



# INTERIM REPORT

*January – June 2002*

**Profit after financial items** (excluding non-comparable items),  
second quarter on same level as 2001 SEK 280 M (280).

Total for the six-month period SEK 453 M (540).

*See page 2*



**Earnings per share** (excluding non-comparable items)  
increased during the second quarter to SEK 2.20 (1.95).

Total during the six-month period SEK 3.65 (3.80).

*See page 2*



**Continued strong operating cash flow:**

SEK 358 M (172).

*See page 2*



**Final agreement covering sale of Metech.**

*See page 6*

## **Group**

### **Net sales and earnings.**

*Improvements during the second quarter after a weak start to the year.*

The Group's net sales for the period amounted to SEK 9,330 M (9,617). Net sales of comparable units, with comparable exchange rates, declined by approximately 5 percent. Net sales during the second quarter amounted to SEK 4,787 M (4,899). The decline in net sales for comparable units with comparable exchange rates was slightly less than 3 percent.

Sales in both Europe and America were lower than in the year-earlier period. However, the decrease in North America was mainly attributable to the Wheel Systems and Engineered Systems Business Areas.

Operating profit, excluding non-comparable items, amounted to SEK 515 M (619). Non-comparable items reduced operating profit during the period by SEK 43 M (increase: SEK 20 M), and were attributable to the divestments of Metech and White Goods.

The Group's net financial expense amounted to SEK 62 M (Neg.79). Boliden shares affected non-comparable items negatively in the amount of SEK 38 M (Neg. 121).

Group profit after financial items amounted to SEK 372 M (439), and to SEK 453 M (540) excluding non-comparable items. For the second quarter, Group profit after financial items, excluding non-comparable items, amounted to SEK 280 M (280).

### **Balance sheet, cash flow and investments.**

*Continued strong operating cash flow, SEK 358 M (172).*

Capital employed by the Group amounted to SEK 10,052 M (11,098) as of June 30, 2002. Net financial debt amounted to SEK 3,261 M (debt: 2,975). Liquid funds include Boliden shares with a book value of SEK 187 M. The book value of the Group's holding of Trenor Holding shares is SEK 210 M.

The debt/equity ratio at the close of the period was 43.4 percent (35.3). The equity/assets ratio was 45.5 percent (44.7). Shareholders' equity per share at the close of the period (based on approximately 87 million shares outstanding) amounted to SEK 85.30 (85.80). The return on shareholders' equity was 6.7 percent (7.1).

The Group's operating cash flow amounted to SEK 358 M (172) and investments totaled SEK 352 M (279). Contributing to the strong cash flow are results of efforts to increase efficiency of capital employed.

The average number of employees during the period amounted to 15,317 (16,672).

### **Earnings per share, excluding non-comparable items,**

*increased to SEK 2.20 (1.95) during second quarter.*

Earnings per share for the period amounted to SEK 2.95 (3.05), and to SEK 3.65 (3.80) excluding non-comparable items. During the second quarter, earnings per share were SEK 1.50 (1.95) and SEK 2.20 (1.95) excluding non-comparable items. (See table on page 8).

## ***Business Area reports***

### **Trelleborg Automotive.**

*Stronger car production than expected in the US, weaker in Europe.*

Net sales of the Business Area amounted to SEK 4,911 M (5,117). Operating profit was SEK 322 M (381). The Business Area's operating cash flow for the period was SEK 92 M (215).

The decrease in the Business Area's sales was attributable primarily to the automotive market in Europe and the low level of demand within the Industrial AVS business unit.

The European car market was affected negatively by the general economic situation. Notably, there is a continued low level of demand in the German, Spanish and Italian markets. Car sales in the first six months of the year declined by approximately 5 percent, while car production fell by about 4 percent.

The North American automotive market performed better than expected during the first six months. Due to low inventories at the beginning of 2002 and higher sales than expected, light vehicle production increased by about 4 percent compared with the year-earlier period.

Production of cars increased in both China and India during the period.

In order to make the production structure more efficient and to free up capital, Trelleborg Stanton closed its Bow facility and transferred production of polyurethane impact protection products to a sister plant in the UK.

The construction of a modern and more efficient production facility for industrial AVS products in Leicester, in the UK, is now largely complete. The transfer and installation of machines and presses is scheduled for the fourth quarter of 2002.

A new mixing plant was installed in India to further increase product quality and service to customers.

Integration efforts within the European AVS organization continue, including further reductions in personnel as a result.

The Business Area's new ERP (Enterprise Resource Planning)-system was installed in Germany during the period. There are implementation plans for the Business Area's other European plants. The joint ERP system will facilitate continued integration and support the Business Area's organizational structure.

A global APQP (Advanced Product Quality Planning)-program was introduced throughout the Business Area. This is being conducted in parallel with today's CIP3 (Continuous Improvement)-program to ensure a uniform approach to quality and processes on a global level.

## **Trelleborg Wheel Systems.**

*Main part of measures within the restructuring program begun in fourth quarter 2001 completed.*

Net sales amounted to SEK 1,592 M (1,680). Operating profit for the period was SEK 63 M (103). Operating profit for the second quarter was SEK 39 M (43). Despite weak markets, the rate of turnover of working capital increased by 2 percentage points, the effects of which included a strong operating cash flow of SEK 64 M (3).

Demand among OEM-suppliers of farm equipment increased by 2 percent, with after-market sales at the same level as the year-earlier period.

The Business Area's broader range of products, including both Pirelli and Trelleborg tires, created success in the agricultural market. The merger of the marketing and sales organizations, which is now complete, contributed to this and is expected to generate further synergies in the future.

The market for industrial tires in North America stabilized during the period and showed a low level of growth at the end of the period. The trend in Europe is following a similar pattern, but stabilization was on a relatively higher level than in North America.

The restructuring program that was begun during the fourth quarter of 2001 is designed to adapt Trelleborg's production capacity for tires and mixing, as well as the termination of production of industrial tires at the Evergem plant in Belgium. The production of light tires in Trelleborg and industrial tires in Evergem is being transferred to low-cost production facilities in Sri Lanka. These measures are largely complete and the new production structure is being brought into shape. It was possible to implement the restructuring program without disruption. The program is expected to generate an effect of approximately SEK 20 M during the second half of 2002 and a further SEK 50 M in 2003.

## **Trelleborg Engineered Systems.**

*Improved product mix and higher efficiency generate increased profit.*

Net sales during the first six months of the year amounted to SEK 1,686 M (1,682). Operating profit increased to SEK 96 M (89). The Business Area's capital management was successful and contributed to strong operating cash flow of SEK 129 M (31).

The improvement in profit was attributable primarily to cost reductions and a better product portfolio.

Market conditions, particularly for industrial supplies, remained largely unchanged from the first quarter. The weak demand trend that prevailed in the North American market now seems to have reached its lowest point, while demand in Europe remained weak during the period. There was continued favorable demand within the infrastructure and offshore markets.

The sealing systems operations recently acquired from Vredestein were integrated during the period within the business area's Dutch unit, Trelleborg Bakker.

During the second quarter, the orders secured by the Business Area included an attractive infrastructure assignment for a rail construction project in Hong Kong. The product is a system to be laid under the rail track, which is designed to suppress noise. The order is valued at about SEK 14 M.

In addition, the Business Area began production of hoses for a major oil project off the coast of West Africa (the Amenam Nigeria Project), with a total value of approximately SEK 40 M. Delivery of this order will be completed during the third quarter of 2002.

The divestment of the molded-goods business in Trelleborg Industries UK Ltd in Skelton, UK (White Goods), was completed during the first quarter. The operation had 60 employees and annual sales of approximately GBP 3.1 M.

## **Trelleborg Building Systems.**

*Synergies from acquisition of Phønix Tag resulted in increased profit.*

Net sales increased to SEK 891 M (816) and operating profit to SEK 58 M (57). Operating profit for the second quarter rose to SEK 45 M (35). Efficiency measures related to capital employed in the Business Area had a positive effect on the operating cash flow, which climbed to SEK 83 M (6).

The increased sales were attributable primarily to the acquisition of the Danish Phønix Tag company. The integration process is proceeding according to plan, which is now apparent in both sales and profit figures. Phønix Tag is expected to achieve full-year results that are in line with the Group's financial goals.

Demand for building profiles in Germany remains weak, but the effects are offset by the business area's customers increasing their deliveries outside Germany. The Nordic market was cautious, but there was a distinct improvement in demand during the latter part of the period.

The business area's successful launch of noise-insulation consumer profiles in the US resulted in a decision to introduce these to about 1,000 of WallMart's stores during the autumn.

During the second quarter, the Business Area entered a cooperation agreement on marketing and sales with JPS Elastomerics of the US, a division of the Nasdaq-listed JPS Industries, Inc. The primary effect of the agreement is that Trelleborg will gain an initial complement of approximately SEK 25 M to the business area's offering in the European market, since Trelleborg will have access to JPS Elastomerics TPO products for both roof and ground coverage. At the same time, the agreement involves an intensification of marketing and sales activities for some of Building Systems' products in the US market through JPS Elastomerics' organization.

## ***Other operations***

### **Trenor (49%).**

Trelleborg's participation (49 percent) in pre-tax earnings of the Trenor Group – the former Trelleborg Distribution sector – amounted to SEK 52 M (61). Participation in the pre-tax earnings for the second quarter totaled SEK 38 M (33).

### **Metech.**

During the period a final agreement was reached covering the sale of the operations in Metech International Inc., the American metal-recycling company. The buyer – through its American subsidiary – is Viking, an investment company listed in South Africa. The takeover is expected to be implemented during the third quarter. The sale of the Metech operations resulted in a loss of SEK 30 M, which was charged to the earnings of the Trelleborg Group during the second quarter and will have a positive cash flow effect of approximately SEK 120 M during the third quarter.

### **Boliden.**

The Group sold 1.9 million Boliden AB shares during the period. Trelleborg's holding now amounts to 5.2 million shares (approximately 6 percent).

Valuation of the shareholding in Boliden, at end of period stock exchange closing share-price, had a negative effect on earnings of SEK 38 M (Neg: 121) during the period.

### **Strengthened long term financing.**

During the second quarter, the Trelleborg Group strengthened its long-term financing by raising a new syndicated loan of USD 600 M (approximately SEK 5.9 billion), with a duration of five years. The financing was oversubscribed and the loan was increased from the original amount of USD 500 M to USD 600 M.

### **Reclassification of Series A-shares.**

The principal owner, Dunker Funds and Foundations, reclassified 2.5 million of its 12 million Series A shares to Series B shares. In accordance with what was stated when the buy-back program was started, this measure will restore Dunker Funds and Foundations' voting rights to the level prevailing prior to the commencement of the buy-back program. Following the reclassification, the remaining Series A shares will correspond to 53.9 percent of the voting rights of the current 90.6 million shares and 52.4 percent after full dilution (after convertible debentures and warrants).

## ***Parent company***

The profit after financial income and expenses in Trelleborg AB, the parent company of the Trelleborg Group, amounted to SEK 99 M (99). No sales occurred. Investments amounted to SEK 1 M (0) and the average number of employees was 64 (59).

## **Outlook**

The American automotive industry has recovered more quickly than expected and light vehicle production in North America increased by 4 percent during the first six months, compared with the year-earlier period. Revised full-year estimates now show production increases in North America of 2-4 percent, compared with the previous assessment of unchanged production. It is expected that European light vehicle production will decline and the full-year reduction is now estimated at about 4-5 percent compared with 2001. The previous assessment was 2-4 percent.

Conditions in most of the market segments for the other Business Areas have leveled off and there are also indications of certain improvements during the end of the second quarter. The assessment remains that there will be a gradual improvement in market conditions during the second half of the year.

The work of integrating acquisitions in the Automotive Business Area, including further reductions in personnel, is proceeding according to plan. The restructuring program that was approved for the Wheel Systems Business Area has now been largely implemented and the Business Area is expected to increase its profits during the second half of the year compared with the same period in 2001.

To cope with a weak market development, the Group has continued to focus on improvements in efficiency, on cash flow and on lower costs. Implemented and planned rationalization and cost-efficiency measures mean that the earlier assessment of a reduction in the number of employees by approximately 1,000 during the year remains.

Trelleborg, July 23, 2002

Fredrik Arp  
*President and CEO*

---

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Councils's recommendation. The same accounting principles have been used as in our latest annual report. This Interim Report has not been audited by the Company's auditors.

This Report and other Information about the Trelleborg Group, including the magazine T-TIME, are also available on the Internet at the following address: [www.trelleborg.com](http://www.trelleborg.com).

The interim report for the first nine months of 2002 will be published on November 5, 2002. The Year-end-report for 2002 will be published on February 5, 2003.

<p><i>For further information, contact Trelleborg AB's Chief Financial Officer <b>Jan Björck</b>, telephone: +46 410 670 28 (mobile telephone: +46 708 46 02 07), or Senior Vice President Corporate Communications <b>Mikael Byström</b>, telephone: +46 410 670 37 (mobile telephone: +46 708 55 21 69).</i></p>
--

## Income Statements

<b>Group</b> SEK M	Apr-June 2002      2001		Jan-June 2002      2001		July 2001- June 2002	Full year 2001
Net sales	4,787	4,899	9,330	9,617	18,473	18,760
Cost of goods sold	-3,719	-3,859	-7,309	-7,540	-14,558	-14,789
<b>Gross profit</b>	<b>1,068</b>	<b>1,040</b>	<b>2,021</b>	<b>2,077</b>	<b>3,915</b>	<b>3,971</b>
Selling, administration and R&D expenses	-824	-816	-1,649	-1,631	-3,257	-3,239
Non-comparable items	-30	-	-43	20	-271	-208
Other operating revenues and expenses	18	58	74	106	231	263
Result from participation in associated companies	47	38	69	67	141	139
<b>Operating profit</b>	<b>279</b>	<b>320</b>	<b>472</b>	<b>639</b>	<b>759</b>	<b>926</b>
Financial income and expenses	-29	-40	-62	-79	-141	-158
Result of shares in Boliden	-51	-	-38	-121	42	-41
<b>Profit after financial items</b>	<b>199</b>	<b>280</b>	<b>372</b>	<b>439</b>	<b>660</b>	<b>727</b>
Taxes	-65	-85	-112	-130	-182	-200
Minority shares	-4	-5	-6	-9	-9	-12
<b>Net profit for the period</b>	<b>130</b>	<b>190</b>	<b>254</b>	<b>300</b>	<b>469</b>	<b>515</b>

<b>Profit excluding non-comparable items</b> SEK M	Apr – June 2002      2001		Jan – June 2002      2001		July 2001- June 2002	Full year 2001
<b>Operating profit, excl. non-comp. items</b>	<b>309</b>	<b>320</b>	<b>515</b>	<b>619</b>	<b>1,030</b>	<b>1,134</b>
<b>Profit after financial items, excl. non-comparable items</b>	<b>280</b>	<b>280</b>	<b>453</b>	<b>540</b>	<b>889</b>	<b>976</b>
<b>Net profit, excl. non-comp. items</b>	<b>190</b>	<b>190</b>	<b>314</b>	<b>373</b>	<b>661</b>	<b>720</b>

<b>Earnings per share</b> SEK	Apr – June 2002      2001		Jan – June 2002      2001		July 2001- June 2002	Full year 2001
Earnings per share <sup>1)</sup>	1.50	1.95	2.95	3.05	5.25	5.35
Earnings per share, excl. non-comparable items <sup>1)</sup>	2.20	1.95	3.65	3.80	7.30	7.45
Earnings per share, excl. non-comp. items and goodwill amortization <sup>1)</sup>	2.65	2.30	4.50	4.50	9.00	9.00
Earnings per share after full conversion <sup>2)</sup>	1.45	1.85	2.85	2.95	5.10	5.20

<i>Number of shares at end of period, excluding own holdings</i>	86,646,572	96,646,572	86,646,572	96,646,572	86,646,572	86,646,572
<i>Number of shares at end of period, excluding own holdings after full conversion</i>	91,167,917	102,218,229	91,167,917	102,218,229	91,167,917	92,918,166
<sup>1)</sup> <i>Average number of shares, excluding own holdings</i>	86,646,572	96,646,572	86,646,572	97,825,658	91,261,957	96,512,234
<sup>2)</sup> <i>Average number of shares, excluding own holdings after full conversion</i>	90,863,443	102,018,166	91,167,917	103,147,252	95,783,302	100,731,462



## Balance Sheets

<b>Group</b>	June 30	June 30	Dec 31
SEK M	2002	2001	2001
Intangible fixed assets	2,669	2,844	2,958
Tangible fixed assets	4,920	5,478	5,293
Financial fixed assets	1,145	1,149	1,182
Inventories	2,191	2,752	2,428
Receivables	4,789	5,546	4,743
Liquid funds	796	1,067	1,118
<b>Total assets</b>	<b>16,510</b>	<b>18,836</b>	<b>17,722</b>
Shareholders' equity	7,389	8,292	7,690
Minority shares	124	134	139
Provisions	1,171	1,253	1,309
Long-term liabilities	3,976	4,051	4,316
Current liabilities	3,850	5,106	4,268
<b>Total shareholders' equity, provisions and liabilities</b>	<b>16,510</b>	<b>18,836</b>	<b>17,722</b>

<b>Specification of changes in shareholders' equity</b>	June 30	June 30	Dec 31
SEK M	2002	2001	2001
Opening balance	7,690	8,552	8,552
Dividend	-347	-362	-362
Purchase of own shares		-308	-1,135
Translation differences	-521	189	402
Exchange-rate differences	313	-79	-282
Net profit for the year	254	300	515
Closing balance	7,389	8,292	7,690

## Key Figures

	Jan – June		July 2001-	Full year
	2002	2001	June 2002	2001
Investments in plant, SEK M	352	279	715	642
Financial assets minus liabilities at end of period, SEK M	-3,261	-2,975		-3,267
Debt/Equity ratio, %	43.4	35.3		41.7
Equity/Assets ratio, %	45.5	44.7		44.2
Shareholders' equity per share, SEK <sup>1)</sup>	85.30	85.80		88.70
Return on shareholders' equity, %	6.7	7.1	6.0	6.3
Return on shareholders' equity, excl. non-comp. items, %	8.3	8.8	8.4	8.9
Return on shareholders' equity, excl. non-comp. items and goodwill amortization, %	10.3	10.5	10.4	10.7
Average number of employees	15,317	16,672		16,179
of whom women	3,532	3,824		3,613
Men	11,785	12,848		12,566

<sup>1)</sup> Number of shares at end of period, excluding own holdings

## Cash flow analysis

SEK M	January – June 2002	2001
<b>Ongoing operations</b>		
Operating profit	472	639
<i>Reversals</i>		
Depreciation	441	440
Non-comparable items	43	-20
Result from participation in associated companies	-69	-67
	<b>887</b>	<b>992</b>
Financial items	18	-12
Taxes paid	-33	-77
<b>Cash flow from ongoing operation before changes in working capital</b>	<b>872</b>	<b>903</b>
Changes in inventories	2	-65
Changes in operating receivables	-393	-507
Changes in operating liabilities	136	-12
Changes in other receivables and liabilities	-193	-60
<b>Cash flow from ongoing operations</b>	<b>424</b>	<b>259</b>
<b>Investment operations</b>		
Acquisitions	-114	-415
Gross investments in tangible and intangible assets	-352	-279
Sale of equipment	78	45
Divestments	4	91
<b>Cash flow from investment operations</b>	<b>-384</b>	<b>-558</b>
<b>Financing operations</b>		
Change in interest-bearing investments	30	27
Change in interest-bearing liabilities	48	901
Buy-back of own shares	0	-308
Dividend to shareholders	-347	-362
Dividend to minority		-48
<b>Cash flow from the financing operations</b>	<b>-269</b>	<b>210</b>
<b>Cash flow for the period</b>	<b>-229</b>	<b>-89</b>
Liquid funds at beginning of the year	1,118	1,226
Result of shares in Boliden	-38	-121
Exchange rate differences in liquid funds	-55	51
<b>Liquid funds at end of period</b>	<b>796</b>	<b>1,067</b>

## Group Review

### Net sales

SEK M	Apr-June		Jan-June		July 2001- June 2002	Full year
	2002	2001	2002	2001		2001
Trelleborg Automotive	2,524	2,608	4,911	5,117	9,571	9,777
Trelleborg Wheel Systems	809	813	1,592	1,680	3,039	3,127
Trelleborg Engineered Systems	839	851	1,686	1,682	3,373	3,369
Trelleborg Building Systems	496	470	891	816	1,869	1,794
Other companies	200	242	412	494	928	1,010
Elimination	-81	-85	-162	-172	-307	-317
<b>Group</b>	<b>4,787</b>	<b>4,899</b>	<b>9,330</b>	<b>9,617</b>	<b>18,473</b>	<b>18,760</b>

### Operating profit

SEK M	Apr-June		Jan-June		July 2001- June 2002	Full year
	2002	2001	2002	2001		2001
Trelleborg Automotive	176	201	322	381	688	747
Trelleborg Wheel Systems	39	43	63	103	53	93
Trelleborg Engineered Systems	46	43	96	89	188	181
Trelleborg Building Systems	45	35	58	57	139	138
Group wide expenses	-32	-31	-71	-65	-160	-154
Trenor	38	33	52	61	112	121
Other companies	-3	-4	-5	-7	10	8
<b>Group, excl. non-comp. items</b>	<b>309</b>	<b>320</b>	<b>515</b>	<b>619</b>	<b>1,030</b>	<b>1,134</b>
Non-comparable items	-30	0	-43	20	-271	-208
<b>Group</b>	<b>279</b>	<b>320</b>	<b>472</b>	<b>639</b>	<b>759</b>	<b>926</b>

## Key operating ratios

	Operating margin, (ROS) % <sup>1)</sup> , rolling 12-months			Return on capital employed, (ROA) % <sup>2)</sup> , rolling 12-months		
	July 2001- June 2002	July 2000- June 2001	Full year 2001	July 2001- June 2002	July 2000- June 2001	Full year 2001
Trelleborg Automotive	6.9	6.9	7.5	12.0	12.3	13.2
Trelleborg Wheel Systems	1.8	5.8	3.0	3.1	9.9	4.9
Trelleborg Engineered Systems	5.6	4.9	5.4	11.0	9.5	10.6
Trelleborg Building Systems	7.3	9.5	7.6	16.7	19.0	16.3
<b>Group</b>	<b>4.8</b>	<b>5.4</b>	<b>5.3</b>	<b>9.8</b>	<b>11.4</b>	<b>10.6</b>
<b>Group, excl. goodwill amortization</b>				<b>11.4</b>	<b>12.8</b>	<b>12.2</b>

<sup>1)</sup> Operating profit excluding result from participation in associated companies and non-comparable items in relations to net sales.

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

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

SEK M	June 2002	June 2001	Full year 2001
Trelleborg Automotive	5,510	5,869	5,739
Trelleborg Wheel Systems	1,622	1,935	1,680
Trelleborg Engineered Systems	1,582	1,788	1,719
Trelleborg Building Systems	784	880	818
Group wide expenses	49	92	13
Trenor	210	147	177
Other companies	295	387	305
<b>Group</b>	<b>10,052</b>	<b>11,098</b>	<b>10,451</b>

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

## Cash flow report

Jan - June 2002	Profit/loss excluding associated companies and non-comp. items	Depre- ciation excl. good- will amorti- zation	Good- will amorti- zation	Gross invest- ments	Sold fixed assets	Change in working capital	Total Cash flow	Jan - June 2001
SEK M								
Trelleborg Automotive	306	199	59	-256	19	-235	92	215
Trelleborg Wheel Systems	63	67	8	-43	2	-33	64	3
Trelleborg Engineered Systems	96	53	9	-33	30	-26	129	31
Trelleborg Building Systems	56	26	9	-15	13	-6	83	6
Group items	-70	4		-4		42	-28	-157
Other companies	-5	7		-1	14	3	18	74
<b>Operating cash flow</b>	<b>446</b>	<b>356</b>	<b>85</b>	<b>-352</b>	<b>78</b>	<b>-255</b>	<b>358</b>	<b>172</b>
Acquisitions							-114	-415
Divestments							4	91
Dividend to shareholders							-347	-362
Buy back of own shares								-308
Other (financial transactions, taxes etc)							-208	-195
<b>Total</b>							<b>-307</b>	<b>-1,017</b>