completed in Trelleborg during 1998.

The business area and its customers increasingly co-operate on product development. One example from the US market is so-called links that have been developed in cooperation with Chrysler. The links enable light trucks to have the same driving quality as passenger cars.

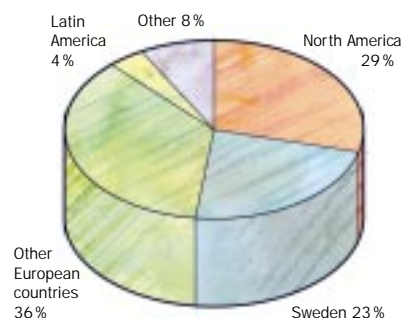
In Europe, Trelleborg Automotive cooperates with Volvo Car Corporation in the development of crankcase ventilation for passenger car engines.

### The future

The automotive industry is currently undergoing extensive structural changes towards outsourcing of OEM's production, research and development,

reduction in number of suppliers and global platform projects. Within a few years, the three segments: Antivibration Systems, Sealing Systems, and Hose Systems will be structured so that five to seven companies will cover 75 percent of the market of each segment. Trelleborg Automotive intends to be active within at least two of these segments and to continue to invest further in product development and global production in order to become a "problem solver" to the customers instead of merely a component supplier.

Sales by geographic market



Today, Trelleborg Automotive has sales in more than 50 countries.

Trelleborg is the market-leading manufacturer of, among other things, brake shims to the European automotive industry.



# The world's largest manufacturer of solid tires

The acquisition of Vorwerk in 1997 meant that Trelleborg strengthened its role as a leading international manufacturer and distributor of industrial solid tires, twice as large as the number two on the market.

The business area's tires divisions continued to develop products within their respective niches and offer increased service by providing wheel systems, in line with customer specifications and direct to the location where the wheel is needed.

The Protective Products Division concentrates on offering a full range of protective products to a number of selected customer categories such as the emergency services and defense industry.

## Business development

The business area's sales increased in 1997, from SEK 1,462M to SEK 1,774M. Earnings in the same period amounted to SEK 100M (99).

During the year Vorwerk & Sohn, a German company, was acquired. Vorwerk produces a range of solid tires, primarily for materials-handling vehicles such as forklift trucks. The acquisition means that Trelleborg is now the largest manufacturer of solid tires with more than 20 percent of the world market.

Sales of solid tires in Europe increased by 28 percent to 46 percent of the business area's total sales. The North American market accounted for a quarter of the sales and there are opportunities for a rapid expansion



Business Area President:  
Anders Pettersson

on that market. The objective is to increase sales in North America and on the new markets in Asia, Latin America and South Africa.

The acquisition of Wheelbond, a South African company, opened up a new continent for the business area. The company is a market-leading distributor of industrial tires in South Africa with Bergougnan as the main brand and will now also sell Trelleborg's product range of forest & farm tires, TWIN low profile low ground pressure tires as well as the industrial tire brand, Vorwerk.

80 percent of sales by the Protective Products Division are made out-

side Sweden and new geographic markets account for a large proportion of the sales increase during 1997.

## Market

Trelleborg Wheel Systems strives to attain a market-leading position with tires and wheel systems in a number of selected niches. In addition to focusing on the product, the business area invests in raising the level of service to distributors and customers.

Work continues on the integration of the business area's manufacturing units.

## Organization

The business area consists of three divisions:

- **Industrial Tires.** As the largest division, it develops, manufactures and markets solid tires for trucks and other materials-handling equipment.
- **Forest and Farms Tires** develops, manufactures and markets a wide range of tires and wheels for forest and farm machinery.
- **Protective Products.** The division develops, manufactures and markets personal protection equipment such as chemical and fire-protection clothing and diving suits for professional use, tents and special products for, among other things, health care.

## Facts / Trelleborg Wheel Systems

	1997	1996
Invoiced sales, SEK M	1,774	1,462
Share of Group sales, %	8.5	7.1
Operating income, SEK M	100	99
Operating margin, %	5.5	6.5
Average capital employed, SEK M	977	798
Return on capital employed, %	10.3	12.4
Capital expenditure, SEK M	69	74
Number of employees on 31 December	2,103	1,725
Production in Belgium, Denmark, the Netherlands, Great Britain, Sri Lanka, Sweden and the USA.		



Trelleborg is the world's largest producer of solid tires which are used on, among other things, forklift trucks.



## Business

Industrial Tires manufactures special wheels for trucks and other materials-handling vehicles. Forest & Farms Tires develops complete wheels with low-pressure tires and solid tires for forestry and agriculture. Protective Products develops, manufactures and markets protective products for people working in hazardous environments.

concept

Trelleborg's chemical-protection suits of the Trelchem type have a large market among the more than 80 countries which have signed the UN resolution regarding the dismantling of chemical weapons.



Competitors include the large tire manufacturers, Michelin, Goodyear, etc., as well as Alliance (Israel), Watts (Great Britain), and Titan (USA).

In some segments, there is also competition from low-price manufacturers in Eastern Europe and Asia.

### Production

In connection with the acquisition of Vorwerk, production was moved from Germany to the plants in Belgium and Sri Lanka. Production in the two units in Sri Lanka is being coordinated.

Work still aims at certifying the business area's manufacturing units in

accordance with ISO 9001 and ISO 14000.

### New products

Although the tire market must be considered to be a mature market, Trelleborg develops and markets a number of special niches. Some examples in 1997 are special wheels for baggage trolleys and special applications for the forest industry.

### The future

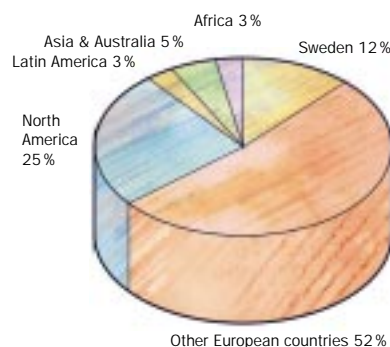
Trelleborg Wheel Systems continues to focus on profitable niches for special tires and strives for a market-leading position in these segments.

The investment in a broader range of tires for the forest industry has provided a stronger position which should mean continued satisfactory sales in 1998.

Cooperation with the customers aimed at developing complete wheel systems is becoming increasingly important, new product groups are a central part in the future of the business area.

Trelleborg's Protective Products are known for their high quality which contributes strongly to increased market shares mainly in Asia, and new customers, partly in connection with the UN position regarding the dismantling of chemical weapons.

### Sales by geographic market



The acquisition of Vorwerk & Sohn has strengthened Trelleborg Wheel Systems' position on the German market.

### Customers

The customers include a broad spectrum of manufacturers of special vehicles. Several of the big manufacturers of trucks, combine harvesters, planting machines and tractors are found among the customers together with manufacturers of forest machinery, materials-handling vehicles, ports and air traffic administration as well as various suppliers of equipment.

Three-fourths of Protective Products' range of chemical-protection clothing and diving suits as well as tents are sold to customers like emergency services and the defense industry which have strict demands on quality.

### Competitors

Among the big manufacturers, the trend is towards continued globalization and growth via acquisition. Trelleborg is one of the world's leading manufacturers of special tires, with production on three continents, whereas most competitors are mainly local.

Sales of TWIN tires for tractors and tires for planting machines, for example, increased following campaigns in Sweden, Norway, Great Britain and South Africa.





# The market leader in industrial hose in Europe and North America

Trelleborg Engineered Systems develops, manufactures, markets and distributes a wide range of industrial hose and other industrial supply products. Rolls for customers in the paper and pulp industry are coated with advanced composite materials.

In addition, special products are supplied for infrastructure projects such as expansion joints, special hose for dredging work, as well as coatings for fire and corrosion protection for, for example, the offshore industry all over the world.

## Business development

Invoiced sales increased by 34 percent to SEK 1,973M (1,470) during 1997.

The business area's operating income improved during the year thanks to increased volumes, earnings contributions from acquired units and comprehensive restructuring of the Engineered Products Division's operations in Germany. However, operating income remains unsatisfactory.

Both the European and North American markets show strong sales increases and increased market shares.

In December 1996, the Canadian companies, Anderson CP Rubber and Snowden Rubber, were acquired. From January 1, both acquisitions were integrated with Goodall, the North American subsidiary, and have contributed significantly to a positive development of the business area's sales and profitability.

In January 1998, these acquisitions were supplemented following

the acquisition of SRG Bevco, a hose distributor in northeast USA.

During the autumn, the operations of the British company, HPT, which was acquired in summer 1997, were integrated into the offshore operations of the Norwegian subsidiary, Trelleborg Viking.

## Market

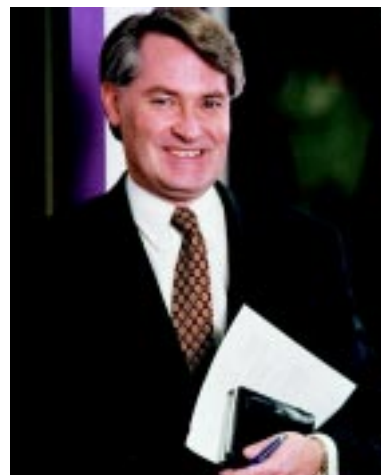
Demand for advanced industrial hose improved slightly during 1997 both in North America and Europe. However, disturbing surplus capacity remains on the European market which results in tough price competition. The market for offshore and infrastructure products developed positively during 1997.

The business area is well-positioned with significant shares on the market of the respective product area.

An investment program for increased capacity and reduced costs was initiated for the plants in Sweden and France during 1997.

Substantial investments were also made in Trelleborg as the industrial roll operations are being moved from Örebro to Trelleborg. For this purpose, a new factory building is under construction in Trelleborg.

Introduction of modern and integrated IT systems is underway in many units of the business area.



Business Area President:  
Georg Brunstam

## Organization

The business area consists of a large number of companies and product areas organized in three divisions:

- **Industrial Hose Division** develops, manufactures, markets and distributes industrial hose, couplings and industrial supply products.
- **Goodall** is North America's leading distributor of industrial hose and other industrial supply products.
- **Engineered Products** develops, manufactures and markets a number of products with a high technology content for offshore, infrastructure and the paper and pulp industry.

## Facts / Trelleborg Engineered Systems

	1997	1996
Invoiced sales, SEK M	1,973	1,470
Share of Group sales, %	9.5	7.1
Operating income, SEK M	70	44
Operating margin, %	3.5	2.9
Average capital employed, SEK M	751	487
Return on capital employed, %	9.4	9.1
Capital expenditure, SEK M	76	29
Number of employees on 31 December	1,978	1,530
Production in Canada, France, the Netherlands, Norway, Sweden and the USA. Distribution organization for industrial supply products in North America.		

Goodall is North America's largest distributor of hose and industrial supply products.



## Business

Trelleborg Engineered Systems will cost-efficiently develop, manufacture, market and distribute industrial hose systems, expansion joints and industrial supply products for customers all over the world, and develop, manufacture and market niche products with large components of engineering services to advanced customers in the offshore and infrastructure sectors as well as the paper and pulp industry.

concept

### Customers

The business area's customers are mainly found in Western Europe and North America. However, significant growth is taking place on new markets.

Customers consist extensively of manufacturing industry and suppliers to that industry as well as within the offshore and defense industries.

The business area is the leading supplier for tunnel-sealing products for, among other things, the Öresund link between Malmö and Copenhagen.

### Competitors

Trelleborg is the market leader in industrial hose in Europe and North America with competitors like IVG, ITR and Alfagomma (Italy), Dunlop (Great Britain), Goodyear and Gates (USA), Continental and Phoenix (Germany).

The market is characterized by surplus capacity and needs to be restructured. Trelleborg Engineered Systems intends to participate actively in this process.

Competitors in advanced engineered products are Vredestein (the Netherlands) and Scapa (Austria), among others.

### Production

Production volumes have increased in all divisions. Extensive changes in the production structure were implemented in the Industrial Hose Division and the German profile operations within Engineered Products were closed in 1997.

All manufacturing units within the business area are third-party certified in accordance with ISO 9001 or 9002. Work on environmental certification in accordance with ISO 14000 has started, and Trelleborg Viking received third-party certification during the year in accordance with ISO 14000.

### New products

Extensive resources are being spent on developing new products for customers like the offshore industry. Within Industrial Hose, entire systems are being developed which include both industrial hose and couplings. During the year, a large number of new products were introduced on the market, such as improved industrial hose for food, materials-handling and dredging as well as new products for the offshore industry. One example is Scirocco II, a hose which enables

The Erasmus bridge in Rotterdam, The Netherlands, is supported by the world's largest elastomeric bearing systems to transfer loads and movements between the steel bridge deck and concrete foundations.



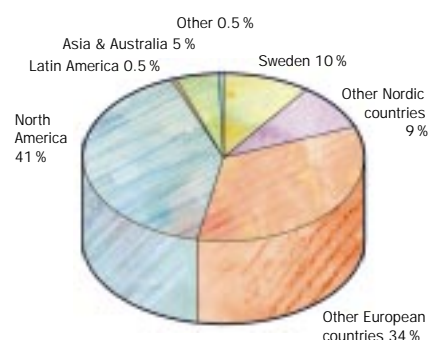
efficient, economic handling of powdered materials with the aid of the gravitational forces.

New composite coatings for rolls for super-calendering▲ of fine paper have also been developed.

### The future

The market for industrial hose and advanced engineered products is expected to be positive during 1998.

Sales by geographic market



Trelleborg Engineered Systems holds a strong position on the European and North American markets.



Trelleborg Engineered Systems seals the Öresund tunnel between Malmö and Copenhagen.

Hose from Trelleborg does not affect the taste of sensitive food products, such as milk, and meets the sector's strict hygiene requirements.



# Leading brands on the European building market

Trelleborg Building Systems develops, manufactures and markets a wide range of sealing products such as sealing strips, rubber membranes and bitumen-based▲ roofing felt.



Business Area President: Peter Suter

## Business development

Invoiced sales increased by 32 percent to SEK 895M (678) during 1997. Sales to Eastern Europe developed positively, whereas building-related sales to the Swedish market continued to weaken.

The acquisitions of the Horda Group and Park Rubber contributed strongly to the sales increase during the year. For comparable units, sales were on a par with the previous year.

The business area's operating income increased by 46 percent to SEK 112M, mainly through the contribution from the acquisition of Horda's building-related operation and a strong earnings development in the Consumer Profiles Division.

Restructuring of the operations of the Industrial Profiles Division in Great Britain and Belgium affected the earnings during the year but has laid the foundation for a competitive base for the business area's future income development.

The Swedish Horda Group was acquired during the fall of 1996. The building-related units were gradually integrated into the building organization until the turn of the year 1997/1998.

In March, Park Rubber – one of Great Britain's leading industrial profile companies – was acquired. The business area's previous production was moved, and the new unit, Trelleborg Industrial Profiles UK, is the leader on the British market for sealing strips.

## Market

The Nordic countries have traditionally been the main market for the business area's products. In recent years, however, the market orientation has increasingly been moved towards the rest of Europe, especially the eastern regions.

Demand in the building sector developed weakly during 1997. On important markets – such as Sweden and Germany – demand fell, while

the growth rate in Eastern Europe temporarily stagnated. The Finnish market was one of the few exceptions with a growth of more than 10 percent.

## Organization

The business area consists of five divisions:

- **Industrial Profiles.** Manufactures and develops sealing profiles to building-related industry and other specialist segments.
- **Consumer Profiles.** Manufactures and markets self-adhesive sealing profiles to the DIY market.
- **Materials.** Manufactures and develops granules and mixes for the cable and retreading industries.
- **Rubber Membranes.** Manufactures and markets rubber sheeting for sealing systems for roofs, landfills and water storage.
- **Mataki.** Under the Mataki brand name, the division manufactures and markets bitumen-based sealing systems for roofs and other moisture-resistant applications.

## Customers

The business area's customers are mainly found in building-related

## Facts / Trelleborg Building Systems

	1997	1996
Invoiced sales, SEK M	895	678
Share of Group sales, %	4.3	3.3
Operating income, SEK M	112	77
Operating margin, %	12.1	11.2
Average capital employed, SEK M	447	321
Return on capital employed, %	25.1	24.0
Capital expenditure, SEK M	32	25
Number of employees on 31 December	872	773
Production in Sweden, Great Britain, Czech Republic and Russia.		

TrendLine is a modern glazing method in which the sealing strips are fixed between the glass pane and the window frame. A strip of wood with hidden nail-heads fixes the window.



## Business

Trelleborg Building Systems will be a leading supplier of rubber and bitumen-based sealing products to the building-related industry with a focus on well-defined niche segments.

concept

Thanks to profiles from Trelleborg Building Systems, even the cat is able to enjoy itself in its favorite place with no risk of draft.



The sealing strips are fixed between the window pane and frame.

industry with the exception of Industrial Profile's important customers in other manufacturing industry.

In recent years, the development has been characterized by the fact that the larger customers establish manufacturing operations in several countries. Requests for single-sourcing are increasingly being formulated.

### Competitors

Each division is focused within clearly-defined niches and all have leading positions within their prioritized market segments.

Most of the competitors operate locally on their respective domestic markets with the German companies, Phoenix and SaarGummi, the

Austrian company, Semperit, and the British company, Schlegel, being the exceptions. In certain segments there is some low price competition from Eastern Europe.

### Production

The manufacturing unit in Belgium was closed in 1997 and production transferred to other units within the industrial profiles operation.

To meet increasing demand, the business area has invested in a highly-efficient extrusion line for sealing profiles in the British company, Trelleborg Industrial Profiles UK.

The restructuring and specialization of the units in Värnamo

was completed in 1997.

Of the business area's eight manufacturing units, six are certified in accordance with ISO 9001. In the remaining two units, an adaptation to the quality assurance systems to the ISO 9000 structure is underway.

### New products

During the year, the business area developed more than 500 new sealing profiles in cooperation with customers.

For the Continental timber-framed windows market, TrendLine, a unique dry-glazing system for which a patent has been applied, is being launched.

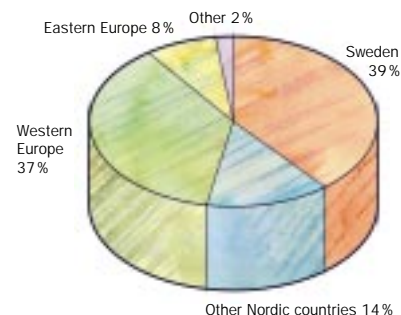
Technology development has provided opportunities for producing materials for several new interesting areas of application for cable granulates.

### The future

The European building market, with the exception of the German market, is expected to develop positively during 1998, spearheaded by Eastern Europe, Finland and Great Britain, with an anticipated growth of more than 5 percent.

The operations established by the business area in Poland, the Czech Republic, Hungary and Russia as well as strengthening in Great Britain and Finland, create sound criteria for participation in the positive development.

### Sales by geographic market



The countries in Eastern Europe are the business area's fastest growing market.

Mataki is one of the leading manufacturers in the Nordic countries of moisture-resistant and water-repellent sealing systems for roofs, walls, floors and foundations.



Comfort

# Packed *and ready*

*"We will play an important part for customers' materials flows, production and application of capital. Through local and flexible organizations, we will offer high accessibility, a high level of service and quality, with a customer-adapted product range."*

Environment

During 1997, Ahlsell extended its product range with an increasing number of articles to the expanding communications market, in the form of servers and other computer equipment.

# Distribution operations

The distribution operations within the Trelleborg Group are characterized by well-known names and strong profiles such as Ahlsell, Bröderna Edstrand, Reynolds and Starckjohann.

The wholesaler role is a common denominator for the four business areas and the decisive factors for success are:

- Rational flow
- Local ties
- Composition of product range
- Accessibility

The objective of the distribution operations is to satisfy the Nordic market's needs, primarily for steel, other metals, heating & plumbing supplies, electrical and refrigeration products.

## Results

The results of the business areas improved, as compared to 1996. Volumes increased towards the end of the year and the price scenario was relatively stable.

The realized profitability is satisfactory, bearing in mind that the previously weak building trend in Sweden weakened still further and that investments in the infrastructure

decreased. Growth was only noted in the export industry.

## Improved market positions

Ahlsell offers contractors, industry and municipalities a high-quality product range in heating & plumbing supplies, electrical products, refrigeration and tools from leading producers. The company's strength on the Swedish market is its proximity to the customer.

This is achieved through some 80 professional marts which have been established in around 50 locations in Sweden. The combination of these professional marts and a central warehouse in Hallsberg creates rapid and efficient distribution.

During 1997, a number of Nordic companies were acquired in the efforts to achieve a significantly stronger position, with the Swedish electrical wholesaler, Skoogs, as the most important. International expansion continued, partly through the acquisition of the Polish company, Elwar.

## Increased demand for pre-treatment

Sweden is also the main market for the steel wholesaler, Bröderna

Edstrand. The company's strength is its nationwide network with warehouses and systems which provide 24-hour service. For several years, Bröderna Edstrand has had well-established relations with the majority of the European steel mills and is the independent import alternative.

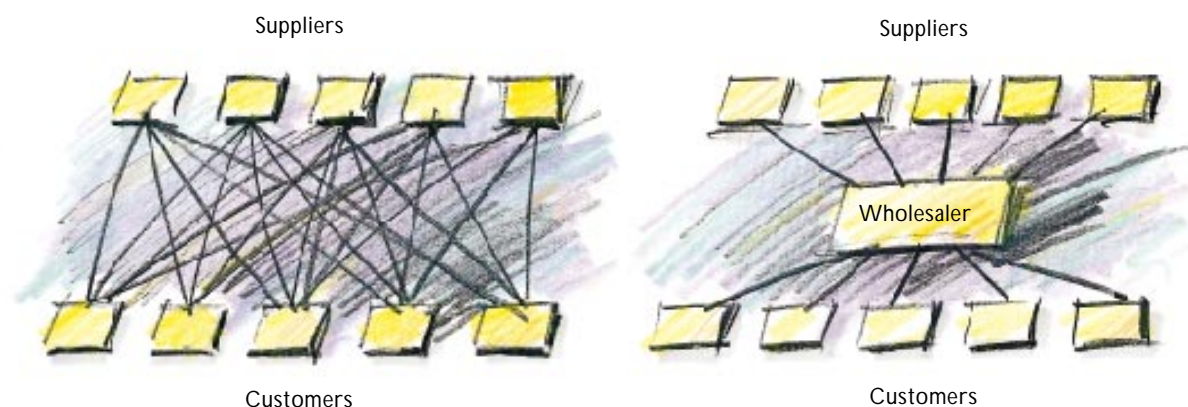
Customers increasingly request pre-treatment and further processing of materials from Bröderna Edstrand. This has been developed into a decisive competition factor, and to meet the requests, Bröderna Edstrand has invested in increased capacity at the plants in Jönköping and Norrköping.

## New service center

Reynolds is primarily known as one of the major producers independent distributors of metals with regard to non-ferrous products in France, Germany and Great Britain.

Reynolds' share of the British market has grown in recent years, and last year a service center was established for the distribution of aluminum to the British market.

*(continued)*



The illustration shows the wholesaler's role in simplifying the flow of information and transport between five suppliers and five customers. Without the wholesale function, all parties are forced to make a large number of time-consuming direct contacts.



# Packed and ready

Facts	1997	1996
Invoiced sales, SEK M	8,270	7,267
Operating income, SEK M	359	297
Operating margin, %▲	4.3	4.0
Average operating margin, SEK M	1,836	1,448
Return on operating capital employed, %▲	19.5	20.5
Operating cash flow, including acquisitions, SEK M	- 2,226	412
Operating cash flow, excluding acquisitions, SEK M	490	481
Capital expenditure, SEK M	116	51
Number of employees at December 31	4,229	2,078

Footnote: Starckjohann is included in the balance sheet but not in the income statement

## Supplementation in Eastern Europe

In 1997, a majority interest in Starckjohann, a large Finnish wholesaler, was acquired. Today, the Trelleborg Group has 53.7 percent of votes and capital in this listed Finnish company.

Starckjohann's operations complement both Ahlsell and Bröderna Edstrand with large sales to the engineering and building industries in Finland.

## International contact network

Intermarket enjoyed some very strong months during the fall and sold significantly more than in 1996 with continued satisfactory price development.

The common denominator for the companies in Intermarket is sulfuric acid. Intertrade has its own plant in the USA that produces sulfuric acid and at the same time carries on trading in the southeast USA with sulfuric acid from US and Canadian smelters.

Chemtrade has a very well-established contact network with both suppliers (smelters and refineries) and customers virtually all over the world. Its operations are founded on a well-functioning logistics system with tankers, trailers and a large terminal in Rotterdam for the interim storage of sulfuric acid.

Following the Trelleborg Group's sale of its majority interest in Boliden,



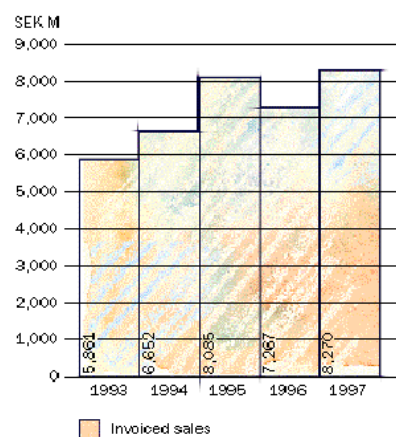
**Björn Ogard, Executive Vice President and head of distribution operations.**

the sulfuric acid companies are no longer regarded as parts of the core operation and, in connection with Boliden's listing on the Toronto Stock Exchange, a decision was made to sell Intermarket. The sale is planned to be completed for the beginning of 1998.

## New location

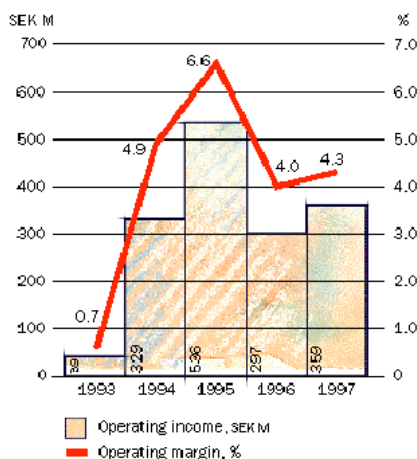
It is estimated that Fillite in Runcorn outside Liverpool accounts for 30 percent of the world market for cenospheres▲, a filling material, the

Invoiced sales



Invoiced sales of the distribution operations increased by 14 percent during 1997.

Earnings and operating margin



Earnings increased by 21 percent during 1997.

Ahlsell has supplied sanitary products to Marriott Moscow Grand Hotel, one of Moscow's newest luxury hotels.



primary area of application of which is the cementing of oil and gas wells and filling agents in bitumen rubber for sound-proofing in vehicles. Fillite is also the leading company in the development of new applications for cenospheres.

Fillite's result was on a par with the record year of 1996 and deliveries reached the same level.

As of the turn of year, Fillite organizationally belongs to business area Trelleborg Automotive.

#### Invoiced sales, SEK M, by quarter (Group external)

	1997	1996
Q 1	1,728	1,862
Q 2	2,007	1,862
Q 3	2,092	1,728
Q 4	2,443	1,815
<b>Total</b>	<b>8,270</b>	<b>7,267</b>

#### Sales

Group external sales increased by 14 percent to SEK 8,270M (7,267), of which new acquisitions contributed SEK 630M.

#### Results

Earnings of the distribution operations improved by 21 percent to SEK 359M (297) in 1997. The improvement is partly due to the fact that 1996 operating income was charged with inventory losses.

#### Advanced IT Systems

The backbone of a modern wholesale company is an advanced IT system which is able to interlink the units within a company but which is also able to communicate with suppliers and customers.

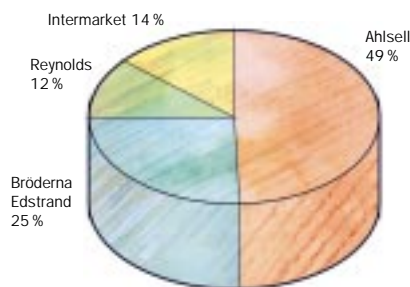
#### Prospects for 1998

The positive trend in the Nordic countries is expected to continue during 1998. In Sweden, the export industry continues to operate with

high capacity utilization and continued need for investment.

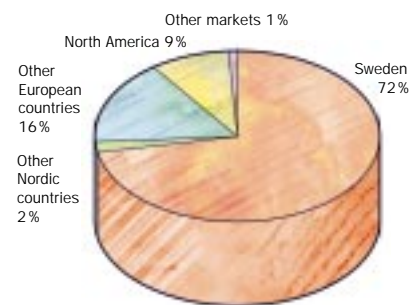
For the first time in many years, new constructions is expected to increase. The need for new housing – primarily in the Stockholm area and in the university cities – has steadily grown. New production of housing in Sweden is currently at a record low level and although is now increasing, it is the refurbishment, redevelop-

#### Sales by business area



In total, external sales of the distribution operations amounted to SEK 8,270M.

#### Sales by geographic market



The strategy of the distribution operations is to increase sales in the Baltic area.

ment and extension market which is decisive for the total demand. In this segment, no real changes are expected compared with 1997.

Although some slow-down has been noted with regard to investments in infrastructure, roads, railways, bridges, etc., there is still high activity in several areas, especially in the Malmö region in connection with the building of the Öresund Bridge.

As a whole, this means that both Ahlsell and Bröderna Edstrand can expect improved volumes in 1998

The French market, which strengthened gradually during 1997, is expected to remain positive. The British market, which has grown rapidly in recent years, is also expected to remain strong. This means that

Stainless steel from Bröderna Edstrand is made into hard-wearing kitchen sinks.



# Strengthens *its position*

## *despite a falling market*

### *Continues the expansion around the Baltic*

In 1997, Ahlsell extended and strengthened its market shares. A new professional mart in Poland and a number of strategic acquisitions enabled the business area to strengthen its positions and grow on an otherwise weak market.

The acquisition of Skoogs El meant that Ahlsell significantly strengthened its position in electrical wholesale and became one of Sweden's largest electrical wholesale companies.

#### Business development

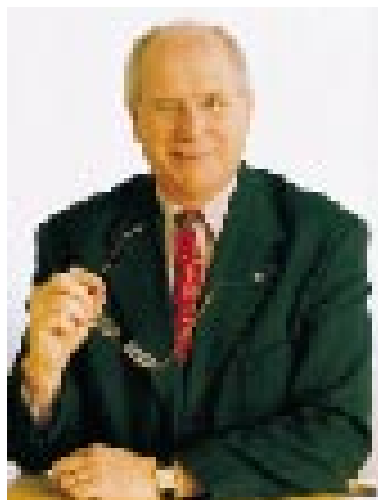
In 1997, Ahlsell's sales increased from SEK 3,344M to SEK 4,084M. Earnings totalled SEK 166M (164).

The first quarter of 1997 was characterized by the same weak market as in the winter of 1996. Ahlsell was faced with falling demand in Sweden, in the electrical as well as the heating & plumbing segments.

Compared with 1996, spring involved a 10 percent reduction in volume for Ahlsell heating & plumbing supplies. However, the total Swedish market fell by 15 percent which meant that Ahlsell was able to strengthen its position.

The second quarter started better. The market recovered and demand increased. Ahlsell's sales were on a par with the previous year, and in June a clear improvement was noted.

This trend-break continued during the remainder of 1997 and sales of heating & plumbing supplies improved in the second half. Sales of the electrical range were on a par with the previous year which meant an increased market share as the total market for both the electrical and the heating



Business Area President:  
Bengt Olsson

& plumbing fields fell by 5–6 percent.

Within heating & plumbing and electrical wholesale, very small price adjustments are currently being made and the price scenario is considered to be stable.

At the beginning of 1997, two Norwegian companies, Hillco A/S and Pe Fo A/S, were acquired. Hillco is a refrigeration wholesaler and the acquisition means a significantly improved market position. Pe Fo is an electrical wholesaler which concentrates on the DIY market.

Through the acquisition of the local wholesalers, Tornab in Norrbotten and Värmekällan in Jämtland, Ahlsell's position was strengthened in

Northern and Central Sweden.

In February, Ahlsell opened its first professional mart in the Polish capital, Warsaw, and a few months later the electrical wholesaler, Elwar, Warsaw's best-known wholesaler, with sales of around SEK 100M, was acquired. In addition to four locations in the city, there is a sales office and warehouse facilities in the adjacent city, Łódź.

A merger process is underway aimed at making Skoogs El and Ahlsell into an even stronger company. An organization based on seven regions was immediately created, and sales management, control and administration were coordinated. All supplier agreements were coordinated and a plan for coordination of the product ranges was drawn up. Coordination of sales and warehousing will be completed during 1998.

In October, Landol AB was acquired, a company which specializes in property maintenance on a continuous basis which means a new market segment for Ahlsell.

At the beginning of 1998, the investment in the DIY market was supplemented through the acquisition of the Danish company, VVS-Trading A/S.

#### Market

Ahlsell's success is found in a combination of a cost-efficient structure, good



Ahlsell's central warehouse in Hallsberg supplies more than 50,000 items. The picture shows the tall storage portion.

#### Facts / Ahlsell

	1997	1996
Invoiced sales, SEK M	4,084	3,344
Share of Group sales, %	19.6	16.0
Operating income, SEK M	166	164
Operating margin, %	4.0	4.8
Average capital employed, SEK M	820	646
Return on capital employed, %	20.2	25.4
Capital expenditure, SEK M	42	19
Number of employees on 31 December	1,682	1,163
Storage and Sale in Sweden, Denmark, Norway, Finland, Poland and Russia.		



## Business

- As a wholesaler, Ahlsell will offer a functionally correct product range for contractors, industry, municipalities and retailers.
- Ahlsell will operate within the product segments: heating & plumbing, supply & sewage, electrical, refrigeration and tools.
- Ahlsell will provide a high quality product range from leading producers.

concept

Ahlsell coordinates the deliveries so that the products are supplied to the location and at the precise time decided by the customer.



In Ahlsell's professional marts, customers make their own selections from among all the articles on the shelves.

businessmanship combined with a close network of centrally-located professional marts which gives it the accessibility demanded by customers.

Customer demand for increased service is met by, among other things, the Packed and Ready concept which means that the customer reviews the product requirements with Ahlsell's representative. This review leads to the coordination of orders and deliveries. The products are delivered direct to the location at precisely the time fixed by the customer. The products are delivered in special packaging which is recycled, there are positive effects on the environment.

During 1997, the central warehouse in Hallsberg was extended to 38,000 square meters to meet the increasing sales and significantly higher volume involved in the acquisitions of Skoogs and Landol.

In addition, the central warehouse was ISO 9002 certified at the beginning of 1998.

### Organization

Ahlsell's operations are distributed on the Heating & Plumbing, Electrical, Refrig-

eration, International, GDS, Landol and Industrial Supplies Divisions.

Sales are made via some eighty professional marts in around fifty locations. The head office is located in Häggvik, north of Stockholm.

### Customers

Ahlsell's main customers are contractors, industry, municipalities and electricity boards as well as property managers.

### Competitors

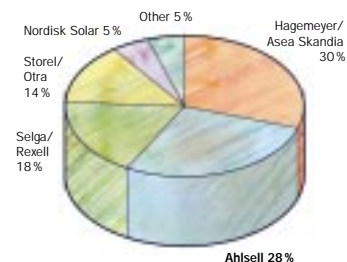
Ahlsell has a leading position on the Swedish market for heating & plumbing and electrical products, see diagram.

### The future

In recent years, wholesale operations have been internationalized, and in Europe restructuring is taking place, especially in the heating & plumbing market. In Sweden and the Nordic countries, this process has progressed even further, and Ahlsell strengthened its position in 1997.

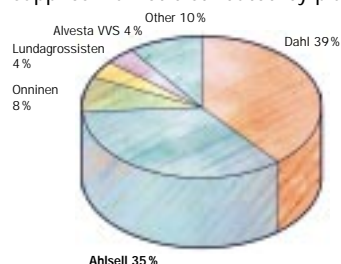
Some positive development of the Swedish building market is expected during 1998, especially in the large cities and university locations.

### The Swedish electrical market distributed by player



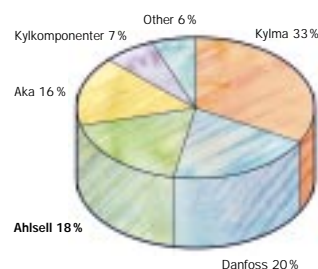
In total, the Swedish electrical market is estimated to be worth SEK 7 billion.

### The Swedish heating & plumbing supplies market distributed by player



In total, the Swedish plumbing & heating supplies market is estimated to be worth SEK 6.4 billion.

### The Swedish refrigeration market distributed by player



In total, the Swedish refrigeration market is estimated to be worth SEK 500M.

Ahlsell's hub, the central warehouse in Hallsberg.



# Concentrates increasingly on pretreatment and additionally refining *of materials*

Bröderna Edstrand's strength on the Swedish market is due to the fact that the company is a nation-wide steel wholesaler with warehouses and systems providing 24 hour service. This means that an order received before lunch is delivered at the customer's site next morning. Fixed schedule truck systems, a broad and extensive product range as well as resources to pretreating steel for customers into ready-to-assemble components enables a high level of service.

For many years, Bröderna Edstrand has had well-established relations with the most important European steel mills.

## Business development

Bröderna Edstrand continued to improve, especially its capital efficiency. The cost side was also kept under strict control.

The invoicing value fell by 2 percent despite a 4 percent increase in tonnage. Earnings were significantly higher than in previous years, SEK 98M (65), mainly because 1996 earnings were charged with significant write-downs in inventory values.

The business area enjoyed a favorable autumn with higher volumes than in 1996. The trend for the building-related products remained weak and sales of reinforcement products fell by 14 percent which clearly reflects the decline in new construction of residential properties and reduced investments in infrastructure. Because of the forest industry's low investments during the year, sales of stainless steel declined.



Business Area President:  
Rolf Forssell

Sales of long products and hot rolled plate were at anticipated levels, whereas sales of special steel, pipes, and thin sheeting developed strongly.

Compared with 1996, the start of 1997 showed a stabilization of steel and metal prices. Price increases in several product areas were implemented although with a considerably slower impact than the mills had announced. On the whole, an increasingly positive price scenario gradually developed as the year progressed.

## Success factors

Bröderna Edstrand is a distributor, which from an ownership viewpoint

is independent of steel mills, and the company is capable of offering products from the most important steel mills in Europe.

Bröderna Edstrand's resources for pretreating and additionally refining materials have become an increasingly competitive factor. Customers increasingly request these services, and Bröderna Edstrand will continue the concentration on increased pretreatment and a higher level of service.

The investment in a service center for special steels in Jönköping started in 1996. Demand for made-to-measure products increased, and the plant was expanded by an additional 3,000 square meters. In Jönköping, a very modern and efficient service center has now been created for cutting special steel, tubes and precision steel pipes.

During the autumn, the Norrköping plant was reconstructed, and a new 5,000 square meter building for stainless steel, aluminum and cold-rolled sheeting was built adjacent to the other operations. The Norrköping investment will continue in 1998 with flame-cutting of heavy-duty sheeting, and machinery will be refurbished and new machines added. After the flame-cutting plant has been commissioned in March 1998, the production area will have doubled and production trebled.

## Facts / Bröderna Edstrand

	1997	1996
Invoiced sales, SEK M	2,093	2,134
Share of Group sales, %	10.0	10.4
Operating income, SEK M	98	65
Operating margin, %	4.6	3.0
Average capital employed, SEK M	337	377
Return on capital employed, %	29.1	17.4
Capital expenditure, SEK M	60	18
Number of employees on 31 December	523	512
Storage and Sale in Sweden and Denmark.		



In Bröderna Edstrand's service center in Norrköping, sheet metal is cut to customers' specifications.

## Business

Bröderna Edstrand is an independent wholesaler with sales, stock-keeping and distribution of steel, pipes, stainless steel and aluminum, primarily to the Swedish market.

concept

Swedish defense force commandos sharpen their striking power with the combat Boat 90H constructed of aluminum from Bröderna Edstrand.



An important feature of outdoor life is the storm cooker. Bröderna Edstrand supplies the aluminum.

In June 1997, Bröderna Edstrand opened a sales office in Copenhagen. Customers are found throughout Denmark and deliveries are made from the warehouses in Malmö and Gothenburg.

### Organization

Operations are distributed on five regions with warehouses in Malmö, Jönköping, Gothenburg, Stockholm/Norrköping and Sundsvall as well as a reinforcement plant in Jularbo and a sales office in Copenhagen. The head office with central functions is located in Malmö.

### Customers

At the beginning of the 1990s, a change took place in Bröderna

Edstrand's customer structure. In step with falling investments in construction in Sweden, the importance of the manufacturing industry increased. Large customer groups, in addition to the Swedish engineering companies led by the export industry, are now the building industry and retailers.

### Competitors

The Swedish market for product groups offered by Bröderna Edstrand is also worked by distributors which are directly linked to steel manufacturers, such as Tibnor/SSAB and Heléns/Rautaruukki.

### The future

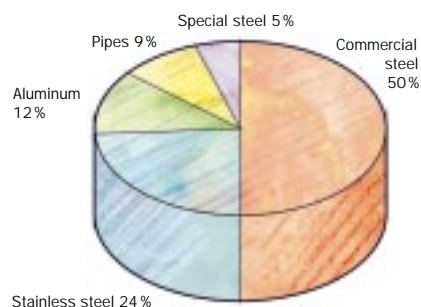
Following a period of relative stagnation in most segments of the steel-intensive European manufacturing industry, clear signs

of an international recovery exist. However, the scenario varies in the customer stage and in Sweden only the export industry shows increased growth. Companies in the building and construction industries are still experiencing a tough time, although some improvement is expected for 1998.

For Bröderna Edstrand, 1998 will involve increased focusing on costs, efficiency and optimization of inventory capital.

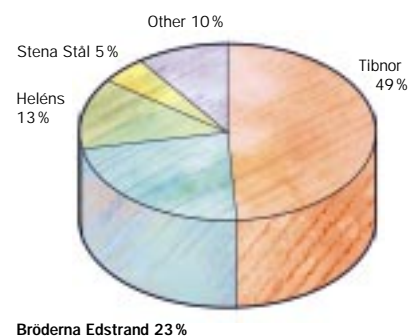
For a number of years, Bröderna Edstrand has been quality-certified in accordance with ISO 9002. Extensive work is underway to certify operations environmentally in accordance with ISO 14000.

### Sales by product group



Bröderna Edstrand's largest product group, commercial steel, consists of a number of products: hot- and cold-rolled sheeting as well as beams, bar, profiles and reinforcement iron products.

### The Swedish wholesale market for steel and aluminum, distributed by player



Bröderna Edstrand plays an important part as an independent import alternative among a number of large steelmill-linked wholesalers.

A comfortable office chair. The steel is supplied by Bröderna Edstrand.





# Strengthens its positions as a producer-independent distributor in France, Great Britain and Germany

Reynolds supplies semi-manufacture products such as tubes, sheets and wire in copper, brass, aluminum and special steel from some twelve locations in France, Germany and Great Britain.

## Business development

After a brief period of weak development, Reynolds is now registering a positive trend on its major markets.

Sales increased by 16 percent from SEK 829M to SEK 963M. Earnings of the Reynolds Group improved significantly to SEK 16M (3).

Volumes increased by 10 percent, mainly owing to an improved market situation as well as entry into new markets (both new products and finishing operations).

At the beginning of 1997, the French and German markets continued to be a disappointment. During the second quarter, the market recovered and demand increased in France while at the same time the British market remained strong.

Sales gradually improved in both France and Germany and were significantly higher than during the weak autumn in the previous year. In Great Britain, the satisfactory level of



Business Area President:  
Gérard Lièvre

demand continued until the year-end.

In the fourth quarter, the fall of over 30 percent of the copper price led to losses due to lower inventory prices.

Following restructuring in Germany and cost reduction in France, Reynolds has achieved lower overall costs in both countries.

The expansion in Britain increased costs but the earnings trend there remained satisfactory and the market position was strengthened.

In recent years, Reynolds' share of the British market has increased. The

trend is expected to remain strong and generate even higher earnings following the expansion which has taken place, with a strengthening on the sales side and a new service center for aluminum with an improved capacity to respond to customers' needs.

In France, the scenario was much more fragmented. The building market remained weak, whereas the export industry accounted for increased demand.

The German building market showed signs of recovery after a couple of weak years.

## Success factors

In common with the other wholesalers in Trelleborg's distribution operations, Reynolds invests in solving the customer problems in an efficient manner by developing more sophisticated products and processing which, among other things, means that the products are better adapted in form and format to customer needs.

During 1997, a new service center was opened in Cheltenham, Great Britain. A large portion of sales is expected to emanate from slitting and cutting of materials to meet customer specifications.

## Facts / Reynolds

	1997	1996
Invoiced sales, SEK M	963	829
Share of Group sales, %	4.6	4.1
Operating income, SEK M	16	3
Operating margin, %	1.7	0.4
Average capital employed, SEK M	191	177
Return on capital employed, %	8.4	1.9
Capital expenditure, SEK M	6	7
Number of employees on 31 December	172	161
Storage and Sale in France, Great Britain and Germany		

Under the Intermétaux name, a wide range of non-ferrous products is sold to the French market.



## Business

Reynolds is a leading producer-independent distributor of non-ferrous products, primarily to the French, British and German markets.

concept

Reynolds supplies tubes, wire and sheeting to the building and engineering industries in France, Great Britain and Germany.



Reyton Metals has opened a new service center in Cheltenham.

Reynolds has extensive experience in working on competitive markets and has acquired a well-established well-organized network among suppliers and customers.

### Organization

Reynolds' operations are known under various names in its respective markets:

- **France:** Reynolds European and Intermétaux
- **Germany:** Metallhalbzeug-Handel and Edelstahl- und Metallhalbzeug-Vertrieb
- **Great Britain:** Reyton Metals.

Reynolds' head office is located in Paris.

### Customers

Reynolds' customers cover a broad spectrum, with the majority from the manufacturing and building industries in France, Great Britain and Germany.

### Competitors

Reynolds, like Bröderna Edstrand in Sweden, is an independent wholesaler of products from European manufacturers which often have their own distribution facilities as well. The main competitors are found among the mills' own wholesalers.

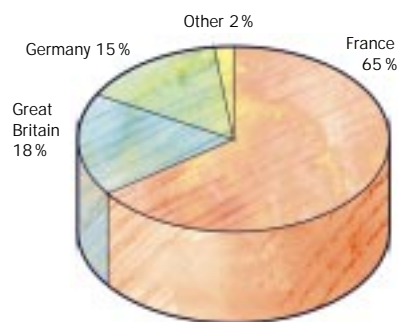
### The future

The market situation in France and Germany is expected to continue to

improve in 1998. The British market shows signs of weakening, which Reynolds faces with an increased level of service and new products, on the British as well as the French and German markets.

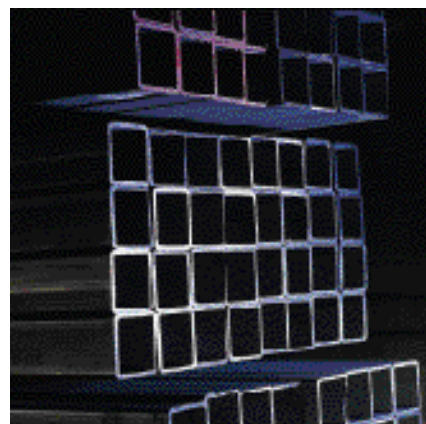
All in all, the assessment is that 1998 should develop positively.

### Sales by geographic market



Great Britain accounts for the fastest market growth.

Profiles ready for delivery.



# One of Finland's largest wholesalers, complements Ahlsell and Bröderna Edstrand in Eastern Europe

Starckjohann Oyj has traditions dating back to 1868 and has been listed on the Helsinki Stock Exchange since 1989. The Group was hit very hard by the Finnish building crisis at the beginning of the 1990s. That, combined with unsuccessful acquisitions outside the key business areas, led to financial reconstruction together with some Finnish banks during autumn 1993.

In recent years, Starckjohann has enjoyed positive development and the reconstruction plan was completed during 1997, five years earlier than originally expected.

During late autumn, Trelleborg acquired shares equivalent to 53.7 percent of votes and capital from the previous principal owner, Merita Bank.

## Business development

Sales of the Starckjohann Group during the 1997 reporting period were SEK 5,297M, an increase of 17 percent.

## Market

All divisions register a positive market trend. Thanks to increasing demand from the building and metal industries, sales of hardware, building



Business Area President: Taisto Riski

materials and heating & plumbing supplies trading increased. Steel and metal trading in the Starckjohann Steel Division also registered positive development in 1997.

During the period 1995–1997, the building materials chain, Starkki, carried out an extensive refurbishment and expansion program. Combined with lower costs, this resulted in increased market shares. Starkki invests in continued growth on the Finnish market and is developing its store concept and increasing the number of stores.

Demand for pretreated materials is rising and in recent years the steel wholesaler Starckjohann Steel has made additional investments in pretreatment of commercial steel, pipes and sheet metal. Following the acquisition of the steel and metal operations of the Finnish company, Oy Mercantile Ab in 1996, Starckjohann Steel extended its product range and supply of pretreatment services.

Competition on the Finnish heating & plumbing supplies market remains hard despite increasing demand. Suomen LVI-Tukku is meeting the situation through investments in central warehouses and branches.

Growth in the automobile trade continues and Starckjohann Auto's largest automobile brand, Opel, offers a new model program which has been positively received by automobile buyers.

During 1997, several Starckjohann stores and branches were refurbished. In Villmanstrand, a store was opened and in Tampere, a new automobile dealership. The Starkki chain opened a store in the Helsinki region.

## History with German Roots

Starckjohann's 130 year history way up in the Gulf of Finland with the arrival of a young German named Peter Starckjohann.

In 1868, present-day Finland was part of the Czar's Russia. The city of Viborg was a rapidly-growing industrial and trade town with important trade relations to both Helsinki and St. Petersburg.

Peter Starckjohann arrived in Viborg in 1860 and started working together with other Germans on building the town's gasworks.

When the gasworks was completed, Peter Starckjohann stayed, ready to start work as the manager of an ironware store. In 1868, he opened his own business in the same sector. When Peter Starckjohann died in 1882, his nephew, Julius Starckjohann, took over the helm. Julius, who had a flair for business, enlarged the

enterprise, and the ironware store was soon to be the leading store in the region.

Business went well. Even during the First World War and the subsequent depression the company grew. In 1938, the company was a wholesaler to industry and the retail trade and was trading with heating & plumbing supplies as well as sales to own stores. The most important products were metals, coal, machinery, chemicals, tools and household products.

The Second World War put an end to the developments in Viborg. When the Soviet Union demanded new borders, Finland's "Winter War" became a reality. The company moved under the leadership of Julius' son Peter. At last a decision was made to establish company headquarters in Lahti in Southern Finland, and in May 1950, astonished citizens of Lahti had the opportunity to visit the country's first self-service ironware store.

Starckjohann Steel is Finland's third largest steel wholesaler.





## Business

The Starckjohann Group is a Finnish trading company with broad operations organized in four product areas: Building Materials, Commercial Steel, Heating & Plumbing and Automobile Sales.

concept

The building industry is accelerating in Finland and the requirement for steel and other metal products will increase during 1998.



- **Starckjohann Steel** is a steel wholesaler. The acquisition of Mercantile strengthened the division's position, especially in stainless steel.
- **Suomen LVI-Tukku** is Starckjohann's heating & plumbing supplies wholesaler with a network of collect stores.
- **Starckjohann Auto** is responsible for the Group's automobile sales with several automobile brands, including Opel, the best-selling brand in Finland during 1996 and the second 1997.

Other operations consist of a small number of companies with niche operations in wholesale trading.

### Customers

The majority of Starckjohann's sales is made to the Finnish building and engineering industries. In contrast to the Swedish building market, the Finnish building market increased at the end of 1996 although housing construction remains at a very low level. 1997 saw an increase in new construction with a focus on housing construction. The stores of the Starkki chain are directed at both private and corporate customers with their product range of building materials.

Customers in the metal and mechanical engineering industries have increasingly moved their pre-production to the pretreatment centers of the steel wholesalers which means increased demand for Starckjohann Steel's services.

### Competitors

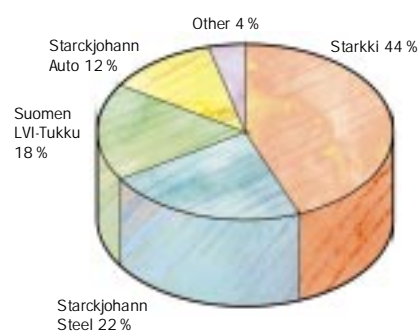
Starckjohann's divisions all have a strong position on their respective market. Starkki is Finland's second largest hardware and building materials supplier after Kesko Oy's K-Rauta. Starckjohann Steel is Finland's third largest steel wholesaler after Asva Oy and Keskometalli Oy.

Suomen LVI-Tukku holds a strong position on the Finnish heating & plumbing supplies market. The main competitors are Onninen Oy and LVI-Dahl.

### The future

The positive trend in the Finnish economy is expected to continue during 1998. For Starckjohann this will mean rising demand, primarily in the form of increased construction which should provide for positive development.

Sales distributed by division



All divisions reported a positive trend during 1997. Starckjohann Steel accounted for the largest increase, 28 percent.

Starckjohann Steel's pretreatment capacity also expanded.

The largest investment during 1998 is the Starkki store which will be built in Helsinki.

### Organization

The Starckjohann Group consists of four divisions:

- **Starkki.** Finland's second largest building materials chain with 25 sales outlets. The trend is increasingly towards a modern DIY chain.

### Facts / Starckjohann

	1997	1996
Invoiced sales, SEK M	5,297	4,500
Operating income, SEK M	162	136
Number of employees at December 31	1,616	1,457
Warehouse facilities/sales in Finland, Estonia and Russia		

Footnote: Starckjohann is included in the 1997 consolidated balance sheets, but not in operating income.

Starkki has a nationwide chain of building materials stores.



# Boliden

Boliden Ltd

President: Anders Bülow

Exchange listed in Toronto and Montreal, Canada

Trelleborg's share as of December 31, 1997: 45 percent of share capital, 45 percent of voting rights. Trelleborg's holdings after the new issue in Boliden Ltd (March 1998): 41.8 percent.



Boliden's Swedish mines have been complemented with low cost zinc and copper mines in North and Latin America through the acquisition of Westmin Resources. Pictured here is the open pit mine Aitik in Sweden.

Boliden Limited was listed on the Toronto Stock Exchange in Canada, (the world's largest exchange for mining shares) on June 17, 1997, after Trelleborg sold 55.1 percent of the capital stock in the company.

## Roots in Boliden

Boliden was established in Sweden in the 1920's, when the first gold deposit was discovered near the village of Boliden. The company rapidly became one of the leading metal and mineral companies in Sweden.

In 1987, Boliden became a wholly-owned subsidiary of Trelleborg AB and remained so until it became exchange listed in 1997.

In connection with the listing, the company's head office was moved from Sweden to Canada.

Boliden's main operations consist of the extraction, processing and sale of minerals and metals, especially base metals such as, zinc, copper and lead, and precious metals such as gold and silver. The company also manufac-

tures and sells copper tubing and brass products.

## Earnings 1997

Net earnings for 1997 in USD more than doubled in comparison to 1996. A stronger US dollar, higher zinc prices and, in general, sound contributions by the various units were the primary reasons for the rise in earnings. However, lower prices for almost all metals affected earnings during the fourth quarter.

Production records were set at all mines in Sweden during the year. The Aitik mine was the leader, with 72,000 tons of copper. In December, the Los Frailes in Spain, achieved its planned production capacity of four million tons annually.

## Westmin

On December 1, Boliden made a bid for all the shares in Westmin Resources Limited, a Canadian base metal producer with operations in the Western Hemisphere, which will

Invoiced sales:	SEK 9,183M (8,460)
Number of employees:	5,038 (4,777)

## Boliden's mining production

	1997	1996
Zinc, tons	129,761	142,498
Copper, tons	86,041	65,669
Lead, tons	99,320	97,346
Gold, ounces	164,445	154,995
Silver, ounces	8,084,000	7,701,000

Metal contents of concentrates from Boliden's mines, including the 50 percent share in the Saudi Arabian company SCPM.

serve to complement Boliden's European base-metal mines. Through the acquisition, Boliden will gain access to low-cost production of both zinc and copper. This will also provide the company with a platform for growth on the American Continent, which was one of the main objectives when the company was exchange listed in June 1997.

International exploration investment was made in Mexico during 1997. Together with, among others, the Canadian company, Silver Eagle Resources Ltd and the Mexican company, Luismin, exploration for base and precious metals was initiated in the Mexican federal state of Sonora.



# Sorb Industri

SORB INDUSTRI AB  
President: Per Lidström

Trelleborg's holdings as of December 31, 1997:  
95 percent of share capital (95) and 90 percent of voting rights (90).

Sorb Industri was formed in the late 1980s by Boliden/Trelleborg. Sorb Industri's original business concept was to develop competitive companies into an industrial group based in the Norrland region of Sweden. In order to further emphasize the industrial direction, the name of the company was changed from Sorbinvest AB to Sorb Industri AB in 1997.

Trelleborg is the largest owner with 95 percent of share capital. The remaining shares are owned by the municipality of Skellefteå and FörningsSparbanken. An expressed aim of Trelleborg is, through a future listing of Sorb Industri, to achieve a distribution of ownership and accomplish its original objective; to create a new industrial group.

Sorb Industri's operations are based on niche companies, the manufacturing of components and systems, and timber processing.

Holmhed Systems and Fumex have products which are linked to a safe and positive work environment. Holmhed Systems develops, manufac-



Robots from Holmhed Systems can be used in the most demanding environments as here in the demolition of industrial premises.

tures and markets remote control robots used in demolition work. Fumex has a product range including spot extractors and peripheral equipment. In the manufacturing of components and systems, the larger companies, LEAB Löfvänger Elektronik AB and Texor, mainly have customers in the IT sector in regard to electronics, and in the food and pharmaceutical sectors regard-

ing mechanics. Sorb Industri's timber companies, Wallmarks Såg and Svenska Träbroar, saw and process timber.

The work of improving the structure of the Sorb Industri Group continued during the fiscal year.

The investment level was normal and the company's financial position was further improved. For comparable units, invoicing increased by 25 percent. Earnings after financial items were SEK 39M (28). Return on capital employed amounted to 22 percent (19).

Invoiced sales:	SEK 524M (592)
Number of employees:	427 (539)

## BPA

BPA AB (publ)  
President: Johan Karlström  
Exchange listed in Stockholm, Sweden

Trelleborg's holdings as of December 31, 1997:  
29 percent of share capital (29) and 29 percent of voting rights (29).

have the best, and most efficient working and living environments. The demand for good indoor envi-

anticipated over the next few years and as a result of this, increased demand for installation services.

BPA is the leading Scandinavian contracting company with operations in the areas of heating & plumbing supplies and the electrical and ventilation sectors. Building on its contracting expertise, the BPA Group has also developed extensive maintenance and management operations with both industry and property owners as customers.

Earnings and operating development show that BPA's strategy has been correct. The company has positioned itself in a market segment with comparatively low risk and sound and stable growth opportunities.

With its knowledge, BPA will assist in ensuring that people – customers and their customers – will



BPA is the leading contracting company in Scandinavia.

ronments means that it is of vital importance to begin renovating the large property-holdings which were constructed during the building boom of the 1960s and 1970s. In respect to this, major investments are

The rapidly-emerging IT community is a strong development trend with demand for new products. Data and telecom installations are a multi-million dollar market with a strong growth trend. In addition, there is a growing market for the installation of fire and security alarms as well as emergency medical alarms in housing for the elderly and in hazardous environments.

Invoiced sales:	SEK 5,800M (5,433)
Number of employees:	6,300 (5,825)



Comfort



Environment

In the Trelleborg Group, environmental issues are central. We continuously work towards the objective of improving our own environment based on our environmental policy, various environmental management

systems, and our own environment network. Tangibly, this has resulted in reduced emission levels, reduced noise levels, safer operations and increased recycling. Environmental work will continue to be of central importance.



## Safety



Naturally, our products also contribute to improvements in working environments and the exterior environment. Here is a listing of some examples from our own production: sound-absorbent products, landfill

sheeting, retreading materials, sealing strips and low pressure tires for forestry and agriculture. Ahlsell has established a system for the handling of environmentally-hazardous products. Florescent tubes and mercury lamps are returned in special containers.





# The environment: *increased priority*

*The environment, health and safety are important areas for the Trelleborg Group. Environmental issues form an integral part of the business operations, as does the ambition to improve environmental efforts. In the new organization, environmental issues have been prioritized and a new Group function – Trelleborg Environmental Affairs – has been established. The new Group function is responsible for coordinating activities in the environmental area and establishing a Group-wide environmental management system.*

A Group-wide environmental management system is being formulated. The system is based on the ISO 14001 international standard, and EMAS (EU Eco Management and Audit Scheme) and comprises environmental, health and safety issues.

In several plants, work aimed at introducing ISO 14001 has been successful. The first plant to be certified was part of Trelleborg Engineered Systems and is located in Mjøndalen in Norway.

The driving forces within the Group, and demands from customers and consumers to implement ISO 14001, means that this work will be intensified. Internal seminars, etc., are

being introduced in order to speed up the implementation process. The Trelleborg Group now has a certified Lead Environmental Auditor in line with the requirements of ISO 14012.

## **Environmental audits**

Environmental audits and periodical inspections are being carried out at some of the plants in the Trelleborg Group. Environmental audits in connection with certification in accordance with ISO 14001 are carried out by accredited certification authorities.

Environmental audits in connection with planned acquisitions (due diligence audits) are carried out regularly.

## **Environmental aspects and environmental targets**

Operations within the Trelleborg Group impact the environment in different ways. Important environmental aspects concern the complete life-cycle of the product. Production means, for example:

- that natural resources such as energy and water are used in raw material extraction,
- that raw materials are used in combination with various chemicals during the production process which causes emissions into air and water,
- that the products are transported,
- that the finished products are included in other products which can impact the environment,
- that the products finally become waste.

Environmental aspects of special interest to the Trelleborg Group are, for example:

- emissions into air (malodorous substances, curing fumes, dust and solvents),

- the handling of hazardous substances in the production process,
- the pollution of soil and ground water from our operations,
- issues relating to waste in the manufacturing units and also in connection with the distribution operations,
- the effect of transports on the environment,
- work environment issues,
- the characteristics of products and packaging from an environmental and health viewpoint.

## **Strategic activities**

Due to the broad product range and processes involved, it is currently impossible to establish measurable environmental objectives for the entire Trelleborg Group. However, there are a number of strategic activities which will be implemented over the next few years:

- Environmental management systems in accordance with ISO 14001 or EMAS will be implemented in existing plants at the beginning of the 21<sup>st</sup> century,
- Knowledge and skills regarding the development of polymer mixes which are safe from a health and environmental viewpoint will increase. Work aimed at minimizing or completely replacing certain hazardous substances in raw materials will therefore be prioritized. An example of this is the project which is underway whose objective is reducing the zinc oxide content in sulfur-vulcanized and peroxide-vulcanized rubber.

Other projects which are carried out in network-form with other companies concern process oils, nitroamines and odors from the plants and their

Thanks to oil booms from Trelleborg, environmental damages from oil spills can be limited.





An important area for Trelleborg involves ensuring that rubber waste is re-used in new products.



## *The Trelleborg Group's* Environmental policy

In regard to environmental issues, we commit ourselves to the objective of preserving a long-term, sustainable society.

Our objective is that the activities within the Trelleborg Group will not damage the environment or harm people's health. Environmental aspects shall be integrated in the day-to-day business operations.

- We shall economize on energy, water and other natural resources. The environmental aspects will be taken into account when we choose raw materials, chemical products and distribution systems.
- We shall minimize waste and emissions from our production plants and our distribution operations.
- We shall have safe and sound work places and train our personnel in order to ensure that they are able to carry out their work in the best possible way.
- In our research and development operations, we shall strive for environmentally-sound technologies, products and packaging.
- We shall utilize the opportunity to make environmental adaptations when we change processes, plants and products.
- We shall maintain sound emergency preparedness by systematically evaluating the risk of accidents, fires and uncontrolled emissions.
- We shall inform customers, suppliers and contractors about our environmental work, and in cooperation with them, strive to achieve mutual improvements.
- We shall provide open and objective information about our environmental work to our personnel, the general public, and authorities.
- We shall comply with current environmental legislation and develop long-term plans relating to national and international legislation in the environmental, health and safety areas.
- At the beginning of the 21<sup>st</sup> century, we shall comply with the requirements of ISO 14001 and/or EMAS in our existing production plants. Work-tasks and responsibilities within the framework of the environmental management system will be made clear. Environmental objectives and plans of action shall be established in every plant.
- We shall evaluate environmental performance by monitoring emissions and through frequent environmental audits. We will strive to continuously improve our environmental performance.

surroundings. Another important issue is the minimalization of solvent emissions. Chlorinated solvents have now been almost completely eliminated but a considerable amount of the development work remains to be done before completely solvent-free (water-based) systems can be utilized. Within the Trelleborg Group, there are departments which have already converted to water-based methods for achieving adhesion between rubber and metal.

An important area for Trelleborg is to contribute to ensuring that materials are re-used in new products and, alternatively, that the energy content in these is utilized. The DeLink-method for recycling production waste has been the subject of laboratory and pilot-scale studies.

### Transport and packaging

In the distribution operations it becomes increasingly important to meet demands from customers for information regarding the environmental characteristics of a product. Other interesting issues are the environmental adaptation of transports and systems for handling spent products and packaging.

An important task for the Trelleborg Group's environmental function is to create a structure for collection of environmental data from the Group's plants all over the world.

During 1998, the Group's environmental work will also be presented in the house magazine, T-TIME.

Trelleborg's sealing strips contribute to reducing the amount of energy needed for heating. In Sweden alone, these energy savings are equivalent to 300,000 tons of heating oil (15 supertankers) during a five-year period.





# *The* environment: *increased priority*

## **Rubber in the service of the environment**

Rubber is a material which can be used in many areas. A common denominator for many of the products which the Trelleborg Group manufactures is that, in one way or another, they are used to improve comfort, safety and the environment.

Trelleborg Automotive contributes to comfort and the work environment through anti-vibration mountings for vehicles, machines and buildings and through composite materials for sound-proofing.

For forestry and agriculture, Trelleborg Wheel Systems has developed wide tires, which as a result of their design can be driven using extremely low air pressure. This results in reduced soil compacting, reduced land damage and ensures that roots close to the surface are not damaged.

The business area has developed a solid tire for industrial trucks which is

produced entirely from recycled materials. Trelleborg is Scandinavia's leading supplier of materials used for retreading tires. By partly utilizing recycled materials in new treads, utilizing softeners without the addition of highly-aromatic oils, reducing the use of zinc-oxide and aging-protection and by also developing vulcanization systems with a lower environmental impact, Trelleborg is contributing to ensure that a large proportion of the approximately 15,000 tons of tires which are retreaded in Sweden every year becomes increasingly environmentally adapted.

Trelleborg Engineered Systems has developed a special flame-proof product coating steel constructions and used in the offshore industry. In the event of fire, the effects are delayed so that personnel will have time to evacuate, and so that emergency-actions can be implemented. Trelleborg's chemical-protection suits are

used by rescue personnel all over the world. Proof of the high quality of Trelleborg's protective clothing is that the New York City Fire Department, which has very high quality and safety demands, has chosen Trelleborg.

## **Saving energy**

In the building and contracting sector, Trelleborg Building Systems has developed several products which contribute to better energy economizing, financial savings and improved indoor climate in different ways. Possibly the best example is sealing strips for windows and doors. Every year, Trelleborg manufactures strips which make it possible to save energy equivalent to 300,000 tons of heating oil.

Sealing-sheet products and systems have undergone intensive technology development. 25 years ago, three-layer cardboard with a product-life of 15 years was used.



A closed system means that environmental risks in the handling of different chemicals at the mixing department is minimized.



Landfill sheeting saved the harvest. Spanish citrus growers built water reservoirs with sheeting from Trelleborg.



Many of Trelleborg's products contribute to environmental protection. Pictured here is a basin for spill water in Narbonne in France.

Later, during the 1970s, two layers cardboard was developed with a product-life of 25 years. During the 1990s, high-quality one-layer tar paper was introduced. This has an estimated lifetime of around 35 years.

These developments have meant a significant resource savings in regard to the consumption of raw materials and transport requirements. Trelleborg has also produced various types of rubber sheeting which, among other things, are used as protective layers in landfills to prevent soil and ground water pollution.

#### Environmentally-adapted distribution operations

Within the Swedish business areas of Ahlsell and Bröderna Edstrand, several activities in the environmental area are in progress. Within the framework of the "Ahltvål" action program, Ahlsell has implemented measures with environmental over-

tones. For example, lead-covered cables and cables with plastic casings which contain halogens have been eliminated from the product range.

Transport has been environmentally adapted in that Ahlsell, in cooperation with a transport company, has created a groupage system. From the central warehouse in Hallsberg, a check is made to ensure that trucks which are not fully loaded are grouped with products from other locations or other companies. Ahlsell has chosen to cooperate with a transport company which has a well-defined environmental profile.

The "Packed & Ready" concept means that the amount of packaging waste is reduced at the customer level. All components for each individual work location are packed in a special carton and delivered directly to the floor on which they will be used. Later, when it is convenient, Ahlsell returns and collects the special carton and other

packaging material and takes care of the waste-handling. The cartons are then re-used for the same purpose.

Ahlsell El provides paper tubes and systems for recycling of scrapped fluorescent tubes and halogen lamps which contain the environmentally-hazardous element, mercury. During 1997, approximately 400,000 lamps were recovered and handed over for destruction at an approved plant in accordance with the so-called "Quicksafe method."

#### Environmental management systems introduced

In Bröderna Edstrand, work is underway regarding the introduction of environmental management systems in accordance with ISO 14001. All regions have developed, or are developing, an environmental review. The regions have a work-environment group which documents the operations in an annual environment report. In addition, the environmental training of key personnel and others in the work force is planned.

Current actions in the environmental area include: a 95 percent reduction in solvents emissions into the air from painting, improved systems for handling of sludge from painting, sorting at source of paper, plastic, wood and metal.



Sealing profiles are produced in many forms in order to be adaptable to all application areas. Heating needs are reduced through sealed windows and doors.





# Research and development

*The combined resources and flexible R&D organization of the Trelleborg Group has a strong orientation towards end-users' needs for comfort, safety and environment.*

At the end of 1997, the Trelleborg Group decided to invest SEK 100M in an upgrading and modernization of the Group's Technical Center in Trelleborg.

The investment means that the Technical Center will be renovated and that extensive technical equipment will be acquired.

The new Technical Center will be operational at the end of 1998.

"This will be the jewel in the crown of the Trelleborg Group," says President and CEO Kjell Nilsson.

## Technical Center in Trelleborg

A modern Technical Center will mean a real boost for highly-advanced basic research and spearheading technical skills.

The choice of Trelleborg as the location for the center was due to the excellent conditions which exist in the region including the fact that several large training and research institutions are located in the Öresund area, which together, make up Europe's fifth largest academic center.

"We have chosen to locate the Group's Technical Center in Trelleborg, since this region provides the positive conditions for carry out advanced research and development."

It is our ambition that the Technical Center will function as a natural meeting place for both internal and



President of the Trelleborg Group, Kjell Nilsson (right), shows a drawing of the future Technical Center. Thomas Johannesson, Rector of the Lund Institute of Technology, believes that the investment will give a real boost to the Group and to research in the universities and colleges in the region.

external development engineers and scientists, as well as customers, suppliers and technology institutes and research institutes.

There will be space in the new center for exhibitions, and demonstration halls in which customers will be able to study the development of materials and products adapted to their specific requirements.

## Sounding board for new ideas

Engineers who specialize in polymers,

logistics and chemistry are in high demand and an investment like this could draw the best in the field, believes Thomas Johannesson, Rector of the Lund Institute of Technology:

"This investment in knowledge which Trelleborg is making will bring together many expert men and women in one location. This is something which will attract today's civil engineers as they will be surrounded by colleagues who can act as a sounding board for new ideas."



Today, Trelleborg's Technical Center is already an important resource for the Group. After renovation and extension, the objective is for the Technical Center to become a meeting place for both internal and external development engineers and scientists.

Trelleborg's extensive knowledge within laminate technology – combining rubber with, for example, metal – is used for several vehicular products. The photograph shows details of strut mounts.



### The cutting edge of research

At the same rate that the Trelleborg Group's industrial operations are increasingly developing customer adapted systems and not only polymer products▲, there is an increased need for the development of new techniques and the need for new technology with which to develop materials and material combinations.

### Electroreology in cars

Through the Technical Center, Trelleborg will participate in a number of large research products, both at the national and international level.

A current research area is electro- and magnetoreology▲, where research is carried out as to how electrical or magnetic fields can affect a fluid's viscosity or a material's rigidity. The world's largest car companies are focusing attention on the electroreology phenomenon, since an interesting application is vibration isolators whose damping can be controlled electronically.

In cooperation with the Royal Institute of Technology in Stockholm, Trelleborg AB is investigating how electro- and magnetoreology effects can be used to create "smart" rubber material with variable damping functions for sound and vibrations.

### Hydraulic oils are replaced

In these systems, conventional hydraulic oils are replaced with either electro- or magnetoreology fluids by which the flow and shearing▲ characteristics can be drastically changed

with the help of electrical and magnetic fields. These effects are reversible and can be developed in several thousandths of a second.

With these systems, an engine mount can be made selectively stiffer in certain operational relationships, for example, with occasional road bumps or in the event of resonance disturbances when starting.

Vibrations in connection with acceleration can be dampened at the

same time that a high degree of isolation is maintained in the event of higher operational frequency. The system is referred to as intelligent since sensors (level, speed, or acceleration indicators) placed in the vehicle react and send signals to the fluids so that vibrations can quickly be dampened.

The prototypes which have been developed in Trelleborg's laboratories have given promising results.



Trelleborg has a number of laboratories for testing vibration dampers and brake shims.

Together with the world's largest vehicle producers, a large portion of development work is being focused on problems with sound and other vibration disturbances.



# Information Technology in today's world



The need for fast communication and access to relevant information is vital for achieving the Trelleborg Group's profitability and growth target.

One means of achieving efficient communication is to use what is referred to as Information Technology, IT.

Used correctly, IT can provide strategic advantages and strengthen a company's position in the market. IT is no longer exclusively the domain of computer professionals but rather a tool for all personnel in their various roles.



With the assistance of an efficient and comprehensive communications network, business-related systems, coordination and standardization of infrastructure and a positive interplay between computer technology personnel and users and operating management, the use of IT can become an important competitive advantage.

## Internet/intranet

Communications within the Trelleborg Group are facilitated by the ongoing work on building a common network in which there is also the

possibility of adding communication with external parties.

The Group's homepage was presented in connection with the 1995 Annual General Meeting. Through that, Trelleborg was among the first industrial companies in Sweden to make use of the Internet in order to communicate with shareholders, customers, suppliers and other interested parties. An extensive update was presented in March 1998.

Internet technology is also used for internal communication within the Trelleborg Group, through a so-called intranet. In 1997, work was begun on linking the Group companies and units in a world-wide network together for the exchange of electronic information.

The Group-wide information network has been given the name TrelNet, and will be comprised of communications in the form of e-mail, internal news and external monitoring, catalogues, manuals, and other Group-wide functions. Work on implementing TrelNet will be intensified during 1998.

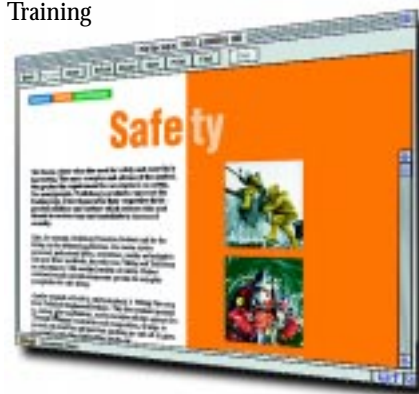
## IT security

IT security will always be a prioritized area since the information flow within and between Group companies must be protected against unauthorized access, loss or misrepresentation.

Safety and vulnerability analyses are carried out on a continuous basis, and the best available technology is used for securing the optimal level of information security.

During 1997, an updated and strengthened policy and guideline for information security was produced which applies to the entire Trelleborg Group. The following items are included:

- Consequence review in regard to the above,
- Access control,
- Physical security,
- Logical security,
- Security copying,
- Virus protection,
- Environment for computer operations,
- Contingency plans,
- Training



Trelleborg's website, [www.trelleborg.com](http://www.trelleborg.com), contains more information regarding the campaign theme: comfort, safety and the environment.

## Information Technology

Information Technology consists of business-related applications which together, process, compile and distribute information with the help of a well-defined combination of knowledge, software, hardware and communication.





# Ahlex — Express service

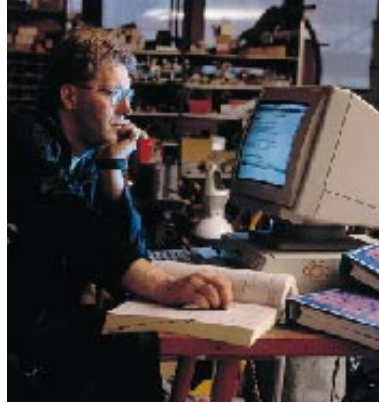
One example of how the Trelleborg Group makes use of the possibilities offered by IT is Ahlsell's communication with its customers.

## Electronic purchasing

Since the early 1980s, Ahlsell has offered customers the possibility of handling contacts via electronic communication. Customers who buy in large volumes are offered their own computer line to Ahlsell's inventory system which is open between 6 am and 12 pm every day.

The system, called Ahlex, has made it possible to place an order in the morning and collect the products at the nearest professional mart a few hours later.

Now the company is taking the next step towards electronic purchasing, this time via the Internet. Trading via the Internet, abbreviated as e-purchasing, has been the subject of security discussions, etc., and it has taken time to achieve success. However, Ahlsell has gained experience and acquired systems for securing efficient operation and purchasing.



With Ahlex, Ahlsell's customers have direct contact with the central warehouse and can order goods between 6 am and midnight.

The market research company, the Gartner Group, predicts that between 15 and 20 percent of all purchasing will be made via the Internet by the year 2000. Despite considerable growth, other analysts consider this a cautious forecast.

E-purchasing via the Internet is a new marketing channel and could lead to new markets and customers. With no boundaries, there is also the possibility to expand internationally at a very low cost in comparison to traditional marketing.

Another important aspect of e-purchasing is that it provides customers with improved service. Comfort, in the form of convenience and simplicity are key concepts. In addition, it is possible to shorten lead-times in the distribution chain which brings about lower costs.

The distance between producer and buyer is reduced along with the time for transfer of capital, which results in improved cash flow.

## Low contact cost

E-purchasing via the Internet means low contact costs for customers. To gain access to the Internet, a modern standard computer is required with a modem and an Internet subscription. When the customer has this equipment, the contact cost is minimal. If a special product is requested, it is as easily available as if it were a standard product.

Ahlsell's homepage ([www.ahlsell.se](http://www.ahlsell.se)) on the Internet reaches a public of approximately 40 million and this figure is continuing to rise significantly.

## Y 2000

"When 1999 becomes the year 2000, computers will crash." Recent warnings have been numerous and discussions regarding the effects of the millennium changeover continue.

In the Trelleborg Group, extensive work has been carried out on analysing the extent of information systems and "integrated systems" which will not be able to cope with the change from 1999 to the year 2000. Integrated systems can be found in office, warehouse and plant environments as well as in the controlling logic for machines and processors. Typically – because they are often integrated parts of a machine or piece of equipment – they are more difficult to discover for those who are not technically inclined. Examples of such environments can be found in trucks, eleva-

tors, weight scales, process control equipment, and laboratories.

The conclusions which are drawn, and the need for action (phasing-out, exchange outsourcing or renovation of computers and systems), vary from company to company. In the majority of companies, actions are being taken in regard to this.

It is already apparent that the changeover to the year 2000 is one of the most important issues at this time. The following is applicable for the ongoing work:

- Every company has someone who is responsible for organizing the work involved in "Year 2000",
- Companies will be urged to maintain this as an ongoing high priority. The most important and critical systems and projects will be prioritized,
- Companies will continually provide updates as to the current status,

- Companies have been asked to investigate external relations, primarily the status of subcontractors,
- Resource needs, both internal and external, will be identified and secured,
- Coordination of activities will take place within the respective business area,
- A knowledge database related to "Year 2000" will be introduced to provide central access to methods and check lists.

The aforementioned actions have been developed in order to solve existing problems. A special "Year 2000" policy has been drawn up to ensure that new IT investments, business relations or acquisitions of companies have been examined from a "Year 2000" perspective.

In order to internally ensure that our companies will be "Year 2000" compliant, routines for certification have been developed.

Comfort

# The H Tou



Leonardo da Vinci (1452–1519) combined science and art. As early as the 15<sup>th</sup> century, da Vinci developed designs for helicopters, the airplanes and the turbine wheel. His famous works of art include the “Mona Lisa” and “The Last Supper”.

Environment

# uman ch

## The campaign symbol of the new Trelleborg

Trelleborg is in the midst of an important expansion and development phase, both for the Group companies and their employees and owners. In order to convey the image of today's and tomorrow's operations, a wide-spread campaign will be carried out during 1998.

How Trelleborg is perceived throughout the world, is in many respects based on history. The very extensive organization of the early 1990s has, through a comprehensive restructuring over the past few years, been concentrated into today's two strong business sectors.

A classical background has been chosen to act as the identifying symbol of the campaign: Leonardo da Vinci's drawing of the "Vitruvian man". By placing modern man in da Vinci's drawing, we convey the message of how the Trelleborg Group of today utilizes a long tradition of knowledge combined with innovative thinking.





Daniel Mncube, Trelleborg  
South Africa.

# Skills and *commitment*

*Competent and committed personnel are an important prerequisite for a successful company*

*The Trelleborg Group's expansion requires a flexible and skilled organization. Different working methods, higher levels of technology, broader work-tasks, organizational changes, etc., involve intensive restructuring work. A prerequisite for creating continued growth and competitiveness in this situation is to hire personnel with the right skills and experience levels.*

Motivated and knowledgeable personnel are the Group's most important resource. The Trelleborg Group strives for a high level of professional expertise and far reaching delegation of responsibility and authority, in combination with a fair and stimulating salary system.

In a fast-growing global company, it is expected that all personnel assume a leading role by virtue of their knowledge, experience or other personal qualities.

A prerequisite for this global teamwork is communication between individuals and units. To facilitate daily contacts, an internal computer network, an intranet, is being developed in which employees will have the opportunity to exchange information and cooperate across geographic and organizational borders.

*"A good manager in the Trelleborg Group has the ability to communicate, delegate and provide support."*

## Personnel policy

The personnel policy is based on trust and confidence between the personnel and management. All employees must be aware of the objectives which have been established for their own operations and understand the correlation between these objectives and the results achieved. The basic personnel policy view is reflected in a clearly-defined and simple organization. Short decision-making channels make it possible to expand work content and encourage personal responsibility for achieving results.

## Leadership

All managers in the Group must be able to implement changes and develop their personnel. Leadership will be characterized by consideration for personnel.

Responsibility and authority will be extended as far out into the organization as possible in order to ensure that the full abilities and level of commitment of every employee can be utilized.

The most important task for every manager is, based on Group-wide objectives, to formulate and communicate clear and easy-to-understand objectives for their operations and to monitor and provide feedback. Objective orientation instead of detailed control and instructions will be the motivating force behind the organization.

## Equality work

Differences create dynamics. The objective of the Trelleborg Group is to

increase diversity among its employees in order to better utilize skills regardless of sex, ethnic origin, religion, age, etc.

The Trelleborg Group strives for an open and flexible environment in which the work is carried out in new forms and in which the line organization is supplemented by project and other types of networks.

A prerequisite for achieving this objective is easy-to-access, reliable and rapid information. Group-wide internal media is comprised of newsletters and magazines, databases and TrelNet (intranet).



## Trelleborg Academy

The various training programs, courses and seminars that are a part of the industrial operations are collectively referred to as the Trelleborg Academy.

In Trelleborg's industrial operations, an international management supply program called the STORM Executive Program, has been in progress since the spring of 1995. The program consists of three week-long seminars in Inter-cultural leadership, Personal development and General



Business skills, alternating with project work aimed at molding the managers of today into the leaders of tomorrow, and creating networks and common values in a fast-growing organization.

## Trainee at Bröderna Edstrand

In 1997, the third series of seminars was carried out and involved 20 participants from seven countries. A total of 60 participants from 11 countries have taken part in the STORM Executive Program since its inception.

The Group's other training programs are evaluated on the basis of the needs and conditions of each individual. For the Group as a whole, the objective is to carry out training which is equivalent to three days per year and employee.

In order to integrate new operations with the Group's existing operations, a comprehensive training program, called "Newcomer", will be initiated in 1998.

### Young Managers Program

In 1998, a program will be started for the purpose of identifying the managers of the future and ensuring the demand for managers will be fulfilled in a strong expansion phase. The objective is also to maintain efficient personnel and to create career opportunities within the Group.



Participants in the program will consist of young managers (maximum 35 years old), who are beginning their management careers.

### Commercial business schools

In the distribution operations, an ambitious program is underway which is aimed at improving skills and achieving a balance in the age structure.

At Bröderna Edstrand, ten trainees with university qualifications were employed in 1997. An additional 20 young people were employed during the year.

Some of the younger employees have the opportunity to participate in a special training program called "Business 2000".



"Being a trainee is a wonderful platform in order to learn about the company and gain an understanding about what goes on at Bröderna Edstrand," says Jens Karlsson, aged 26. "I am concentrating on marketing and sales."

At Bröderna Edstrand, ten trainees with university qualifications were employed in 1997.

For a year, they will be studying all aspects of the company. The program involves knowledge concerning products, processes and company organization and culture.

One example of the course content is the course "From order to delivery", including visits to Bröderna Edstrand's plant in Malmö and meeting with a number of managers who will describe their responsibilities.

In addition, during a half-day seminar, participants will be able to present themselves to senior management and ask questions and make proposals as to possible changes.

The quality of trainees education will partially be ensured in that the participants, at least once a month, will submit a written report as to what they have learned, their impressions, ideas, etc., which will be sent to senior management, and partly in that they will undergo an interview after six months.

### Trelleborg European Council

Trelleborg European Council (TEC) was established in 1996 for the purpose of initiating a direct dialogue between the personnel in Trelleborg's European companies and Group management.

25 representatives from nine European countries in which the Group has production plants participate in TEC.

The purpose of TEC is to encourage everyone in the Trelleborg Group to get involved with, and assume responsibility for, continuous improvement work.

Since the late 1980s, extensive training has been carried out in Bröderna Edstrand's own school (the BE School). The management, led by the President, participate in the courses and form a natural link to the objectives and resources within the company. In 1997, 250 employees were involved in some form of training at the BE School.

The Ahlsell School is following the plans and objectives of the BE School. During the three years in which the school has existed, approximately 1,000 people have been trained in sales and quality control work. In addition, there is a special management training program within the company.



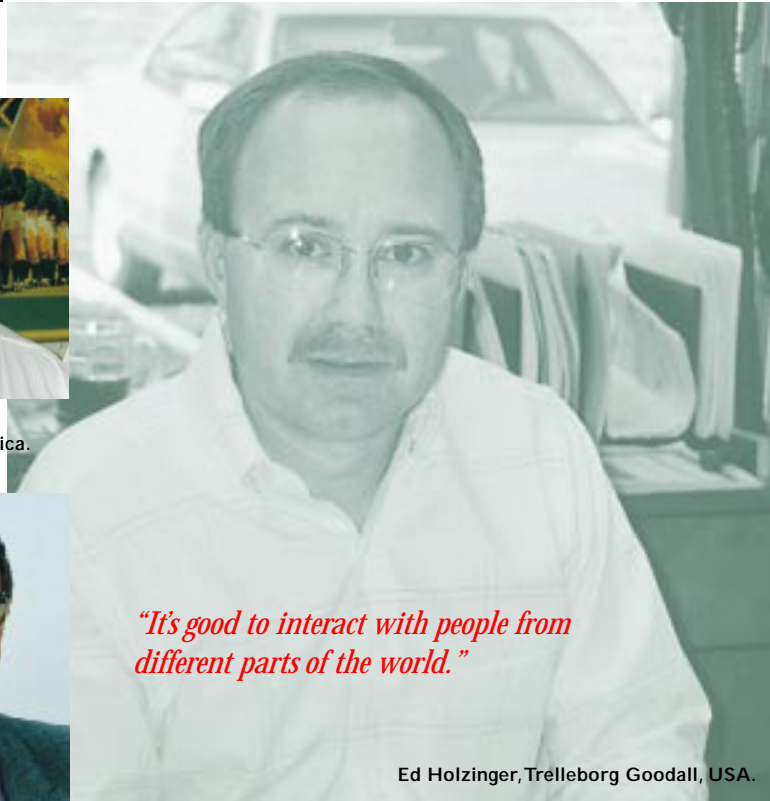
Jannike Linné, Trelleborg Automotive, Sweden.

# Meet the many faces of the Trelleborg Group

*"It's exciting when the only obstacle to a person's development is his or her own imagination!"*



Simon Masuku,  
Trelleborg South Africa.



*"It's good to interact with people from different parts of the world."*

Ed Holzinger, Trelleborg Goodall, USA.



Paul Sprengel, Trelleborg Industrie GmbH, Germany.



Hans Ulrich Kläy, Trelleborg Gummi, Switzerland.



Gianfranco Lissoni,  
Trelleborg Industrie, Italy.



Takeo Takagi,  
Trelleborg Japan.

*"Investment in machinery for the factory is vital to stay ahead of the competition."*



Yvan de Bie, Trelleborg Bergougnan, Belgium.



Ed Melnyk, Trelleborg Goodall, Canada.



Mike McGlynn, Trelleborg Industrial Profiles UK, Great Britain.



Patric Pieret, Trelleborg Industrie, France.



Ed Wojtkowicz,  
Trelleborg YSH, USA.



*"The best thing about the job is the good camaraderie"*



Nelson Pacheco da Fonseca Filho, Trelleborg PAV, Brazil.



Colin Yee, Trelleborg South East Asia, Singapore.



Gabor Merö, Trelleborg Industri, Hungary.



Erik Leknes, Trelleborg Viking, Norway.



Håkan Olsson, Trelleborg Wheel Systems, Sweden.

*"The commitment to upgrade current technological capabilities will allow me to utilize the expertise I have gained through my continuing education programs."*

		1997	1996
Average number of employees	13,525	13,066	18
of which women, %	23	82	2,857
men, %	77		
Salaries and remuneration, SEK M	2,948	7,481	16
Operations in Sweden:		84	1,714
Average number of employees	6,013		
of which women, %	25	64	39
men, %	75	61	30
Salaries and remuneration, SEK M	1,488	26	5,806
Of which Parent Company:			
Average number of employees	52	16	84
of which women, %	40	1,143	
men, %	60		
Salaries and remuneration, SEK M	32		
Foreign operations:			
Number of countries	28		
Average number of employees	7,512		
of which women, %	21		
men, %	79		
Salaries and remuneration, SEK M	1,459		

At the end of 1997, the number of employees in the Trelleborg Group totalled 13,443, a decrease of 1,021 from the previous year. The change is due to the exchange listing of Boliden.

Footnote: The average number of employees has been calculated as yearly workers in accordance with recommendations of the Swedish Accounting Standards Board.

*"One of the biggest benefits is the opportunity to advance within the organization"*

Simon Cartwright, Reyton Metals, Great Britain.

Patti Sheehy, Trelleborg YSH, USA.



# Administration Report

## *Group and Parent Company*

*Following the vigorous restructuring of recent years, the Trelleborg Group is a well-structured industrial and distribution group.*

*Boliden Ltd has been listed on the Toronto and Montreal stock exchanges since June 1997.*

### **Eight business areas**

The Trelleborg Group now consists of eight business areas: Trelleborg Automotive, Trelleborg Wheel Systems, Trelleborg Engineered Systems, Trelleborg Building Systems, all involved in industrial operations, and Ahlsell, Bröderna Edstrand, Reynolds and Starckjohann which comprise the distribution operations.

During 1997, expansion continued in accordance with the previously announced strategy. The Group's operations are based on the demands which customers place on the respective markets. For the industrial operations, this means continued global expansion and closer cooperation with customers in order to develop the best possible products. In the distribution operations, expansion is concentrated in the Baltic area.

### **Continued expansion in 1998**

1998 will also be characterized by continued expansion, mainly through acquisitions within the industrial operations. The objective is to further strengthen the position of the various units in the market and through that, increase margins.

In both the industrial and distribution operations, part of the expansion will take place through organic growth.

### **Modernization of the Technical Center**

At the end of 1997, the Trelleborg Group decided to invest SEK 100M in upgrading and modernizing of the Group's Technical Development Center in Trelleborg. A modern Technical Center will provide a firm foundation for highly-advanced basic research and spearhead-technical expertise. The objective is that the Technical Center will become a natural meeting place for both internal and external development engineers and scientists, as well as customers, suppliers, technical and research institutes.

### **Net income/loss**

The year's earnings after financial items amounted to SEK 2,550M (1,018), of which SEK 1,468M is attributable to the sale of 55.1 percent of Boliden Ltd. Excluding items affecting comparability, net income/loss was SEK 1,241M (1,018). Earnings for 1997 totalled SEK 2,038M.

Liabilities increased by SEK 404M. The sale of 55.1 percent of the shares in Boliden Ltd generated an inflow of SEK 4,357M, whereas acquisitions, net investments and change in working capital generated an outflow of SEK 4,761M.

Liquid funds totalled to SEK 3,573M, of which SEK 2,413M refer to certificates of claim relating to the sale of the shares in Boliden Ltd.

### **Board of Directors**

At the Annual General Meeting on April 25, 1997 Rolf Kjellman, Executive Member of Henry and Gerda Dunker's Funds and Foundation and Donation Fund Number 2, and President of AB Hevea, Förvaltnings AB H.D. and Henry Dunker's Förvaltnings AB, was appointed as a new Board Member, succeeding Bertil Bertilsson.

In August, Kerry Johansson (Member) and Anja Gustafsson (Deputy Member) became Employee Representatives replacing Örjan Carlsson and Lilian Ringsand, respectively.



## Proposed *disposition of unappropriated* earnings

The Group's unappropriated earnings, including profits from 1997, totalled SEK 6,116M. SEK 1M is required for appropriation to restricted reserves.

The Parent Company's unappropriated earnings comprise retained earnings from the previous year of SEK 1,360,917k, together with net income for the year of SEK 892,049k, a total of SEK 2,252,966k.

The Board of Directors and the President propose an ordinary dividend of SEK 3.50 (3.00) per share and class of share and a bonus dividend of SEK 1.50 (0) per share and class of share or a total of SEK 586,708k. It is proposed that the remaining SEK 1,666,258k be carried forward.

During the year, the rules relating to Series C and D shares were deleted from the Articles of Association. As a result, there are now only two share classes: Series A shares and Series B shares.



# Consolidated *income statement*

SEK M	Note	1997	1996
Invoiced sales	2	20,825	20,574
Cost of sales		– 16,405	– 17,180
<b>Gross income</b>		<b>4,420</b>	<b>3,394</b>
Sales expenses		– 2,422	– 1,052
Administrative expenses		– 926	– 1,225
Research and development expenses		– 134	– 197
Items affecting comparability	3	1,309	—
Other operating income		186	235
Other operating expenses		– 143	– 380
Shares in results of associated companies	4	319	102
<b>Operating income</b>	5	<b>2,609</b>	<b>877</b>
Financial income and expenses	6	– 59	141
<b>Earnings after financial items</b>		<b>2,550</b>	<b>1,018</b>
Tax on the year's earnings	7	– 510	– 16
Minority interest in the year's earnings		– 2	1
<b>Net income</b>		<b>2,038</b>	<b>1,003</b>

# Comments on the Consolidated income statement

## Invoiced sales

Invoiced sales for the Group totalled SEK 20,825M in 1997, an increase by SEK 251M. Excluding Boliden, invoicing amounted to SEK 16,804M compared with SEK 12,681M in 1996.

During the year, the industrial operations increased their invoicing by 46 percent, distributed over all business areas. Trelleborg Automotive accounted for the largest increase. In total, newly-acquired companies accounted for approximately SEK 1,700M of the increase, but comparable units also raised their invoicing by approximately 9 percent.

The units in the distribution operations increased their invoiced sales by approximately 14 percent. Ahlsell improved its sales by 22 percent, mainly as a result of the acquisition of Skoogs Elektriska. Bröderna Edstrand's sales fell slightly during the year. Increased volumes did not fully offset falling prices. In total, sales increased by approximately SEK 630M with regard to the newly-acquired companies.

Of total Group sales, 59 percent (57), is from markets outside Sweden.

## Operating income

Operating income amounted to SEK 2,609M (877). Operating income for 1997 also included items affecting comparability of SEK 1,309M. This includes a capital gain of SEK 1,468M relating to the sale of 55.1 percent of the shares in Boliden Ltd, and provisions of SEK 159M relating to restructuring costs within the Group. Excluding items affecting comparability, operating income amounted to SEK 1,300M (877), an improvement of 48 percent.

The industrial operations increased their operating income to SEK 445M from SEK 296M. The majority of the earnings improvement was attributable to the

newly-acquired units, primarily within Trelleborg Automotive. Exchange rates also had a positive effect on earnings.

The distribution operations improved their operating income to SEK 359M (297). The majority of the improvements was due to the fact that 1996 operating income was charged with inventory losses, but volume increases in all units also had a positive effect on the result.

Operating income in Boliden Ltd improved to SEK 589M (441) despite the fact that the Trelleborg Group's share in the earnings of Boliden for the period July–December 1997 amounted to 44.9 percent. The earnings improvement was due to more favorable exchange rates, higher zinc prices and very positive contributions by all units.

Other consolidated items were positively affected by improved operating income in, among others, Sorb Industri, and by lower rental costs and improved earnings in the associated company, BPA.

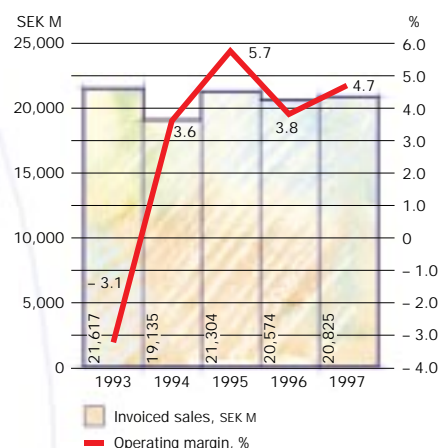
Net interest income and expense amounted to SEK -59M (141). The change is due to a higher net liability during the year and to the fact that the certificates of claim for Falconbridge came due in July 1996 and in January 1997.

Earnings after financial income and expenses amounted to SEK 2,550M (1,018). Excluding items affecting comparability, earnings totalled SEK 1,241M (1,018), an improvement of 22 percent.

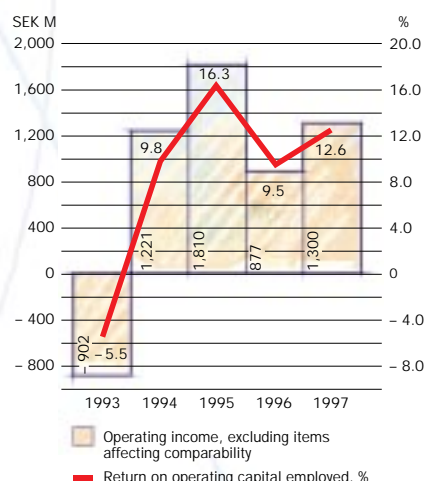
The year's tax costs amounted to SEK 510M (16). Of the year's total tax cost, SEK 168M is attributable to items affecting comparability. Taxes paid totalled SEK 92M.

Net income for the year was SEK 2,038M (1,003), equivalent to SEK 17.40 per share. Excluding items affecting comparability, earnings were SEK 7.65 per share.

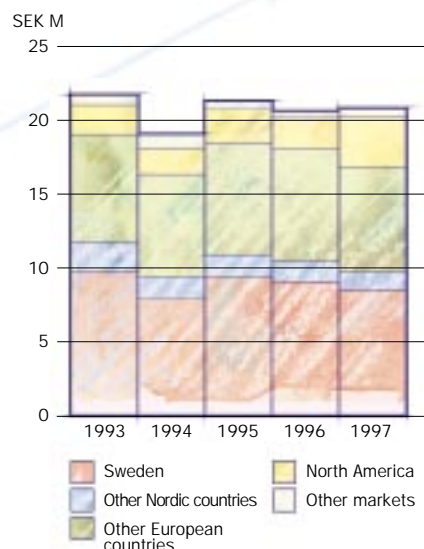
Invoiced sales and operating margin



Earnings and return on capital



Invoiced sales



# Consolidated *balance sheet*

December 31, SEK M	Note	1997	1996
<b>Assets</b>			
<i>Fixed assets:</i>			
Intangible assets	8, 9	1,719	523
Tangible assets	10, 11	3,868	5,791
Financial fixed assets	12–16	4,174	1,795
<b>Total fixed assets</b>		<b>9,761</b>	<b>8,109</b>
<i>Current assets:</i>			
Inventories	17	3,595	3,126
Current receivables	18, 19	4,252	4,175
Short-term investments	20	2,589	2,952
Cash and bank		984	667
<b>Total current assets</b>		<b>11,420</b>	<b>10,920</b>
<b>Total assets</b>		<b>21,181</b>	<b>19,029</b>
<b>Shareholders' equity and liabilities</b>			
<i>Shareholders' equity</i>			
<i>Restricted equity:</i>			
	21		
Capital stock		2,934	2,934
Restricted reserves		2,001	2,335
<b>Total restricted equity</b>		<b>4,935</b>	<b>5,269</b>
<i>Non-restricted equity:</i>			
	22		
Non-restricted reserves		4,078	3,158
Net income		2,038	1,003
<b>Total non-restricted equity</b>		<b>6,116</b>	<b>4,161</b>
<b>Total shareholders' equity</b>		<b>11,051</b>	<b>9,430</b>
Minority interest		342	12
<i>Provisions:</i>			
Provision for pensions and similar	23	768	1,074
Provision for deferred tax	24	105	74
Other provisions	25	409	694
<b>Total provisions</b>		<b>1,282</b>	<b>1,842</b>
<i>Long-term liabilities:</i>			
Interest-bearing long-term liabilities	26–29	4,021	3,597
Other long-term liabilities		63	117
<b>Total long-term liabilities</b>		<b>4,084</b>	<b>3,714</b>
<i>Current liabilities:</i>			
Interest-bearing current liabilities	30	272	59
Other current liabilities	31, 32	4,150	3,972
<b>Total current liabilities</b>		<b>4,422</b>	<b>4,031</b>
<b>Total shareholders' equity and liabilities</b>		<b>21,181</b>	<b>19,029</b>
<b>Contingent liabilities</b>	33	<b>329</b>	<b>261</b>
<b>Pledged assets</b>	33	<b>2,059</b>	<b>1,330</b>



# Comments on the consolidated balance sheet

## Assets

During the year, intangible fixed assets increased by SEK 1,196M to SEK 1,719M. The majority of this was goodwill which arose in connection with acquisitions in both the industrial and the distribution operations.

Tangible assets decreased by SEK 1,923M to SEK 3,868M. This is mainly explained by the fact that Boliden is no longer consolidated as a subsidiary (SEK -3,383M), and by tangible fixed assets in acquired units (SEK +1,761M).

Gross investments in tangible fixed assets amounted to SEK 963M, with SEK 347M distributed throughout industrial operations, SEK 116M throughout distribution operations, SEK 437M within mining operations (during the first six months), and SEK 63M among other investments.

At the beginning of the year, fixed assets amounted to SEK 4,174M. The book value of Boliden Ltd and BPA is SEK 2,478M, and SEK 329M respectively. At the beginning of the year, the market value of the holdings in Boliden Ltd and BPA amounted to SEK 2,847M and SEK 334M respectively.

During the year, inventories increased by SEK 469M to SEK 3,595M. The acquired units increased inventories by SEK 1,486M. The fact that Boliden is no longer consolidated as a subsidiary has resulted in a decrease in inventories by

SEK 1,029M. For comparable units, inventories have more or less remained unchanged.

At the beginning of the year, short-term investments amounted to SEK 2,589M, including certificates of claim for divested shares in Boliden Ltd totalling SEK 2,413M.

## Shareholders' equity and liabilities

In 1997, shareholders' equity increased by SEK 1,621M to SEK 11,051M. During the year, SEK 424M was distributed to the shareholders. Shareholders' equity per share totalled SEK 94.20.

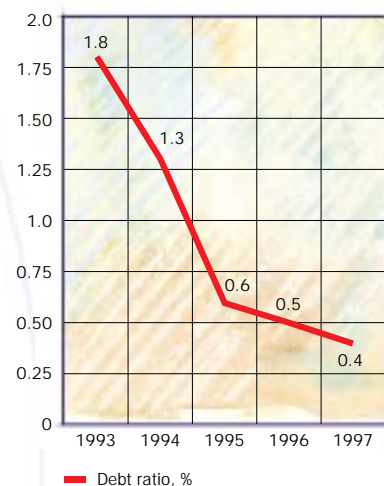
The liability to minority shareholders increased to SEK 342M during the year. The majority of the increase was attributable to the acquisition of Starckjohann.

Provisions for restructuring measures totalled SEK 346M. The amount includes provisions made in connection with acquisitions.

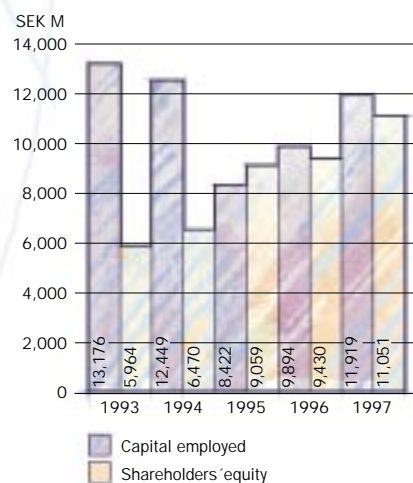
The Group's interest-bearing liabilities and provisions totalled SEK 5,062M. Excluding pension provision, liabilities amount to SEK 4,294M. Of these, SEK 3,232M have a maturity of five years or more.

At the beginning of the year, the Group's total assets were SEK 21,181M. The equity/assets ratio increased by 4.2 percentage points to 53.8 percent.

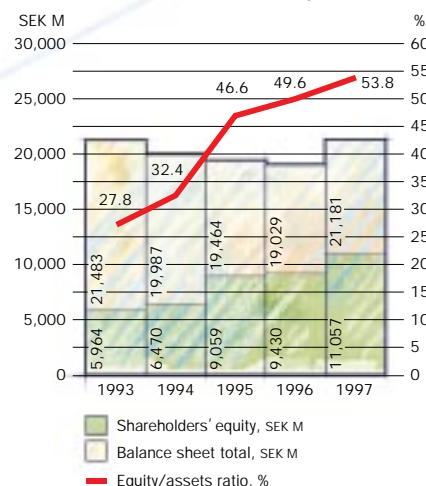
Debt ratio



Capital structure



Equity/assets ratio and shareholders' equity



# Statement of changes in *financial position*

SEK M	1997	1996
Earnings before tax	2,550	1,018
Paid tax	– 92	– 57
Reversed:		
Depreciation	686	775
Shares in results of associated companies less dividend received	– 313	– 53
<b>Total funds provided internally</b>	<b>2,831</b>	<b>1,683</b>
Investments:		
Gross in machinery and plants	963	1,134
Divestment of machinery and plant	– 64	– 187
Divestment of participations in associated companies and other shares	– 10	– 62
<b>Total investments, net</b>	<b>889</b>	<b>885</b>
Change in working capital:		
Inventories	12	– 377
Operating receivables	592	– 254
Operating liabilities	– 550	650
<b>Total change in working capital</b>	<b>54</b>	<b>19</b>
Other items:		
Long-term non-interest-bearing receivables and liabilities	807	– 4
Translation differences	127	– 23
Change in minority interest	– 330	– 10
<b>Total other items</b>	<b>604</b>	<b>– 37</b>
<b>Total funds utilized</b>	<b>1,547</b>	<b>867</b>
Acquisitions	– 4,153	– 1,259
Divestments	+ 2,889	—
<b>Total acquisitions/divestments</b>	<b>– 1,264</b>	<b>– 1,259</b>
Dividend	– 424	– 658
<b>Change in financial fixed assets/liabilities</b>	<b>– 404</b>	<b>– 1,101</b>
Specification of change in financial assets/liabilities:		
Change in long-term investments	– 27	+ 282
Change in liquid funds	– 46	– 2,041
Change in interest-bearing long-term liabilities and provisions	– 118	+ 457
Change in interest-bearing current liabilities	– 213	+201
	<b>– 404</b>	<b>– 1,101</b>

# Comments on the statement of changes in financial position

The Group's net of consolidated financial assets and liabilities was SEK -868M (-464) at year's end.

During the year, operations generated a cash flow of SEK 318M. Gross investments in tangible fixed assets totalled SEK 963M.

The sale of 55.1 percent of the shares in Boliden generated SEK 4,357M. During the year, companies were acquired which affected net liabilities by SEK -4,153M with the industrial operations accounting for SEK -972M, the distribution operations accounting for SEK -2,716M, other units accounting for SEK -465M.

Operating capital increased by SEK 369M. The increase, as a result of acquisitions, was more or less offset by the sale of the Boliden shares.

## Liquid funds

The Group's liquid funds totalled SEK 3,573M (3,619) at year's end. 1997 liquid funds included certificates of claim amounting to SEK 2,413M relating to the sale of shares in Falconbridge Ltd. Payment for this claim was received on January 31, 1997.

## Long-term investments

Long-term investments amounted to SEK 620M, of which SEK 383M represent collateral for fulfilling commitments in accordance with lease contracts in connection with sale/leaseback transactions relating to plants.

## Liabilities

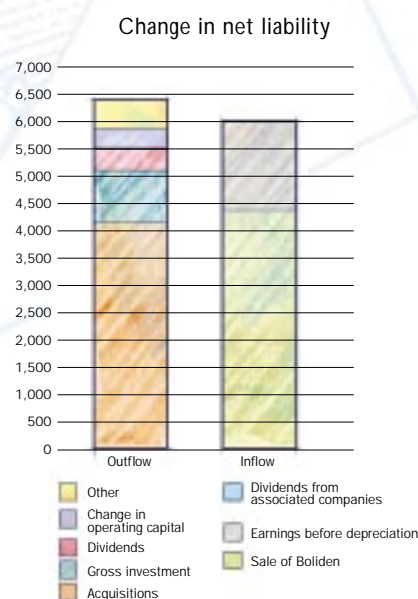
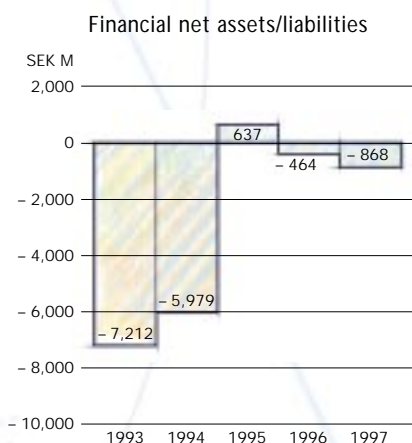
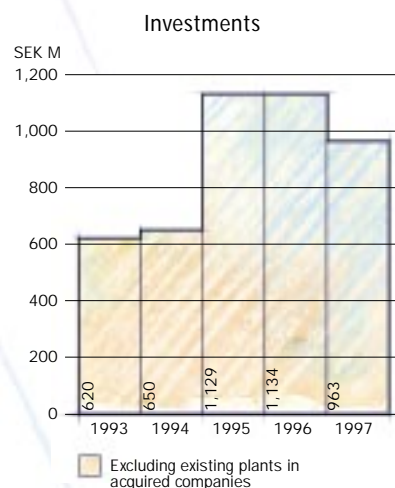
The Group's pension provisions decreased by SEK 306M in 1996. Boliden's pension provision for 1996 totalled SEK 408M. Therefore, the increase in pension provisions in other units amounted to SEK 102M and were mainly attributable to pension provisions in acquired units.

The Group's liabilities to credit institutions increased during the year by SEK 644M to SEK 3,921M. In 1998, SEK 170M in payments becomes due.

In those units which were acquired in 1997, liabilities to credit institutions total SEK 930M.

## Financial assets and liabilities

SEK M	1997	1996
Long-term investments	620	647
Short-term investments	2,589	2,952
Cash and bank deposits	984	667
<i>To be deducted:</i>		
Interest-bearing provisions	- 768	- 1,074
Interest-bearing long-term liabilities	- 4,021	- 3,597
Interest-bearing short-term liabilities	- 272	- 59
<b>Net liabilities</b>	<b>- 868</b>	<b>- 464</b>





# Income statement

## *Parent Company*

### Statement of changes *in financial position*

Income statement, SEK M	Note	1997	1996
Administration expenses	34, 35	- 139	- 127
Items affecting comparability	36	- 71	- 308
Other operating income		62	50
Other operating expenses		- 6	- 23
<b>Operating income</b>		<b>- 154</b>	<b>- 408</b>
Financial income and expenses	37	770	1,148
<b>Earnings after financial items</b>		<b>616</b>	<b>740</b>
Appropriations	38	277	565
<b>Earnings before tax</b>		<b>893</b>	<b>1,305</b>
<b>The year's result</b>		<b>893</b>	<b>1,305</b>

Statement of changes in financial position, SEK M	1997	1996
Earnings before tax	893	1,305
Reversed:		
Dividend	- 424	- 658
Depreciation	4	4
Foreign exchange reserves	68	—
<b>Total funds provided internally</b>	<b>541</b>	<b>651</b>
Investments:		
Gross in machinery and plants	14	4
Net acquisition/sale of machinery and fixed assets	- 7	—
Net acquisition/sale of shares	230	- 186
<b>Total investments, net</b>	<b>237</b>	<b>- 182</b>
Change in working capital		
Inventories	- 1	—
Operating receivables	3,090	379
Operating liabilities	290	- 295
<b>Total change in working capital</b>	<b>3,379</b>	<b>84</b>
<b>Total funds utilized</b>	<b>- 3,616</b>	<b>- 98</b>
<b>Change in financial fixed assets/liabilities</b>	<b>- 3,075</b>	<b>+ 749</b>
Specification of change in financial fixed assets/liabilities:		
Change in long-term investments	166	+ 955
Change in liquid funds	- 829	- 69
Change in interest-bearing long-term liabilities and provisions	- 6,180	+ 1,594
Change in interest-bearing current liabilities	3,768	- 1,731
	<b>- 3,075</b>	<b>+ 749</b>

# Balance sheet

## *Parent Company*

Balance Sheet, December 31, SEK M	Note	1997	1996
<b>Assets</b>			
<i>Fixed assets:</i>			
Tangible assets	39, 40	49	46
Financial fixed assets	41, 42	8,534	8,138
<b>Total fixed assets</b>		<b>8,583</b>	<b>8,184</b>
<i>Current assets:</i>			
Inventories	43	1	2
Current receivables	44, 45	4,788	1,698
Short-term investments	46	293	1,431
Cash and bank		315	6
<b>Total current assets</b>		<b>5,397</b>	<b>3,137</b>
<b>Total assets</b>		<b>13,980</b>	<b>11,321</b>
<b>Shareholders' equity and liabilities</b>			
<i>Shareholders' equity</i>			
<i>Restricted equity:</i>	47		
Capital stock		2,934	2,934
Restricted reserves		1,304	1,304
<b>Total restricted equity</b>		<b>4,238</b>	<b>4,238</b>
<i>Non-restricted equity:</i>	48		
Profit brought forward		1,360	479
Net income		893	1,305
<b>Total non-restricted equity</b>		<b>2,253</b>	<b>1,784</b>
<b>Total shareholders' equity</b>		<b>6,491</b>	<b>6,022</b>
<b>Foreign exchange reserve</b>		<b>68</b>	<b>—</b>
<i>Provisions:</i>			
Provision for pensions and similar	49	208	210
Other provisions	50	14	16
<b>Total provisions</b>		<b>222</b>	<b>226</b>
<i>Long-term liabilities:</i>			
Interest-bearing long-term liabilities	51–53	6,500	316
<b>Total long-term liabilities</b>		<b>6,500</b>	<b>316</b>
<i>Current liabilities:</i>			
Interest-bearing current liabilities	54	434	4,202
Other current liabilities	55, 56	265	555
<b>Total current liabilities</b>		<b>699</b>	<b>4,757</b>
<b>Total shareholders' equity and liabilities</b>		<b>13,980</b>	<b>11,321</b>
<b>Contingent liabilities</b>	57	<b>837</b>	<b>4,512</b>
<b>Pledged assets</b>	57	<b>613</b>	<b>845</b>

# Accounting and *Valuation principles*

## **EU-adapted Annual Accounts**

Effective 1997, the new EU-adapted Annual Accounts will be applicable. This primarily means that the format of the Income statement and Balance sheet has been changed.

The Trelleborg Group's Accounts include the Parent Company and all subsidiaries and associated companies. Subsidiaries refer to companies in which Trelleborg owns more than 50 percent of the voting rights in the company. Associated companies refers to companies in which Trelleborg has long-term holdings which are equivalent to no less than 20 percent and no more than 50 percent of the voting rights.

The Consolidated Accounts have been prepared in accordance with recommendations by the Swedish Financial Accounting Standards Council which are essentially in accordance with IASC's rules for consolidated accounting.

Acquisition accounting has been applied. Companies acquired during the year have been included in the Consolidated Income Statement at values which were in line with values after the acquisition. Companies which were sold during the year have been included in the consolidated result up to the date of the sale.

## **Translation of foreign subsidiaries**

The Trelleborg Group applies the so-called daily rate method for translating income statements and balance sheets of foreign subsidiaries. This means that all items in the income statement are translated at an average rate, whereas all assets and liabilities in the subsidiaries are translated at the balance sheet date rate.

The translation differences which arise are partly due to the effect of the difference between average income statement rates and rates prevailing on the balance sheet date, and partly to the fact that net investments are translated at a different rate at the end of the year than at the beginning of the year.

The translation differences are not transferred to the Income Statement but are posted directly to shareholders' equity.

## **Associated companies**

Holdings in associated companies are reported in accordance with the equity method. In the Consolidated Income Statement, profit participation in associated companies is shown as consolidated earnings before taxes and minority interest adjusted for write-offs on, or dissolutions of, any acquired overvalues or undervalues, respectively. The Group's share of the associated companies' tax cost is included in the Group's tax cost. Minority interest in profit/loss of associated companies is shown in the Group's minority interest.

Consolidated book value of the holding in associated companies corresponds to the Group's share in the shareholders' equity of the associated companies and any residual values of overvalues and undervalues which have arisen in the acquisition calculation.

## **Taxes**

Legislation in Sweden and certain other countries provides companies with an opportunity to defer tax payments through appropriations to non-taxed reserves.

The Consolidated Income Statement and Balance Sheet are shown exclusive of non-taxed reserves. In the Consolidated Accounts, the non-taxed reserves are divided into deferred tax and shareholders' equity. The deferred tax liability is entered at the actual tax rate in the country of domicile of the respective Group company. In the event of a change in the tax rate, the change in the tax liability is reported in the year's results.

The Group also reports deferred tax on other differences between book and tax values on assets and liabilities. Deferred tax assets are reported only to the extent to which they are likely to be utilized within the foreseeable future. When calculating deferred tax, the actual nominal tax rate in the respective country has been applied.



# Accounting and *Valuation principles*

## **Minority interest**

Minority interest in subsidiaries and associated companies, respectively, is reported as a share of earnings after tax in the Consolidated Income Statement.

## **Receivables and liabilities in foreign currency**

Receivables and liabilities in foreign currencies are translated at balance sheet date rates. Unrealized exchange gains on long-term receivables and liabilities are appropriated to a foreign exchange reserve.

In the event of hedging using forward contracts, the current rate is applied on the date the hedge is made in the valuation of an underlying claim or liability. Where hedging refers to estimated future commercial flows and a receivable or liability has not yet arisen, the valuation of these contracts has not affected the accounts.

The difference between the forward rate and the current rate at the time the contract is entered into is capitalized over the term of the contract. Income recognition of hedging through forward contracts is made on the maturity of the underlying transaction, or alternatively, upon liquidation.

Other forward contracts are valued according to the same principles as receivables and liabilities in foreign currency. Advances from customers or to suppliers have not been revalued, but are shown at the rate applicable when the advance was received or given.

The Parent Company has taken loans, or forward contracts, in foreign currencies to offset the main portion of net investments in foreign subsidiaries. The size of hedging varies from a maximum of the full value, including tax effects, down to the level at which the Group's equity/assets ratio is kept intact even with fluctuations in exchange rates. Loans and contracts are valued at the investment rate in the Parent Company. In the Consolidated Balance Sheet, these have

been valued at the balance sheet date rate, in which exchange differences have been directly posted to shareholders' equity to the extent they correspond to a translation difference posted there during the year for each subsidiary.

Exchange differences relating to current business operations have been credited/debited to operating income, whereas exchange differences of a financial nature have been reported under financial income and expenses.

## **Inventories and receivables**

Inventories are shown at the lowest of acquisition cost in accordance with the first in/first out principle (FIFO) and actual value. Adequate depreciation for obsolescence has been made. Receivables are reported at the amounts which are expected to be realized.

## **Research and development**

The majority of the costs for R&D is charged immediately to operating costs as they arise.

## **Goodwill**

Goodwill is written-off over economic life. Goodwill, which arises in connection with acquisitions of long-term strategic value, is written-off over a maximum period of 20 years.

## **Tangible fixed assets**

Fixed assets are shown at their historic acquisition values less accumulated depreciation according to plan. Depreciation according to plan is based on historic acquisition costs of fixed assets.

Depreciation rates are calculated on the estimated economic life. For machinery and equipment, depreciation rates of between 5 and 33 percent are applied, and for buildings between 1.5 and 6 percent. For leasing assets, the annuity model is applied, with depreciation to their estimated value at the end of the contract period.

# Notes to the Consolidated Accounts

## Note 1

### Employees and costs

#### Average number of employees

	1997			1996		
	Number Women	Men	Total	Number Women	Men	Total
Sweden	1,298	3,146	4,444	1,025	3,317	4,342
Other Nordic countries	92	394	486	85	344	429
Other European countries	801	2,514	3,315	510	1,638	2,148
North America	507	1,479	1,986	117	624	741
Other markets	78	767	845	33	473	506
<b>Total consolidated units</b>	<b>2,776</b>	<b>8,300</b>	<b>11,076</b>	<b>1,770</b>	<b>6,396</b>	<b>8,166</b>
Companies which are no longer consolidated	285	2,164	2,449	570	4,350	4,920
<b>Total</b>	<b>3,061</b>	<b>10,464</b>	<b>13,525</b>	<b>2,340</b>	<b>10,746</b>	<b>13,086</b>

#### Wages, salaries, other remunerations and payroll overheads

SEK M	1997			1996		
	Board and President incl. bonus and salaries	Other employees	Total wages	Board and President incl. bonus and salaries	Other employees	Total wages
Sweden	31	1,075	1,106	22	907	929
Other Nordic Countries	5	120	125	5	99	104
Other European Countries	19	673	692	11	406	417
North America	5	398	403		196	196
Other markets	2	17	19		6	6
<b>Total consolidated units</b>	<b>62</b>	<b>2,283</b>	<b>2,345</b>	<b>38</b>	<b>1,614</b>	<b>1,652</b>
Companies which are no longer consolidated	8	595	603	15	1,190	1,205
<b>Total</b>	<b>70</b>	<b>2,878</b>	<b>2,948</b>	<b>53</b>	<b>2,804</b>	<b>2,857</b>

SEK M	1997		1996	
	Payroll overheads	Of which, pension costs	Payroll overheads	
Consolidated units	906	109	613	
Companies which are no longer consolidated	202		405	

During 1997, a remuneration of SEK 200k (200) was paid to the Chairman who is not employed in the Group. The other eight Board Members elected by the AGM, who are not employees in the Group receive a remuneration totalling SEK 800k (800) with SEK 100k distributed to each.

The President and CEO received a salary, bonus payment and pension benefits as well as other remuneration totalling SEK 6,113k (5,847). Of this, SEK 2,286k (1,909) represent pension benefits and SEK 1,089k (417) bonus payment based on return on shareholders' equity. Pension costs for the Executive Vice Presidents amount to SEK 396k (1,119).

In accordance with an agreement entered into, the President is entitled to retire at the age of 60 and his employment agreement has a term of notice on the side of the Company of 36 months. For some other senior executives there are agreements regarding a mutual right to early retirement at the age of 60 or 62. If such is the case, compensation of 65 or 70 percent of the ordinary salary is paid until the age of 65 when normal pension is paid in accordance with an ITP plan. For some persons in the Company Management, who are not covered by the Employment Protection Act (EPA), extended periods of notice on the side of the Company are also applied, usually 6 or 12 months. In a few cases, the term of notice is 18 or 24 months. For these persons, there are customary pension commitments within the framework of a general pension plan.

A "Compensation Committee" chaired by the Chairman of the Board of Directors deals with issues relating to salary and terms of employment for the President and draws up guidelines for persons at the level immediately below him.

## Note 2

### Sales

#### By geographic market:

SEK M	1997	1996
Sweden	7,488	6,998
Other Nordic countries	762	636
Other European countries	4,817	3,532
North America	3,169	1,249
Other markets	568	266
<b>Total consolidated units</b>	<b>16,804</b>	<b>12,681</b>
Companies which are no longer consolidated	4,021	7,893
<b>Total sales</b>	<b>20,825</b>	<b>20,574</b>

#### Sales\* and operating income by business area:

SEK M	1997		1996	
	Sales	Operating income	Sales	Operating income
Trelleborg Automotive	2,120	207	1,005	71
Trelleborg Wheel Systems	1,774	100	1,462	99
Trelleborg Engineered Systems	1,973	70	1,470	44
Trelleborg Building Systems	895	112	678	77
Other	58	- 44	70	5
<b>Industrial operations</b>	<b>6,820</b>	<b>445</b>	<b>4,685</b>	<b>296</b>
Ahlsell	4,084	166	3,344	164
Bröderna Edstrand	2,093	98	2,134	65
Reynolds	963	16	829	3
Intermarket	1,130	85	960	62
Other	—	- 6	—	3
<b>Distribution operations</b>	<b>8,270</b>	<b>359</b>	<b>7 267</b>	<b>297</b>
Boliden (Jan-June 1997)	4,021	589	7,893	441
Other	1,714	- 93	729	- 157
Items affecting comparability	—	1,309	—	—
<b>Total</b>	<b>20,825</b>	<b>2 609</b>	<b>20,574</b>	<b>877</b>

\* Group external sales.

## Note 3

### Items affecting comparability

SEK M	1997
Capital gain on sale of 55.1 percent of the shares in Boliden Ltd	1,468
Provisions for restructuring within the Group	- 159
<b>Total</b>	<b>1,309</b>

## Note 4

### Shares in results of associated companies

SEK M	Earnings after financial items		Net earnings		Dividend received	
	1997	1996	1997	1996	1997	1996
Boliden Ltd*	263	79	203	64	—	49
Other associated companies	56	23	32	22	6	—
<b>Total</b>	<b>319</b>	<b>102</b>	<b>235</b>	<b>86</b>	<b>6</b>	<b>49</b>

\* 1996: shares in associated companies belonging to the mining operations.

# Notes to the Consolidated Accounts

## Note 5

Depreciation according to plan of intangible and tangible fixed assets

SEK M	1997	1996
Capitalized expenditure for research and development and similar work	1	0
Concessions, patents, licenses and brand-names	5	5
Rental rights and similar rights	1	—
Goodwill	67	39
Real estate	78	105
Machinery and other technical plant	415	460
Equipment, tools, installations	85	94
Development under ground (1997: Jan–June)	34	72
<b>Total</b>	<b>686</b>	<b>775</b>

## Note 6

Financial income and expenses

SEK M	1997	1996
<i>Result of other securities and receivables which are fixed assets:</i>		
Interest	16	40
Exchange rate differences	16	– 8
Dividend and other financial income	10	4
<b>Total</b>	<b>42</b>	<b>36</b>
<i>Other interest income and similar income statement items:</i>		
Interest	233	279
Exchange rate differences	137	– 7
Dividend and other financial income	4	– 10
<b>Total</b>	<b>374</b>	<b>262</b>
<i>Interest expenses and similar income statement items:</i>		
Interest	355	196
Exchange rate differences	120	+ 39
<b>Total</b>	<b>475</b>	<b>157</b>
<b>Total financial income and expenses</b>	<b>– 59</b>	<b>141</b>

## Note 9

Intangible fixed assets

1997	Capitalized expenditure for R&D work	Concessions, patents and licenses	Rental rights and similar rights	Goodwill	Advances relating to intangible fixed assets	Total intangible fixed assets
<i>Accumulated acquisition values:</i>						
On January 1	8	78	13	562	—	661
Acquisitions	441	6	7	1,423	3	1,880
Investments	2	10	1	—	0	13
Divestments and scrappings	– 20	– 42	0	– 114	1	– 175
The year's translation differences	– 4	– 1	0	12	– 1	6
<b>Closing accumulated acquisition values</b>	<b>427</b>	<b>51</b>	<b>21</b>	<b>1,883</b>	<b>3</b>	<b>2,385</b>
<i>Accumulated depreciation according to plan:</i>						
On January 1	– 1	– 17	– 8	– 112	—	– 138
Acquisitions	– 417	– 4	—	– 69	—	– 490
Divestments and scrappings	6	1	5	19	—	31
The year's depreciation according to plan	– 1	– 5	– 1	– 67	—	– 74
The year's translation differences	5	0	0	0	—	5
<b>Closing accumulated depreciation</b>	<b>– 408</b>	<b>– 25</b>	<b>– 4</b>	<b>– 229</b>	<b>—</b>	<b>– 666</b>
<b>Residual value according to plan on December 31</b>	<b>19</b>	<b>26</b>	<b>17</b>	<b>1,654</b>	<b>3</b>	<b>1,719</b>

## Note 7

Tax on the year's earnings

SEK M	1997	1996
<i>The year's tax expense:</i>		
Paid tax	– 92	– 57
Deferred tax expense	– 166	58
Tax on participations in associated companies	– 84	– 17
Deferred tax expense relating to items affecting comparability	– 168	—
<b>Total</b>	<b>– 510</b>	<b>– 16</b>

*The tax authorities have queried previous years' assessments of tax for the Parent Company and a number of Swedish subsidiaries. Provisions have been made in respect of those cases which have been deemed to carry a risk of increased taxation.*

## Note 8

Intangible fixed assets

SEK M	1997	1996
Capitalized expenditure for research and development work and similar work	19	7
Concessions, patents, licenses, brand-names and similar rights	26	61
Rental rights and similar rights	17	5
Goodwill	1,654	450
Advances relating to intangible fixed assets	3	—
<b>Total</b>	<b>1,719</b>	<b>523</b>



# Notes to the Consolidated Accounts

## Note 10

### Tangible assets

SEK M	1997	1996
Real estate	1,728	1,489
Machinery and other technical fixed assets	1,591	2,655
Equipment, tools and installations	441	382
Underground preparations	—	922
New construction in progress and advances relating to tangible assets	108	343
<b>Total</b>	<b>3,868</b>	<b>5,791</b>

## Note 11

### Tangible assets

1997	Real estate	Machinery and other technical fixed assets	Equipment, tools and installations	Underground preparations	New construction in progress and advances relating to tangible fixed assets	Total tangible fixed assets
SEK M						
<i>Accumulated acquisition values:</i>						
On January 1	2,277	8,116	856	1,228	345	12,822
Acquisitions	1,419	815	165	—	29	2,428
Investments	65	437	94	155	212	963
Divestments and scrapings	– 1,536	– 5,532	– 48	– 1,384	– 478	– 8,978
The year's translation differences	19	60	36	1	3	119
<b>Closing accumulated acquisition values</b>	<b>2,244</b>	<b>3,896</b>	<b>1,103</b>	<b>—</b>	<b>111</b>	<b>7,354</b>
<i>Accumulated depreciation according to plan:</i>						
On January 1	– 788	– 5,456	– 474	– 306	– 2	– 7,026
Acquisitions	– 286	– 333	– 91	—	—	– 710
Divestments and scrapings	600	3,934	5	340	—	4,879
The year's depreciation according to plan	– 78	– 415	– 85	– 34	—	– 612
The year's translation differences	0	– 31	– 17	—	0	– 48
<b>Closing accumulated depreciation</b>	<b>– 552</b>	<b>– 2,301</b>	<b>– 662</b>	<b>—</b>	<b>– 2</b>	<b>– 3,517</b>
<i>Accumulated write-ups:</i>						
On January 1	—	—	—	—	—	—
Acquisitions	54	—	—	—	—	54
The year's write-ups	—	1	—	—	—	1
The year's translation differences	– 1	0	—	—	—	– 1
<b>Closing accumulated write-ups</b>	<b>53</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>54</b>
<i>Accumulated write-downs:</i>						
Acquisitions	—	– 5	—	—	—	– 5
The year's write-downs	– 17	0	0	—	– 1	– 18
<b>Closing accumulated write-downs</b>	<b>– 17</b>	<b>– 5</b>	<b>0</b>	<b>—</b>	<b>– 1</b>	<b>– 23</b>
<b>Planned residual value according on December 31</b>	<b>1,728</b>	<b>1,591</b>	<b>441</b>	<b>—</b>	<b>108</b>	<b>3,868</b>

The total tax assessment value for the Group's Swedish real estate amounts to SEK 208M (1,342), of which for buildings SEK 166M (1,104). Companies included in the Group rent real estate from renting companies. During 1997, rental charges amounted to SEK 76M (110). The remaining rental period is 15 years on average.

## Note 12

### Financial fixed assets

SEK M	1997	1996
Participation in associated companies	2,902	718
Other shares	53	35
Other long-term securities holdings	620	647
Other long-term receivables	38	66
Deferred tax liability	561	329
<b>Total</b>	<b>4,174</b>	<b>1,795</b>

Long-term investments amounting to SEK 383M form security for, among other things, fulfillment of obligations in accordance with lease contracts in connection with sale/lease-back transactions relating to fixed assets, and for loan agreements entered into. The market value of the investments exceeds the book value.

# Notes to the Consolidated Accounts

## Note 13

The Trelleborg Group's holding of shares and participations in Group Companies

Company	Registration No	Domicile/country	Number	Ownership, %	Book value SEK k
<b>Ahlsell AB</b>	556054-9759	Sollentuna, Sweden	28,000	100	211,793
Ahlsell Kulde A/S		Norway	9,500	100	3,227
Ahlsell Russ Stroj, ZAO		Russia	—	100	124
Ahlsell Sp.z.o.o.		Poland	—	100	142
Elwar Sp.z.o.o.		Poland	—	70	22,175
Flex Scandinavia AB	556209-4085	Karlstad, Sweden	1,000	100	8,326
J.W.Anderssons Maskin AB	556044-7814	Piteå, Sweden	450	100	11,040
AB Lando	556053-4090	Gothenburg, Sweden	1,000	100	16,269
Tornab AB	556208-0472	Luleå, Sweden	7,100	100	47,119
<b>Bröderna Edstrand</b>	556106-2174	Malmö, Sweden	20,000	100	190,015
<b>Chemtrade Holding AG</b>		Switzerland	100	100	2,585
BCT Chemtrade Corporation		Switzerland	1,000	100	48,312
<b>Horda AB</b>	556379-6050	Värnamo, Sweden	4,382,190	100	278,459
Horda Profil Fastighets AB	556071-2894	Värnamo, Sweden	10,000	100	33,600
Trelleborg Automotive AB	556205-8577	Värnamo, Sweden	10,000	100	900
Trelleborg Horda AB	556053-5832	Värnamo, Sweden	10,000	100	33,000
<b>Oy Trelleborg Ab</b>		Finland	4,000	100	1
Oy Ahlsell Ref Ab		Finland	10,000	100	11,848
Oy Trelleborg Building Systems Ab		Finland	250	100	3,817
<b>Trelleborg Canada BV</b>		The Netherlands	41	100	709,306
Trelleborg International B.V.		The Netherlands	2,000	100	139,456
• Trelleborg International AB	556033-0754	Trelleborg, Sweden	1,500	100	2 766,798
• Trelleborg Bergougnan NV		Belgium	732,999	99.99	198,798
• Trelleborg Lanka Ltd		Sri Lanka	954,740	100	50,900
• Trelleborg NV-SA		Belgium	815,499	100	173,473
• Trelleborg GmbH		Germany	—	100	272,157
• EMV Edelstahl- und Metallhalbzeug-Vertrieb GmbH		Germany	37,500	100	6,293
• Metallhalbzeug-Handel GmbH		Germany	4,999	100	15,317
• Trelleborg Industrie GmbH		Germany	—	100	4,908
• Vorwerk Rotatec Beteiligungs GmbH		Germany	—	100	2,199
• Vorwerk Rotatec GmbH & Co KG		Germany	—	100	141,551
• Treltech AB	556012-9206	Trelleborg, Sweden	800,000	100	51,609
• Stifab Plåt AB	556037-3465	Skellefteå, Sweden	90,000	100	51,792
• Velox AB	556000-4110	Trelleborg, Sweden	1,000	100	145,000
<b>Trelleborg Corporation</b>		USA	2,592	100	144,396
IT Holding, Inc		USA	1,000	100	236,799
• Intertrade Holdings Inc		USA	1,000	100	187,966
• Sulex Inc		USA	20,000	100	48,834
Trelleborg Holding, Inc		USA	100	100	285,208
• Metech International, Inc		USA	1,000	100	63,675
Trelleborg Industries Inc		USA	1,000	100	434,840
• Goodall Rubber Company		USA	718,935	100	125,329
• Trelleborg Bergougnan, Inc		USA	60,900	100	3,673
• Trelleborg Monarch, Inc		USA	1,000	100	43,572
• Trelleborg Rubore, Inc		USA	100	100	1,093
• Trelleborg Viking, Inc		USA	1,000	100	5,867
• Trelleborg YSH, Inc		USA	100,000	100	554,868
• Elastomeros Falcon SA de CV		Mexico	—	100	68,560
Trelleborg International Inc		USA	1,000	100	8
<b>Trelleborg Fabrieken BV</b>		The Netherlands	80,000	100	1
Chemtrade Storage Nederland B.V.		The Netherlands	250	100	20,211
Trelleborg Bakker B.V.		The Netherlands	750	100	35,201
• C.J.J. de Neijls B.V. Beleggings- en Exploitaatiemaatschappij		The Netherlands	141	100	31,298
• Trelleborg Velp B.V.		The Netherlands	100	100	390
Trelleborg B.V.		The Netherlands	24,000	100	11,048
<b>Trelleborg Fond AB</b>	556153-9817	Trelleborg, Sweden	2,500	100	250
<b>Trelleborg Holding AB</b>	556212-8255	Stockholm, Sweden	1,000	100	1,791,860
Gelia Industri AB	556188-7372	Grästorp, Sweden	3,000	100	32,000
Skoogs AB	556033-1497	Malmö, Sweden	5,020,455	99.9	380,491
• Skoogs Elektriska AB	556073-7115	Malmö, Sweden	600,000	100	121,000
• Hagelsnäs KB	969638-8413	Stockholm, Sweden	—	100	0
• Skoogs Elektrogrosshandel GmbH		Germany	—	100	176,820
• Schuster Elektrofachgrosshandel GmbH		Germany	—	100	17,392
• SHS Schuster Hehr Schewe Elektro-fachgrosshandel GmbH		Germany	—	100	68,214
Sorb Industri AB	556272-5282	Skellefteå, Sweden	512,660	95.35	115,440
• Fumex AB	556190-5729	Skellefteå, Sweden	2,500	100	4,753
• Gallac AB	556184-2518	Skellefteå, Sweden	6,000	100	5,000
• Holmhed Systems AB	556115-6224	Skellefteå, Sweden	24,000	100	5,190
• Lövånger Elektronik AB	556287-9743	Lövånger, Sweden	30,000	100	5,000

# Notes to the Consolidated Accounts

## Note 13

The Trelleborg Group's holding of shares and participations in Group Companies

Company	Registration No	Domicile/country	Number	Ownership, %	Book value SEK k
• Norrmekanik i Skellefteå AB, Ingenjörssfirma	556283-4365	Skellefteå, Sweden	6.000	100	1,500
• KOMAB, Konstruktion och					
• Marknadsföring i Skellefteå AB	556332-5256	Skellefteå, Sweden	1 00	100	50
• Texor AB	556316-0703	Lycksele, Sweden	30.000	100	3,000
• Wallmarks Säg AB	556089-8156	Skellefteå, Sweden	34.000	100	4,920
• Svenska Träbroar AB	556469-1292	Skellefteå, Sweden	2.750	100	597
• Åsele Värmförzinkning AB	556280-6231	Åsele, Sweden	100.000	100	45,000
Starckjohann Oyj		Finland	69.718.714	53.7	960,411
Trelleborg Europe B.V.		The Netherlands	140	100	1,514,274
• Trelleborg Finance B.V.		The Netherlands	350,000	100	1,373,977
• Swedvelop Hospital AB	556107-6042	Trelleborg, Sweden	101,000	100	2,510,660
Trelleborg Holding España, S.A.		Spain	53,765,347	100	939,634
• Trelleborg Automotive Iberia S.A.		Spain	85,000	55	2,429
• Trelleborg Ibercaucho S.A.		Spain	790,000	100	161,492
• Elastómeros de Cantabria, S.A.		Spain	84,003	70	1,305
• Elastómeros Internacionales, S.A. de C.V.		Mexico	1,464,513	100	3,142
• Ingeniería y Elastómeros, S.A.		Spain	20,000	100	1,195
• Trelleborg Insurance Ltd		Luxemburg	50,000	100	4,437
<b>Trelleborg Holding Danmark A/S</b>		Denmark	50,000	100	61,831
• Skaneks A/S		Denmark	3,000	100	8,396
Trelleborg Gummi A/S		Denmark	1,500	100	10,261
Trelleborg Hadsten A/S		Denmark	12,000	100	14,573
<b>Trelleborg Holding France SA</b>		France	1,424,290	100	118,888
• Reynolds European SAs		France	249,994	100	182,646
• Intermétaux SAs		France	19,994	99.9	6,167
Trelleborg Industrie SA		France	1,265,773	100	137,225
<b>Trelleborg Holding Italia S.p.a.</b>		Italy	200,000	100	272
<b>Trelleborg Holding Norge A/S</b>		Norway	10,000	100	1
• Hillco Kulde A/S		Norway	4,000	100	7,602
• Pe Fo A/S		Norway	160	100	170
Trelleborg Building Systems A/S		Norway	50	100	8,710
Trelleborg Industri A/S		Norway	1	100	665
Trelleborg Viking A/S		Norway	27,000	100	103,984
<b>Trelleborg Holdings (UK) Ltd</b>		Great Britain	20,000,000	100	113,656
• Chapman Industries plc		Great Britain	13,057,563	100	9,914
• Chapman Trading Ltd		Great Britain	9,000	100	132
• Fillite (Runcorn) Ltd		Great Britain	499,999	100	76,374
• Reyton Metals Ltd		Great Britain	400,000	100	49,603
Trelleborg Industries UK Ltd		Great Britain	7,423,312	100	59,051
<b>Trelleborg Industri AB</b>	556129-7267	Trelleborg, Sweden	725,000	100	196,701
• MHT Takentreprenören i Malmö AB	556170-2340	Malmö, Sweden	1,000	100	0
Trelleborg Byggsystem AB/Trelleborg Building Systems	556026-2148	Trelleborg, Sweden	12,000	100	7,723
Trelleborg China Ltd		China	900	90	873
Trelleborg do Brasil Ltda		Brazil	—	100	34,776
Trelleborg Gummi AG		Switzerland	500	100	455
Trelleborg Industri Hungary Trading and Servicing Ltd		Hungary	—	100	794
Trelleborg Industri O.O.O. (Ltd)		Russia	—	99.5	559,000
Trelleborg Industries CS spol.s.r.o.		The Czech Republic	—	100	51
Trelleborg Industries Polska Sp.z o.o.		Poland	30	100	963
Trelleborg Japan K.K.		Japan	90	90	593
Trelleborg Monarch SA		Belgium	4,249	99.99	922
Trelleborg PAV Indústria e Comércio Ltda		Brazil	900,000	60	30,659
Trelleborg Rubore AB	556325-7442	Kalmar, Sweden	60,000	100	22,157
Trelleborg Sigma AB	556048-3629	Örebro, Sweden	15,000	100	10,010
Trelleborg South Africa (Proprietary) Ltd		South Africa	350,000	70	2,261
• Wheeltrade Africa Investments (Pty) Ltd		South Africa	100	100	3,321
Trelleborg South East Asia Pte Ltd		Singapore	105,000	70	2,442
• Trelleborg Malaysia Sdn Bhd		Malaysia	1,000	100	5
• Trelleborg Philippines Corp		The Philippines	200,000	100	52
• Trelleborg Thailand Ltd		Thailand	1,500	75	932
Trelleborg Truck & Train Components AB	556475-6087	Trelleborg, Sweden	1,000	100	120
Trelleborg Tyres Tubes (Pvt) Ltd		Sri Lanka	3,181,388	100	4,163
Trelleborg Wheels AB	556056-2620	Sävsjö, Sweden	40,000	100	8,148
Vorwerk & Son Asia (Pvt) Ltd		Sri Lanka	5,692,334	100	10,692
<b>Trelleborg Industrie S.p.A.</b>	754372	Italy	200,000	100	625
<b>Trelleborg Kort AB</b>	556119-8820	Trelleborg, Sweden	25,000	100	2,944
<b>Trellswitch Intressenter AB</b>	556052-1485	Trelleborg, Sweden	4,500,000	100	512,807



# Notes to the Consolidated Accounts

## Note 14

### Shares and participation in associated companies

1997, SEK M	Participation in associated companies
<i>Accumulated acquisition values:</i>	
On January 1	415
Acquisitions	88
Reclassification	2,209
<b>Closing accumulated acquisition values</b>	<b>2,712</b>
<i>Proportion of non-distributed equity:</i>	
On January 1	302
Reclassifications	- 347
The year's shares in results	235
<b>Closing, non-distributed proportions of equity</b>	<b>190</b>
<b>Book value on December 31</b>	<b>2,902</b>

Company	Registration No	Domicile	Proportion of equity, %	Proportion of votes, %	Number of shares/ participation	Book value, SEK M	Market value, SEK M
<i>Directly-owned:</i>							
BPA AB	556056-7298	Stockholm	29.33	29.55	19,178,952	329	334
<i>Indirectly-owned:</i>							
Boliden Ltd		Toronto	44.9		44,739,999	2,478	2,847
Dawson Manufacturing Co			45		9,454	57	
Shanghai Ibercaucho Rubber Co			50			32	
Other						6	
<b>Total</b>						<b>2,902</b>	

## Note 15

### Other shares

1997, SEK M	Other shares
<i>Accumulated acquisition values:</i>	
On January 1	44
Acquisitions	22
Sales	- 4
The year's translation differences	0
<b>Accumulated closing acquisition values</b>	<b>62</b>
<i>Accumulated write-downs:</i>	
On January 1	- 9
<b>Closing accumulated write-downs</b>	<b>- 9</b>
<b>Book value on December 31</b>	<b>53</b>

	Number of shares/participation	Nominal value, local currency	Book value, local currency	Book value, SEK M
<b>Swedish companies</b>				<b>6</b>
Bröderna A & O Johansen, Denmark	18 000			16
QuimiBol AG, Switzerland	1 000 50 %		120 USD	1
Scanchem	50 50 %		66 USD	1
Nordim A/S	5 000 25 %	500 DKK		0
Other foreign companies				29
<b>Total foreign companies</b>				<b>47</b>
<b>Total</b>				<b>53</b>

# Notes to the Consolidated Accounts

## Note 16

### Deferred prepaid tax

Deferred prepaid tax has been recorded in connection with provisions and write-downs in acquisition balances. In addition, prepaid tax has been recorded with reference to unutilized losses carried forward to the extent that these are likely to be utilized within the foreseeable future.

## Note 17

### Inventories

SEK M	1997	1996
Raw materials and supplies	585	618
Work in progress	403	685
Finished products and goods for resale	2,600	1,769
Construction work in progress	2	54
Advances to suppliers	5	—
<b>Total</b>	<b>3,595</b>	<b>3,126</b>

## Note 18

### Current receivables

SEK M	1997	1996
Accounts receivable, trade	3,026	2,578
Bills receivable	129	112
Operating receivables	28	—
Prepaid tax	117	40
Other current receivables	322	631
Prepaid expenses and accrued income	630	814
<b>Total</b>	<b>4,252</b>	<b>4,175</b>

## Note 19

### Prepaid expenses and accrued income

SEK M	1997
Interest	218
Rentals	55
Other	357
<b>Total</b>	<b>630</b>

## Note 20

### Short-term investments

SEK M	1997	1996
Certificates of claim relating to Falconbridge Ltd	—	2,442
Certificates of claim for sold Boliden shares	2,413	—
Investments in securities	176	510
<b>Total</b>	<b>2,589</b>	<b>2,952</b>

## Note 21

### Restricted equity

SEK M	1997
Opening balance on January 1, 1997	5,269
Allocation to restricted reserves	+ 10
The year's proportion of equity in associated companies	+ 129
Transfer between restricted and non-restricted equity	– 299
The year's translation difference	– 174
<b>Closing balance on December 31, 1997</b>	<b>4,935</b>

On December 31, 1997, the capital stock of Trelleborg AB amounted to SEK 2,933,538,100, distributed on 117,341,524 shares, each with a nominal value of SEK 25.

Class of share	Number of shares	Percent	Number of votes	Percent
Series A	12,000,000	10.23	120,000,000	53.25
Series B	105,341,524	89.77	105,341,524	46.75
<b>Total</b>	<b>117,341,524</b>	<b>100.00</b>	<b>225,341,524</b>	<b>100.00</b>

## Note 22

### Non-restricted equity

SEK M	1997
Opening balance on January 1, 1997	4,161
Allocation to restricted reserves	– 10
Dividend	– 424
Transfer, proportion of equity in associated companies	– 129
Transfer between restricted and non-restricted equity	+ 299
Net earnings for the year	2,038
The year's translation difference	+ 181
<b>Closing balance on December 31, 1997</b>	<b>6,116</b>

## Note 23

### Provision for pensions, etc

SEK M	1997	1996
Provisions for PRI pensions	645	943
Provisions for other pensions	123	131
<b>Total</b>	<b>768</b>	<b>1,074</b>
Of which, credit-insured via FPG/PRI	675	983

## Note 24

### Provisions for deferred tax

Provision for deferred tax refers to deferred tax portion in untaxed reserves, deferred tax liability which has been recorded with reference to surplus values in acquisition balances as well as deferred tax liabilities which have arisen as a result of accrual differences.

## Note 25

### Other provisions

SEK M	1997
Provisions for restructuring measures	346
Other provisions	63
<b>Total</b>	<b>409</b>

# Notes to the Consolidated Accounts

## Note 26

### Interest-bearing long-term liabilities

SEK M	1997	1996
Bond loans	1	—
Liabilities to credit facilities	3,751	3,273
Bank overdraft facilities	83	51
Other interest-bearing liabilities	186	273
<b>Total</b>	<b>4,021</b>	<b>3,597</b>

## Note 27

### Liabilities to credit institutions

SEK M	1997
Maturity date 1–5 years from balance sheet date	519
Maturity later than 5 years from balance sheet date	3,232
<b>Total</b>	<b>3,751</b>

## Note 28

### Bank overdraft facilities

SEK M	1997
Granted credit limit	470
Of which, utilized	83
Unutilized portion	387

## Note 29

### Other long-term liabilities

SEK M	1997
Maturity date 1–5 years from balance sheet date	186
Maturity later than 5 years from balance sheet date	0
<b>Total</b>	<b>186</b>

## Note 30

### Interest-bearing current liabilities

SEK M	1997	1996
Liabilities to credit institutions	170	4
Other interest-bearing liabilities	102	55
<b>Total</b>	<b>272</b>	<b>59</b>

## Note 31

### Other current liabilities

SEK M	1997	1996
Advances from customers	39	90
Accounts payable – trade	2,352	2,162
Bills payable	70	101
Operating liability to associated companies	2	—
Tax liability	65	75
Other non-interest-bearing liabilities	477	452
Accrued expenses and prepaid income	1,145	1,092
<b>Total</b>	<b>4,150</b>	<b>3,972</b>

## Note 32

### Accrued expenses and prepaid income

SEK M	1997
Interest	248
Rentals	71
Wages and salaries	232
Payroll overheads	107
Other	487
<b>Total</b>	<b>1,145</b>

## Note 33

### Contingent liabilities and pledged assets

SEK M	1997	1996
<i>Contingent liabilities:</i>		
Discounted bills	—	1
Pension commitments	88	129
Guarantees and other contingent liabilities	241	131
<b>Total</b>	<b>329</b>	<b>261</b>

### Pledged assets:

	1997			Total	1996
SEK M	Liabilities to credit institutions	Accounts payable – trade	Other	Total	
Real estate mortgages	461	7	—	468	125
Chattel mortgages	1,108	—	—	1,108	495
Long-term investments	383	—	—	383	615
Short-term investments	—	1	—	1	—
Retention of title in machinery	—	—	17	17	—
Shares	75	—	—	75	37
Other	7	—	—	7	58
<b>Total</b>	<b>2,034</b>	<b>8</b>	<b>17</b>	<b>2,059</b>	<b>1,330</b>



# Notes to the Accounts of the Parent Company

## Note 34

### Employees and costs

#### Average number of employees

	1997				1996		
	Number Women	Men	Total		Number Women	Men	Total
Sweden	21	31	52		21	33	54

#### Wages, salaries, other remunerations and payroll overheads

SEK M	1997					1996				
	Board and President	Other employees	Total wages and salaries	Payroll overheads	Of which, pension cost	Board and President	Other employees	Total wages and salaries	Payroll overheads	Of which, pension cost
Sweden	7	25	32	15	5	7	23	30	14	4

## Note 35

### Depreciation according to plan of tangible fixed assets

SEK M	1997	1996
Real estate	2	2
Equipment, tools and installations	2	2
<b>Total</b>	<b>4</b>	<b>4</b>

## Note 36

### Items affecting comparability

SEK M	1997	1996
Capital gains	—	11
Capital losses:		
– Sale of real estate	– 71	– 259
– Divested units	—	– 60
<b>Total</b>	<b>– 71</b>	<b>– 308</b>

## Note 37

### Financial income and expenses

SEK M	1997	1996
<i>Result from participations in Group companies:</i>		
Dividend	1,268	407
Result on sales	– 224	506
<b>Total</b>	<b>1,044</b>	<b>913</b>
<i>Result from participations in associated companies:</i>		
Dividend	6	—
<b>Total</b>	<b>6</b>	<b>—</b>
<i>Result from other securities and receivables which are fixed assets:</i>		
Interest income, Group companies	117	25
Interest income, other	27	72
Exchange rate differences	14	– 59
Dividend and other financial income	10	8
<b>Total</b>	<b>168</b>	<b>46</b>
<i>Other financial income and similar profit items:</i>		
Interest income, Group companies	141	61
Interest income, other	34	577
Exchange rate differences	– 297	172
Dividend and other financial income	0	4
<b>Total</b>	<b>– 122</b>	<b>814</b>
<i>Interest expenses and similar profit items:</i>		
Interest expenses, Group companies	139	192
Interest expenses, other	67	333
Exchange rate differences	120	100
<b>Total</b>	<b>326</b>	<b>625</b>
<b>Total financial income and expenses</b>	<b>770</b>	<b>1,148</b>

## Note 38

### Appropriations

SEK M	1997	1996
Group contributions, received	351	600
Group contributions, provided	– 6	– 35
Appropriation to foreign exchange reserve	– 68	—
<b>Total</b>	<b>277</b>	<b>565</b>

## Note 39

### Tangible fixed assets

SEK M	1997	1996
Real estate	33	40
Equipment, tools and installations	14	6
New construction in progress and advances relating to tangible assets	2	—
<b>Total</b>	<b>49</b>	<b>46</b>

The Parent Company rents real estate from renting companies. During 1997, rental charges amounted to SEK 1M (1). The remaining rental period is 18 years.

# Notes to the Accounts of the Parent Company

## Note 40

### Tangible fixed assets

1997	Real estate	Equipment, tools and installations	New construction in progress and advances relating to tangible fixed assets	Total tangible fixed assets
SEK M				
<i>Accumulated acquisition values:</i>				
On January 1	70	11	—	81
New acquisitions	4	8	—	12
Acquisitions by subsidiaries	—	1	—	1
Divestments and scrapings	- 28	- 2	—	- 30
Reclassifications	- 4	4	—	0
Advances paid out during the year	—	—	2	2
<b>Closing accumulated acquisition values</b>	<b>42</b>	<b>22</b>	<b>2</b>	<b>66</b>
<i>Accumulated depreciation according to plan:</i>				
On January 1	- 30	- 5	—	- 35
Acquisitions by subsidiaries	—	- 1	—	- 1
Divestments and scrapings	22	1	—	23
Reclassifications	+ 1	- 1	—	0
The year's depreciation according to plan	- 2	- 2	—	- 4
<b>Closing accumulated depreciation</b>	<b>- 9</b>	<b>- 8</b>	<b>—</b>	<b>- 17</b>
<b>Planned residual value on December 31</b>	<b>33</b>	<b>14</b>	<b>2</b>	<b>49</b>
Tax assessment values, buildings	12			
Tax assessment values, land	1			

## Note 41

### Financial fixed assets

SEK M	1997	1996
Participations in Group companies (Note 13 and Note 42)	4,372	4,145
Receivables from Group Companies	3,279	3,066
Participation in associated companies (Note 14)	298	291
Participation in other companies (Note 15)	17	21
Other long-term securities holdings	568	615
<b>Total</b>	<b>8 534</b>	<b>8 138</b>

#### *Other long-term securities holdings:*

Other long-term securities holdings consist of interest-bearing securities and receivables, intended for long-term holding. Of these, SEK 383M form security for, among other things, fulfillment of commitments in accordance with rental agreements in connection with sale/lease-back transactions relating to fixed assets, and for loan agreements entered into. The market value on the investments exceeds book values.

## Note 42

### Participations in Group companies

SEK M	1997
Opening balance on January 1, 1997	4,145
<i>Additional:</i>	
New acquisition	+ 278
Increase in capital	+ 115
<i>Deductible:</i>	
Divested shares	- 166
<b>Closing balance on December 31, 1997</b>	<b>4,372</b>

See also Note 13.

## Note 43

### Inventories

SEK M	1997	1996
Finished products and goods for resale	1	2

## Note 44

### Current receivables

SEK M	1997	1996
<i>Non-financial receivables:</i>		
Accounts receivable – trade	0	0
Operating receivables, Group companies	7	30
Operating receivables, associated companies	0	—
Prepaid tax	5	5
Other current receivables	25	8
Prepaid expenses and accrued income	223	357
<b>Total</b>	<b>260</b>	<b>400</b>
<i>Financial receivables:</i>		
Financial receivables, Group companies	4,528	1,298
<b>Total current receivables</b>	<b>4,788</b>	<b>1,698</b>

## Note 45

### Prepaid expenses and accrued income

SEK M	1997	1996
Interest	210	355
Rentals	0	0
Other	13	2
<b>Total</b>	<b>223</b>	<b>357</b>

## Note 46

### Short-term investments

SEK M	1997	1996
Certificates of claim relating to sale of Falconbridge Ltd	—	1,254
Listed shares	2	1
Promissory note receivable	100	—
Other	191	176
<b>Total</b>	<b>293</b>	<b>1,431</b>

# Notes to the Accounts of the Parent Company

## Note 47

### Restricted equity

SEK M	1997
Opening balance on January 1, 1997	4,238
<b>Closing balance on December 31, 1997</b>	<b>4,238</b>

On December 31, 1997, the capital stock of Trelleborg AB amounted to SEK 2,933,538,100, distributed on 117,341,524 shares, each with a nominal value of SEK 25.

Class of share	Number of shares	Percent	Number of votes	Percent
Series A	12,000,000	10.23	120,000,000	53.25
Series B	105,341,524	89.77	105,341,524	46.75
<b>Total</b>	<b>117,341,524</b>	<b>100.00</b>	<b>225,341,524</b>	<b>100.00</b>

## Note 48

### Non-restricted equity

SEK M	1997
Opening balance on January 1, 1997	1,784
Dividend	- 424
Net earnings for the year	893
<b>Closing balance on December 31, 1997</b>	<b>2,253</b>

## Note 49

### Provisions for pensions, etc

SEK M	1997	1996
Provisions for PRI pensions	196	197
Provisions for other pensions	12	13
<b>Total</b>	<b>208</b>	<b>210</b>
Of which, credit-insured via FPG/PRI	208	210

## Note 50

### Other provisions

SEK M	1997	1996
Provisions for environmental commitments	14	16

## Note 51

### Long-term interest-bearing liabilities

SEK M	1997	1996
Liabilities to credit institutions	2,930	—
Bank overdraft facilities	11	2
Other interest-bearing liabilities	3,559	314
<b>Total</b>	<b>6,500</b>	<b>316</b>

## Note 52

### Liabilities to credit institutions

SEK M	1997	1996
Maturity date 1–5 years from balance sheet date	—	—
Maturity date later than 5 years from balance sheet date	2,930	—

## Note 53

### Bank overdraft facilities

SEK M	1997
Granted credit limit	216
Of which, utilized	11
Unutilized portion	205

## Note 54

### Interest-bearing current liabilities

SEK M	1997	1996
Other interest-bearing liabilities, Group companies	434	4,202

## Note 55

### Other current liabilities

SEK M	1997	1996
Accounts payable – trade	8	8
Operating liabilities, Group companies	4	0
Operating liabilities, associated companies	0	—
Other non-interest-bearing liabilities	1	31
Accrued expenses and prepaid income	252	516
<b>Total</b>	<b>265</b>	<b>555</b>

## Note 56

### Accrued expenses and prepaid income

SEK M	1997	1996
Interest	232	500
Wages and salaries	9	7
Payroll overheads	4	5
Other	7	4
<b>Total</b>	<b>252</b>	<b>516</b>

## Note 57

### Contingent liabilities and pledged assets

SEK M	1997	1996
<i>Contingent liabilities:</i>		
Pension commitments	4	4
Guarantees and other contingent liabilities	833	4,508
<b>Total</b>	<b>837</b>	<b>4,512</b>
Of which, for subsidiaries	719	4,453

#### *Pledged assets:*

SEK M	Liabilities to credit institutions	
Chattel mortgages	230	230
Long-term investments	383	615
<b>Total</b>	<b>613</b>	<b>845</b>



## Trelleborg in March 1998



Rune Andersson  
Chairman of the Board



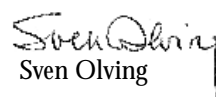
Lennart Nilsson



Hans Cavalli-Björkman



Sven Borelius



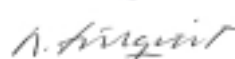
Sven Olving



Erik Penser



Didrik Normark



Berthold Lindqvist



Rolf Kjellman



Arne Nilsson



Kim Davidsson



Kerry Johansson

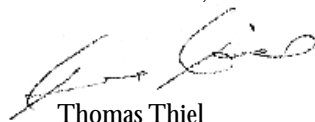


Kjell Nilsson  
President and CEO

The Auditors' Report was submitted on March 16, 1998



Reidar Peters



Thomas Thiel

## Auditors' report for Trelleborg AB

Registration number 556006-3421

### To the Annual General Meeting of Trelleborg AB:

We have audited the Annual Report, the consolidated financial statements, the accounting records and the administration of the Board of Directors and the President of Trelleborg AB for the year 1997. These accounting records and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion of the Annual Report, the consolidated financial statements and the administration on the basis of our audit.

Our audit was carried out in accordance with generally-accepted auditing standards. This means that we have planned and performed the audit to reasonably assure ourselves that the Annual Report and the consolidated financial statements are free of any material errors. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and their application by the Board of Directors and the President, as well as an evaluation of the overall presentation of information in the Annual Report and the consolidated financial statements. We have examined significant decisions, measures taken and the circumstances of the Company in order to determine the possible liability of any member of the Board or the President for damages to the Company or whether they have in some way acted in violation of the Swedish Companies Act, the Annual Accounts Act, or the companies

articles of association. We believe that our audit has provided us with a reasonable basis for our opinion as set forth below.

In our opinion, the Annual Report and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act, and therefore we recommend:

- that the income statements and the balance sheets of the Parent Company and the Group be adopted, and
- that the earnings of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report.

In our opinion, the members of the Board of Directors and the President have not committed any act or been guilty of any negligence, which could give rise to any liability to the Company. We therefore recommend:

- that the Members of the Board of Directors and the President be discharged from liability for the financial year.



Reidar Peters  
Authorized Public Accountant  
Arthur Andersen AB



Thomas Thiel  
Authorized Public Accountant  
KPMG Bohlins AB

## Elected by *the Annual General Meeting*



**Rune Andersson**  
Chairman of the Board.  
Chairman of SSAB and Svedala Industri. Board member in Henry and Gerda Dunker's Foundation and Donation Fund number 2.  
Holdings: 407,500 shares.  
(in associated company).  
Age 53. Elected 1983.



**Lennart Nilsson**  
Deputy Chairman.  
Chairman of Celsius AB, the Association of Swedish Engineering Industries and Lund University. Deputy Chairman of Cardo. Board Member of AB Industrivärden, Gorthon Lines, Crafoordska Stiftelsen, Henry and Gerda Dunker's Foundation and Donation Fund number 2 and other companies.  
Holdings: 0 shares.  
Age 57. Elected 1985.



**Sven Olving**  
Board Member.  
Former Vice Chancellor of Chalmers Institute of Technology. Board Member of Chalmers industriteknik, Celsius AB and other companies.  
Holdings: 0 shares.  
Age 69. Elected 1988.



**Erik Penser**  
Board Member.  
Chairman of Erik Penser Fondkommission and Yggdrasil. Board Member of Försäkrings AB Atlantica, Ideon, Sandrew Film and other companies.  
Holdings: 0 shares.  
Age 55. Elected 1988.



**Berthold Lindqvist**  
Board Member.  
President of Gambro AB. Chairman of Munters AB, Board Member of Gambro, Pharmacia & Upjohn, PLM and Securitas.  
Holdings: 1,000 shares.  
Age 59. Elected 1996.



**Hans Cavalli-Björkman**  
Board Member.  
Former President of Skandinaviska Enskilda Banken. Chairman of Lindab, Elanders Kommunikation, Sydsvenska Handelskammaren and other companies. Board Member of Höganäs, Platzer bygg, Gudme Raaschou Bankaktieselskab, Salus Ansvar Holding and other companies.  
Holdings: 702 shares.  
Age 69. Elected 1970.



**Kjell Nilsson**  
Board Member.  
President and CEO of Trelleborg AB. Chairman of PEAB and Sorb Industri. Deputy Chairman of the Association of Swedish Chemical Industries. Board Member of Boliden Ltd and the Federation Swedish Industry.  
Holdings: 100,000 call options (in associated companies).  
Age 49. Elected 1990.



**Sven Borelius**  
Board Member.  
Former President and CEO of Euroc. Board Member of Cardo, Scancem, Getinge Industrier, Scribona, Svedala Industri and Sanitec Ltd Oy.  
Holdings: 4,000 shares.  
Age 70. Elected 1988.



**Didrik Normark**  
Board Member.  
President and CEO of Elektrokoppargruppen. Chairman of Dahrénråd. Board Member of Henry and Gerda Dunker's Foundation and Donation Fund Number 2 and Gotthard Nilsson AB.  
Holdings: 1,000 shares.  
Age 61. Elected 1994.



**Rolf Kjellman**  
Board Member.  
Executive Member of Henry and Gerda Dunker's Foundation and Donation Fund Number 2. President of Henry Dunkers Förvaltnings AB.  
Holdings: 100 shares.  
Age 58. Elected 1997.



**Arne Nilsson**  
Employee Representative.  
Elected by the Unions of the  
Trelleborg Group (SIF).  
Holdings: 2,948 shares.  
(in own and spouse's name).  
Age 65. Elected 1981.



**Kerry Johansson**  
Employee Representative.  
Elected by the Unions of the  
Trelleborg Group (LO).  
Holdings: 0 shares.  
Age 48. Elected 1997.



**Stig-Erik Nyström**  
Deputy Employee  
Representative.  
Elected by the Unions of the  
Trelleborg Group (LO).  
Holdings: 110 shares.  
Age 51. Elected 1993.



**Lennart Nordström**  
Deputy Employee  
Representative.  
Elected by the Unions of the  
Trelleborg Group (PTK).  
Holdings: 660 shares.  
Age 61. Elected 1990.



**Kim Davidsson**  
Employee Representative.  
Elected by the Unions of the  
Trelleborg Group (LO).  
Holdings: 122 shares.  
Age 51. Elected 1994.



**Anja Gustafsson**  
Deputy Employee  
Representative.  
Elected by the Unions of the  
Trelleborg Group (PTK).  
Holdings: 1,085 shares.  
Age 53. Elected 1997.

## Auditors



**Reidar Peters**  
Auditor.  
Authorized Public Accountant,  
Arthur Andersen AB.  
Deputy Auditor 1970,  
Auditor since 1977.  
Holdings: 0  
Age 58.



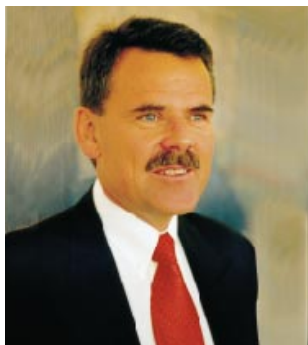
**Thomas Thiel**  
Auditor.  
Authorized Public Accountant,  
KPMG Bohlins AB.  
Deputy Auditor 1983,  
Auditor since 1985.  
Holdings: 0  
Age 50.

**Hans Pihl**  
Deputy Auditor.  
Authorized Public Accountant,  
Arthur Andersen AB.  
Deputy Auditor since 1984.  
Holdings: 0  
Age 46.

**Alf Svensson**  
Deputy Auditor.  
Authorized Public Accountant,  
KPMG Bohlins AB.  
Deputy Auditor since 1988.  
Holdings: 0  
Age 48.



# Group *management*



**Kjell Nilsson**  
President and  
Chief Executive Officer.  
Holdings: 100,000 call options  
(in associated companies).  
Age 49. Employed 1985.



**Hans Porat**  
Executive Vice President, Chief  
Operational Officer and Head of  
industrial operations.  
Holdings: 1,000 shares (in  
spouse's name).  
Age 42. Employed 1997.



**Björn Ogard**  
Executive Vice President  
and Head of distribution  
operations.  
Holdings: 1,300 shares (in own  
and family members' name).  
Age 50. Employed 1996.



**Gertrud Andersson**  
Senior Vice President,  
Finance  
Holdings: 13,638 shares.  
Age 53. Employed 1963.



**Lars Olof Nilsson**  
Senior Vice President,  
Group Treasury.  
Holdings: 1,200 shares.  
Age 35. Employed 1988.



**Claes Jörwall**  
Senior Vice President,  
Taxes and Group Structures.  
Holdings: 473 shares (in own and  
family members' name).  
Age 44. Employed 1988.



**Hans Nyberg**  
Senior Vice President,  
Internal Auditing.  
Holdings: 9,923 shares and 2,000  
call options (in own and family  
members' name).  
Age 55. Employed 1987.



**Lars Wallenberg**  
Senior Vice President,  
General Counsel and Corporate  
Secretary.  
Holdings: 96 shares and 15,000  
call options.  
Age 46. Employed 1981.

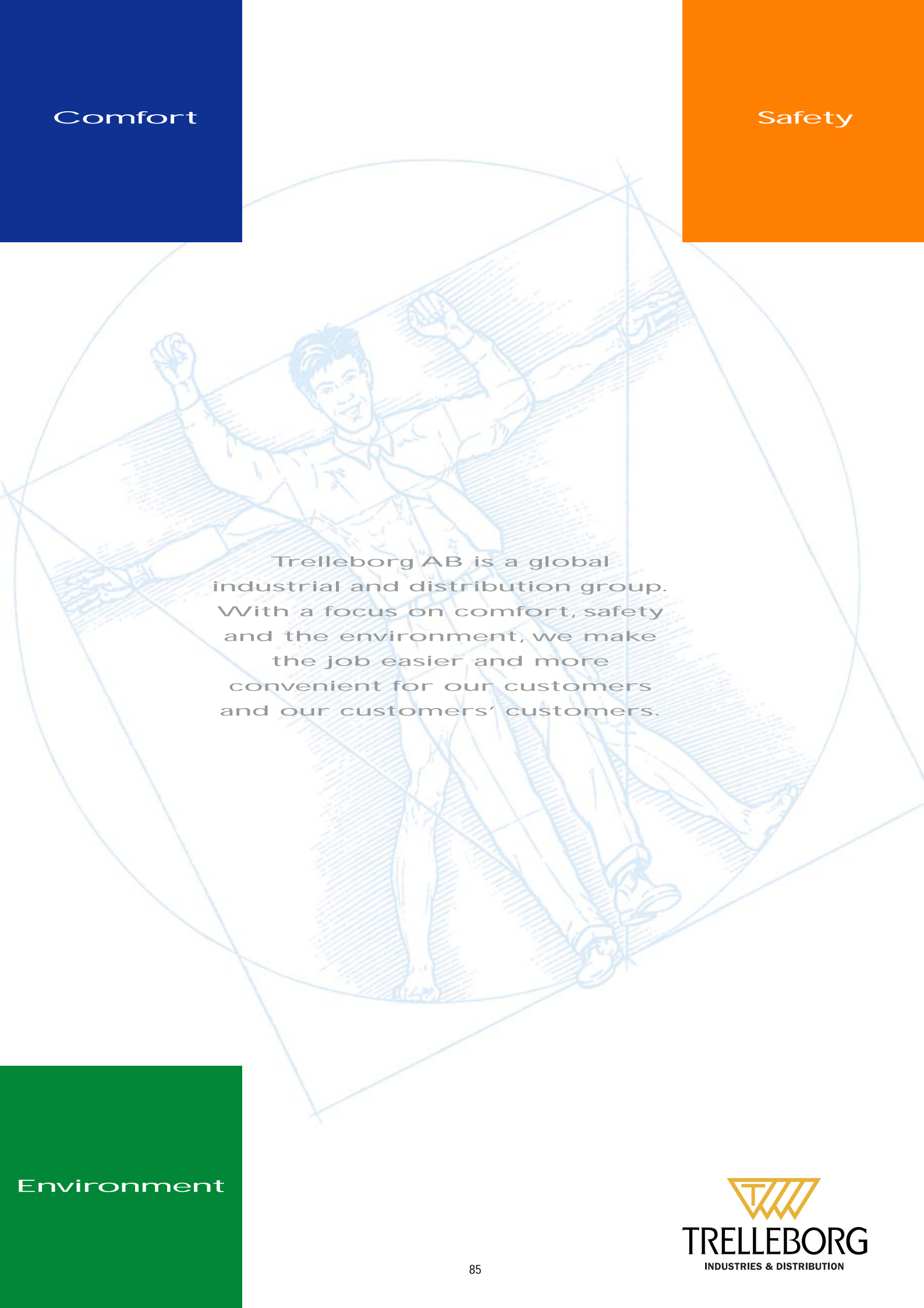


**Leif Öberg**  
Senior Vice President,  
Investor Relations and  
Corporate Communications.  
Holdings: 21,000 shares and  
10,000 call options.  
Age 51. Employed 1978.

Note: The stated call options, issued by Dunker Funds and foundation (Förvaltnings AB H.D.) in April 1994, entitle the holder to buy the corresponding number of Series B shares during the period March 15–April 15, 1999, at a price of SEK 125.

Comfort

Safety



Trelleborg AB is a global industrial and distribution group. With a focus on comfort, safety and the environment, we make the job easier and more convenient for our customers and our customers' customers.

Environment



## GROUP CENTER

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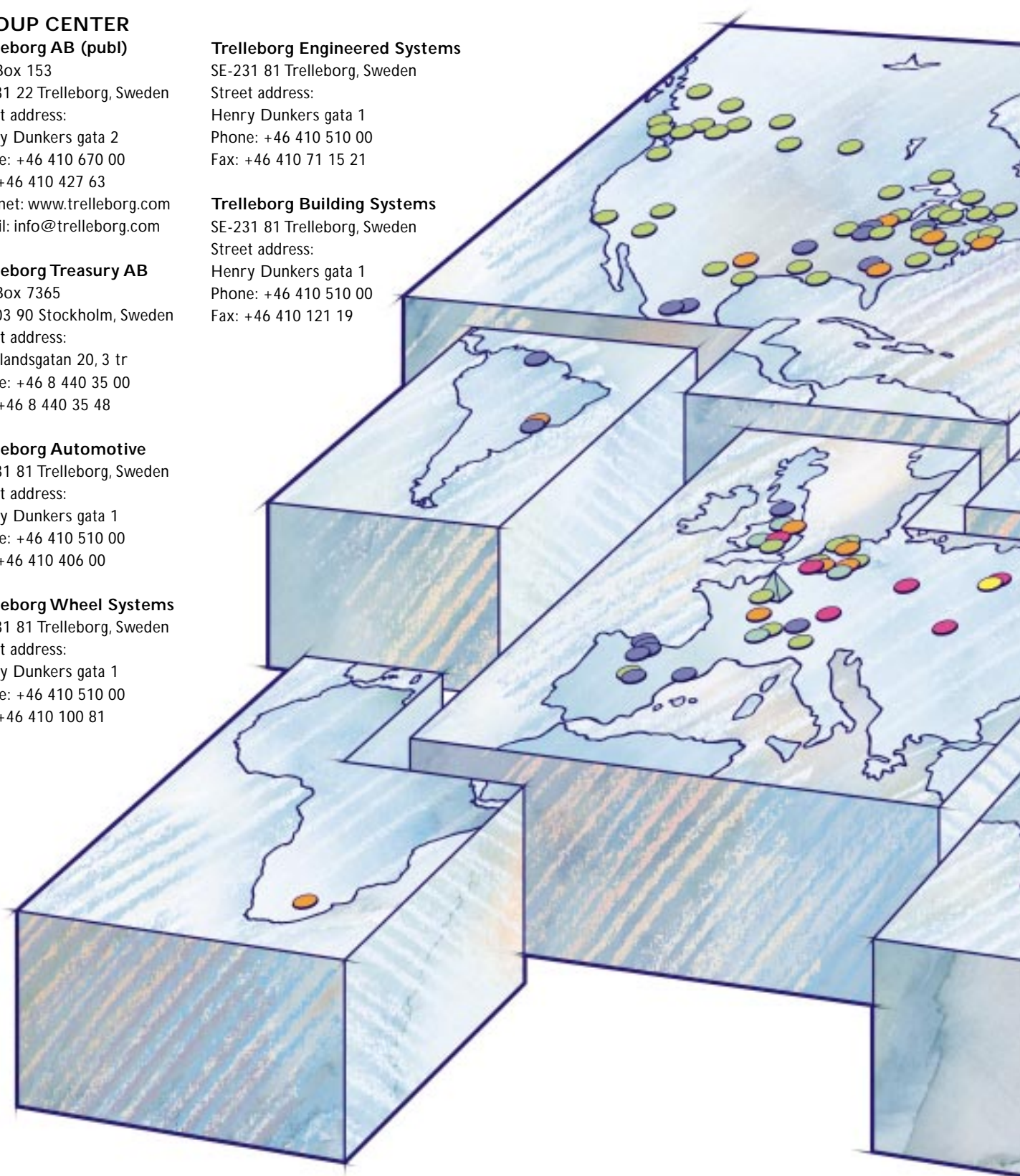
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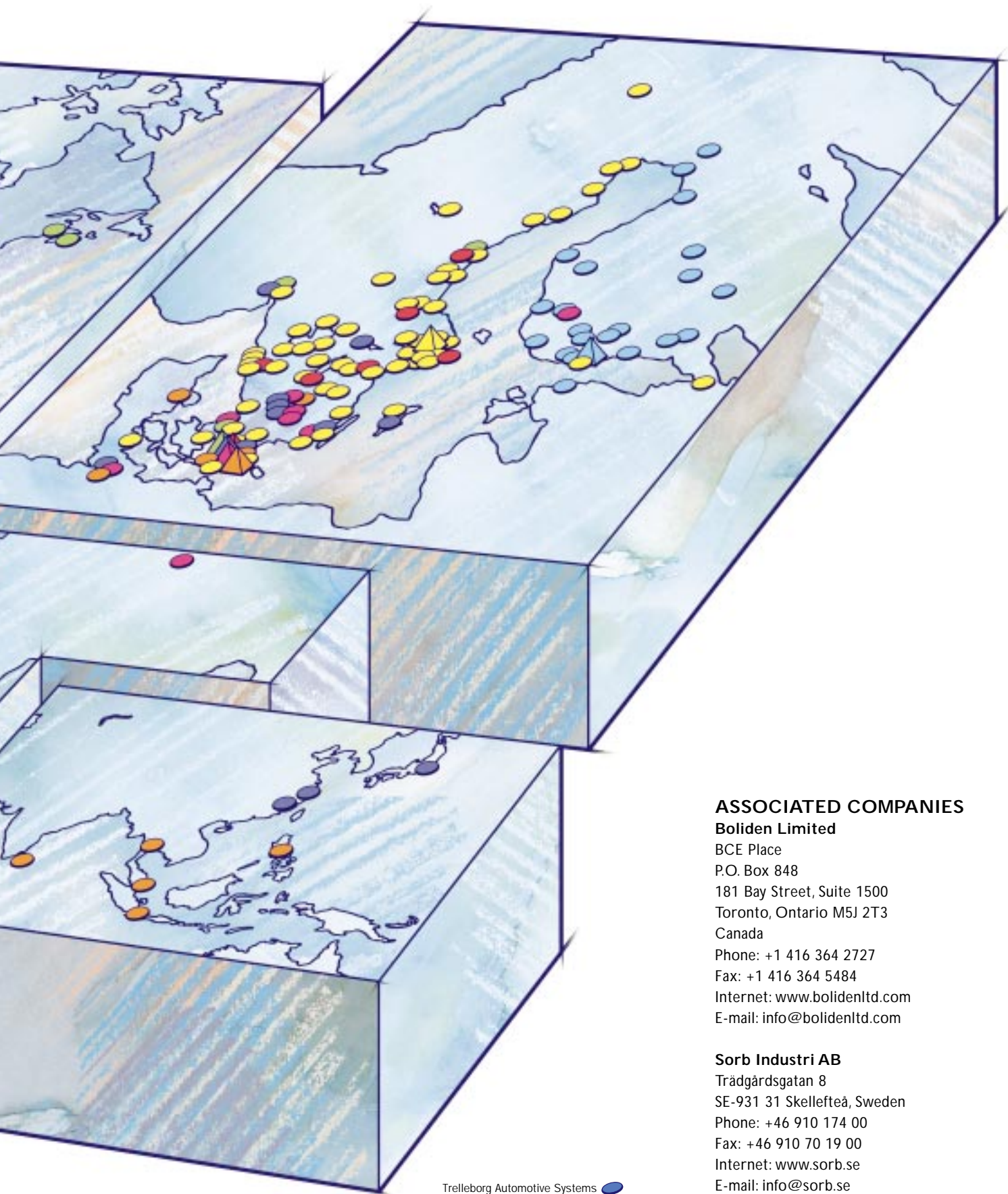
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### Starckjohann Oyj

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- Trelleborg Automotive Systems 
- Trelleborg Engineered Systems 
- Trelleborg Wheel Systems 
- Trelleborg Building Systems 
- Ahlsell 
- Brödnerna Edstrand 
- Reynolds 
- Starckjohann 
- Head office 

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# Financial *definitions*

## Return on operating capital

Pages 18, 30

Operating income including minority interest divided by average total assets (calculated on balance brought forward in each month) less shares, interest-bearing investments and non-interest bearing operating liabilities.

## Yield

Page 91

Dividend divided by market price of the Series B share at the year-end.

## Capital turnover rate

page 89

Invoiced sales in relation to average capital employed.

## Netting

Page 12

The net of intra-Group deposits and payments are settled on fixed dates during the year, instead of after every individual business transaction between the companies.

## Operating margin

Pages 18, 20, 22, 24, 26, 30, 32, 34, 36, 89

Operating income excluding associated companies and items affecting comparability in relation to invoiced sales.

## P/E-ratio

Page 91

Market price of the Series B share at the year-end divided by earnings per share.

## Earnings after full tax

per share, SEK

Page 89

Earnings after financial income and expenses less full tax (adjusted for tax-free dividends) in relation to average number of outstanding shares before and after items affecting comparability, respectively.

## Return on total capital employed

Page 89

Operating income in relation to average shareholders' equity, minority interest and financial net assets/liabilities.

## Return on shareholders' equity after full tax

Page 89

Net income in relation to average shareholders' equity.

## Debt/equity ratio

Pages 63, 89

Current and long-term liabilities in relation to shareholders' equity plus minority interest.

## Equity/assets ratio

Pages 63, 89

Shareholders' equity plus minority interest in relation to total assets.

## Swap

Page 12

Swap (of payment flows).

## Profit margin

Page 89

Earnings after financial income and expenses excluding items affecting comparability in relation to invoiced sales.

## Currencies

Swedish kronor

Danish kroner

Norwegian kroner

US dollars

Canadian dollars

British pounds

Finnish markka

German marks

French francs

Belgian francs

Dutch guilders

Italian lira

Spanish pesetas

## Abbreviation

SEK

DKK

NOK

USD

CAD

GBP

FIM

DEM

FRF

BEF

NLG

ITL

ESP

# Technical *terms*

## Bitumen

Page 26

Dark brown or black substance of high molecular hydrocarbons, etc.  
Asphalt is an example of bitumen.

## Cenospheres

Page 30

Cenospheres are small (5–500 micrometer) hollow granules with specific chemical properties which are primarily used to cement oil-wells.

## Electroreology

Page 49

Means that it is possible to alter the viscosity of a fluid with electrical fields. (Reology=the science of the deformation and floating properties of the substance).

## Laminate/-products

Pages 17, 21

Material consisting of several layers of different materials such as rubber, metal, glass-fiber and various adhesives.

## Links

Page 21

A package of slewing-brackets, struts and bushings in the wheel suspension of a passenger car.

## OEM manufacture

Pages 19, 21

Original Equipment Manufacturer.

## Polymers

Pages 17, 49

Chemical compound which consists of many identical and similar original molecules.

Exists in rubber, plastics, paint, fiber, etc.

## Shearing

Page 49

Deformation method which involves changing the original right-angle in an object

## Super-calendering

Page 25

A calender is a machine with a small number of rolls (generally two) for calendering fine paper.

A super-calender has several rolls on top of each other and the paper is gradually subjected to increasing pressure.

Trelleborg Group (SEK M unless otherwise stated)	1997	1996	1995	1994	1993
<i>Income and earnings:</i>					
Invoiced sales	20,825	20,574	21,304	19,135	21,617
Items affecting comparability	1,309	—	1,966	213	349
Operating income (including shares in results of associated companies)	2,609	877	3,776	1,434	– 553
Earnings after financial income and expenses	2,550	1,018	3,512	904	– 1,516
Taxes	– 510	– 16	– 639	– 238	+ 390
Minority interest	– 2	1	– 10	– 14	– 16
<b>Net earnings for the year</b>	<b>2,038</b>	<b>1,003</b>	<b>2,863</b>	<b>652</b>	<b>– 1,142</b>
<i>Capital structure:</i>					
Fixed assets	9,761	8,109	9,076	11,931	12,879
Current assets	11,420	10,920	10,388	8,056	8,604
<b>Assets</b>	<b>21,181</b>	<b>19,029</b>	<b>19,464</b>	<b>19,987</b>	<b>21,483</b>
Shareholders' equity	11,051	9,430	9,059	6,470	5,964
Minority interest	342	12	3	3	3
Provisions	1,282	1,842	1,107	1,125	1,263
Long-term liabilities	4,084	3,714	4,241	6,512	4,230
Current liabilities	4,422	4,031	5,054	5,877	10,023
<b>Liabilities and shareholders' equity</b>	<b>21,181</b>	<b>19,029</b>	<b>19,464</b>	<b>19,987</b>	<b>21,483</b>
<i>Key figures:</i>					
Equity/assets ratio, % ▲	53.8	49.6	46.6	32.4	27.8
Debt ratio, times ▲	0.4	0.5	0.6	1.3	1.8
Capital turnover rate, times ▲	1.4	1.4	1.5	1.2	1.2
Operating margin, % ▲	4.7	3.8	5.7	3.6	neg
Profit margin, % ▲	6.0	4.9	7.3	3.6	neg
Return on total capital employed, % ▲	25.5	9.6	36.2	11.2	neg
Return on shareholders' equity after full tax, % ▲	19.9	10.9	36.2	10.5	neg
Earnings per share after full tax, SEK ▲	17.40	8.60	24.40	5.60	– 13.50
Ditto, excluding items affecting comparability	7.65	8.60	10.20	2.75	– 16.40
<i>Other information:</i>					
Average number of employees	13,525	13,086	12,421	12,351	17,566
– of whom, abroad	7,512	5,605	5,530	5,055	6,548
Investments in plants (excluding existing plants in acquired companies)	963	1,134	1,129	650	620
Financial net assets/liabilities	– 868	– 464	+ 637	– 5,979	– 7,212

Financial definitions on page 88.



# Share capital and ownership

The Trelleborg Series B shares have been traded on the Stockholm Stock Exchange since 1964.

The capital stock of Trelleborg AB amounts to SEK 2,933,538,100 represented by 117,341,524 shares, each with a nominal value of SEK 25. On May 30, 1997, the Company's former Series C and Series D shares were converted into Series B and Series A shares, respectively, in accordance with a decision by the AGM. Series C and Series D shares were issued in a new share issue in 1988 and carried preferential rights to a higher dividend over ten years.

Following the conversion, there are only two classes of shares: 12,000,000 Series A shares and 105,341,524 Series B shares with one vote each.

All the Series A shares carry ten votes each and Series B shares one vote each. All the Series A shares are owned by the Dunker funds and foundations.

During the year, the bid rate of Trelleborg

Series B shares rose by 10 percent (28), whereas the "Veckans Affärer" 16 most-traded shares index rose by 26 percent (38) and the total index by 25 percent (38). Seen over a five-year period, 1993–1997, the price of the Series B share increased by an average of 16 percent annually, whereas the 16 most-traded shares index rose by 25 percent on average and the total index by 27 percent.

During 1997, approximately 149 million Trelleborg shares (both Series B and Series C shares) were traded on the Stockholm Stock Exchange compared with 119 million in the previous year, and was equivalent to 127 percent (101) of the total number of shares in the company, at a value of SEK 17,823M (10,164).

In turn, this constituted 1.5 percent (1.2) of the total stockmarket trading. In 1997, Trelleborg was the 18<sup>th</sup> most-traded share from a value viewpoint on the Stockholm Stock Exchange (23<sup>rd</sup>).

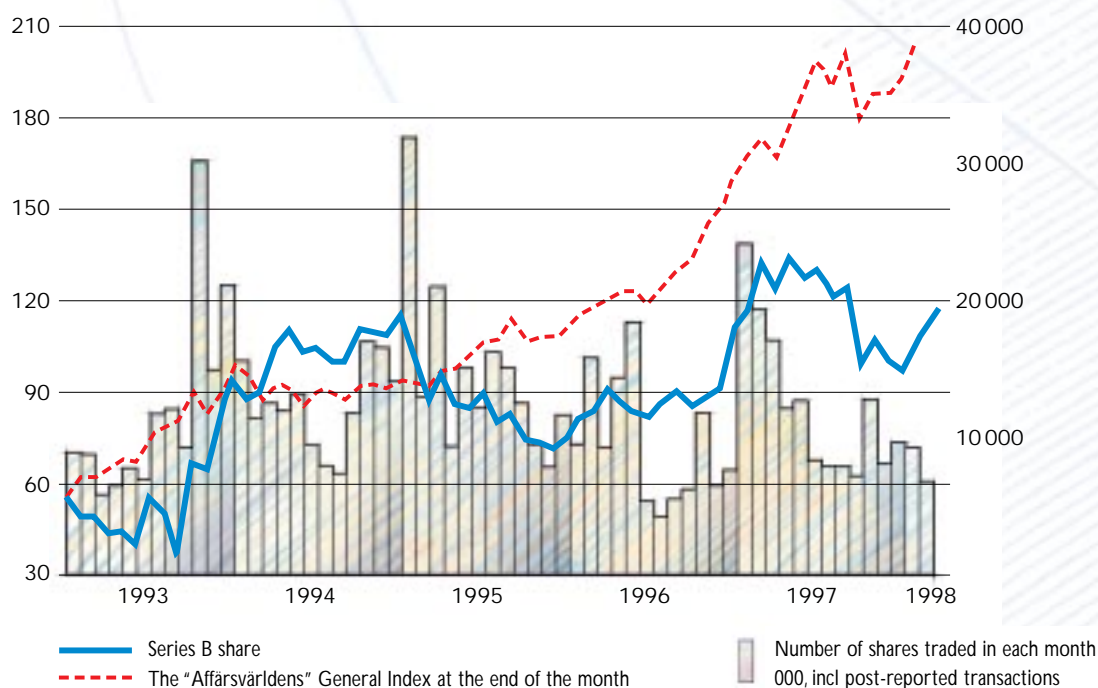
Average daily trading amounted to

approximately 600,600 shares (474,200) or SEK 75M (40). Purchases and sales by foreign investors resulted in a net export of Trelleborg shares of SEK 126M during the period January–October, compared with SEK 187M for all of 1996.

The value of units in the Company-related savings plan, Trelleborg Allemansfond, increased by 11 percent during 1997 (32).

At the Annual General Meeting on April 25, 1997, the Board of Directors was granted continued authority up to the next AGM to pass a resolution regarding a new stock issue with pre-emption from the shareholders' preferential rights. An issue of this type will be directed at the international capital market and total no more than 10 percent of the total outstanding number of shares at the date of issue, and will be subject to the same market terms which are applied to similar issues.

Price trend of Trelleborg Series B shares on the Stockholm Stock Exchange 1993–1997



### Distribution of shares, December 31, 1997

At the 1997/1998 turn of year, the number of stockholders amounted to 74,325 (72,709) of whom 47,708 (49,430) were directly registered and 26,617 (23,279) nominee-registered.

Holding		Number of shareholders	Percent of total shares	Change, percent from Dec 30, 1996
1 – 1,000		67,466	14.17	+ 0.37
1,001 – 5,000		5,710	10.98	+ 0.02
5,001 – 50,000		993	11.31	+ 0.47
50,001 –		156	63.54	– 0.86
<b>Total</b>		<b>74,325</b>	<b>100.00</b>	

Average number of shares after full conversion:

1997	1996	1995	1994	1993
117,341,524	117,341,524	117,341,524	117,341,524	84,746,657

Class of share	Number of shares	Percent	Number of votes	Percent
Series A	12,000,000	10.23	120,000,000	53.25
Series B	105,341,524	89.77	105,341,524	46.75
<b>Total</b>	<b>117,341,524</b>	<b>100.00</b>	<b>225,341,524</b>	<b>100.00</b>

### Prices paid on the Stockholm Stock Exchange

Trelleborg B	Low, SEK	High, SEK
1993	35.10	86.00
1994	76.00	126.00
1995	69.00	121.50
1996	70.00	96.50
1997	89.00	142.00

Refers to highest and lowest price paid per month adjusted for issues and split.

### Data per Series B share

	1997	1996	1995	1994	1993
Earnings after full conversion and full tax, SEK	17.40	8.60	24.40	5.60	– 13.50
Ditto, excluding items affecting comparability	7.65	8.60	10.20	2.75	– 16.40
Dividend, SEK	3.50 <sup>1)</sup>	3.00	3.00 <sup>2)</sup>	1.00	—
Market price, December 31, SEK	100.00	90.50	70.50	108.50	79.50
Shareholders' equity per share, SEK	94.20	80.40	77.20	55.20	50.80
Yield, % ▲	3.5	3.3	7.1 <sup>3)</sup>	0.9	0
P/E ratio ▲	13 <sup>4)</sup>	11	7 <sup>4)</sup>	19	neg

<sup>1)</sup> According to the Board of Directors' proposal, excluding special dividend of SEK 1.50

<sup>2)</sup> Excluding special dividend of SEK 2.00

<sup>3)</sup> Including special dividend of SEK 2.00

<sup>4)</sup> Excluding items affecting comparability

# Share capital and ownership

## The largest shareholders in Trelleborg AB, December 31, 1997

The information is based, among other things on VPC's official register of shareholders and nominees at December 31, 1997. Of the total number of shares, non-Swedish stockholders accounted for 20.3 percent (23.6) at the 1997/1998 turn of year. The proportion of institutional ownership was 46.6 percent (40) in Sweden and 19.7 percent (23) abroad or totally 66.3 percent (63).

Owner	Number of shares	Percent of share capital	Percent of votes
Dunker funds and Foundation	12,186,000	10.39	53.34
S-E Banken's unit trusts, etc	6,885,426	5.87	3.06
Försäkrings AB SPP Ömsesidigt	5,587,426	4.76	2.48
State Street Bank (USA)	5,105,559	4.35	2.27
Fourth AP fund	4,115,004	3.51	1.83
Boston Safe Deposit (USA)	3,518,742	3.00	1.56
Folksam Liv, etc	3,066,160	2.61	1.36
Skandia Försäkringar and unit trusts	2,980,831	2.54	1.32
Swiss Bank	2,242,116	1.91	0.99
Trygg-Hansa Försäkr. and unit trusts	2,195,570	1.87	0.97
Other 74,289 shareholders	69,458,690	59.19	30.82
<b>Total</b>	<b>117,341,524</b>	<b>100.00</b>	<b>100.00</b>

## Beta value

The beta value is a measurement of risk which shows a share's price fluctuation compared with the stockmarket as a whole. According to the Stockholm Stock Exchange's measuring of rolling 48 months, the beta value of the Trelleborgs Series B share amounts to 1.22 (1.22). This means that during 1997, the price of the Trelleborg share fluctuated 22 percent more than the total number of shares on the Stockholm Stock Exchange, measured in a value-weighted index. The explanation value was 0.47 (0.21) which means that 47 percent of the price development of the Trelleborg share is explained by the general market trend.

## Dividend policy

As previously stated, it is the opinion of the Board of Directors that the dividend should be equivalent to approximately one-third of net income in the long-term.

## Growth in capital stock

Immediately before its introduction on the Stockholm Stock Exchange in 1964, Trelleborg had a capital stock of SEK 63M. In 1966, a directed non-cash issue for SEK 2.6M was made on the acquisition of Ulvex AB. As a result of new stock issues in 1969 (2:5) at a price of SEK 100 and 1976 (1:3 at SEK 110) the capital stock was increased by SEK 26.2M and SEK 30.6M, respectively. In 1978, a directed non-cash issue for SEK 3.2M was made on the acquisition of Tekniska Gummifabriken Jakobsberg AB. Thereafter, stock issues have been made as shown in the following table.

Year	Issues	Increase in capital stock, SEK	Total capital, SEK
1982	Directed new issue to Aritmos and others at SEK 125	42,000,000	167,611,200
1984	Stock dividend 1:4, split 4:1 <sup>1)</sup>	41,902,800	209,514,000
1986	Directed new issue at SEK 95 to acquire Savsjo Falgar AB	6,875,000	216,389,000
1986	Directed new issue at SEK 95 to acquire Boliden shares	95,150,000	311,539,000
1987	Stock dividend 1:1	311,539,000	623,078,000
1987	Conversion of subordinated debentures	15,587,125	638,665,125
1988	New issue 1:5 of Series C and Series D shares (bonus shares) <sup>2)</sup>	127,733,025	766,398,150
1988	Directed new issue to acquire Boliden shares and convertibles	39,559,750	805,957,900
1988	Conversion of subordinated debentures	934,150	806,892,050
1989	Directed new issue to acquire Boliden convertibles	7,787,700	814,679,750
1989	Conversion of subordinated debentures	60,100	814,739,850
1989	Stock dividend 1:1	814,739,850	1,629,479,700
1989	Conversion of subordinated debentures	17,075	1,629,496,775
1990	Conversion of subordinated debentures	188,550	1,629,685,325
1991	Conversion of subordinated debentures	58,075	1,629,743,400
1992	New issue 1:5 at SEK 70	325,948 675	1,955,692,075
1993	New issue 1:2 at SEK 30	977,846 025	2,933,538,100

<sup>1)</sup> 5 new shares, each with a nominal value of SEK 25 were received for every old share with a nominal value of SEK 100, of which 1 (one) through stock dividend and four through split.

<sup>2)</sup> At SEK 200 (restricted shares) and SEK 260 (unrestricted shares), respectively.



# Shareholder *information* 1998/1999

Annual General Meeting	April 24
President's Speech at the	
Annual General Meeting	April 24
Interim Report January-March	April 24
Interim Report January-June	August 21
Interim Report January-September	November 5
Preliminary	
Accounts Report 1998	February 1999
Annual Report 1998	March 1999

Reports, Annual Reports, T-TIME, etc., are available upon request from:

**Trelleborg AB**  
**Corporate Communications**  
P.O. Box 153  
SE-231 22 Trelleborg, Sweden  
Phone: +46 410 670 00  
Fax: +46 410 427 63  
E-mail: [info@trelleborg.com](mailto:info@trelleborg.com)

## **Trelleborg Shareholder Information**

Trelleborg AB regularly publishes information in Swedish and English about the Group's development. The Annual Report and the Group's in-house magazine, T-TIME, along with quarterly reports, are distributed to all shareholders who have notified the Company that they wish to receive this information.

Trelleborg also offers services to shareholders by telephone. Via a special telephone number: +46 8 678 21 00 or e-mail: [info@trelleborg.com](mailto:info@trelleborg.com), anyone interested will be provided with answers to questions, be able to order magazines, brochures, etc., or be put in touch with specialists in a specific area, etc.

On the Trelleborg Group's web-site on the Internet, information can be found which is specially directed to shareholders such as: current financial information, Annual Reports from 1976 onwards, the latest news releases, market prices and the in-house magazine, T-TIME. A presentation of the Group's eight business areas can also be found here.

In addition, anyone who is interested can request a CD-ROM disk with Trelleborg AB's Annual Reports for the years 1976-1996.

## **Change of address**

Changes of address relating to natural persons who are registered as residents in Sweden are made automatically with the Swedish Securities Register Center, VPC. Special notification regarding change of address need not be made to the shareholders' account-holdings institution (AI) or Trelleborg AB. The standard notification of change of address which is made at any Swedish post office branch will suffice.

Please note that shareholders who have chosen not to have automatic address updating must give notification of their new address themselves to AI. Shareholders whose shares are nominee-registered should notify their nominee as soon as possible of change of name, address and account number. A special form for notification is available from the banks.

Other shareholders must give notification of change of address and changes of account numbers to the Swedish Securities Center, VPC AB, P.O. Box 7822, SE-103 97 Stockholm, phone: +46 8 402 90 00. In corresponding with VPC, the shareholder number (personal ID number or organization number) should be stated.

# Annual General Meeting

## Notice

The Annual General Meeting of Trelleborg AB, at which the shareholders' attendance is requested, will be held on Friday April 24, 1998 at 3pm in Söderslätshallen in Trelleborg.

## Annual General Meeting program

Visitors to the AGM are also invited to participate in the following programs:

- 12:00 Registration and lunch buffet.
- 2:15 Entertainment until the opening of the AGM.
- 3:00 Start of AGM.

## Notification of attendance

Shareholders who wish to attend the Annual General Meeting must be entered in the share register kept by the Swedish Securities Register Center (Värdepapperscentralen VPC AB) by April 14.

Shareholders whose shares are nominee-registered must thus have their shares temporarily registered in their own names on that date. Such registration should be requested of the nominee a few days in advance.

Notification of attendance at the AGM must be made not later than Tuesday April 21, 1998 at 3pm to:

**Trelleborg AB**  
**Legal Department**  
P.O. Box 153  
SE-231 22 Trelleborg, Sweden  
Phone: +46 410 670 31, 670 32 or  
670 47 (direct line)  
Switchboard: +46 410 670 00  
Fax: +46 410 175 89  
E-mail: legal.dep@trelleborg.com

## Dividend

The Board of Directors and the President propose a dividend for the 1997 financial year of SEK 3.50 per Series A and Series B share. In addition, a bonus dividend of SEK 1.50 per Series of share is proposed. Wednesday April 29, 1998, is proposed as the record day. Should the AGM decide in accordance with the proposal, the dividend will be remitted by VPC on or about Thursday May 7, 1998.

## Authority for new share issue

The Board of Directors intends to propose to the AGM that, as before, the Board continues to be given authority until the next AGM to pass a resolution regarding new stock issues with pre-emption from the shareholders' preferential rights. It is intended that one such issue will be directed at the international capital market and amount to no more than 10 percent of the total outstanding number of shares on the date of issue, and be issued in accordance with standard market terms.

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