



## INTERIM REPORT

*Nine months ended September 30, 2002*

**Net sales of comparable units, with comparable exchange rates, increased by 1 percent during the third quarter.**

During Q3, net sales amounted to SEK 4,186 M (4,609).

Net sales during the nine-month period amounted to SEK 13,516 M (14,226).

*See page 2*



**Profit after financial items** (excluding non-comparable items) amounted to SEK 210 M (222) during the third quarter.

The total for the nine-month period was SEK 663 M (762).

*See page 2*



**Earnings per share** (excluding non-comparable items) amounted to SEK 1.60 (1.60) during the third quarter.

Total during the nine-month period: SEK 5.25 (5.40).

*See page 2*



**Cash flow from the operations of current units increased by SEK 130 M during the period.**

*See page 2*

## **Group**

### **Net sales and earnings. *Operating profit for the Group's operating units during the third quarter was in line with the preceding year.***

The Group's net sales for the nine-month period amounted to SEK 13,516 M (14,226). Net sales of comparable units, with comparable exchange rates, declined by approximately 3 percent. Net sales during the third quarter amounted to SEK 4,186 M (4,609). Net sales of comparable units, with comparable exchange rates, increased by 1 percent during the third quarter.

Operating profit, excluding non-comparable items, amounted to SEK 759 M (885). 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. Profit from the Group's operating units during the third quarter was in line with the preceding year but profit as a whole was down slightly due to temporarily higher central costs and the preceding year's operating result for Metech.

The Group's net financial expense amounted to SEK 96 M (expense: 123). Boliden shares affected non-comparable items negatively in the amount of SEK 159 M (neg: 121), of which expenses of SEK 121 (0) related to the third quarter.

Group profit after financial items amounted to SEK 461 M (661), and to SEK 663 M (762) excluding non-comparable items. For the third quarter, Group profit after financial items, excluding non-comparable items, amounted to SEK 210 M (222).

### **Earnings per share, *excluding non-comparable items, in line with 2001 at SEK 1.60 (1.60) during the third quarter.***

Earnings per share for the nine-month period amounted to SEK 3.55 (4.65), and to SEK 5.25 (5.40) excluding non-comparable items. During the third quarter, earnings per share were SEK 0.60 (1.60) including and SEK 1.60 (1.60) excluding non-comparable items. (See table on page 7).

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

*Cash flow from operations totaled SEK 677 M (726).*

Capital employed by the Group amounted to SEK 9,984 M (11,064) as of September 30, 2002. Net financial debt amounted to SEK 3,088 M (debt: 2,977). Liquid funds include Boliden shares with a book value of SEK 66 M. The book value of the Group's holding of Trenor Holding shares is SEK 223 M.

The debt/equity ratio at the close of the period was 41.1 (34.8) percent. The equity/assets ratio was 47.2 (45.5) percent. Shareholders' equity per share at the close of the period (based on approximately 86 million shares outstanding) amounted to SEK 85.70 (87.10). The return on shareholders' equity was 5.5 percent (7.1).

The Group's cash flow from operations amounted to SEK 677 M (726) and investments totaled SEK 501 M (441). For current units (excluding Metech, divested in Q3) cash flow from operations increased by SEK 130 M, compared with the preceding year. The strong cash flow derived mainly from measures to improve the efficiency of working capital.

## **Business Area reports**

**Trelleborg Automotive.** *Adjusted for exchange rates, sales in the quarter were in line with the preceding year; margins were slightly weaker.*

Net sales of the Business Area amounted to SEK 7,069 M (7,446). Adjusted for exchange rates, sales in the third quarter were in line with the corresponding quarter of 2001. Operating profit for the Business Area was SEK 441 M (538). Operating profit in the third quarter was SEK 119 M (157). The business area's cash flow from operations for the period was SEK 320 M (505).

Following a very weak first quarter, European car production developed in line with the preceding year during the second and third quarters. Car production during the first nine months of 2002 declined by about 4 percent. In North America, light vehicle production developed strongly during the period, particularly during the third quarter. During the nine-month period, light vehicle production in North America rose by approximately 7 percent.

In Europe, Trelleborg's sales largely followed the market trend. In North America, the Business Area noted slightly lower sales than the market in general during the third quarter, due to model changes and the phasing out of licensed manufacturing.

The third-quarter operating margin was adversely affected by slightly more than 1 percent due to delays in the launch of certain customer orders in Europe and running-in expenses. It is expected that this will largely be remedied by the beginning of 2003. Price deflation, cost increases in the payroll, materials and insurance areas were offset by increased productivity and the positive effects of restructuring programs.

Integration work within the European AVS organization is continuing, with further personnel reductions as a result. A major project is underway at the German plant in Breuberg, from which parts of the production will be relocated to Business Area plants in Spain and Turkey. To raise production structure efficiency, Trelleborg Stanton closed the facility in Bow during the period and relocated the production of damping material to other plants in the Business Area. By year-end, it is estimated that the Business Area workforce will have been cut by a total of 7 percent.

The new production line for Applied Damping Material (ADM) products in Kalmar, Sweden, was inaugurated and operations commenced during the period. The Business Area has secured some 50 project orders for ADM applications and has four products in series production for customers in the US and Europe.

### **Trelleborg Wheel Systems.**

*Restructuring measures generated positive effect on third-quarter earnings.*

Net sales for the period amounted to SEK 2,287 M (2,400). Excluding exchange-rate effects, net sales for the third quarter were slightly up on Q3 2002. Operating profit for the period was SEK 94 M (110). Operating profit for the third quarter amounted to SEK 31 M (7). Cash flow from the Business Area's operations was highly positive in an amount of SEK 94 M (24).

The Business Area's markets are beginning to show signs of improvement, particularly the market for farming equipment in Europe (Agricultural Tires). The negative trend that commenced in Industrial Tires during the second quarter of 2001 has now been reversed and some recovery was noted during the third quarter of 2002, both in Europe and North America, compared with the preceding year.

The measures initiated in the final quarter of 2001 to adapt the structure of the Business Area generated a positive effect in the third quarter. The estimated SEK 70 M effect of the program on annual earnings stands firm. Furthermore, the effect is expected to be felt slightly earlier, with nearly half anticipated during the current year. The costs related to the implementation of the program are largely in line with the reserved levels.

The cost of purchasing various types of polymer material increased during the third quarter but the Business Area offset the effects through improved product and channel mix and price increases.

### **Trelleborg Engineered Systems.**

*Earnings continue to increase as a result of improved product mix and higher efficiency*

Net sales during the first nine months of the year amounted to SEK 2,482 M (2,518). The decrease in sales in the third quarter compared with the corresponding quarter of 2001 was mainly the result of exchange-rate effects. Operating profit for the period rose 7 percent to SEK 145 M (135). Operating profit for the third quarter amounted to SEK 49 M (46).

The business area's capital management was successful and resulted in a strong operating cash flow of SEK 201 M (94).

The improvement in earnings derived from more focused improvement activities in all units.

Demand for Industrial Supplies remained weak in North America and Europe. There was stable demand from infrastructure and oil industry customers, however, and during the third quarter major deliveries of oil transport hose were made to Nigeria. The delivery value of the order was approximately SEK 40 M. During the third quarter, several significant orders were secured from infrastructure customers in the US and Panama, among other markets.

Earnings in the Trelleborg Elastomer Laminates unit were positively affected by a more efficient production structure.

### **Trelleborg Building Systems.**

*Favorable growth improved the Business Area's operating margin*

Net sales during the period increased to SEK 1,425 M (1,323) and operating profit to SEK 127 M (111). During the third quarter, sales increased significantly compared with the preceding year and operating profit rose to SEK 69 M (54).

The Business Area reported a positive sales trend for most of its units.

During the period, the Business Area invested in market campaigns within both Sealing Products and Waterproofing Systems, with good results.

During the third quarter, operations developed positively within Sealing Profiles and improved earnings were noted as a result of the unit's efficiency-enhancement measures.

The market investments made by Waterproofing Systems generated good growth, which in combination with the unit's efficiency-enhancement and integration measures led to a clear improvement in earnings.

The Business Area's cash flow from operations rose to SEK 132 M (62).

## ***Other operations***

### **Trenor (49 percent)**

Trelleborg's participation (49 percent) in pre-tax earnings of the Trenor Group – the former Trelleborg Distribution sector – amounted to SEK 70 M (85). Participation in the pre-tax earnings for the third quarter totaled SEK 18 M (24).

### **Metech**

During the third quarter, operations of Metech, the American metal-recycling company, was formally taken over by Viking, an investment company listed in South Africa. The sale of the Metech operations, which resulted in a loss of SEK 30 M that was charged to the earnings of the Trelleborg Group during the second quarter, contributed a positive cash flow effect of approximately SEK 120 M during the third quarter.

### **Boliden**

Trelleborg's holding in Boliden now amounts to 5.2 million shares (approximately 6 percent). A market valuation of the shareholding in Boliden had a negative effect on earnings of SEK 121 M (0) during the period. The book value of the holding is SEK 66 M.

### **Buy-back of own shares**

During the period, Trelleborg repurchased 548,200 of its own shares. Since the end of the nine-month period, an additional 411,000 shares have been repurchased. In total, the Group now owns 4,920,000 of its own shares. The Annual General Meeting has granted the Board a mandate extending up to the 2003 AGM to buy-back up to 10 percent of the total number of shares outstanding, which means that slightly more than 9 million shares can be repurchased, in total.

### **Information on asbestos issues relating to Goodall**

Since the early 90-ies and together with hundreds of other US companies, one of Trelleborg's US subsidiaries, the distribution company Goodall Inc, has been involved in lawsuits relating to asbestos containing products from the 30-ies and 40-ies

The lawsuits concerned are of the type mass-suits and Goodall's involvement is viewed as being only very peripheral. All claims have been dismissed for lack of connection with Goodall. Consequently no settlements have been made.

Goodall has an insurance cover for asbetosclaims and the company's insurers carry the costs of litigation. More than 90% of the claims have already been dismissed and the issues will be handled in the same way in the future.

## Outlook

*Production in the North American light vehicle industry has developed strongly during the year and is estimated to increase by 5 percent compared with 2001.*

*Following a very weak first quarter, European car production has shown more robust development and estimates for the full year now indicate that production will be down approximately 4 percent on the preceding year.*

*Demand in many of the segments of the Group's other business areas has stabilized and there are signs of gradual improvements in the second half of the year.*

*The medium-term trend of demand is continuously difficult to assess in our most important markets.*

*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 decided for Wheel Systems has now been largely implemented and the business area is expected to gradually increase its earnings during the remainder of the year.*

*To cope with a weak market trend, 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, November 5, 2002

Fredrik Arp  
President

This interim report has been prepared in accordance with recommendations of the Swedish Financial Accounting Standards Council (RR). The accounting principles applied are the same as in the most recent annual accounts. The report has not been examined in detail by the Group's auditors.

This interim report as well as other information on the Trelleborg Group, including the T-TIME magazine for persons with a stake in the Group, are also available on the Internet at the following address: [www.trelleborg.com](http://www.trelleborg.com)

The preliminary year-end report for 2002 will be released on February 5, 2003.

The interim report for the first three months of 2003 will be released on April 24, 2003.

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## Income Statements

<b>Group</b> SEK M	July – Sep		Jan – Sep		Oct 2001- Sep 2002	Full year 2001
	2002	2001	2002	2001		
Net sales	4 186	4 609	13 516	14 226	18 050	18 760
Cost of goods sold	-3 271	-3 682	-10 580	-11 222	-14 147	-14 789
<b>Gross profit</b>	<b>915</b>	<b>927</b>	<b>2 936</b>	<b>3 004</b>	<b>3 903</b>	<b>3 971</b>
Selling, administration and R&D expenses	-734	-776	-2 383	-2 407	-3 215	-3 239
Non-comparable items	-	-	-43	20	-271	-208
Other operating revenues and expenses	39	87	113	193	183	263
Result from participation in associated companies	24	28	93	95	137	139
<b>Operating profit</b>	<b>244</b>	<b>266</b>	<b>716</b>	<b>905</b>	<b>737</b>	<b>926</b>
Financial income and expenses	-34	-44	-96	-123	-131	-158
Result of shares in Boliden	-121	-	-159	-121	-79	-41
<b>Profit after financial items</b>	<b>89</b>	<b>222</b>	<b>461</b>	<b>661</b>	<b>527</b>	<b>727</b>
Taxes	-31	-68	-143	-198	-145	-200
Minority shares	-4	0	-10	-9	-13	-12
<b>Net profit for the period</b>	<b>54</b>	<b>154</b>	<b>308</b>	<b>454</b>	<b>369</b>	<b>515</b>

<b>Profit excluding non-comparable items</b> SEK M	July – Sep		Jan – Sep		Oct 2001- Sep 2002	Full year 2001
	2002	2001	2002	2001		
<b>Operating profit, excl. non-comp. items</b>	<b>244</b>	<b>266</b>	<b>759</b>	<b>885</b>	<b>1 008</b>	<b>1 134</b>
<b>Profit after financial items, excl. non-comparable items</b>	<b>210</b>	<b>222</b>	<b>663</b>	<b>762</b>	<b>877</b>	<b>976</b>
<b>Net profit, excl. non-comp. items</b>	<b>140</b>	<b>153</b>	<b>454</b>	<b>526</b>	<b>648</b>	<b>720</b>

<b>Earnings per share</b> SEK	July – Sep		Jan – Sep		Oct 2001- Sep 2002	Full year 2001
	2002	2001	2002	2001		
Earnings per share <sup>1)</sup>	0,60	1,60	3,55	4,65	4,25	5,35
Earnings per share, excl. non-comparable items <sup>1)</sup>	1,60	1,60	5,25	5,40	7,30	7,45
Earnings per share, excl. non-comp. items and goodwill amortization <sup>1)</sup>	2,05	2,00	6,55	6,50	9,05	9,00
Earnings per share after full conversion <sup>2)</sup>	0,65	1,55	3,50	4,50	4,20	5,20

*Number of shares at end of period, excluding own holdings*

86 098 372    96 646 572    86 098 372    96 646 572    86 098 372    86 646 572

*Number of shares at end of period, excluding own holdings after full conversion*

90 576 076    102 218 229    90 576 076    102 218 229    90 576 076    92 918 166

<sup>1)</sup> Average number of shares, excluding own holdings

86 489 422    96 646 572    86 583 712    97 471 932    88 905 910    96 512 234

<sup>2)</sup> Average number of shares, excluding own holdings after full conversion

90 848 414    102 218 166    91 061 416    102 910 193    93 260 072    100 731 462

## Balance Sheets

<b>Group</b>	Sep 30	Sep 30	Dec 31
SEK M	2002	2001	2001
Intangible fixed assets	2 650	2 865	2 958
Tangible fixed assets	4 938	5 558	5 293
Financial fixed assets	1 268	1 195	1 182
Inventories	2 039	2 581	2 428
Receivables	4 508	5 556	4 743
Liquid funds	491	1 064	1 118
<b>Total assets</b>	<b>15 894</b>	<b>18 819</b>	<b>17 722</b>
Shareholders' equity	7 380	8 419	7 690
Minority shares	126	135	139
Provisions	1 142	1 232	1 309
Long-term liabilities	3 487	4 073	4 316
Current liabilities	3 759	4 960	4 268
<b>Total shareholders' equity, provisions and liabilities</b>	<b>15 894</b>	<b>18 819</b>	<b>17 722</b>

<b>Specification of changes in shareholders' equity</b>	Sep 30	Sep 30	Dec 31
SEK M	2002	2001	2001
Opening balance	7 690	8 552	8 552
Dividend	-347	-362	-362
Purchase of own shares	-43	-308	-1 135
Translation differences	-513	191	402
Exchange-rate differences	285	-108	-282
Net profit for the year	308	454	515
Closing balance	7 380	8 419	7 690

## Key Figures

<b>Group</b>	Jan – Sep		Oct 2001-	Full year
	2002	2001	Sep 2002	2001
Investments in plant, SEK M	501	441	702	642
Financial assets minus liabilities at end of period, SEK M	-3 088	-2 977		-3 267
Debt/Equity ratio, %	41,1	34,8		41,7
Equity/Assets ratio, %	47,2	45,5		44,2
Shareholders' equity per share, SEK <sup>1)</sup>	85,70	87,10		88,70
Return on shareholders' equity, %	5,5	7,1	4,7	6,3
Return on shareholders' equity, excl. non-comp. items, %	8,0	8,3	8,2	8,9
Return on shareholders' equity, excl. non-comp. items and goodwill amortization, %	10,0	9,9	10,2	10,7

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



## Cash flow analysis

SEK M	Jan – Sep 2002	Jan – Sep 2001
<b>Ongoing operations</b>		
Operating profit	716	905
<i>Reversals</i>		
Depreciation	638	658
Non-comparable items	43	-20
Result from participations in associated companies	-93	-95
	<b>1 304</b>	<b>1 448</b>
Financial items	54	-408
Taxes paid	-47	-150
<b>Cash flow from ongoing operation before changes in working capital</b>	<b>1 311</b>	<b>890</b>
Changes in inventories	37	119
Changes in operating receivables	-247	-135
Changes in operating liabilities	-11	-355
Changes in other receivables and liabilities	-251	20
<b>Cash flow from ongoing operations</b>	<b>839</b>	<b>539</b>
<b>Investment operations</b>		
Acquisitions	-106	-486
Gross investments in tangible and intangible assets	-501	-441
Sale of equipment	95	90
Divestments	129	91
<b>Cash flow from investment operations</b>	<b>-383</b>	<b>-746</b>
<b>Financing operations</b>		
Change in interest-bearing investments	32	50
Change in interest-bearing liabilities	-508	785
Buy-back of own shares	-43	-308
Dividend to shareholders	-347	-362
Dividend to minority	-2	-52
<b>Cash flow from the financing operations</b>	<b>-868</b>	<b>113</b>
<b>Cash flow for the period</b>	<b>-412</b>	<b>-94</b>
Liquid funds at beginning of the year	1 118	1 226
Result of shares in Boliden	-159	-121
Exchange rate differences in liquid funds	-54	53
<b>Liquid funds at end of period</b>	<b>493</b>	<b>1 064</b>

## Group Review

### Net sales

SEK M	July - Sep		Jan - Sep		Oct 2001- Sep 2002	Full year 2001
	2002	2001	2002	2001		
Trelleborg Automotive	2 158	2 329	7 069	7 446	9 400	9 777
Trelleborg Wheel Systems	695	720	2 287	2 400	3 014	3 127
Trelleborg Engineered Systems	796	836	2 482	2 518	3 333	3 369
Trelleborg Building Systems	534	507	1 425	1 323	1 896	1 794
Other companies	68	281	480	775	715	1 010
Elimination	-65	-64	-227	-236	-308	-317
<b>Group</b>	<b>4 186</b>	<b>4 609</b>	<b>13 516</b>	<b>14 226</b>	<b>18 050</b>	<b>18 760</b>

### Operating profit

SEK M	July - Sep		Jan - Sep		Oct 2001- Sep 2002	Full year 2001
	2002	2001	2002	2001		
Trelleborg Automotive	119	157	441	538	650	747
Trelleborg Wheel Systems	31	7	94	110	77	93
Trelleborg Engineered Systems	49	46	145	135	191	181
Trelleborg Building Systems	69	54	127	111	154	138
Group wide expenses	-41	-32	-112	-97	-169	-154
Trenor	18	24	70	85	106	121
Other companies	-1	10	-6	3	-1	8
<b>Group, excl. non-comp. items</b>	<b>244</b>	<b>266</b>	<b>759</b>	<b>885</b>	<b>1 008</b>	<b>1 134</b>
Non-comparable items	-	-	-43	20	-271	-208
<b>Group</b>	<b>244</b>	<b>266</b>	<b>716</b>	<b>905</b>	<b>737</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		
	Oct 2001- Sep 2002	Oct 2000- Sep 2001	Full year 2001	Oct 2001- Sep 2002	Oct 2000- Sep 2001	Full year 2001
Trelleborg Automotive	6,6	7,0	7,5	11,5	12,6	13,2
Trelleborg Wheel Systems	2,7	4,8	3,0	4,7	8,0	4,9
Trelleborg Engineered Systems	5,7	5,4	5,4	11,4	10,6	10,6
Trelleborg Building Systems	8,0	8,4	7,6	18,9	17,7	16,3
<b>Group</b>	<b>4,8</b>	<b>5,3</b>	<b>5,3</b>	<b>9,7</b>	<b>11,1</b>	<b>10,6</b>
<b>Group, excl. goodwill amortization</b>				<b>11,4</b>	<b>12,6</b>	<b>12,2</b>

<sup>1)</sup> Operating profit excluding result from participatins 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	Sep 2002	Sep 2001	Full year 2001
Trelleborg Automotive	5 489	5 832	5 739
Trelleborg Wheel Systems	1 660	2 010	1 680
Trelleborg Engineered Systems	1 561	1 796	1 719
Trelleborg Building Systems	807	911	818
Group wide expenses	47	45	13
Trenor	223	172	177
Other companies	197	298	305
<b>Group</b>	<b>9 984</b>	<b>11 064</b>	<b>10 451</b>

<sup>1)</sup> Total assets minus interest-bearing investments and non-interest-bearing operating liabilities.

## Cash flow report

Jan - Sep 2002	Profit/loss excluding associated companies and non-comp. items	Depre- ciation excl. gw. amorti- zation	Good- will amorti- zation	Gross invest- ments	Sold fixed assets	Change in working capital	Total Cash flow	Jan - Sep 2001
SEK M								
Trelleborg Automotive	419	289	87	-347	32	-160	320	505
Trelleborg Wheel Systems	94	94	13	-71	2	-38	94	24
Trelleborg Engineered Systems	145	78	13	-54	30	-11	201	94
Trelleborg Building Systems	125	36	13	-22	17	-37	132	62
Group items	-111	6		-5		48	-62	-142
Other companies	-6	9		-2	14	-23	-8	183
<b>Operating cash flow</b>	<b>666</b>	<b>512</b>	<b>126</b>	<b>-501</b>	<b>95</b>	<b>-221</b>	<b>677</b>	<b>726</b>
Acquisitions							-106	-486
Divestments							129	91
Dividend to shareholders							-347	-362
Buy back of own shares							-43	-308
Other (financial transactions, taxes etc)							-246	-590
<b>Total</b>							<b>64</b>	<b>-929</b>